

# 2025 Financial Management Conference

## Insurance Alternatives

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Sept. 18, 2025

**STRENGTHMATTERS**<sup>®</sup>



# Continuing Professional Education (CPEs) Requirements for CPAs

- Please find the **SESSION HOST** to **SIGN IN** at the beginning and **SIGN OUT** at the end of every session. We use that attendance log to verify your participation for CPE credits.
- Please **submit all conference evaluations**. Evaluation links are emailed to registrants daily. The session host monitoring the sign-in process has paper evaluations if you prefer.
- For more information on CPE credits, contact Lindsay Wells at [consult.lwells@gmail.com](mailto:consult.lwells@gmail.com).

# Agenda

- Introductions
- Review **Learning Objectives**
- Overview of session plan and timing
- Q&A
- Wrap up

# Learning Objective

- Explore alternative ways to manage risk and control premiums.
- Discuss self-insurance, captives, managing cost through deductible structuring, and telling an organization's unique story to insurers.
- Explain a market update on property and casualty insurance trends, with a focus on difficult casualty claims and general liability exclusions.

# Questions

- We will pause during presentation and again at the end for Q&A.

# Traditional Insurance Market Update

## PROPERTY

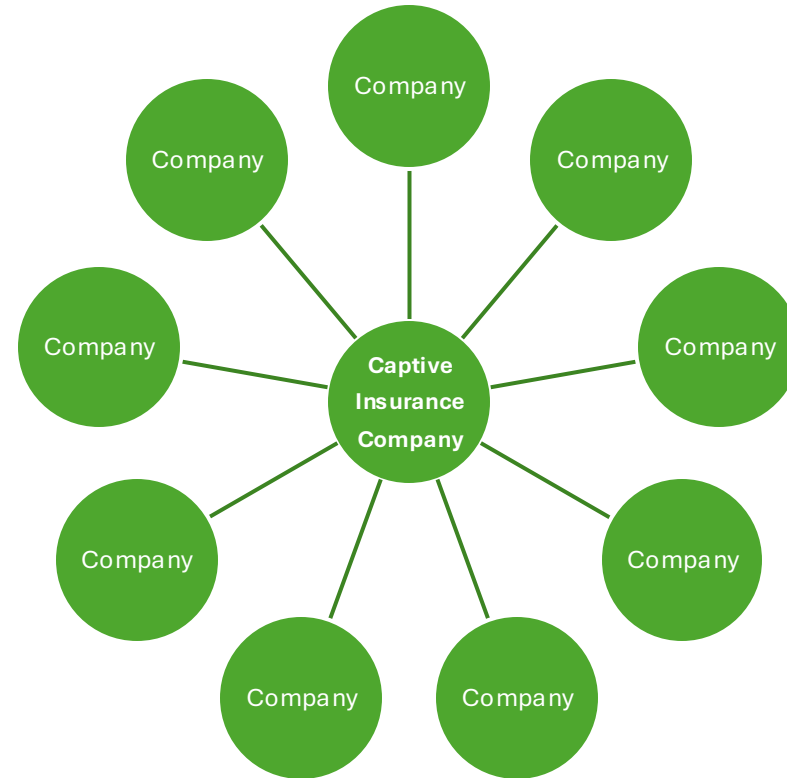
- Signs of softening in many jurisdictions
- Many standard market accounts seeing 10-20% property insurance decreases
- Consolidation effect more powerful than before
- Still too few standard market carriers covering Affordable Housing (increased E&S capacity)
- Deductibles structures still merit scrutiny

## GENERAL LIABILITY & EXCESS

- Hardening market
- Multiple exclusions or sublimits commonplace (animal liability, A&B, abuse, firearms)
- General Liability deductibles – relatively new depending on state
- High variation in terms and pricing by jurisdiction
- Increased potential for “boatsinkers”



# What is a Group Captive?



**A group of companies that come together to form their own insurance company**



# Lines of Coverage in CHP's Captive

Workers'  
Compensation

General  
Liability

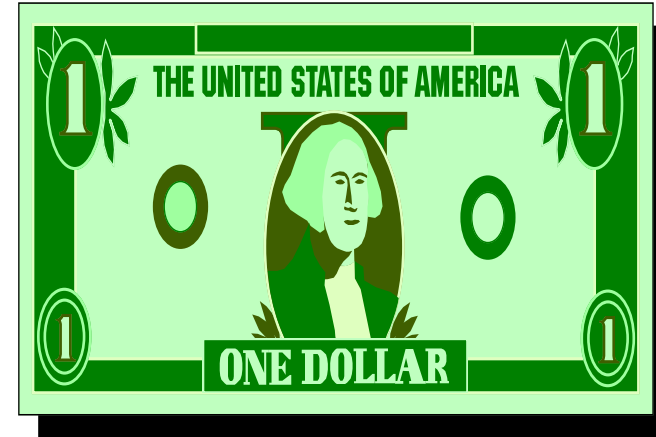
Automobile  
Liability

Automobile  
Physical  
Damage



# Captive Insurance Framework

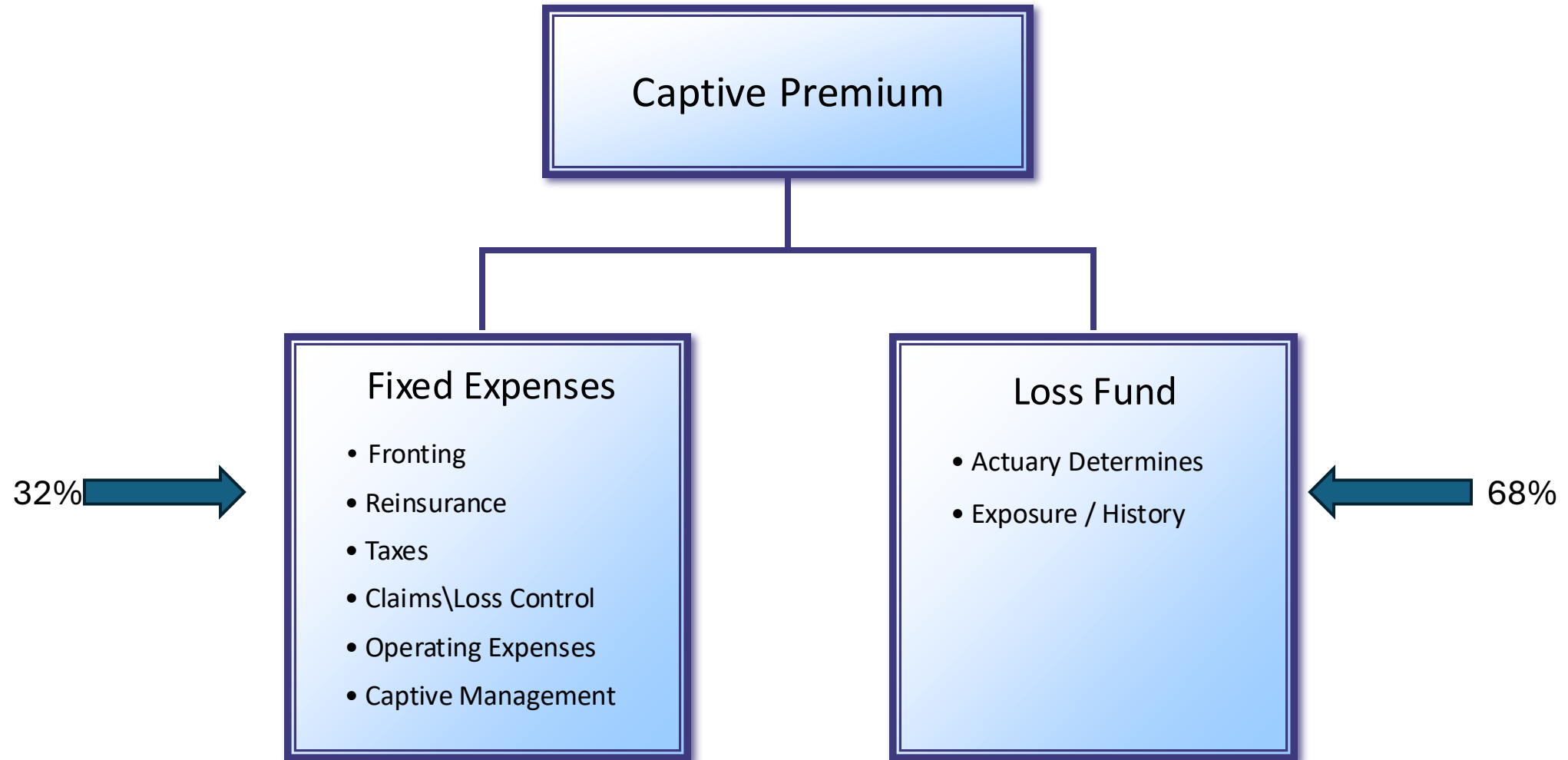
$$\begin{array}{r} 32\text{¢} \\ \text{Fixed Cost} \end{array} + \begin{array}{r} 68\text{¢} \\ \text{Bank Account} \end{array} =$$



- **Salient Points:**
- *Premium is 32% . . . this is the transaction*
- *Turn our attention to 68% Bank Account and manage risk*
- *It's all about Control, Profit, Stability!*

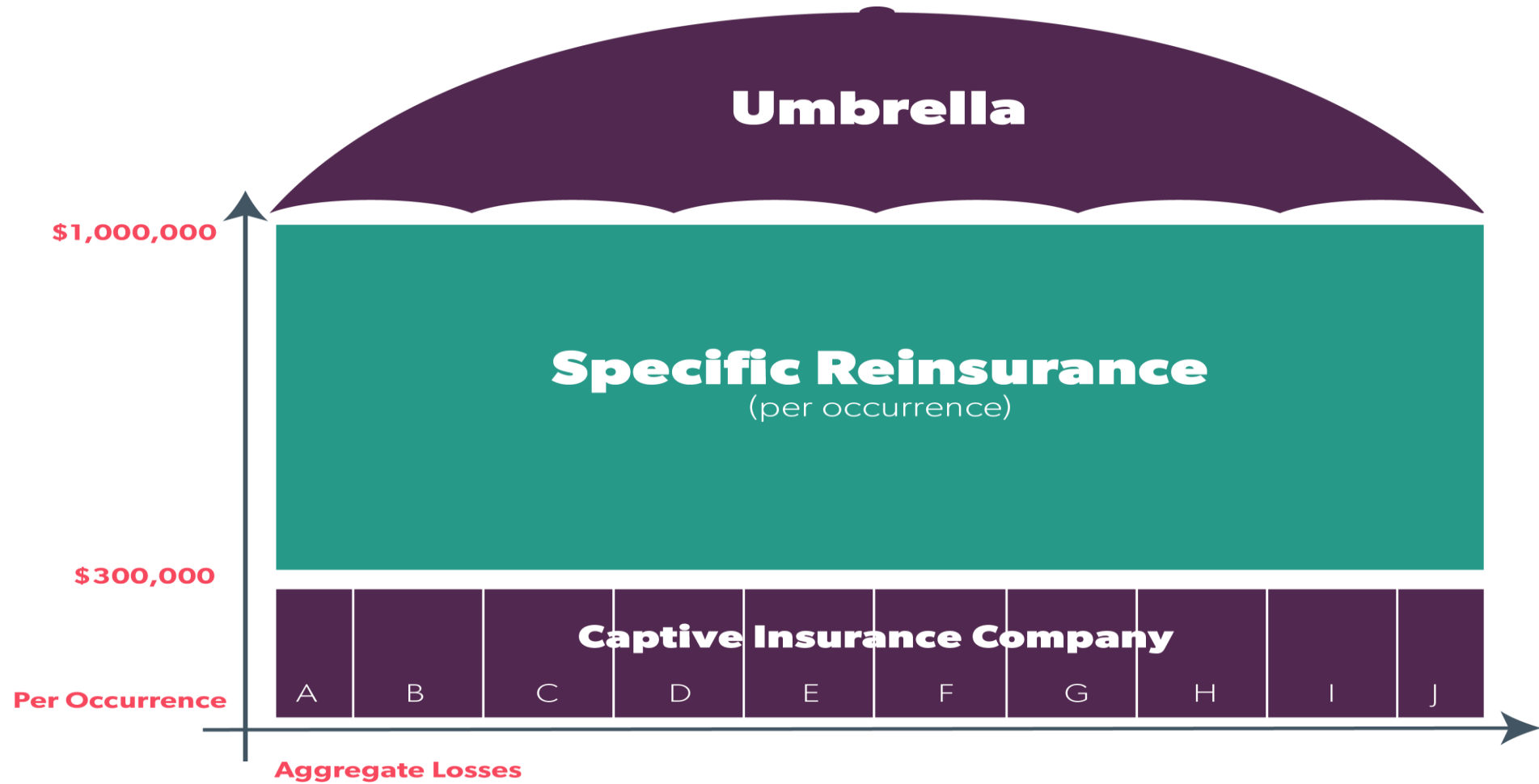


# Captive Premium Allocation





# Group Captive Structure



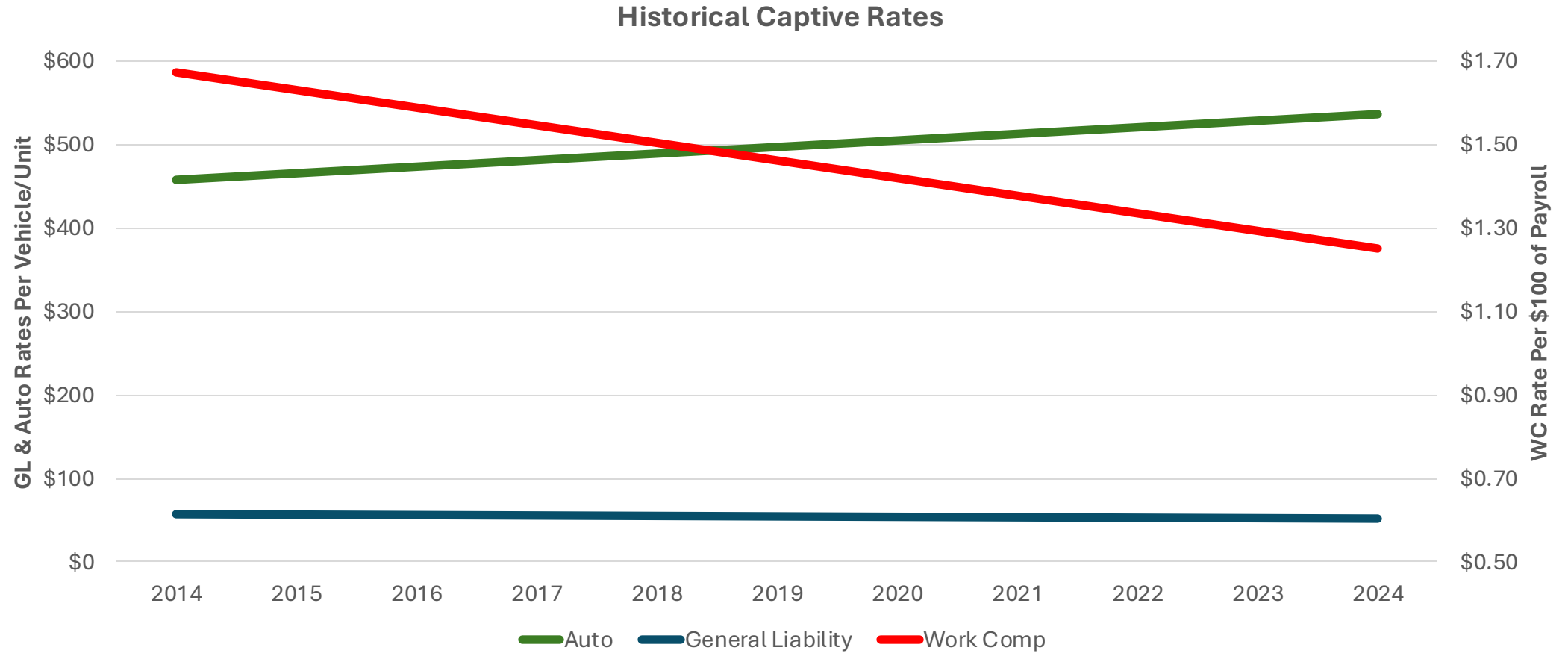


# Sample Equity Statement

	2024 Unaudited	2023 Audited	2022 Audited	2021 Audited	2020 Audited	2019 Audited	2018 Audited	2017 Audited	2016 Audited	Total	
Gross Premium	598,573	634,023	623,485	719,457	729,191	691,528	683,592	649,344	599,018	5,928,211	← Total expensed over period
Frequency Loss Funds	291,520	308,785	303,653	350,393	355,134	336,791	332,926	316,247	291,736	2,887,185	
Severity Loss Funds	87,077	92,235	90,701	104,663	106,079	100,600	99,445	94,464	87,143	862,407	
Total Loss Funds	378,597	401,020	394,354	455,056	461,213	437,391	432,371	410,711	378,879	3,749,592	
Losses Paid	(3,455)	(149,971)	(117,021)	(52,136)	(86,123)	(222,620)	(175,870)	(285,556)	(853,638)	(1,946,390)	
Losses Reserved	(18,928)	(48,564)	(7,919)	(21,391)	-	-	(436)	-	-	(97,238)	
Risk Sharing Caused	-	-	-	-	-	-	-	-	193,695	193,695	
Risk Sharing Incurred Assessments	-	(3,881)	(10,113)	(12,501)	(13,926)	(3,949)	(7,492)	(16,289)	(10,672)	(78,823)	
Loss Funds Before IBNR	356,214	198,604	259,301	369,028	361,164	210,822	248,573	108,866	-	2,112,572	
IBNR Provisional Assessments	(105,894)	(8,502)	(91,280)	(106,112)	(45,241)	(11,335)	(11,104)	(7,237)	(9,908)	(396,613)	
Unearned Loss Funds	(189,298)	-	-	-	-	-	-	-	-	(189,298)	
Net Underwriting Income	49,622	174,191	163,415	246,923	310,214	198,740	236,860	98,734	-	1,478,699	← Potential equity/distribution
Investment Income on Loss Funds	(1,590)	31,239	46,454	31,705	51,644	62,188	48,419	34,696	3,681	308,436	
Net Operating Expenses	(6,989)	(12,503)	(12,184)	(9,991)	(6,963)	(12,352)	(13,216)	(11,924)	(11,197)	(97,319)	
Distributions	-	-	-	-	(139,967)	(182,453)	(265,026)	(116,631)	-	(704,077)	
Incorporation Expenses	-	-	-	-	-	-	-	-	(828)	(828)	
Tail Fund Income										14,093	← Banked equity - ~\$1.5M
United Fund ITD Income										123,135	
United Fund ITD Distributions										(26,755)	
Investment Income on Capital										349,397	
Capital Distributions										(366,159)	
Cash Collateral										1,860,788	
Share Capital										25,000	
Total Equity	41,043	192,927	197,685	268,637	214,928	66,123	7,037	4,875	(8,344)	2,964,410	



# CHP Captive Rate Trend



# Poll 1 – Show of Hands

What is a group captive?

- A. A prison
- B. A group of companies that collectively takes on zero risk
- C. A group of companies that collectively takes on unlimited risk
- D. A group of companies that come together to form their own insurance company

# Types of Insurance Structures

- No Longer traditional Guaranteed Cost with multiple carriers competing
- Alternative Risk
  - Large Deductibles
  - Deductible Buy-Down
  - Plus Aggregates
  - Aggregate Stop-Loss
  - Captive – Group or Single Parent
  - Risk Retention Group
  - Self Insured Retention

# Total Cost of Risk

The Total Cost of Risk (TCOR) is a comprehensive metric that quantifies all expenses an organization incurs due to potential risks, encompassing both direct and indirect costs. It goes beyond just insurance premiums.

*It includes but is not limited to:*

- Reputational Damage
- Deductibles
- Coverage
- Loss Prevention Services
- Claims Management
- Benchmarking
- Your organization's time

# Total Cost of Risk Example

	2025 Program with \$50k Deductible			2025 Program with \$100k AOP & \$50k Water Damage			2025 Program with \$250k AOP & \$100k Water Damage		
Exposures									
Total Insured PERM Values	\$ 2,579,350,906	\$ 2,579,350,906	\$ 2,579,350,906	\$ 2,579,350,906	\$ 2,579,350,906	\$ 2,579,350,906	\$ 2,579,350,906	\$ 2,579,350,906	\$ 2,579,350,906
Annual Number of Habitational Units	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
<b>ESTIMATED PREMIUM (10% credit for \$100k and 20% for \$250k)</b>									
<b>\$200m Per Occurrence Property Loss Limit Premium</b>	<b>\$ 5,158,702</b>	<b>\$ 5,158,702</b>	<b>\$ 5,158,702</b>	<b>\$ 4,488,071</b>	<b>\$ 4,488,071</b>	<b>\$ 4,488,071</b>	<b>\$ 3,869,026</b>	<b>\$ 3,869,026</b>	<b>\$ 3,869,026</b>
<b>Losses within Deductible (Self-Insured Dollars to Insured)</b>	<b>Best Case (AOP 2022 &amp; Water Damage 2021)</b>	<b>Average</b>	<b>Worst Case (AOP 2024 &amp; Water Damage 2023)</b>	<b>Best Case (AOP 2022 &amp; Water Damage 2020)</b>	<b>Average</b>	<b>Worst Case (AOP 2024 &amp; Water Damage 2023)</b>	<b>Best Case (AOP 2022 &amp; Water Damage 2021)</b>	<b>Average</b>	<b>Worst Case (AOP 2024 &amp; Water Damage 2023)</b>
All Other Perils Except:	\$ 339,499	\$ 434,802	\$ 515,408	\$ 453,831	\$ 656,934	\$ 880,408	\$ 533,747	\$ 998,845	\$ 1,440,955
Water Damage incl. Sewer Back-Up	\$ 465,540	\$ 798,839	\$ 1,485,267	\$ 465,540	\$ 798,839	\$ 1,485,267	\$ 508,750	\$ 960,906	\$ 1,680,021
<b>TOTAL: Losses within Deductible (Self-Insured Dollars to Insured)</b>	<b>\$ 805,039</b>	<b>\$ 1,233,641</b>	<b>\$ 2,000,675</b>	<b>\$ 919,371</b>	<b>\$ 1,455,773</b>	<b>\$ 2,365,675</b>	<b>\$ 1,042,497</b>	<b>\$ 1,959,751</b>	<b>\$ 3,120,976</b>
<b>Third-Party Claims Administrator Costs - \$750 per claim.</b>	<b>\$ 26,250</b>	<b>\$ 26,250</b>	<b>\$ 26,250</b>	<b>\$ 12,500</b>	<b>\$ 12,500</b>	<b>\$ 12,500</b>	<b>\$ 9,250</b>	<b>\$ 9,250</b>	<b>\$ 9,250</b>
<b>TOTAL COST OF RISK IN DOLLARS</b>	<b>\$ 5,989,991</b>	<b>\$ 6,418,593</b>	<b>\$ 7,185,627</b>	<b>\$ 5,419,942</b>	<b>\$ 5,956,344</b>	<b>\$ 6,866,246</b>	<b>\$ 4,920,773</b>	<b>\$ 5,838,027</b>	<b>\$ 6,999,252</b>
<b>TOTAL COST OF RISK PER UNIT</b>	<b>\$ 798.67</b>	<b>\$ 855.81</b>	<b>\$ 958.08</b>	<b>\$ 722.66</b>	<b>\$ 794.18</b>	<b>\$ 915.50</b>	<b>\$ 656.10</b>	<b>\$ 778.40</b>	<b>\$ 933.23</b>



## Poll 2 – Show of Hands

1. How many of you use some type of Total Cost of Risk evaluation tool when considering your insurance program?
2. The most frightening three-word phrase you can hear from a project manager is:
  - A. "Just one more..."
  - B. "Budget's a little tight..."
  - C. "It's a rounding error."

# REAL CHANGE THROUGH REAL ESTATE

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We see big problems as opportunities for big change.

We're improving lives one project at a time.



# GCHP Renewal Objectives

- Achieve better than market results due to past loss performance and focus on risk management/superior construction.
- Exemplary claims history with an average loss of \$35,800 per year (for the last 10 years)
- Improved data collection demonstrating superior risk profile (CAT DQ, secondary characteristics, etc.)
- Encouragement for the insurance market to consider GCHP's risk profile.

# Questions for Participants:

1. What's the best way to control your losses?
2. What's the best thing you can do to change the trajectory of your renewal rates?

# Q&A

- Please ask any questions you have for our speakers.

# Evaluation Reminder

- Please submit all conference evaluations.
- Look for the electronic evaluation link in your email.
- Contact [consult.lwells@gmail.com](mailto:consult.lwells@gmail.com) if you do not receive the link.

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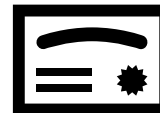
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