

The Power of Pooling in a Challenging Insurance Market

Presented by

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Today's discussion will ...

- Share current trends in health, safety, and property/liability
- Talk about the challenges in today's insurance market
- Discuss what you can do as municipal leaders to manage risk and contain costs
- Share what the *AWC* member pools are doing to partner with cities in these efforts



Health care trends



Sharp rise in Rx trends, particularly
Specialty Drugs

GLP-1
Cancer treating



Increased number of high-cost claimants



Diminished access to primary care

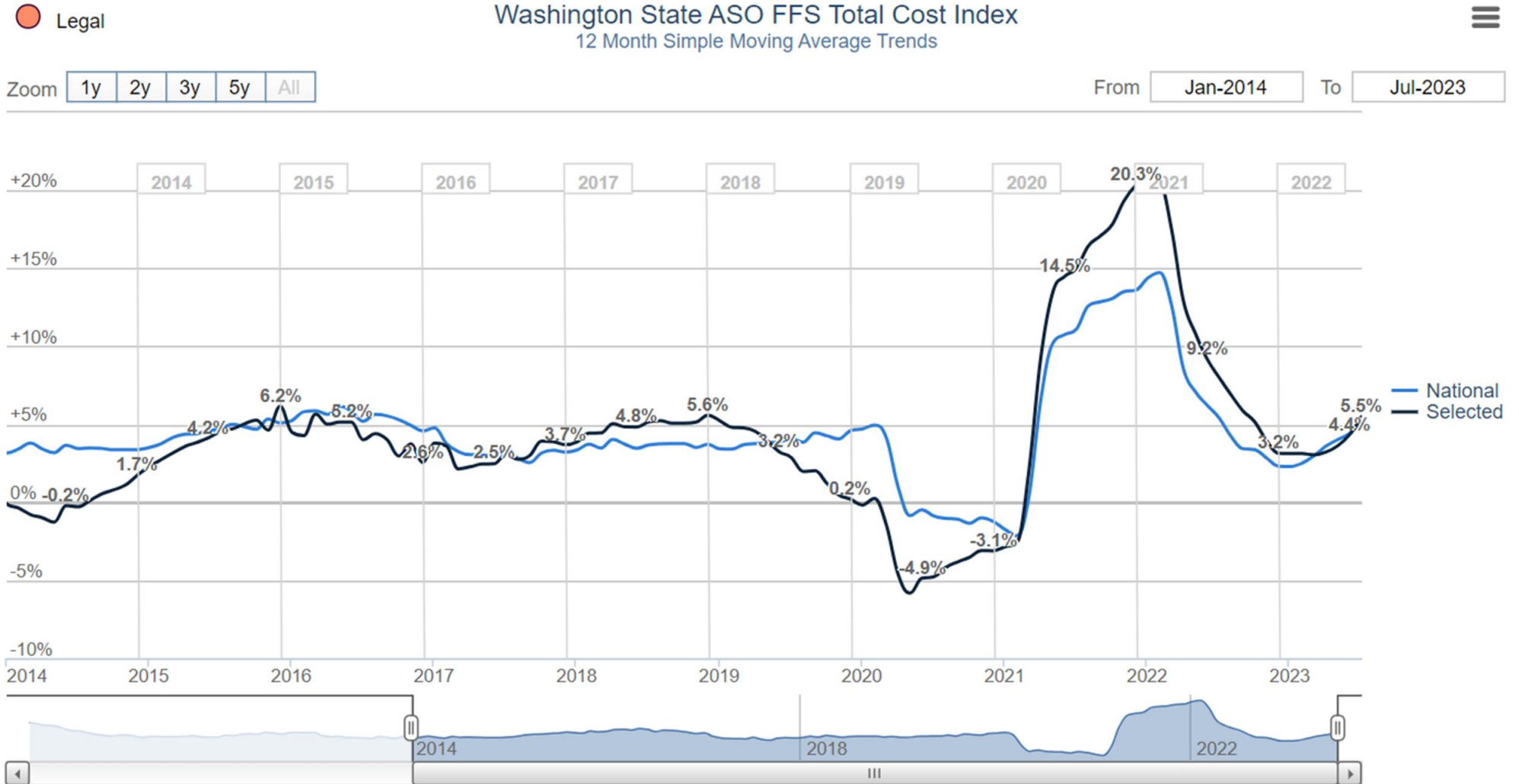
Mental health
General practitioners



Mergers & acquisitions of providers



Milliman Health Trend Guidelines—National and Washington State



Top 10 Conditions for High-cost Claimants AWC Trust Statistics

Regence

High-cost Claimants top 10 Conditions/Products			
Medical	Total Allowed Cost	Rx	Total Allowed Cost
Chemotherapy	\$5.6M	Humira	\$4.0M
Cardiac Arrhythmias	\$4.7M	Stelara	\$2.0M
Infections	\$4.5M	Enbrel	\$1.2M
Osteoarthritis	\$4.3M	Cosentyx	\$1.0M
Other Conditions	\$3.5M	Skyrizi	\$1.0M
Spinal/Low Back	\$3.0M	Revlimid	\$757k
Cancer – Breast	\$2.2M	Trikafta	\$597k
Coronary Artery	\$2.0M	Empaveli	\$487k
Musculosk-Congenital	\$1.8M	Calquence	\$429k
Conditions Rel to Tx	\$1.7M	Rinvoq	\$385k

Kaiser

High-cost Claimants top 10 Conditions/Products			
Medical	Total Allowed Cost	Rx	Total Allowed Cost
Cancer – Lymphoma	\$918k	Stelara	\$581k
Chemotherapy	\$747k	Cosentyx	\$475k
Conditions Rel to Tx	\$681k	Humira	\$315k
Infections	\$637k	Fintepla	\$213k
Cardiac Arrhythmias	\$630k	Enbrel	\$211k
Crohn’s Disease	\$533k	Sprycel	\$178k
Osteoarthritis	\$478k	Amjevita	\$146k
Diverticular Disease	\$373k	Skyrizi	\$125k
Renal Function Failure	\$300k	Amjevita Sureclick	\$112k
Cerebrovascular Disease	\$295k	Promacta	\$81k



Source: Merative, rolling incurred 12-month data from 2022 October through 2023 September

Your leadership has an impact



Leaders lead the way

Support from leadership is so critical to building a culture of health that it is one of the six WellCity Standards. Messages sent by leaders, through their words and their actions, speak volumes about their commitment to employee health.

WellCities work to improve health and reduce premium increases. Join the movement!

"Leadership participation in wellness initiatives is paramount for creating a culture of health and well-being within organizations. When leaders are actively involved, it sends a powerful message to employees that wellness is a priority."
— Katrina Knutson, City Administrator, City of Gig Harbor

85%
work at WellCities
Trust-insured population

Making a difference – WellCities are bending the trend!

Medical claims costs are 6.9% lower for WellCities	Hospitalization admissions are 2.3% fewer for WellCities	Emergency room costs are 6.6% lower for WellCities	WellCities spend 17.3% less less on prescription drugs
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Association of Washington Cities - Employee Benefit Trust



- Member service of AWC
- Member driven pool
 - Board of Trustees
 - Employee Benefits Advisory Committee
- 280 participating entities
- 18,000 employees
- 36,000 lives

AWC Trust – actively addressing trend

- RFP for Pharmacy Benefit Management (PBM) services
- Governance discussions about GLP-1
- Prioritizing messages of mental well-being and primary care
- Quarterly discussions with Executive management at Regence & Kaiser
 - Provider negotiations
 - High cost claimants



An invitation for thoughts and questions

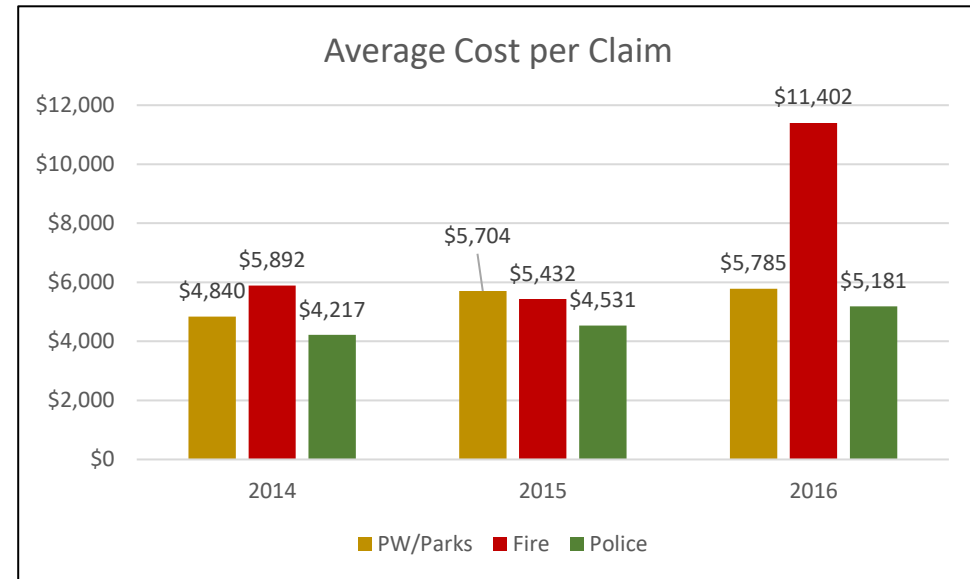
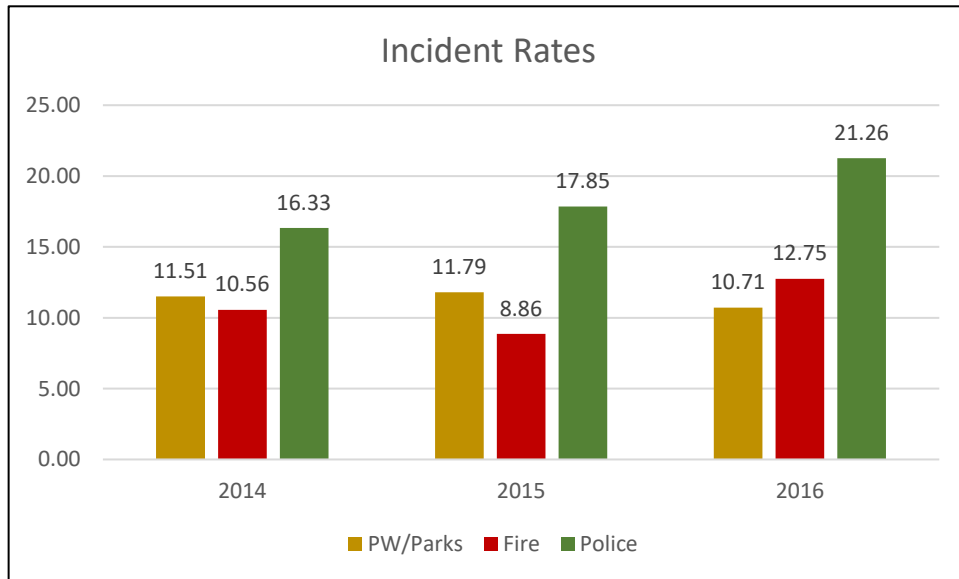


Workplace safety/work comp trends

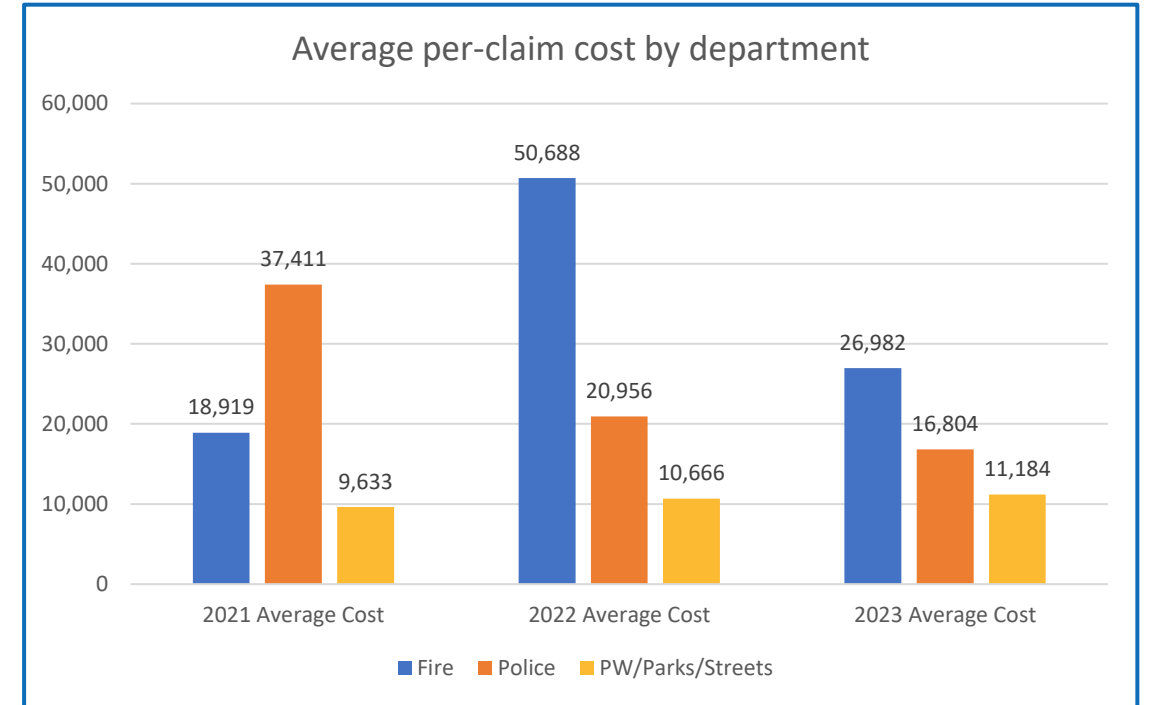
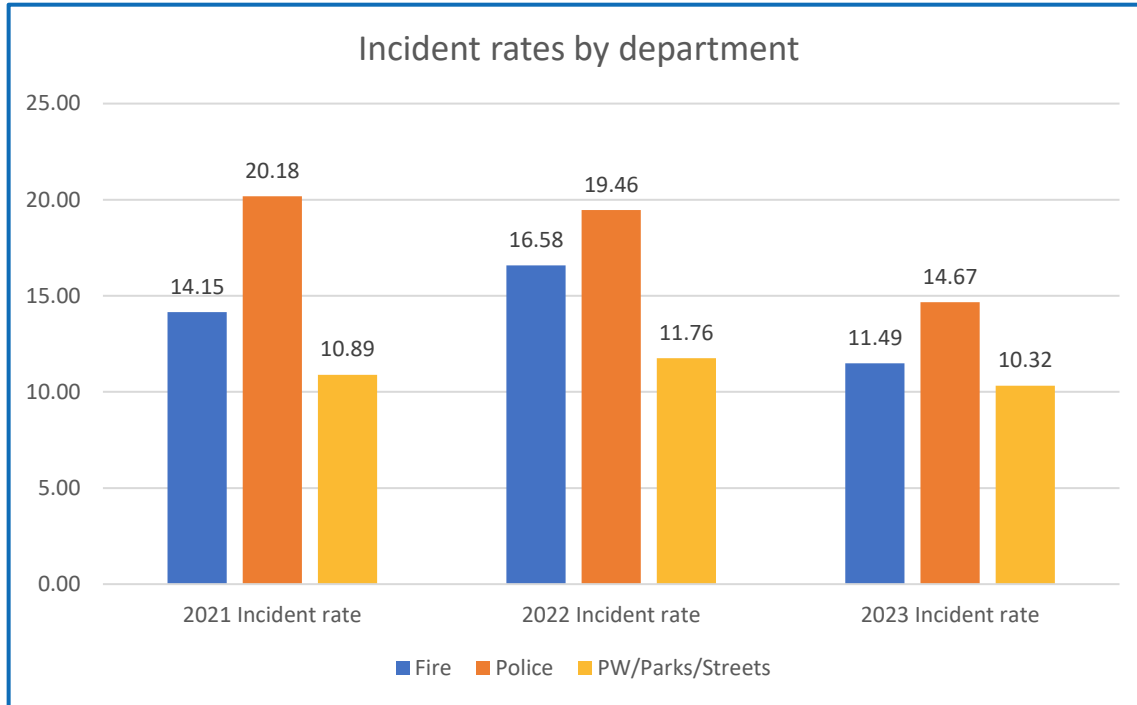
- PTSD
- Rise in all public safety claims
- Overall increased cost of care
- Musculoskeletal still leads the pack in claims cost
- L&I's rate suppression tab will come do – when will the suppression end?



Work Comp claim trends

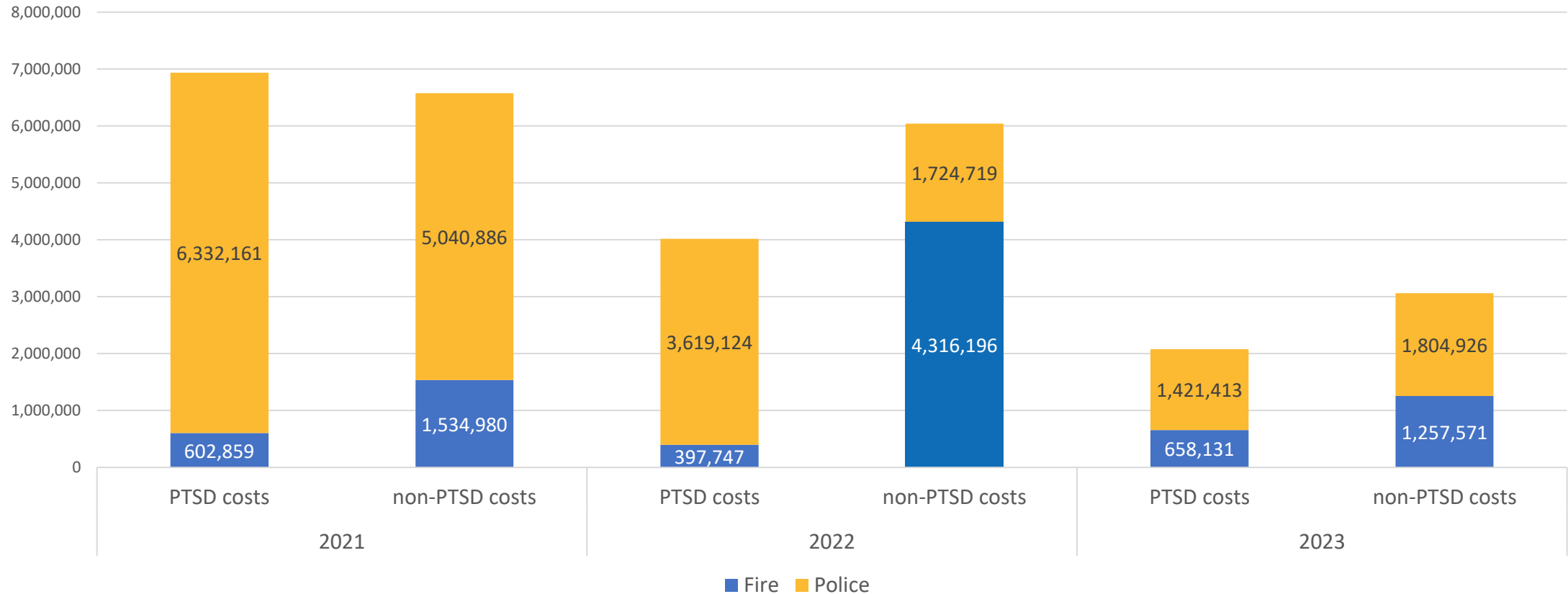


Workers' Comp claim trends

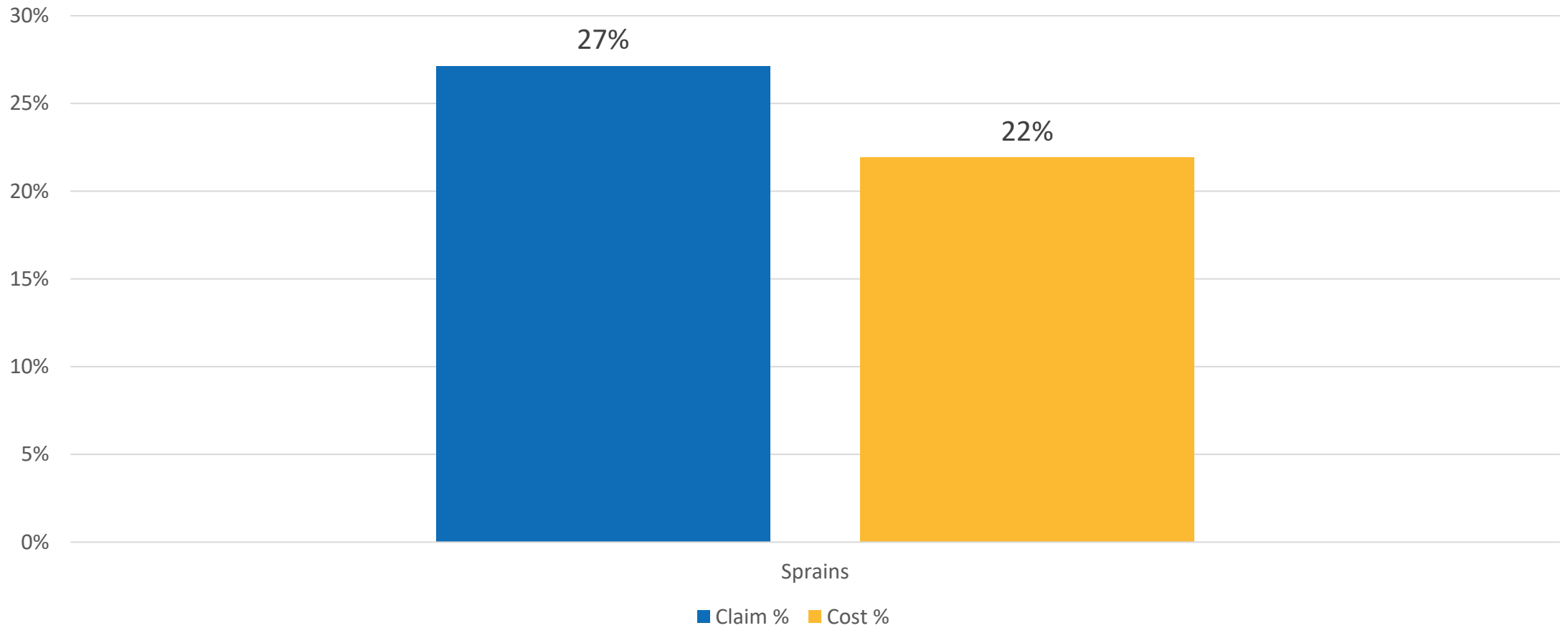


Public Safety PTSD costs

Public Safety PTSD and non-PTSD claims costs

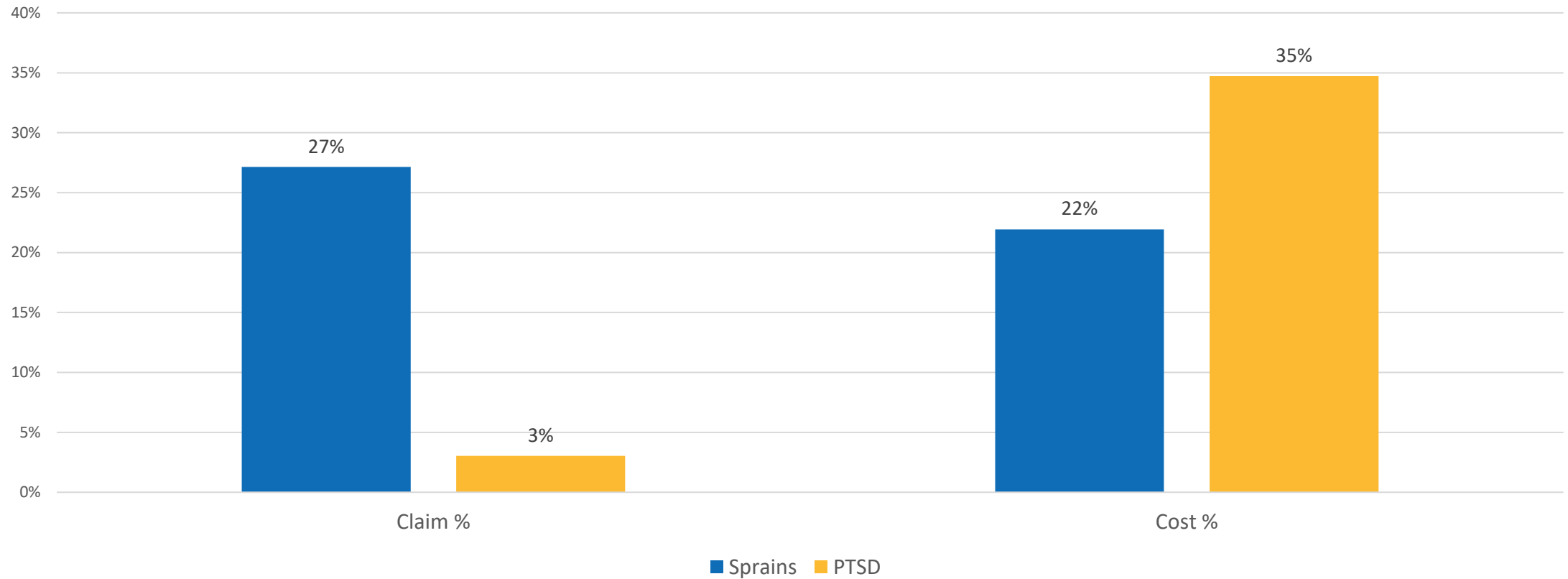


Movement related claims



Shifts in overall cost leaders

Movement vs. PTSD claims, rate and cost



Rate graph showing increases in base rates

Worker Risk Class	2024 % change from 2023	3-year change
City public works/parks	+7%	+15%
City office & administration	+8%	+21%
City/County law enforcement *	+15%	+34%
City/County firefighters *	+15%	+32%

*Actuarially-derived rate increases for 2024 were 30-40% for these risk classes

Your leadership has an impact

- Prioritizing a safety culture
- Peer support programs for public safety (ESSHB 2311)
 - CJTC to convene a task force on first responder wellness
 - Develop 40-hour training program for peer support
 - Develop model policies
 - Provide grant funding for implementation
 - Create peer support network and directory of license professionals
- Creating a culture of support for staff



AWC Workers' Comp Retro Program



A voluntary financial program offered by L&I that allows like-industry employer (i.e., local governments) to pool their efforts to reduce industrial insurance costs



This is achieved through enhanced claims management, training, and an emphasis on workplace safety.

AWC Retro – actively addressing trend

- “Every employee, home safe, every night” – emphasizing the value of AWC Retro Program’s leadership message with elected officials
- Connecting with L&I at all levels to address adverse impact of PTSD claims
- Proactive claims management – collaboration with employers to ensure optimal outcomes
- On-site assessments to promote healthy & safe work environments



An invitation for thoughts and questions



Risk management trends

Hard market for the past 5 years and still going strong

Cyber attacks on the rise

Nuclear verdicts in a no-cap liability state

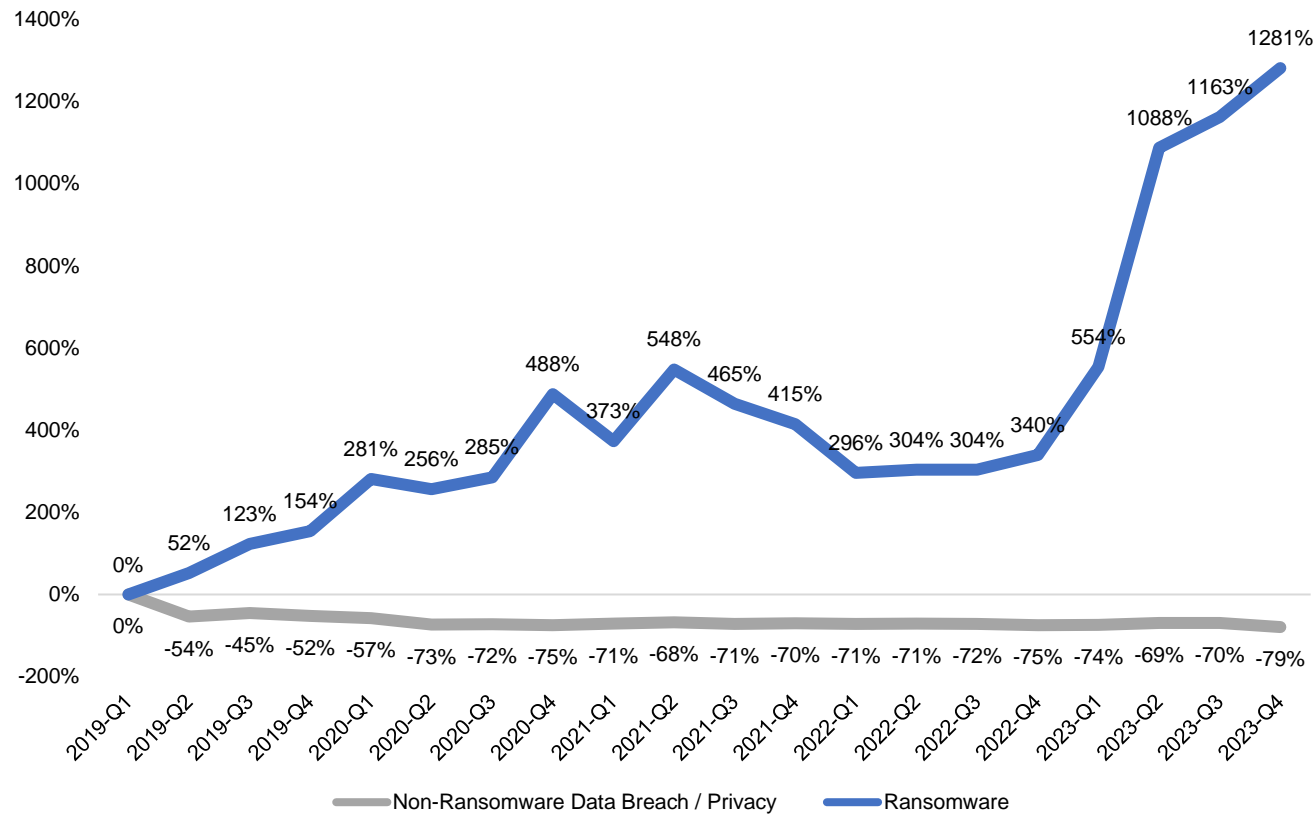
Weather events – more frequent & severe

Aging infrastructure with limited funding to repair

Employee fidelity



Cyber Incident Rates Indexed to Q1 2019



- Key Observations:
 - Ransomware activity has continued to **accelerate through Q4 2023**
 - **Ransomware Events are up 1,281%** from Q1 2019 to Q4 2023
 - Compared to Q3 2023:
 - Ransomware Events are up 9%
 - Non-Ransomware Data Breach/Privacy Events are down 32%
- The most commonly impacted industries by Ransomware in Q4 2023 were:
 - Public Entities
 - Business Professional Services
 - Manufacturing
 - Healthcare
 - Real Estate/Construction
 - Education



Your leadership has an impact

- Stay vigilant to addressing your risk exposures - Your commitment to mitigating risk at your city to the best of your ability – within budget, staffing resources – is vital
- Be aware of how policy decisions at the local level can drive your costs
- Help AWC to educate local and state elected officials that liability exposures in our state:
 - drive up cost for taxpayers
 - stress local government funding
 - jeopardize access to cost-effective coverage



AWC RMSA

- The AWC-sponsored property and liability program for cities, towns and special purpose districts.
- Under RCW 48.62, AWC RMSA is jointly self-insuring risk and purchasing reinsurance to address claims exposure for general liability, crime, cyber, property, and other lines of coverage.
- By sharing risk and joint indemnification of losses, members minimize loss exposure and stabilize insurance costs.

AWC RMSA – actively addressing trend

- Balancing rate impact and strong financial pool reserves
- Helping members stay vigilant to addressing risk exposures – it's a year-round focus!
- Partnership with NLC
 - Pooling with other municipal league sponsored pools across the country has helped to smooth reinsurance rates
 - Cyber pilot



AWC RMSA & Cybersecurity

RMSA offers cyber coverage to our members. In partnership with NLC and vendor VC3 on the Cyber Pilot Project, RMSA's goals include:

- Reduce the risk of cyber claims by offering further cyber protection in an increasingly unsafe digital environment.
- Educate members on cybersecurity Member Standards with an initial pilot focus on small members who may have no in-house or contracted IT staff.
- Fulfilling our mission to proactively provide coverages and resources for our members.
- Showcase a more appealing pool to cyber reinsurers with these cybersecurity protections in place.

Cyber Roadmap Pilot

AWC RMSA partnering with NLC RISC/MIC and VC3 to pilot cybersecurity services:

- **Onboarding:** Discovery calls to assess current cybersecurity measures and digital scope. Onsite visit to review the existing cybersecurity technologies in place protecting servers and workstations/laptops and deploy pilot cybersecurity services.
- **Data Backup:** Offsite data backup storage for critical servers (or critical workstations, if there are no servers).
- **Email Advanced Threat Protection (ATP):** Encrypts your email, scans it for malware, and stops most phishing and spam attempts from ever reaching employees.
- **Endpoint Detection and Response (EDR):** Detects malware and potential cyberattacks on endpoint devices (servers, workstations, laptops, etc.) preventing them from spreading across the network.
- **Multifactor Authentication (MFA):** Multi-step account login process that requires users to verify their identity in more than one way.
- **Security Awareness Training (SAT):** Phishing tests and security awareness training to keep municipal staff and elected officials sharp, skilled, and smart when encountering cyberattacks through emails, text messages, social media, or by phone.

We value your input and questions

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