Utah Risk Management Agency

MINUTES

VIRTUAL EMERGENCY BOARD MEETING

July 7, 2022, 2:00 p.m.
Anchor location: URMA Office
502 East 770 North, Orem, UT 84097

This was a virtual only meeting.

Members attending: *Seth Perrins, Chairman (Spanish Fork); Shane Pace, Vice-Chair (Farmington); Derek Oyler (Brigham City); Brant Hanson (Centerville); David Dobbins (Draper); Kyler Ludwig (Kanab); Alex Jensen (Layton); Cory Branch (Mapleton); Mark Johnson (Ogden); Jamie Davidson (Orem); Dustin Lewis (South Jordan); Duane Huffman (West Bountiful); and Nicole Cottle (West Valley)*

Cedar City and Enterprise were unable to attend.

URMA Staff attending: *David Petersen, Executive Director; Jason Davis; Elizabeth Christensen; Jordan Rapp; Ann Nielsen; and Shianne Wadley*

Others attending: *Gary Ogden and Rob Oldroyd (Moreton & Company)*

1. CALL TO ORDER

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Mr. Perrins called the meeting to order at 14:05. (Mark Johnson, David Dobbins, and Alex Jensen joined shortly thereafter.)

2. SCHEDULED ITEMS

2.1. DISCUSSION/MOTION - Excess Cyber Security Insurance Premiums and Coverage

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Mr. Petersen provided an overview and apologized for the urgent meeting, explaining that premium rates were only provided late last week. He said the first issue is that historically URMA purchased a primary cyber risk policy for all members, with coverage of $1 million per incident, $5 million aggregate and $50K retention. In 2018, 2019, and 2020 this policy cost $65K on average, and last year it jumped to $182K. He said this year he budgeted an additional $50K, however, the premium this year is $302K, an additional $120K above last year, and an additional $70K beyond what was budgeted. Based on URMA Bylaws, he needs authorization from the Board to expend the funds to purchase the policy because the amount is above what was budgeted.

Mr. Petersen said the second issue is that historically seven members have purchased excess cyber risk insurance for about $75K, but this year that premium is $232K, and insurer will only insure the whole group, not only the seven members who purchased excess cyber coverage in the past.

Mr. Petersen said he is seeking authorization from the Board to purchase the primary cyber risk policy. He said while the cost went up significantly, he recommends that URMA continue to have cyber risk coverage and suggested that if costs continue to rise this drastically going forward, we can reevaluate and look at other options.

Mr. Johnson joined the meeting at 14:10.

Mr. Petersen said regarding the second issue, he spoke with Mr. Perrins about the possibility of expending URMA funds to offset the increase in the excess cyber coverage, sharing the cost 50/50 or 25/75 with the members. He said no one knew what to budget for cyber risk this year, and that, philosophically, URMA was created for situations like this, for incredibly hard markets where we can leverage some of our retention to either purchase insurance that has jumped significantly or accept more risk. He said at this point we do not have ability to accept more risk or retention because we're now on an extension from Beazley to bind the policy, to make it retroactive to the first of July, if we bind by tomorrow.

Mr. Dobbins joined at 14:12. Mr. Jensen joined at 14:18.

Mr. Petersen turned the time to Mr. Gary Ogden. Mr. Ogden shared a screen with 2018 and 2019 policy costs with primary and excess costs for the cities who participate in excess cyber risk coverage (together 2018 was $139K, 2019 was $142K, 2020 was $138K.). He said in 2021 the market really went hard. He explained the policy that just expired with Beazley had a $5 million limit, $1 million limit per occurrence, maximum *coverage of $5 million, and premium last year was $182K. He said they had been unsure if they would be able to get renewal terms. The premium for (basic cyber) renewal went up significantly at $302K for the $1 million/$5 million aggregate coverage.*

He said they had been working on excess cyber coverage. The first excess quote option follows the form of the base coverage at $1/$5 million, so each claim would have $2 million coverage with a $10 million aggregate. Mr. Ogden said Mr. Petersen mentioned that in the past, URMA has borne the cost of the base cyber program, and excess coverage was paid by each participating city. The premium for this excess cyber coverage is $232K for all the cities ($242K including taxes and fees). Mr. Ogden shared a screen with the premium (for excess cyber coverage) allocated by city, based on budget.

Mr. Ogden said the other option was a policy costing $188K, which would only provide coverage when the $5 million aggregate from the first policy was exhausted, which they believe is very remote. He said the decision to be made is if URMA decided to purchase the excess coverage, what part of the premium URMA would subsidize. Mr. Ogden shared a screen to show the excess policy premium broken down by city. He said other cities are seeing a double of their premium this year, and they believe this is a good option.

Mr. Perrins thanked Mr. Ogden.

Mr. Huffman asked Mr. Petersen about binding the coverage at a higher amount, where the premium is a third of a single event, is there an opportunity to self-insure here and asked if we have, we had more than one event per year, or is the risk too great. Mr. Petersen said there has not been more than one event per year. Mr. Ogden confirmed. Mr. Ogden said once sanctions were implemented by Pres. Biden against Russia, cyber-attacks from Soviet bloc countries have increased against the United States, and 48% of all cyber-attacks are against municipalities, and we could see an increase in claims. Mr. Ogden said most of the time the perpetrators are in network 6-9 months before they implement their ransomware. He agreed that the premium is a lot. He said it's dependent on your risk tolerance, and expenses go very quickly, as Mr. Petersen has experienced.

Mr. Perrins asked Mr. Petersen for the budgeted amount and the additional that needed to be budgeted. Mr. Petersen said $230K was budgeted. The difference would be taking an additional $70K from reserves to cover the primary policy. Mr. Perrins shared a screen showing the base/primary cyber premium and excess premium allocated by city (which some attendees had said was blurry when Mr. Ogden shared it, missing Brigham City). Mr. Perrins asked if the Board is comfortable binding for the base coverage of cyber insurance and adding $75K to the budget. He said URMA has sufficient in reserves, and don't need to adjust member contributions to do that and can bind that coverage without negatively impacting contributions for this year.

Mr. Pace motioned to authorize Mr. Petersen to execute coverage on base cyber risk, and to adjust the budge, or in a future revision to add that change to our budget to add $70-75K. Mr. Johnson seconded the motion. Mr. Perrins asked for a vote. Vote was unanimously affirmative.

Mr. Perrins said the seven cities who have been purchasing excess coverage no longer have the option to buy it on their own. He said we could self-cover and put $75K or $242K into a fund or purchase the excess coverage for all cities at $242K.

Mr. Huffman asked what the excess coverage covers. Mr. Ogden explained the primary coverage is up to $1 million in costs, first-party or third-party costs, inspections, restorations, ransom; and the limit is $1 million per occurrence, then the city is on their own. It could be ten $500K claims or five $1 million. The excess policy attaches at $1 million, and provides $2 million per claim, and $10 million aggregate, doubling coverage. Mr. Huffman asked which cities purchased excess coverage last year. Mr. Ogden named Brigham City, Draper, Spanish Fork, West Valley, Orem, South Jordan, and Ogden. Mr. Johnson said Ogden is very interested because they have utility customers, and it would be a fortune to keep track of credit reporting and all the things that they would be required to do. Mr. Perrins said Spanish Fork also has 13,000 utility customers. Mr. Pace said Farmington does not have excess coverage but does support the excess coverage. Mr. Perrins asked Mr. Branch for comment. Mr. Branch expressed interest by text to Mr. Perrins. Mr. Perrins explained that URMA could pay half the premium, or another percentage. Mr. Johnson said Ogden would appreciate that because their budget is already done, it would be good to have the first year (covered). Mr. Oyler asked what the funding source is. Mr. Perrins said it would come from fund balance, that URMA has sufficient reserves, it would not affect net position. we have discussed dividend programs, and this could take the place of that, give back to members that way.

Mr. Oyler motioned that URMA pay 50% and cities pay 50% for the excess cyber coverage. Mr. Johnson seconded. Mr. Perrins asked for questions and there were none. Mr. Perrins asked for vote. Vote was unanimous. He asked for opposed and there was no response.

Mr. Perrins instructed Mr. Ogden and Mr. Petersen move forward to bind both policies and process the premium share and instructed that the costs per city be sent out. Mr. Ogden said he would send in the costs sheet and proceed in the procurement, back dated to July 1st.

Mr. Perrins thanked all for their participation and willingness to participate. Mr. Johnson expressed appreciation to Mr. Perrins.

3. ADJOURN

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Meeting was adjourned at 14:36.

Approved this 5th day of August, 2022,

Utah Risk Management Agency

Seth Perrins, Chairman of the Board

ATTEST:

Ann Nielsen, Secretary