



SAFETY • SERVICE • SAVINGS
A TRUST BUILT FOR STUDENTS

Working together to keep Oregon students safe, reduce risks and conserve member resources.

March 16, 2020

Dear PACE Member,

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PACE ADMINISTRATOR
Dave Harvey

Our team was originally going to deliver PACE renewal information in person through OASBO Zone meetings before COVID 19.

For the past several months, the PACE underwriting team has been working with reinsurance brokers and analyzing claims information to determine an appropriate average contribution rate for 2020. Unfortunately, we have been faced with a variety of challenges. In addition to the ongoing crisis, which is impacting investment returns, this is truly an unprecedented year in many ways.

Fortunately, PACE has been able to build strong reserves to weather this storm, but we need to make sure rates are adequate to pay for anticipated future claims and escalating reinsurance costs. After much consideration, we have established a 17% *average* rate increase for the upcoming renewal. Following are the challenges we faced when coming to this decision:

Property Reinsurance: The property reinsurance market was in a state of turmoil even before COVID-19 due to catastrophic events worldwide. Now it is getting even harder to place coverage as reinsurers are trying to evaluate their ongoing underwriting and investment exposure. We have indication that we will be able to obtain the limits we need, but it will be at a dramatically increased cost. Our estimated property reinsurance increase is 25%.

Liability Reinsurance: Liability reinsurers are being hit hard with sexual abuse and molestation (SAM) claims. Jury verdicts are increasing at a dramatic frequency and severity. As a result, our estimated liability reinsurance costs will be increasing from 20% to 25%.

Oregon School Boards Association in cooperation with Special Districts Association of Oregon

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SDAO SALEM OFFICE PO Box 12613, Salem, OR 97309 | 503-371-8667 / 800-285-5461 | Fax: 503-371-4781

CLAIMS OFFICE PO Box 23879, Tigard, OR 97281 | 503-670-7066 / 800-305-1736 | Fax: 503-620-9817

PACE.OSBA.ORG

PACE SAM Claims: PACE members continue to be hit with an increasing number of SAM claims. Amplifying the issue, one PACE member experienced a \$3 million jury verdict arising out of a SAM claim. Due to this, we have raised our claims reserves on most of our other current SAM claims and substantially increased our loss estimates for future unknown claims.

Cyber Claims and Premium: Cyber claims have gone from an obscure and infrequent event to a rapidly escalating exposure. School districts, education service districts and community colleges are being specifically targeted. Over the past two years, PACE has paid over \$1 million in cyber claims and the trend is escalating. In addition, the premium that PACE pays to AIG for this coverage is expected to increase significantly.

Our goal is to post the renewal update packets to the Insurance Site on or before March 31st. In the following weeks, your insurance agent should be contacting you to get current renewal information. Once we have your renewal information, we will post your proposal packets with your final renewal pricing in early May.

If you have any questions about renewals, please contact your agent or our Underwriting Department.

Be Safe,

Dave Harvey
PACE Administrator