



Albuquerque Public Schools  
Risk Insurance: Fiscal Year 2018  
**Legislative Finance Committee**  
*August 18, 2017*

**Representative Patricia Lundstrom, Chair**  
**Senator John Arthur Smith, Vice Chair**

# Risk Management Overview

The Risk Management department has been a separate department within Albuquerque Public Schools (APS) for over forty years. The APS Risk Management Program continues to be self-insured. The primary function of the Risk Management Department is to preserve the assets of Albuquerque Public Schools by providing our employees and the public with the highest level of Safety and Claims management services. The Risk Management department's two main areas of operation are loss control and claims management.

The loss control department is charged with the oversight of the safety programs for of all of the various schools and departments within the District. The department visits and inspects each school facility every year with over 140 schools inspected annually. They report on safety issues and suggest areas of improvement to prevent and mitigate losses. This department is also in charge of the District's hazardous waste management program as well as chemical safety management and bio-hazardous waste management. The department works in conjunction with the State's Workers' Compensation Administration (WCA), State and Federal Occupational Health and Safety Administration (OSHA), local Fire Safety officials and other governmental entities. The Risk Management department continues to monitor all school fire drills and works closely with fire safety officials and school administrators to develop site safety and evacuation plans

The Risk Management claim department handles claims made by entities and individuals against the school district. The Albuquerque Public Schools is self-insured for all workers compensation, property and casualty exposures. Although self-insured, the Albuquerque Public School district has insurance for large claims in excess of the self-insured limit. All claims for these loss exposures are self-administered with APS claims staff. The self-insured program has existed for decades. The district's liability and property claims have been self-administered with its own claim staff. The District is currently using the Third-Party Claims management services of CCMSI to adjust its workers' compensation claims.

The risk management department provides support services and research to other departments. These support services such as research of types and locations of accident. Our Facilities and Design Department and Risk Management collaborate on analysis of playground accidents for site development. We also work with our Community Support for issues with volunteers and other related insurance issues.

Our claim volume has remained consistent over the past several years for most lines of coverage. We have noticed an inflationary measure in all lines of coverage. In our Workers' Compensation Program, there has been a significant reduction in the average cost (severity/claim) per workers' compensation claim. In addition, the number of workers' compensation claims (claim frequency) for the District are well below its 10-yr historical average. That is, the Frequency and Severity numbers for the District are trending favorably. These two factors are the key to controlling workers' compensation costs.

# Appropriations FY12 – FY17

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
W.C. Budget	\$12,199,641.00	\$13,212,386.00	\$11,686,595.00	\$11,401,327.00	\$10,474,953	\$7,598,839
P.C. Budget	\$8,866,469.00	\$11,313,023.00	\$14,255,634.00	\$14,162,342.00	\$15,571,064.00	\$13,530,022.00
Total Budget	\$21,066,110.00	\$24,525,409.00	\$25,942,229.00	\$25,563,669.00	\$26,046,017.00	\$21,128,561.00
W.C. Payments	\$3,564,649.00	\$5,034,941.00	\$4,133,816.00	\$5,246,160.00	\$6,215,929	\$5,178,251
P.C. Payments	\$3,216,531.00	\$3,221,343.00	\$4,314,509.00	\$3,504,831.00	\$5,044,715.00	\$4,669,284
Total Payments	\$6,781,180.00	\$8,256,284.00	\$8,448,325.00	\$8,750,991.00	\$11,260,644.00	\$9,847,535

# APS Risk Management

- Albuquerque Public Schools serves approximately 84,000 students
- The district employs 12,090 permanent employees as of June 30, 2017 of which 6,961 are certified staff (teachers/counselors/librarians/nurses) and 1,803 classroom educational assistants.
- Geographic Area: the APS district covers a 1,230-square mile area that encompasses all of the Albuquerque Metropolitan area in Bernalillo County and a small portion of Sandoval County, New Mexico.
- APS has 89 elementary -Middle Schools: APS has 27 middle schools - 13 high schools and 12 schools of choice- 72% of the District's schools are Title I high poverty schools
- Total insured value of \$2,537,000,000  
\$100M Per Occurrence; XS \$150M Per Occurrence
- Excess general liability insurance to \$15M
- Recent alignment of Risk Management with Human Resources
- As of January 1, 2017 CCMSI begins to handle the District's W/C claims Property and Liability claims managed by in-house adjusters

## ALBUQUERQUE PUBLIC SCHOOLS HISTORICAL RETENTION & DEDUCTIBLE HISTORY

COVERAGE						
POLICY TERM	* PROPERTY	EXCESS LIABILITY	SCHOOL BOARD LEGAL LIABILITY	EXCESS WORKER'S COMPENSATION	* BOILER & MACHINERY	CRIME
2016-2017	\$250,000	\$350,000	\$350,000	\$650,000	\$5,000	\$350,000
2015-2016	\$250,000	\$350,000	\$350,000	\$650,000	\$5,000	\$350,000
2014 - 2015	\$250,000	\$350,000	\$350,000	\$550,000	\$5,000	\$350,000
2013 - 2014	\$250,000	\$350,000	\$350,000	\$550,000	\$5,000	\$350,000
2012 - 2013	\$250,000	\$350,000	\$350,000	\$550,000	\$5,000	\$350,000
2011 - 2012	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$350,000
2010 - 2011	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$350,000
2009 - 2010	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$250,000
2008 - 2009	\$250,000	\$350,000	\$350,000	\$500,000	\$5,000	\$250,000
2007 - 2008	\$500,000	\$350,000	\$350,000	\$500,000	\$5,000	\$250,000
2006 - 2007	\$100,000	\$350,000	\$350,000	\$500,000	\$5,000	\$100,000
2005 - 2006	\$100,000	\$350,000	\$350,000	\$400,000	\$5,000	\$100,000

**Footnote(s):**

\* Deductible in lieu of self - retention (SIR)  
Boiler & Machinery: \$25,000 deductible for Transformers/MEA



**ALBUQUERQUE PUBLIC SCHOOLS**

# Actuarial Confidence Level for W/C

Actuarial Confidence level for W/C	70%	80%	90%
<b>Five-Year average</b>	\$10,623,778	\$11,084,241	\$12,010,183
<b>Estimated Outstanding Losses</b>			
2016	\$10,971,974	\$11,493,012	\$12,270,033
2015	\$10,551,576	\$10,942,375	\$12,212,473
2014	\$10,332,960	\$10,715,663	\$11,481,067
2013	10,512,911	11,008,804	11,802,231
2012	10,749,471	11,261,350	12,285,109
2011	11,114,679	11,643,950	12,702,491
2010	8,770,444	11,576,986	13,857,302
2009	7,562,928	9,983,065	11,949,426

## Actuarial Confidence Level for P/C

Actuarial Confidence level for P/C	70%	80%	90%
<b>Five year average</b>	5,524,174	6,272,763	7,808,581
<b>Estimated Outstanding Losses</b>			
<b>2016</b>	\$6,087,002	\$6,917,965	\$9,441,967
<b>2015</b>	\$5,749,787	\$6,570,355	\$7,872,634
<b>2014</b>	\$4,495,136	\$5,158,335	\$6,334,097
<b>2013</b>	4,748,641	5,401,190	6,661,792
<b>2012</b>	6,540,305	7,315,972	8,732,415
<b>2011</b>	7,805,775	9,077,527	11,478,710
<b>2010</b>	7,443,841	8,805,251	11,311,155
<b>2009</b>	7,606,353	9,102,888	11,513,885

# Property & Casualty Market Trends

## Industry Metrics and Pricing

- For the last several years and throughout Q4 2016, both interest rates and insurance rates remained low. Several reasons including an over - supply of capacity (capital available to insurers to write business insurance via reinsurance) and the relatively low amount paid by insurance companies towards national catastrophic *insurable* losses, businesses continue to experience the benefits of a buyers market. As the global insurance market has more capital than required to pay out claims generated by insurable losses, demand remains suspended while the capital supply chain sustains growth.

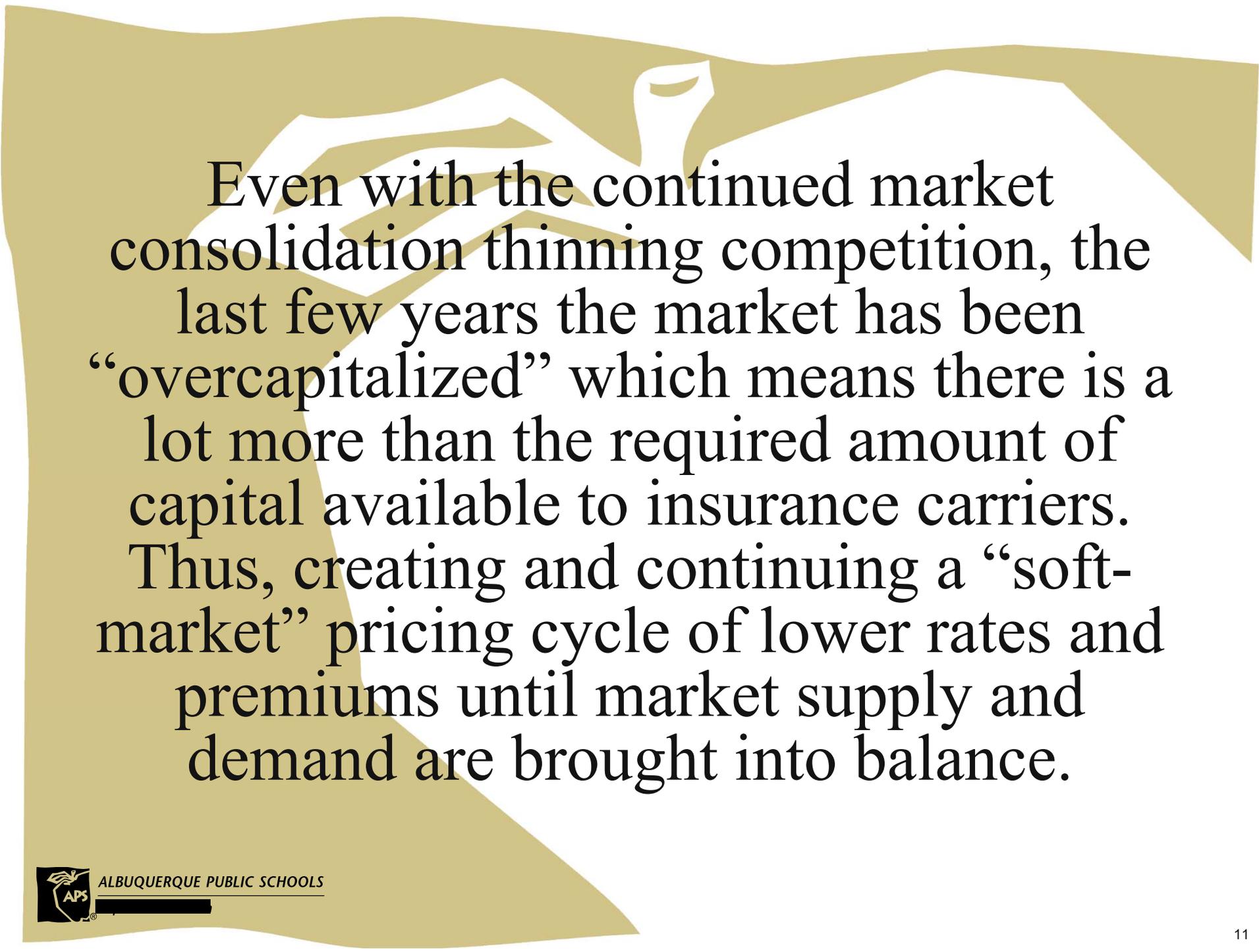
### *How does this affect the trajectory of P&C pricing?*

- While global catastrophic losses, (tornadoes, hurricanes, catastrophic flooding, etc.) were \$27 billion in the first half of 2016 versus \$37 billion for the entire 2015 year (claims increase of 46%) over capitalization continues to provide a favorable insurance market. At this pace some insurers could experience negative combined ratios (i.e. paid more money in losses than collected in premium). This scenario, coupled with reinsurers redeploying capital from lines of insurance would shift the demand curve resulting in premium increases in future years.

# Property & Casualty Market Trends

- Q1 - 2017 reflected a moderate trend in price increases with commercial property and casualty insurance prices nearly flat - still indicative of the “soft -market” cycle with slight signs of abating.
- *Which lines of insurance are expected to experience either an increase, decrease or a mix in pricing?*

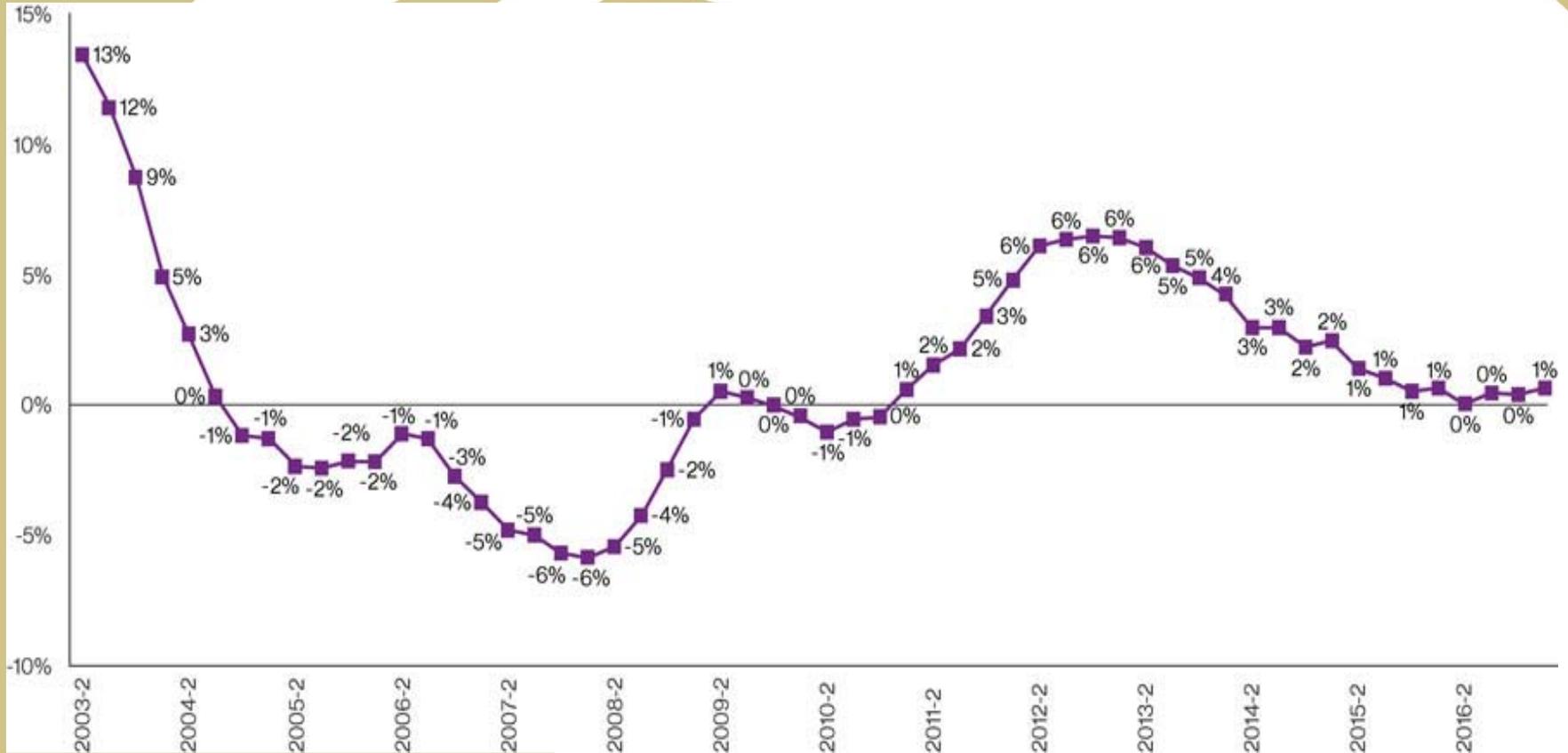
PREMIUM DECREASE	PREMIUM INCREASE	MIX (+/-)
Property	Auto	Casualty
Directors & Officers	Cyber Liability	Construction
Workers' Compensation	Employment Practice Liability	Fiduciary
Surety	Errors & Omissions	Environmental



Even with the continued market consolidation thinning competition, the last few years the market has been “overcapitalized” which means there is a lot more than the required amount of capital available to insurance carriers. Thus, creating and continuing a “soft-market” pricing cycle of lower rates and premiums until market supply and demand are brought into balance.

# Property & Casualty Rate Trend Analysis

## Change in Price Levels vs. Same Quarter One Year Prior



- Price changes reported by carriers averaged less than 1% for the 6<sup>th</sup> consecutive quarter.



Thank You!  
Questions?

