Sexual Abuse and Molestation Claims

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SET SEG

Intelligence
Association of Governmental Risk Pools
1 Current State

2 Data Collection

3 Manage & Mitigate

4 Discussion
Policy Year Claim Counts

Part 1 – Current State

Claims Comparison

SAM Claim Count

$ Million Incurred (Closed)
Claim Type

<table>
<thead>
<tr>
<th>Year</th>
<th>Teacher/Student</th>
<th>Student/Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>13</td>
<td>51</td>
</tr>
<tr>
<td>2014-15</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>2015-16</td>
<td>28</td>
<td>59</td>
</tr>
<tr>
<td>2016-17</td>
<td>20</td>
<td>51</td>
</tr>
<tr>
<td>2017-18</td>
<td>27</td>
<td>70</td>
</tr>
</tbody>
</table>

"You have a pretty good case, Mr. Pitkin. How much justice can you afford?"
Headlines

- MSU’s $500 million settlement
- 332 sexual abuse victims
- Assaulted under guise of treatment
- Perpetrator serving 3 life sentences

2018 Timeline

1/16-24
156 women read victim impact statements

1/24
Sentencing 40-175 years in addition to previous sentence

2/27
Sen. O’Brien bill package introduced

3/1
Reported out of committee with no amendments

3/4
Passed MI Senate

3/16
MSU settlement – $500 million

5/24
Passed MI House with amendments

5/29
Passed MI Senate

6/12
Governor signed
Threats & Challenges

INITIAL THREAT

- Retroactive claims reporting
- Statute of limitations extension
- Elimination of governmental immunity

CONTINUED CHALLENGES

- Bad facts make bad policy
- Resistance to speak out publicly
- Public mistrust and sense of justice
- Gradual weakening

ISO 1986 CGL policy

EXCLUSIONS

This insurance does not apply to:

“Bodily injury” or “property damage” expected or intended from the standpoint of the insured.
WHO IS AN INSURED?
Each of the following is also an insured:
Your employees, other than your executive officers, but only for acts within the scope of their employment by you.

DEFINITIONS
“Occurrence” means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.
Affirmative Coverage Grant

- Non-employment harassment
- “First touch” trigger
- Per perpetrator or per victim
- Single occurrence
- Regardless of number
Reporting Restrictions

any liability related to or arising out of Sexual Molestation when known to a Reporting Officer who did not engage in Sexual Molestation but failed to report it to proper authorities when under a legal duty to do so; or; any person who engaged in Sexual Molestation, sexual assault or abuse or who knew about any of these acts, and failed to report it to proper authorities when under a legal duty to do so…

Watch List

- Increasing values
- Frequency and severity
- Sophisticated plaintiff firms
Shift in Appetite

- Increasing retentions
- Decreasing capacity
- Questions about reserve adequacy

Current state is unsustainable, but pooling provides a unique platform to address tough issues like SAM

Part 1 – Current State

2 Data Collection
## Loss Distribution by Size

### Number of Claims

<table>
<thead>
<tr>
<th>Size</th>
<th>Number of Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $10k</td>
<td>10,130</td>
</tr>
<tr>
<td>$10k - $100k</td>
<td>2,823</td>
</tr>
<tr>
<td>$100k - $1M</td>
<td>1,089</td>
</tr>
<tr>
<td>over $1M</td>
<td>113</td>
</tr>
</tbody>
</table>

### Incurred Losses ($ Millions)

<table>
<thead>
<tr>
<th>Size</th>
<th>Incurred Losses ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $10k</td>
<td>$19</td>
</tr>
<tr>
<td>$10k - $100k</td>
<td>$104</td>
</tr>
<tr>
<td>$100k - $1M</td>
<td>$269</td>
</tr>
<tr>
<td>over $1M</td>
<td>$389</td>
</tr>
</tbody>
</table>

### Summary

- **14,000 claims**
- $780 million

## Loss Distribution by Size

### Number of Claims

- **14,042 (99.2%)**
- **113 (0.8%)**

### Incurred Losses ($ Millions)

- **$392 M (50%)**
- **$389 M (50%)**

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Part 2 – Data Collection
Claims Over $1M

Number of Claims

- Molestation: 37
- Non-auto Injury: 30
- Auto Injury: 19
- Assault: 10
- Employment: 10
- Other: 7

Incurred Losses ($ Millions)

- Molestation: $148
- Non-auto Injury: $97
- Auto Injury: $87
- Assault: $33
- Employment: $14
- Other: $10

Part 2 – Data Collection

Manage & Mitigate
Risk Barometer

Layered Response

1. Claims approach
2. Risk prevention
3. Data driven
4. Advisory model
5. Collaboration
6. Underwriting connections
Claims Approach

- Intense training for adjusters
- Address adjuster bias
- Strategic and consistent
- Reserving
  - Cost factors
  - Statistical reserves

Specialized defense counsel
- Care teams
- Coverage for immediate counseling
- Early assessment and offer
- Pre-litigation protocols
Risk Prevention

- Member-specific loss drivers and action plans
- Special “high claim” programs
- Micro learning and related resources
- Child psychologist
- Active in threat assessment initiatives

Anonymous Reporting

- App based
- Two way messaging
- Reliable documentation and reporting
- Reduced time to response

Restores a positive culture and empowers everyone to be part of a solution
28,000 reports in 2017/18. Reports spike around holidays and national events.

Data Driven

**ELEMENTARY SCHOOLS**
(open sex abuse claims as of 2/28/18)

<table>
<thead>
<tr>
<th>Reported Claims (#)</th>
<th>GROSS INCURRED ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Grounds</td>
<td>5,770,111</td>
</tr>
<tr>
<td>Playground</td>
<td>1,345,000</td>
</tr>
<tr>
<td>Classroom</td>
<td>1,174,359</td>
</tr>
<tr>
<td>EE / Student</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Bathroom</td>
<td>350,000</td>
</tr>
<tr>
<td>Bus</td>
<td>55,185</td>
</tr>
</tbody>
</table>

Part 3 – Manage & Mitigate
### JUNIOR HIGH / MIDDLE SCHOOLS

(open sex abuse claims as of 2/28/18)

<table>
<thead>
<tr>
<th>REPORTED CLAIMS (#)</th>
<th>GROSS INCURRED ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE / Student</td>
<td>1,090,000</td>
</tr>
<tr>
<td>Bus</td>
<td>320,111</td>
</tr>
<tr>
<td>Classroom</td>
<td>245,000</td>
</tr>
<tr>
<td>Bathroom</td>
<td>169,690</td>
</tr>
<tr>
<td>School Grounds</td>
<td>120,000</td>
</tr>
</tbody>
</table>

### HIGH SCHOOLS

(open sex abuse claims as of 2/28/18)

<table>
<thead>
<tr>
<th>REPORTED CLAIMS (#)</th>
<th>GROSS INCURRED ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE / Student</td>
<td>2,178,000</td>
</tr>
<tr>
<td>School Grounds</td>
<td>620,000</td>
</tr>
<tr>
<td>Bathroom</td>
<td>475,000</td>
</tr>
<tr>
<td>Bus</td>
<td>440,100</td>
</tr>
<tr>
<td>Off Premises</td>
<td>220,000</td>
</tr>
<tr>
<td>Auditorium</td>
<td>85,000</td>
</tr>
<tr>
<td>Field Trip</td>
<td>50,000</td>
</tr>
<tr>
<td>Hallway</td>
<td>12,840</td>
</tr>
</tbody>
</table>
Advisory Model

- Care teams
- Disrupt and prevent
- Identify tools, products, vendors
- Pilot programs
- Advocacy

Advocacy

- Erosion of immunities
- Impact on reserving, surplus
- Collaborate
- Be proactive
- Identify alternatives
Collaboration

- State policies
- Investigations and enforcement
- Common ground with competition

Underwriting Connection

- Increased limits
- Long term reinsurance relationships
- Base rate increases
- Continual review of incentives, consequences, structure
4 Group Discussion

Discussion

➤ What additional data do you need to better understand your SAM risks?

➤ What coverage, risk management, or other changes should your pool be considering right now?

➤ What advocacy ideas do you have?
Thanks for your work to help reduce SAM claims.