Exh. BL-1T
Witness: Belinda Lopes

**BEFORE THE WASHINGTON STATE**
**UTILITIES AND TRANSPORTATION COMMISSION**

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| WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,<br><br>Complainant,<br><br>v.<br><br>MURREY'S DISPOSAL COMPANY, INC. d/b/a OLYMPIC DISPOSAL,<br><br>Respondent. | Docket No. TG-230778 |

**RESPONDENT MURREY'S DISPOSAL COMPANY, INC'S**

**REBUTTAL TESTIMONY**

**OF BELINDA LOPES**

**EPIC INSURANCE BROKERS & CONSULTANTS**

**June 28, 2024**

4880-6815-3805.1

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## I. IDENTIFICATION OF WITNESS

**Q. Please state your name, address and occupation?**

A. My name is Belinda Lopes. My address is 4675 MacArthur Court Suite 750, Newport Beach, CA 92660. I am a Senior Client Advocate with EPIC Insurance Brokers & Consultants

**Q. What is your educational and professional background?**

A. I have over 35 years of risk management and insurance brokerage experience. This includes marketing, program underwriting and design, vendor management and leading client teams for large and complex casualty risks. I also served as a Risk Manager and Director of Risk Management for a $4B public firm. My areas of industry expertise include transportation, environmental, and manufacturing risks.

I hold a current Property & Casualty broker's license and am a Certified Insurance Counselor (CIC) and a Certified Risk Manger (CRM). I studied Business Administration at Lamson Business College.

**Q. Have you testified before in proceedings before the Washington Utilities and Transportation Commission or any other regulatory commissions?**

A. No.

## II. SUMMARY OF TESTIMONY

**Q. Will you please describe the purpose of your testimony in this proceeding?**

A. My testimony will respond to various statements and assertions made by the WUTC Staff regarding insurance premium and deductible expenses, viability of prospective plans and some of the projections about low deductible, high premium policy and current market option products for auto liability insurance for a company like Olympic Disposal.

**Q. What is the basis for your recommendations?**

A. My recommendation for the Waste Connections/Olympic auto liability insurance program is based on my 35 years of experience placing transportation and auto insurance, my in-depth knowledge of the Waste Connections, Inc. ("WCI") risk profile, my understanding of the commercial insurance marketplace which writes primary and excess auto for large heavy fleet risks, my analysis of the WCI risk profile and interactions with the global marketplace who regularly underwrite this exposure.

## III. OBSERVATIONS AND REALITIES OF CURRENT INSURANCE MARKET PLACEMENT AND POLICY PROSPECTS FOR OLYMPIC DISPOSAL

**Q. Can you please describe the process by which Waste Connections annually reviews, obtains and identifies optimal policy coverage and premiums for its companies and any criteria it looks at for that process?**

A. We begin WCI's auto insurance renewals seven months prior to the renewal date. We start with internal strategy meetings discussing the state of the market, discussions with incumbent and prospective insurance companies and a review of losses. EPIC prepares a renewal strategy document for WCI that includes our recommended approach, the insurance companies / wholesale brokers we would engage, and anticipated timelines. We work with National Insurance Carriers, Managing General Agents, Wholesale Brokers, Bermuda Brokers, and London Brokers, who will also engage the European marketplace.

We also have in person meetings with the US markets at WCI's corporate offices or at national conventions with insurance professionals. We also travel to London and Bermuda for in-person meetings with the insurance companies and local brokers. To differentiate WCI from other entities' risks, these meetings are critical to ensure they fully understand WCI's operations overall with a focus on safety, driver recruiting and retention, and driver training initiatives which are key to the process and the resulting quotes.

**Q. In 2023/2024 quantify if you can the number of insurance underwriters you approached to ultimately place the policy.**

A. For the most recent 8/1/23-/24 policy term, we approached 55 different insurance companies globally; 20 quoted, 35 declined and we bound the program with the 14 carriers that quoted the most competitive premiums and broadest coverage.

**Q. Does Olympic as a result of that process enjoy any economies of scale that redound to the Company's and its customers' benefit?**

A. Yes. For the 8/1/23-24 policy period, WCI's primary auto rate per vehicle is $307. Chubb, an industry leader in this space, provided two indications of what they would charge for a policy based solely on Olympic's fleet count. For a $1,000,000 Limit with a $50,000 Deductible, the indication was $7,000 Per Vehicle; For a $5,000,000 Limit with a $50,000 Deductible, it was $8,500 Per Vehicle. The indications also included "subjectivities," involving currently valued loss runs, financials, safety and driver training, and determination of collateral for the deductible. Actual premiums for Olympic may be higher once these subjectivities are considered. Olympic also benefits from increased limits, which are only available to it as part of a combined program with its parent company.

In addition, the lower premium now enjoyed by Olympic is because Chubb writes multiple lines of coverage for WCI (e.g., Workers' Comp, General Liability). Since Chubb can obtain additional premiums from these other (more profitable) lines, they can offset the exposure and loss experience from WCI's auto liability claims. Without these supporting lines of coverage, it would be difficult, if not impossible, to get a carrier to write a standalone "monoline" auto policy for Olympic. If there was market interest in a monoline policy, moreover, it would undoubtedly be more expensive because it does not have the advantage of "bundling" with other types of policies and insuring the auto only would be considered an adverse selection of risk.

**Q. Please describe current market trends and developments potentially complicating the process, particularly for publicly traded companies including the national increase in all insurance policy premiums due to various factors.**

A. The Auto and Umbrella/Excess market continues to be particularly difficult. While WCI is not a traditional trucking operation, it does have a large fleet of heavy power units, and the insurance companies view that exposure comparably.

Emerging Trends impacting the market are as follows:

- Legal System Abuse: Nuclear Verdicts, Social Inflation, and use of the "Reptile Theory"
- Plaintiff's Bar is Well Funded, Organized and Uses Media Effectively
- Video and Social Media Impact on Juries
- Frequency of Severity of Recent Claims
- Plaintiff Attorneys' Cast Wide Net for Liability

Below are Chubb's 2023 annual updates about the legal climate relating to Auto liability, which influences underwriting. All carriers provide similar updates.

- Trucking accident totals awarded by juries increasing from $10.3B in 2020 to $65B in 2022.

- One in four auto accident trials that resulted in a verdict over $10M involved a trucking company.
- 23% of "nuclear verdicts" (i.e. highest level of damages) in 2022 were auto liability losses.
- The average auto wrongful death claim increased from $23M in 2016 to $30M in 2023.
- The average auto traumatic brain injury claim rose from $4M in 2016 to $24.5M in 2023.
- The median top 50 US verdicts increased from $27.70M in 2014 to $48.70M in 2022 (the floodgates apparently opened after the courts reopened following the COVID shutdown).

Because of the emerging trends and adverse legal environment, some insurance companies are no longer offering auto coverage (e.g., Arch). Moreover, low deductible auto programs for large heavy power unit exposures are becoming unavailable. Alternative risk program structures such as large deductibles, utilization of buffer layers, corridor deductibles[1] and alternative risk transfer programs are becoming industry standard for these risks.

## IV. PREVALENCE OF AND DISCUSSION ABOUT HIGH DEDUCTIBLE POLICIES AND PROGNOSES

**Q. Can you please describe why Olympic and other similarly situated companies have high deductible policies which are actually likely to increase as to deductible levels?**

A. The reason deductible programs are increasing, or becoming less available, for large heavy power unit fleets is as I elaborated above. A separate program for Olympic is not realistic because markets would view such risk as unprofitable and infeasible given

[1] "Corridor deductibles" are a secondary deductible separating a primary layer of risk from the layer immediately in excess of the primary layer.

Olympic's recent loss experience, if not bundled with other lines of coverage that generate large premiums. If available, we could expect a lower limit and a higher per vehicle premium. The coverage would also be more restrictive for a standalone auto liability program for Olympic. For example, I would expect Symbol 7 (specified auto) vs. Symbol 1 (any auto) which provides the insurance company with assurance that they are only insuring the power units Olympic has notified them about.

**Q. Mr. Sharbono's analysis in his testimony effectively separates deductibles from insurance premium expense. Again, in your experience, is that a logical premise?**

A. Deductible levels obviously do have an impact on premium totals, but they are not charged separately. There is one premium for a policy or line of coverage including the deductible which the individual policy carries as an operative element/feature of the overall policy.

**Q. Please distinguish in insurance industry contexts/parlance deductibles from self-insurance. Are they synonymous or actually very different in context?**

A. A deductible and self-insurance are very different. Strictly speaking, self-insurance refers to the absence of any insurance. A deductible, by contrast, is simply the amount a policyholder must reimburse an insurer for losses and/or claim expenses incurred due to a covered loss. It is an embedded term within an insurance policy and does not affect the insurer's obligations to respond immediately to a claim (e.g., investigate, defend, and/or pay a settlement or judgment). As such, a deductible represents a credit risk to the insurer, which is why insurers typically require collateral to be posted.

**Q. Mr. Sharbono testifies at page 12 of his testimony that despite having a current $7.5 million insurance policy on file with the Commission the fact that Olympic has a $5**

**million deductible means that they are "self-insured" to the deductible level. Based on your description of deductibles v. self-insurance, is that an accurate portrayal by him including his reference to omitting to file a Form G in addition to the Form E that is presently on file with the Commission?**

A. No. Olympic is not self-insured. To the ratepayers, or anyone else seeking coverage, there is a policy which will respond immediately and provide full coverage, subject to the limits, policy terms and conditions. The deductible is just the amount to be reimbursed to the insurer upon a covered payment. For this program, Chubb filed a Form E covering Olympic with the State of Washington to provide evidence of coverage, as required.

**Q. Mr. Sharbono also speculates at Page 17 of his Testimony about the results of a potential underwriting process, contending that Olympic would need to formally undergo the underwriting process before any conclusions could be drawn as to either standalone policy feasibility or lowering deductibles. Is underwriting of quoted policies as simple as he infers and based on your experience, and can you please address assumptions on underwriting, isolated /standalone policies, and any presumption that such policies could be identified and successfully placed by/for Olympic?**

A. Obtaining a quote for an auto liability policy can be a very cumbersome process. It requires a full submission that includes a description of the business operations, description of fleet, driving records for the drivers, information on the training and safety programs, company financials, information on losses, and customer and route information among other things. The underwriter will then analyze the information, ask follow-up questions, conduct discussions for instance with Olympic management on safety and the driver pool. The underwriter will then go through various modeling and other decision processes to determine limits, pricing, and program structure (i.e., a deductible or other alternative program structure). Ultimately, underwriters look for a structure that provides enough premium to take on the risk. This process takes 60-90 days. However, underwriters will only go through this lengthy process if it is a viable opportunity. Because of the time and effort required to go through a full risk and underwriting analysis, the insurance carriers will not do so simply to validate a premium.

**Q. What are some of the other factors involved in evaluating and successfully obtaining appropriate liability insurance policies at the lowest reasonable cost?**

A. To determine whether a particular risk has market interest, and to obtain an understanding of pricing, it is common practice to secure pricing indications for potential markets. To obtain an indication, we provide basic information such as a summary of the operations, fleet count, type of fleet, state of operations and loss histories. Based on this information, insurers can determine if they are interested in insuring a risk and provide an indication of potential premiums. Bindable premiums, as well as policy terms and conditions, require a submission and full underwriting process as discussed above. As addressed in Mr. Wonderlick's opening testimony, we obtained a standalone auto liability insurance program premium indication for Olympic last fall. We approached Chubb, who is an industry leader in this space and who already had a deep knowledge of WCI's overall operations. Thus, we believe their guidance and indications provide a highly reliable indication of an actual premium for a standalone auto liability program, assuming they would actually write or otherwise entertain a separate program. As I described at page 3, above, this would be materially more expensive than the volume pricing obtained and highly unlikely to be obtained even at those escalated policy premium rate levels.

## V. CONCLUSION

**Q. Does this conclude your testimony?**

A. Yes it does.