

By David R. Leng, Chief Risk Officer, Duncan Financial Group

Understanding Insurance Pricing for Municipalities

How Public Entities Can Take Control of Their Insurance Costs

Did you know that something as simple as a Google Maps satellite image of your municipal maintenance garage could impact your insurance premiums? For municipality leaders responsible for managing risk, understanding how insurers evaluate and price coverage is no longer optional—it's essential.

Insurance pricing today is far more complex than submitting bids and selecting the lowest quote. Drawing from insights in the book *The 10 Laws of Insurance Attraction*, this guide explains how insurance companies assess risk, calculate premiums, and what steps municipalities can take to manage rising costs.

The Shifting Terrain of Public Entity Insurance

Over the past decade, public entities have faced increased scrutiny from insurers. Catastrophic claims, aging infrastructure, increasing litigation, and unpredictable weather events have all driven carriers to become more selective. This has meant higher premiums, stricter underwriting, and limited market options for municipalities.

Risk Transfer in the Public Sector

Insurance is a form of financial risk transfer—and for municipalities, that means insurers are betting on the likelihood of large claims related to public safety, infrastructure, employee liability, or disaster response. A borough viewed as well-run and low-risk pays less. One seen as volatile, litigious, or exposed to natural catastrophes pays more—or declined altogether.

The Insurance “Betting Game”: Why Municipal Risk Profiles Matter

Insurance is a risk-transfer mechanism where insurers “bet” on the likelihood of claims. Being perceived as a “longshot” (low-risk) is advantageous for municipalities. Conversely, a “sure thing” (high-risk) status leads to soaring premiums or coverage denials.

Data: The New Currency of Insurance

The integration of big data and AI has transformed how insurers view municipalities. Internal loss records, claims databases, public infrastructure reports, and even Google MapsTM are analyzed to assess everything from facility maintenance to proximity to flood zones.

Actuaries build risk models using this data, predicting how likely your borough will face significant losses. These



models adjust rapidly—especially in response to legal trends, police actions, cyber vulnerabilities, and weather events.

Key Risk Factors Municipalities Must Manage

Insurers consider dozens of municipal-specific exposures:

- Police and Fire Services: Use-of-force incidents, response times, and training protocols.
- Zoning and Public Works: Infrastructure age, ADA compliance, sidewalk conditions.
- Fleet Risk: Maintenance schedules, driver training, and telematics usage.
- Cybersecurity: Protocols in place to protect sensitive resident data and prevent ransomware.
- Claims History: Past lawsuits, settlements, and liability patterns.
- Governance: Leadership turnover, budget constraints, and public transparency.
- Environmental Exposure: Proximity to flood plains, wild-fire zones, or areas with poor stormwater drainage.

Underwriting with Eyes on Everything

Underwriters combine actuarial data with judgment calls. If your municipal website highlights services not disclosed in your insurance submission—or a Google Street View shows rusting guardrails or damaged roofs—coverage can be denied before a conversation even starts.

Some carriers have used aerial imagery to identify unreported pools on public property, collapsed fencing, or other hazards—leading to instant quote declines.

Qualitative Assessments: Beyond the Paperwork

Municipalities often undergo inspections and interviews during the underwriting process. Your staff's understanding of safety protocols or the physical condition of buildings can make or break the perception of your entity's risk.

The Outside World Also Shapes Your Premiums

External forces impact premiums just as much as internal ones:

- Economic downturns can lead to deferred maintenance or layoffs, increasing liability exposure.
- Regulatory changes (e.g., criminal justice reform, cybersecurity mandates) affect risk profiles.
- Natural disasters prompt reinsurers to limit capacity or raise rates—especially in vulnerable regions.
- Legal environments in some states have led to nuclear verdicts that ripple through public sector pricing.

Maximum Probable Loss (MPL) and Reinsurance Pressure

Insurers calculate MPL—how much they could lose in a worst-case scenario. For municipalities, this includes everything from town halls to libraries, police stations, water treatment plants, and vehicle fleets. A building with wood trusses or outdated sprinklers may be considered an unacceptable fire risk. The municipality may be declined outright if the potential payout exceeds insurer or reinsurer limits.

Reinsurance markets, in turn, dictate how much risk carriers can afford to keep. As these reinsurers raise rates or exit municipal markets, carriers pass that cost down.

continued on page 86

IN THE WORKPLACE

continued from page 85

First Impressions Are Everything

A sloppy submission packet or out-of-date documentation signals high risk for public entities. Conversely, presenting clear records, current maintenance logs, and proactive plans shows underwriters that your municipality takes risk seriously.

Your Digital Footprint Matters

Online footprints are permanent. A satellite image showing a large tree overhanging a building or an outdated playground is archived by the insurer—and may shape future quotes, even if repairs have since been made.

Strategies for Municipal Leaders

To control insurance costs:

- Invest in risk management: Maintain and document training, safety audits, and facility upkeep.
- Create a culture of safety: Empower department heads to actively manage risk, track incidents, and address hazards in real-time.
- Communicate clearly with insurers: Let them know about improvements and compliance efforts.
- Consider higher deductibles or pooled risk structures: These can help stabilize costs over time.
- Use technology: GPS for public vehicles, automated building monitoring, and cybersecurity upgrades can all improve your risk profile.
- Build historical awareness: Keep a file of past claim trends, fixes made, and inspection outcomes—it helps defend against assumptions.

Choose Your Insurance Advisor Wisely

Your insurance agent or broker should act like your outsourced risk executive—not just a quote shopper. They

must understand municipal operations and advocate effectively to underwriters. The right advisor helps you forecast pricing shifts, identify uninsurable gaps, and find creative coverage solutions.

Case Study: A Small Town's Success

A town reduced its premiums by 20% after:

- Installing storm-resistant roofs on public buildings.
- Implementing a sidewalk maintenance program.
- Sharing 5-year capital improvement plans with insurers.

Conclusion: Building a Resilient Future

For municipalities, insurance is not just a line item—it's a strategic tool for safeguarding community assets and services. Local governments can secure affordable coverage by understanding how insurers assess risk and proactively address vulnerabilities while fostering public trust. As emphasized in the book *The 10 Laws of Insurance Attraction*, the key lies in shifting from reactive compliance to a culture of resilience.

In an era of climate uncertainty and social volatility, municipalities prioritizing risk management will reduce insurance costs and ensure long-term sustainability for their communities. **B**

ABOUT THE AUTHOR



David R. Leng, CPCU, CIC, CBWA, CRM, MWCA, is the author of the #1 Best Seller Amazon Business Books *The 10 Laws of Insurance Attraction*, *Insured to Fail*, as well as *Stop Being Frustrated & Overcharged* (by your workers' compensation program) and Chief

Risk Officer of the Duncan Financial Group in Irwin, Pa., which is a member of the Keystone Insurers Group. Leng is also an instructor for the Institute of WorkComp Professionals and serves on the PA Compensation Rating Bureau Classification and Rating Committee. He can be contacted at dleng@duncangrp.com. For more information, visit www.StopBeingFrustrated.com.