Property Program Committee Meeting

YOUR BEST PROTECTION

ACWA JPIA Executive Conference Room
2100 Professional Drive
Roseville, CA 95661

Wednesday
March 20, 2024
3:00 p.m.

Chairman: Chris Kapheim, Kings River Conservation District

Vice-Chair: Scott Ratterman, Calaveras County Water District

Tom Coleman, Rowland Water District

Mark A. Gilkey, Berrenda Mesa Water District

Shawn Huckaby, Fair Oaks Water District

Theresa Lee, Walnut Valley Water District

Oliver Smith, Valley Center Municipal Water District

Eugene F. West, Camrosa Water District

PROPERTY PROGRAM COMMITTEE MEETING

AGENDA

JPIA Executive Conference Room
2100 Professional Drive,
Roseville, CA 95661
(800) 231-5742 - WWW.ACWAJPIA.COM

Wednesday, March 20, 2024 – 3:00 p.m.

Zoom Link Meeting ID: 532 180 4035; Password: 5742; Telephone No.: 1 (669) 900-6833

This meeting shall consist of a simultaneous Zoom call at the ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661 and the following remote sites:

- Lee, 1300 Valley Vista Dr. #100, Diamond Bar
- Smith, 29300 Valley Center Road, Valley Center

WELCOME

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

PLEDGE OF ALLEGIANCE

EVACUATION PROCEDURES

ANNOUNCEMENT RECORDING OF MEETING This meeting may be recorded to assist in preparation of minutes. Recordings will only be kept 30 days following the meeting, as mandated by the Ralph M. Brown Act.

PUBLIC COMMENT Members of the public will be allowed to address the Property Program Committee on any agenda item prior to the Committee's decision on the item. They will also be allowed to comment on any issues that they wish which may or may not be on the agenda. If anyone present wishes to be heard, please let the Chair know.

HYBRID PARTICIPATION GUIDELINES

INTRODUCTIONS

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Presenter		Page#
	I. CONSENT AGENDA	
Kapheim	A. Approve the minutes of the meeting of June 20, 2023	**5**

Preliminary Agenda-date issued: February 2, 2024
Final Agenda-date issued: March 7, 2024

Presenter			Page#
		B. Group Purchase Programs Update	**11**
	II.	**ADMINISTRATION**	
All		A. Report on meetings attended on behalf of the JPIA	
Jobe	*	B. Membership Report	**12**
	III.	**LOSS REPORTS**	
Greenfield	*	A. Review of Property Claims Trends	**14**
	IV.	**NEW BUSINESS**	
Tokar	*	A. State of the Market	**19**
Jobe	*	B. Property Program Update and Renewal Strategy	**64**
Jobe	*	C. Review of AMP Property Risk Software	**67**
	V.	**STAFF UPDATES**	
Nogosek	*	A. Property Claims Department Update	**69**
Jobe	*	B. Director of Pooled Programs Update	**70**
	VI.	**UPCOMING MEETING**	
Kapheim		A. The next Property Program Committee meeting is scheduled for June 20, 2024, at 3:00 p.m.	**71**

ADJOURN

*Related items enclosed.

Preliminary Agenda-date issued: February 2, 2024
Final Agenda-date issued: March 7, 2024

Americans with Disabilities Act – *The JPIA conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the Federal Rules and Regulations adopted in implementation thereof. A request for disability-related modification or accommodation, in order to participate in a public meeting of the JPIA, shall be made to: Kristan Brown, Administrative Assistant II, ACWA JPIA, PO Box 619082, Roseville, CA 95661-9082; telephone (916) 786-5742. The JPIA's normal business hours are Monday – Friday, 7:30 a.m. to 4:30 p.m. (Government Code Section 54954.2, subdivision. (a)(1).)*

Written materials relating to an item on this Agenda that are distributed to the JPIA's Property Program Committee within 72 hours before it is to consider the item at its regularly scheduled meeting will be made available for public inspection at ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661-3700; telephone (916) 786-5742. The JPIA's normal business hours are Monday – Friday, 7:30 a.m. to 4:30 p.m.

Preliminary Agenda-date issued: February 2, 2024
Final Agenda-date issued: March 7, 2024

Unapproved Minutes

Property Program Committee Meeting

ACWA Joint Powers Insurance Authority
2100 Professional Drive
Roseville, CA 95661
(800) 231-5742

June 20, 2023

This meeting consisted of a simultaneous Zoom teleconference meeting at the ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661 and remote sites.

- Lee, 1300 Valley Vista Dr. #100, Diamond Bar

MEMBERS PRESENT

Chair: Chris Kapheim, Kings River Conservation District
Tom Coleman, Rowland Water District
Theresa Lee, Walnut Valley Water District (via Zoom)
Oliver Smith, Valley Center Municipal Water District
Eugene West, Camrosa Water District

MEMBERS ABSENT

Vice-Chair: Scott Ratterman, Calaveras County Water District
Shawn Huckaby, Fair Oaks Water District

STAFF PRESENT

Chief Executive Officer/Secretary: Walter "Andy" Sells
Adrienne Beatty, Assistant Executive Officer
Kristan Brown, Administrative Assistant II (Recording Secretary)
Chimene Camacho, Executive Assistant to the CEO
Debbie Cruz, Lead Member Services Representative
David deBernardi, Director of Finance
Robin Flint, Risk Control Manager
Robert Greenfield, General Counsel
Erik Kowalewski, System/Network Administrator
Chris Light, Business Data Analyst
Jennifer Nogosek, Liability/Property Claims Manager
Sandra Smith, Employee Benefits Manager
Dan Steele, Finance Manager
Chuck Wagenseller, Cost Estimator/Risk Control Advisor
Tony Waterford, Human Resources Manager
Nidia Watkins, Member Services Representative II
Cece Wuchter, Lead Senior Claims Adjuster

OTHERS IN ATTENDANCE

Melody A. McDonald, San Bernardino Valley Water Conservation District

David Drake, Rincon del Diablo Municipal Water District
Cathy Green, ACWA Vice President
Szu Pei Lu-Yang, Rowland Water District
Randall Reed, Cucamonga Valley Water District
J. Bruce Rupp, Humboldt Bay Municipal Water District
David Wheaton, Citrus Heights Water District
Mark A. Gilkey, Berrenda Mesa Water District (Non-voting, Property Program Committee Member)
Jenny Jobe, JPIA Director of Pooled Programs
Alex Tokar, Aon Risk and Insurance Services

WELCOME

Chair Kapheim welcomed everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Chair Kapheim called the meeting to order at 2:40 p.m. He announced there was a quorum.

ANNOUNCEMENT RECORDING OF MINUTES

Chair Kapheim announced that the meeting would be recorded to assist in preparation of minutes. Recordings are only kept 30 days following the meeting, as mandated by the California Brown Act.

PUBLIC COMMENT

Chair Kapheim noted that, as the agenda stated, members of the public would be allowed to address the Property Program Committee on any agenda item prior to the Committee's decision on that item. Comments on any issues on the agenda, or not on the agenda, were also welcomed. No comments were brought forward.

INTRODUCTIONS

Chair Kapheim welcomed all in attendance. He then requested that Committee members and JPIA staff introduce themselves.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Chair Kapheim asked for any additions to, or deletions from, the agenda; none requested.

CONSENT AGENDA

Approval of the minutes
Chair Kapheim called for approval of the minutes of the March 22, 2023, meeting.

> M/S/C (Coleman/West) (Coleman-Yes; Kapheim-Yes; Lee-Yes; Smith-Yes; West-Yes): That the Property Program Committee approve the minutes of the March 22, 2023, meeting, as presented.

ADMINISTRATION

Meetings attended on behalf of the JPIA.
None.

LOSS REPORTS

Property Claims Data
Mr. Greenfield reviewed the claims data reports. He presented the standard claims reports which showed the following: reported losses per $100 million of insured values, occurrences per $100 million of insured values, and average claim size report for the 2008-2023 policy years. In addition, the significant large, closed claims over $75,000 report was displayed. Over the past 5 years, the JPIA has pursued subrogation of claims and achieved excellent results by recovering approximately $5,700,000 from an outside person(s) or entities who have caused damages to Property assets. The Property Program insures approximately $11.8 billion in property values.

After reviewing the claims data, Mr. Greenfield asked the Committee Members to let JPIA know what information they would like to see going forward. The Committee reviewed the information and asked about the reported losses per $100 million of insured values graph. The Committee inquired about the significant losses occurring in policy years, 2018-19 and 2022-23. It was discussed that these unprecedented losses accrued from the Camp fire (2018-19) and multiple claims including the Caldor fire, flooding, and water tank collapse from snow (2022-23).

Membership Report
Ms. Cruz reported that we had two agencies join the Property Program on July 1, 2022, which were Rainbow Municipal Water District and San Mateo County Flood Sea Level Rise Resiliency District. There was a discrepancy in the packet for Total Insured Value (TIV). The current TIV in the Property Program is estimated at $11 billion (not $11 million) and continues to grow. For the 2023-24 policy year, Olivenhain Municipal Water District has been approved and will join the Property Program and the General Liability Program on July 1, 2023. San Diego County Water District is being presented to the Executive Committee on June 21, 2023, for membership approval for the 2023-24 policy year, but their status is unknown.

Grassland Basin Water Authority has reported an intent to withdraw from the Property Program for the July 1, 2024, renewal. Last year, Rio Linda/Elverta Community Water District had reported an intent to withdraw for the 2023-24 policy year, but the District has since rescinded. In addition, Rio Linda/Elverta Community Water District will be joining JPIA’s Workers’ Compensation Program on July 1, 2023.

NEW BUSINESS

2023-24 Memorandum of Property Coverage
Ms. Beatty stated that the JPIA staff reviews the MOPC annually to present recommended changes to the Property Program Committee; the Committee then votes and submits these recommendations to the Executive Committee for approval.

Ms. Beatty explained that currently, JPIA’s Property Program coverage abides by a reverse follow form; therefore, coverage provided at the pool layer is subject to the terms and conditions of the excess policy. In the MOPC, JPIA details items to be managed differently within the JPIA's self-insured layer. Last policy year, JPIA changed to a $10 million self-insured retention, so it became essential to carefully review, outline, and clarify the policy set in the MOPC.

In review of the MOPC, staff has recommended changes to Section VII-Dispute Resolution, which are mostly structural and administrative. Mr. Greenfield, JPIA's General Counsel, researched and changed the language in Section VII-Dispute Resolution to align with other risk pools' dispute resolution and arbitration commonplace practices. Ms. Beatty concluded that implementation of these changes to Section VII-Dispute Resolution will aid in simplifying the process for members and staff, and also provide clarifying and consistent language within all the Programs' (General Liability, Property, and Workers' Compensation) Memorandum of Coverages.

A discussion ensued on ways to revise the arbitration language in Section VII-Dispute Resolution. Mr. Sells requested to move forward with the current recommended changes to the MOPC for the July 1, 2023, renewal and to allow staff to consider the new suggestions for next year's renewal.

> M/S/C (West/Smith) (Coleman-Yes; Kapheim-Yes; Lee-Yes; Smith-Yes; West-Yes): That the Property Program Committee recommend that the Executive Committee approve the Memorandum of Property Coverage, as revised, to be effective July 1, 2023.

State of the Property Market

Mr. Tokar explained that most of us are aware of the challenges the Property marketplace has encountered in recent years. The end of 2022 and the beginning of 2023 brought cautious optimism that the Property marketplace might be stronger than before. Then Hurricane Ian hit, and losses quickly accumulated to over $100 billion, which crushed the reinsurance market. Unfortunately, this has caused a domino effect which has made 2023 even more difficult to find and place reinsurance coverage.
For quarter one of 2023, the average rate increase across Aon's portfolio for complex layered and/or shared accounts like JPIA is 22%. Quarter 2 rates are not in yet but are believed to be comparable to the first quarter of 2023 or worse depending on the member's loss history. Loss-challenged member rates could go up by 50%.

Initially, coming into the renewal cycle, we had a new renewal strategy that emphasized a focus on some of the larger utility risk carriers. Since JPIA does not have the same risks as other public entities, such as schools and municipalities, it was important to differentiate JPIA as not carrying the same risk exposures. Mr. Tokar indicated that 2 of the large reinsurers seemed promising earlier in the year, but unfortunately, interest waned about placing coverage with the JPIA for varying reasons. However, Mr. Tokar stated that there will be some new excess carriers that JPIA has not worked with before that will provide JPIA with competitive coverage rates. In addition, Mr. Tokar indicated that JPIA will have a better than average rate, but JPIA will still see an increase in rates.

Ms. Beatty indicated that JPIA will research and analyze different strategies to look for savings that will not detrimentally impact our members.

2023-24 Property Program Reinsurance Renewal
Ms. Beatty informed the Committee that currently JPIA does not have reinsurance rates and terms. She explained that in recent years the Property Program renewal process has become extremely complicated. JPIA has approximately half the reinsurance tower built and is waiting for more quotes.

Ms. Beatty stated part of the overall strategy is to possibly obtain one or more of the mutual insurers to take a significant portion of the tower in order to provide JPIA with a more efficient number of carriers. She let the Committee know that JPIA currently does not have a Property Program renewal proposal to recommend to the Committees; however, Mr. DeBernardi will provide the Committee with a not to exceed amount for the total cost of the tower for the Property Program pricing. In addition, Ms. Beatty informed the Committee that JPIA will stay at the $10 million self-insured retention and the $500 million Program limit but may consider changes to both of these in future years.

Renewal Pricing
Mr. deBernardi discussed the pricing option for the 2023-24 policy year. He provided the Property Program Expected Revenue/Expense & Funding Requirement report, which gave a breakdown of the expected revenues and expenses for the 2023-24 policy year. The total estimated premium with no pricing changes is approximately $13.9 million based on $11.7 billion in TIVs. He reported that the 2023 actuary report projects a $.05071, per $100 of value, loss rate for the 2023-24 policy year, which when calculated, gives an estimated claims expense of approximately $5.9 million. In addition, Mr. deBernardi approximated excess carrier rates to be around $8.6 million based on data currently provided. Different option scenarios were presented to show various membership pricing and included the following - Option 1: No price change; Option 2: 20% increase, and Option 3: 15% increase. The Property Committee discussed the implications and possible outcomes of the different pricing scenarios. Mr. deBernardi indicated that the consistent message that has been relayed by JPIA to the members was to budget for an estimated 20% increase.

A motion was made for the 2023-24 Renewal Pricing for the Property Program.

> M/S/C (West/Coleman) (Coleman-Yes; Kapheim-Yes; Lee-No; Smith-Yes; West-Yes): That the Property Program Committee recommend that the Executive Committee approve the renewal of the coverage as outlined in Option 2 and implement the 20% rate increase, for the Property Program, with an effective date of July 1, 2023.

Claims Department Update
Mr. Greenfield reported that the Claims Department has added three new employees over the past few years. He stated that with the implementation of the larger self-insured retention, the Claims Department must manage a larger portion of claims that excess

carriers used to service. The positive side is that JPIA's members are getting better customer service, and there is more of a relationship building process with our members.

CEO Update

Mr. Sells stated that finding competent Claim adjusters has been more challenging in recent years. He reported that being able to hire within the organization and developing the employee's skills in-house has been beneficial. Committee Member Coleman complimented JPIA staff on the level of service and commitment provided to the members.

UPCOMING MEETING

Availability for Upcoming Meeting(s)

There are no meetings scheduled for the remainder of the year.

The Property Program Committee meeting adjourned at 4:04 p.m.

ACWA JPIA
Group Purchase Programs Update
March 20, 2024

BACKGROUND
As a complement to the JPIA's pooled Property Program, group purchase coverages are available to the membership.

CURRENT SITUATION
For the 2023/24 Program Year, the JPIA provides the following group purchase programs:

COVERAGE	POLICY PERIOD	# OF PARTICIPANTS	APPROXIMATE REVENUE
Difference in Conditions (Earthquake & Flood)	7/1 – 6/30	9	$411,000
Excess Flood	7/1 – 6/30	1	$546,000
Excess Crime	7/1-6/30	72	$83,000
Public Officials Bond	Various Policy Dates	11 Members 29 Bonds	$13,000

Prospective New Members:
Staff regularly assists and provides guidance to members in identifying the need for and obtaining coverages ancillary to the pooled Property Program.

RECOMMENDATION
None, information only.

Prepared by: Jennifer Jobe, Director of Pooled Programs   Date prepared: March 7, 2024

ACWA JPIA
Membership Report
March 20, 2024

BACKGROUND
In order to keep abreast of the Program membership and participation, a list of any new or prospective members, along with any members who have provided a Notice of Intent to Withdraw, is provided annually to the Property Program Committee for review.

CURRENT SITUATION

Current Program Membership Status as of March 1, 2024:
Total number of program members: 288
Total annual TIV: $11,865,731,889

New Members:
For the 2024/25 Program Year, the following agency was approved for membership in the JPIA Property Program at the January 18, 2024, Executive Committee meeting:

New Member	Total Insured Value	Join Date
Bear Valley Water District	$4,143,000	4/1/2024 (*Approved by the Executive Committee on Jan 18, 2024 – pending receipt of District Resolution Approving JPIA Participation*)

Prospective Members:
The following agencies have expressed an interest in joining the JPIA Property Program:

Member	Total Insured Value	Join Date
Reclamation District No. 784	$14,687,286	7/1/2024 (*Underwriting completed. Recommendation for Approval of Participation in JPIA to be presented to the Executive Committee on Mar 21*)
Suisun-Solano Water Authority	$7,168,583	7/1/2024 (*Underwriting completed. Recommendation for Approval of Participation in JPIA to be presented to the Executive Committee on June 21*)

The Property Program remains stable and staff are in regular discussions with both prospective members.

Notices of Withdraw:
In accordance with the Joint Powers Agreement, Article 22 (c) (2), a Member may withdraw only upon completion of the program year following receipt of a 12-month Notice Intent to Withdraw.

Grassland Basin Water Authority and North Delta Water Agency have reported their Notice of Intent to Withdraw and may withdraw following completion of the 2023/24 Program Year. In addition, Sierra Highlands Community Services District has reported their Notice of Intent to Withdraw and may withdraw following completion of the 2024/25 Program Year.

RECOMMENDATION
None, information only.

Prepared by: Kristan Brown, Administrative Assistant II Date prepared: March 8, 2024

ACWA JPIA
Review of Property Claims Trends
March 20, 2024

BACKGROUND
The claims history for the JPIA Property Program is reflected in the attached scatter charts. It is relevant to note that the pooled retention in the program changed from $100,000 to $10,000,000. As we receive claims, they are classified by type and cause. There are five principal types: Vehicle, Construction, Infrastructure, Property Types which include Vehicles, Mobile Equipment and Buildings/Fixed Equipment/Personal Property and Other. The program provides coverage for approximately $11.9B in total insured values.

CURRENT SITUATION
In order to assist in looking for claims trends, JPIA's Claims Department is considering additional cause codes and requests the Committee's feedback on the proposed additions.

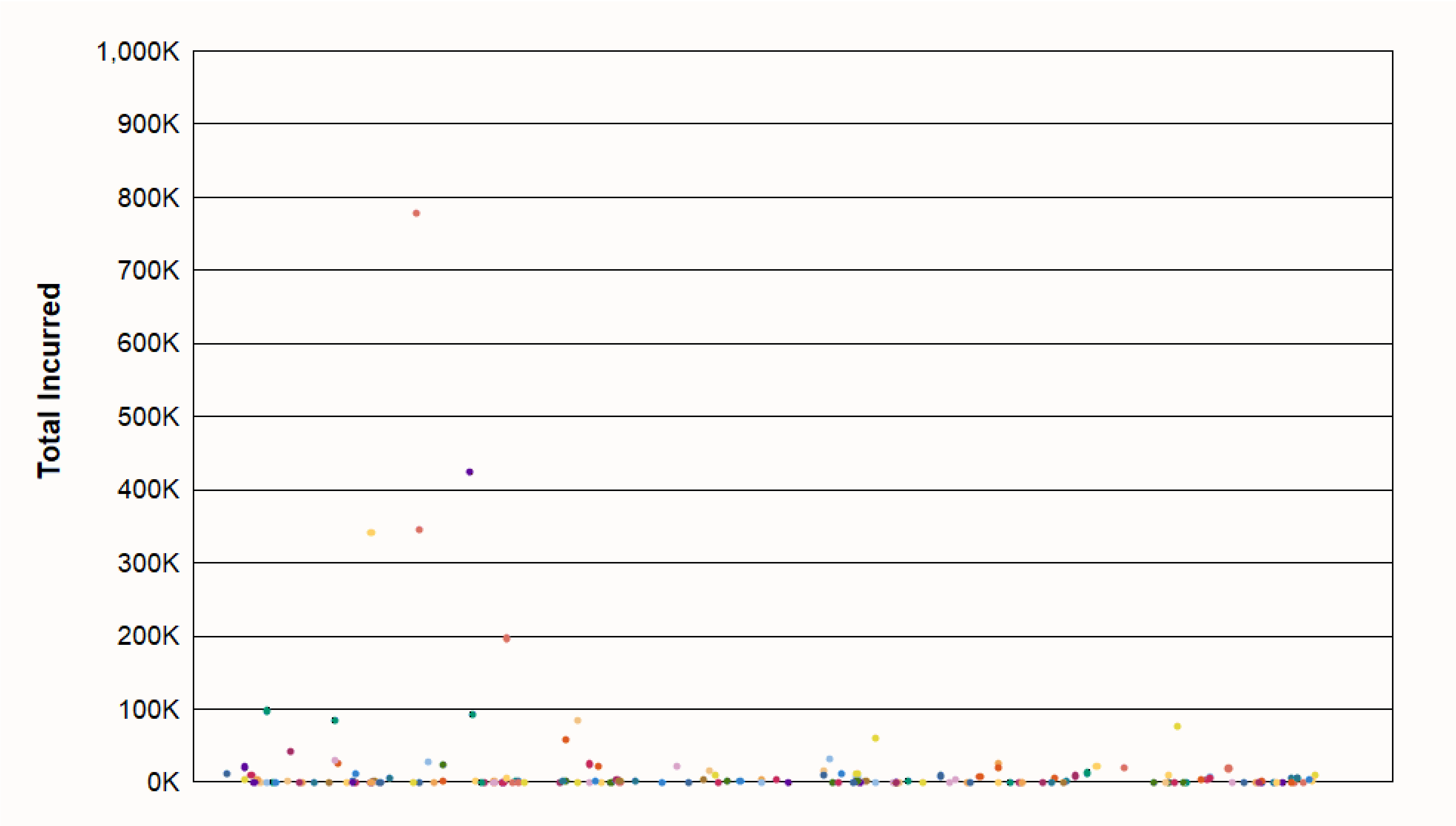
Vehicle
• Backing • Rear End • Vehicle Operations
Construction
• Failure to Yield • Risk Transfer/Contracting • Underground/Overhead Lines • Traffic Control
Infrastructure
• Water Line Failure/Break • Canal Failure/Break • Sewer Backup/Break • Chemical Hazard • System/Equipment Failure • Maintenance
Criminal Activity
• Vehicle Theft Vandalism • Property Theft Vandalism • Employee Dishonesty • Cyber • Security

Property Types:
Property – Vehicle
• Stationary Objects
Property – Mobile Equipment
• Stationary Objects
Property – Buildings/Fixed Equipment/Personal Property
• Storm/Flood • Fire • Natural Environmental
Other
• Boiler & Machinery • Mechanical Electrical • Other

RECOMMENDATION
None, information only.

ACWA JPIA - Property Program

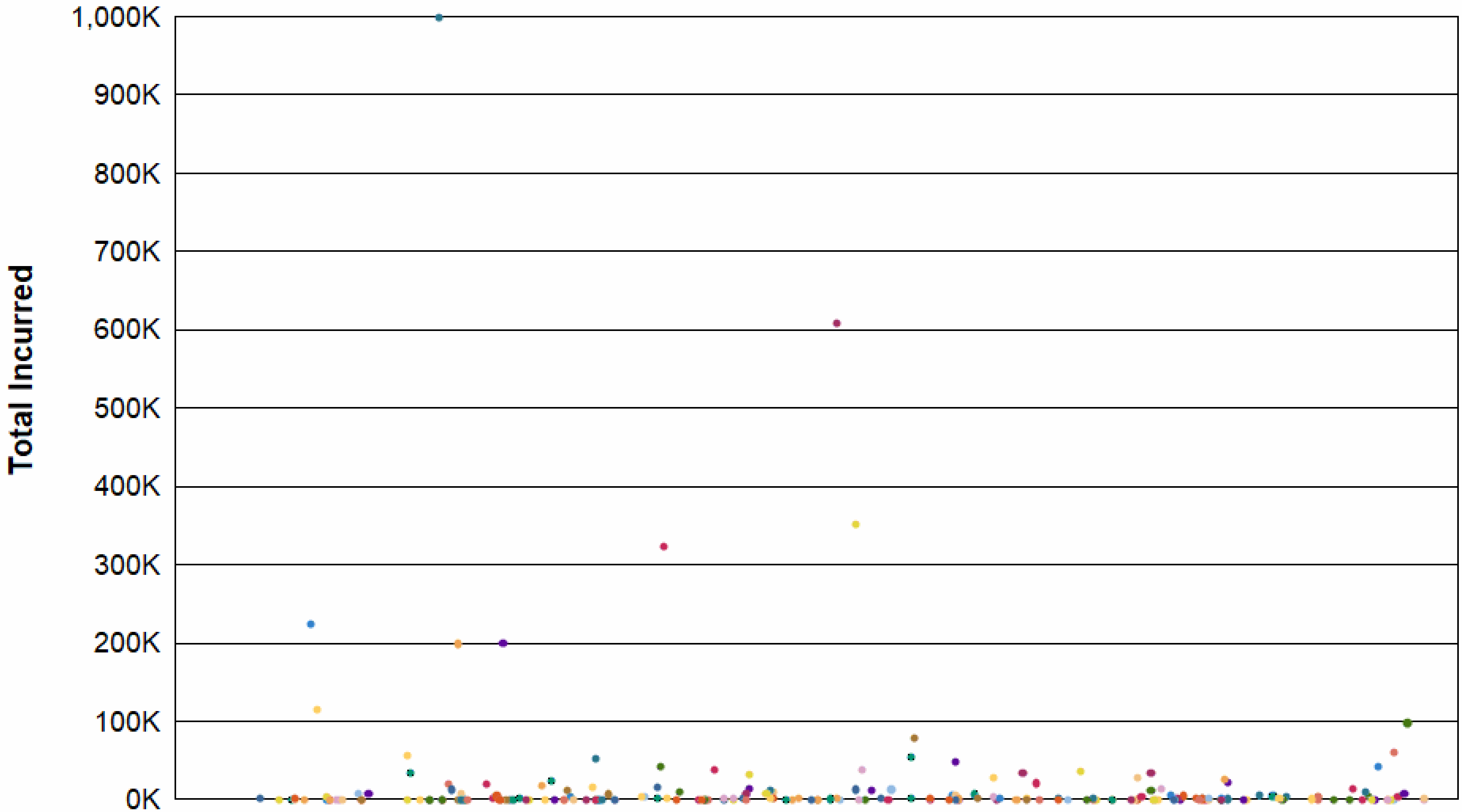
2020/2021



2020/2021 Property Claim Count: 160

ACWA JPIA - Property Program

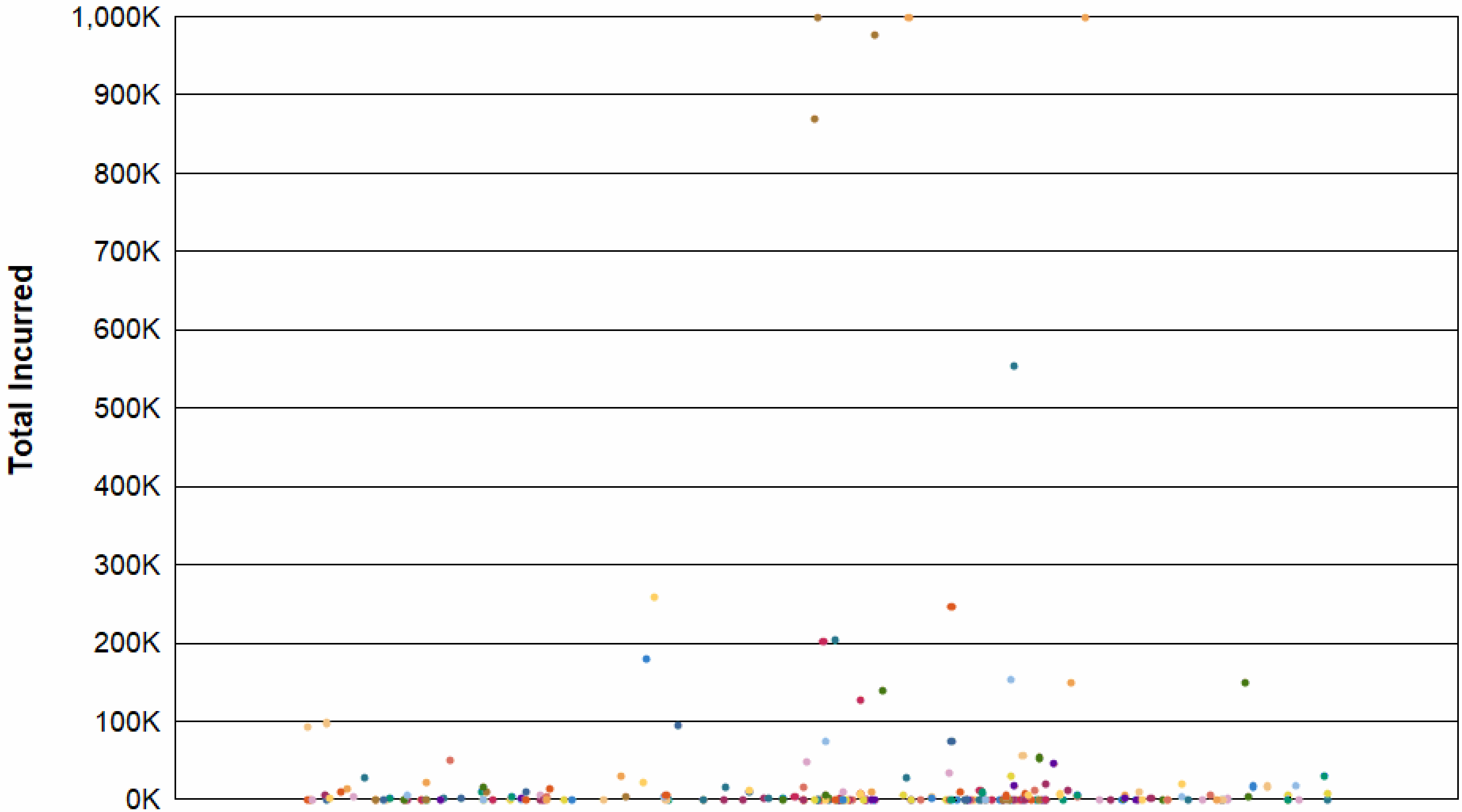
2021/2022



2021/2022 Property Claim Count: 219

ACWA JPIA - Property Program

2022/2023



2022/2023 Property Claim Count: 215

ACWA JPIA
State of the Market
March 20, 2024

BACKGROUND
Aon has served as JPIA's Property broker since 2014.

CURRENT SITUATION
Alex Tokar, Aon Managing Director, will provide the Property Program Committee with a presentation regarding the State of the Market and the effect upon the upcoming renewal.

RECOMMENDATION
None, information only.

Prepared by: Jennifer Jobe, Director of Pooled Programs Date prepared: March 7, 2024

Q1 2024 Property Market Dynamics Report

February 2024

1 Market Summary

Q4 2023 Property Market Snapshot

Insights from Aon National Property

- Property rate increases moderated in Q4 2023 and we expect rate pressure will continue but at more reasonable levels.
- There will continue to be rate differentiation as follows:
  - 0-5% increases for desirable accounts/occupancies;
  - 5-10+% increases for loss-challenged or less desirable occupancies;
  - 10+% rate increases for challenged and Nat-Cat-exposed accounts.
- Pressure on Wind/Hail/Convective Storm % deductibles due to increased Severe Convective Storm (SCS) activity.
- Continued use of captives for higher retentions and program/coverage challenges.
- More Alternative Risk Transfer (ART) transactions including parametric and structured solutions

Rate Change

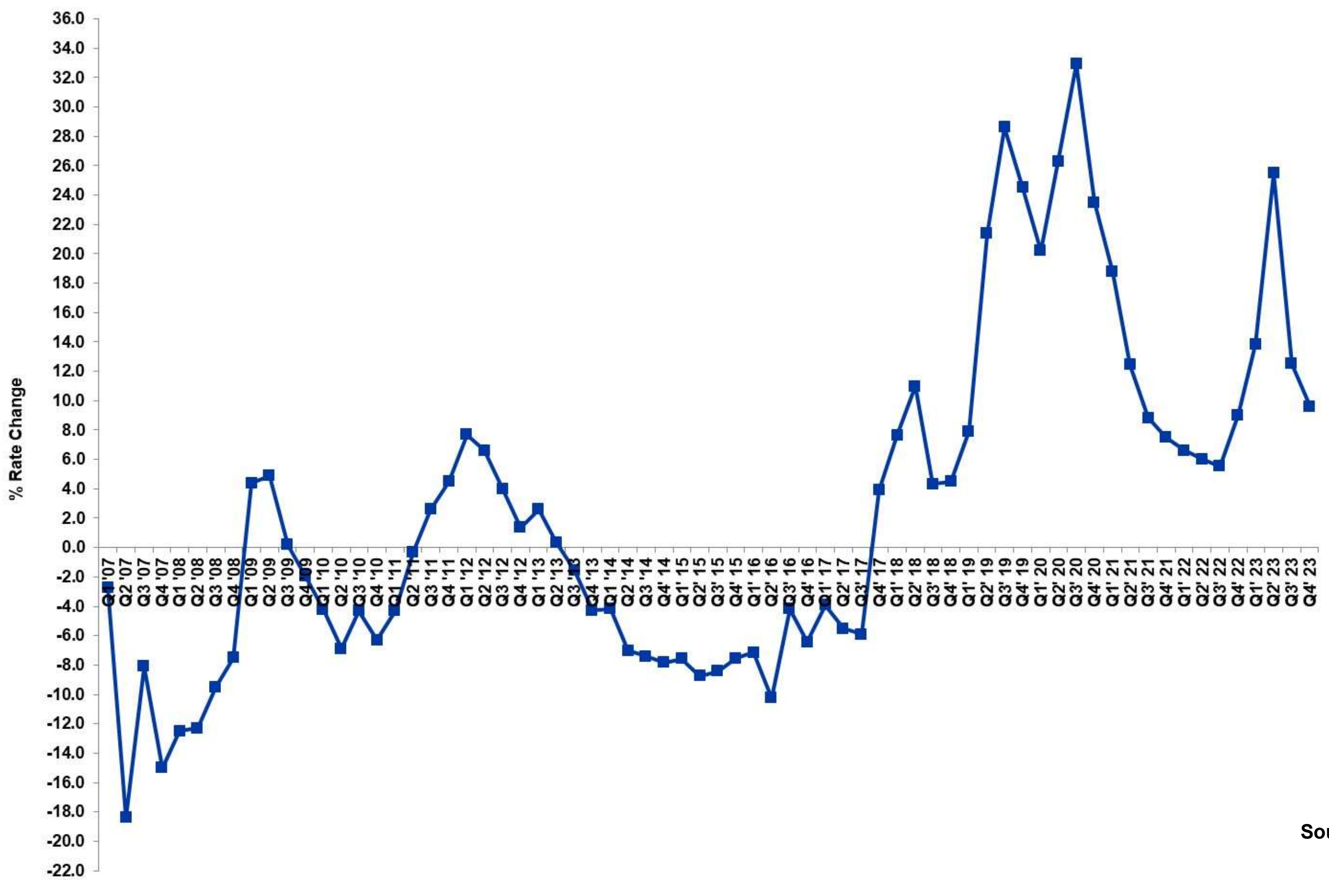
9.6%

Q4 2023 property rate increase
(Down from 12.5% in Q3 2023)

Avg. % Change in Rate (Peril)	
Non-CAT	**10.08%**
Tier I Wind	**11.13%**
CA EQ	**11.06%**
CAT	**9.609%**
All Accounts	**9.61%**

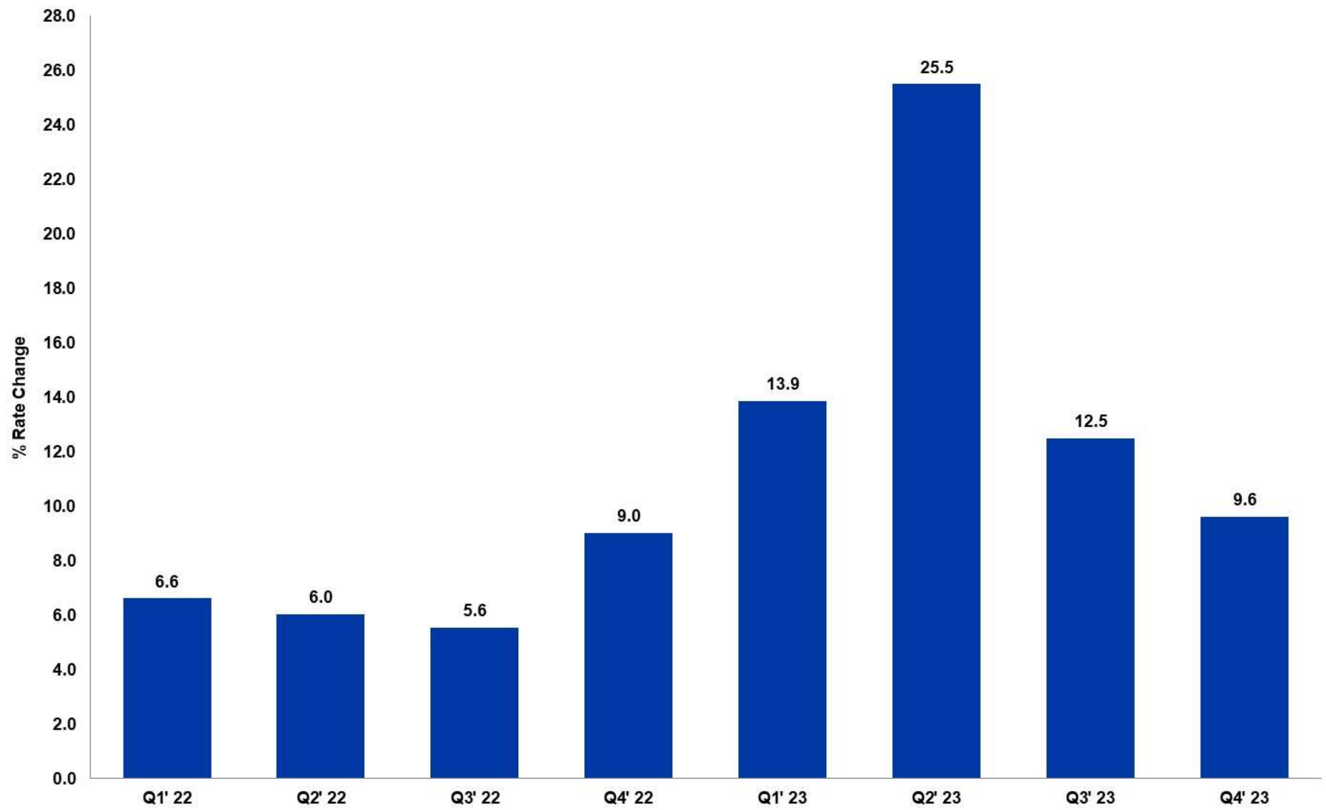
Avg. % Change in Rate (Program Structure)	
Shared and Layered	**10.58%**
Single Carrier	**8.45%**
All Accounts	**9.61%**

Property – Quarterly Year-Over-Year Change In Average Rate



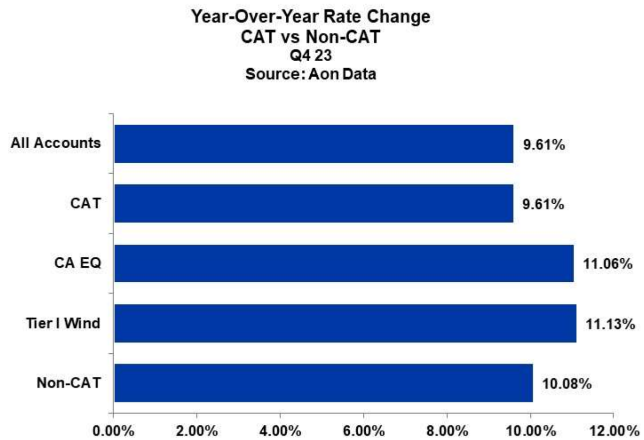
Source: Aon Data

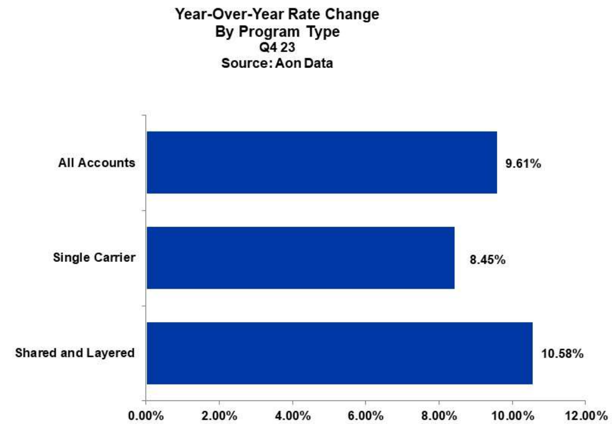
Property – Quarterly Year-Over-Year Change In Average Rate

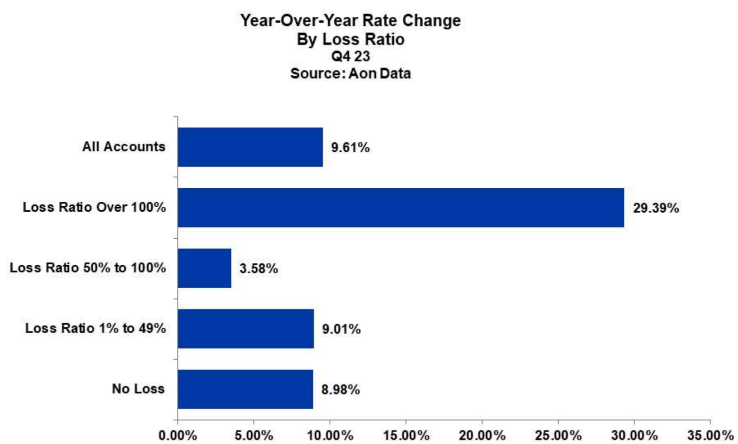


Source: Aon Data

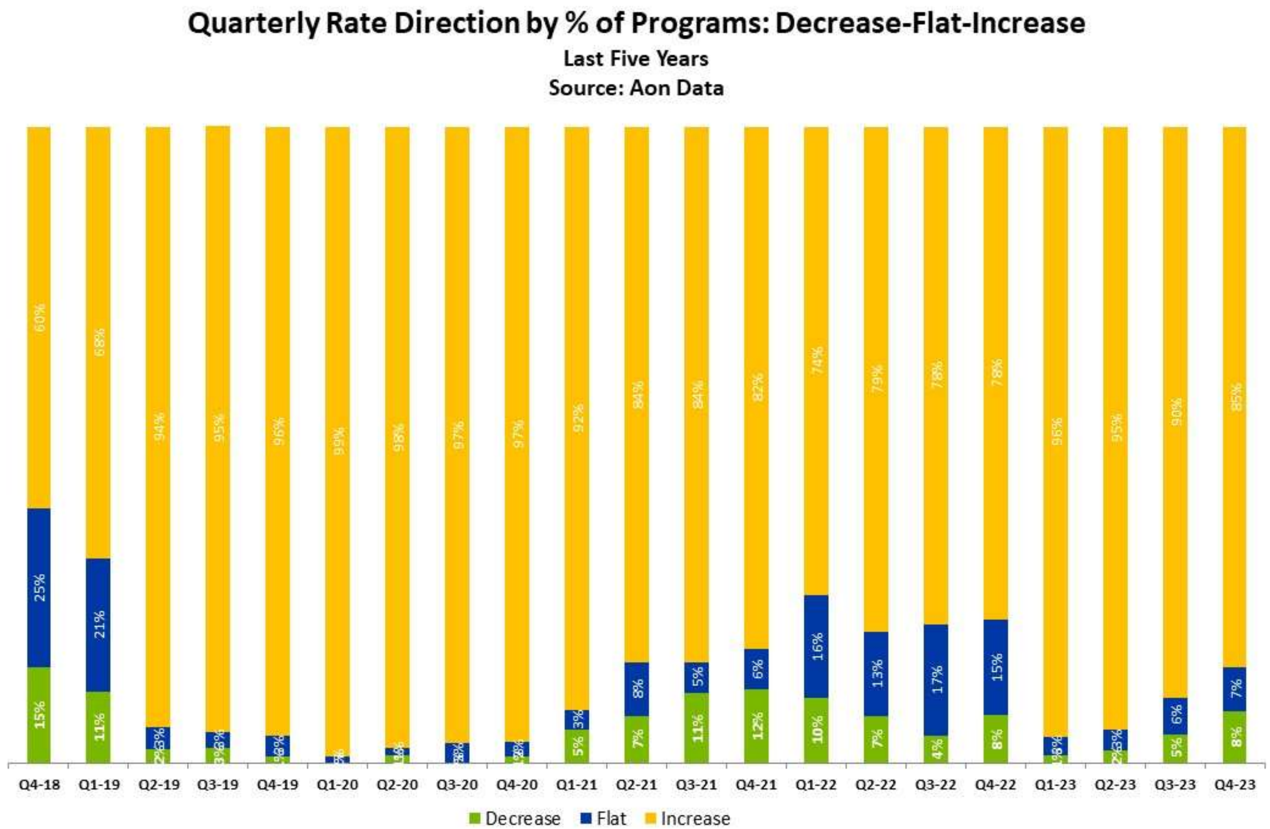
Property – Q4 2023 Quarterly Year-Over-Year In Average Rate by CAT, Loss Ratio and Program Type





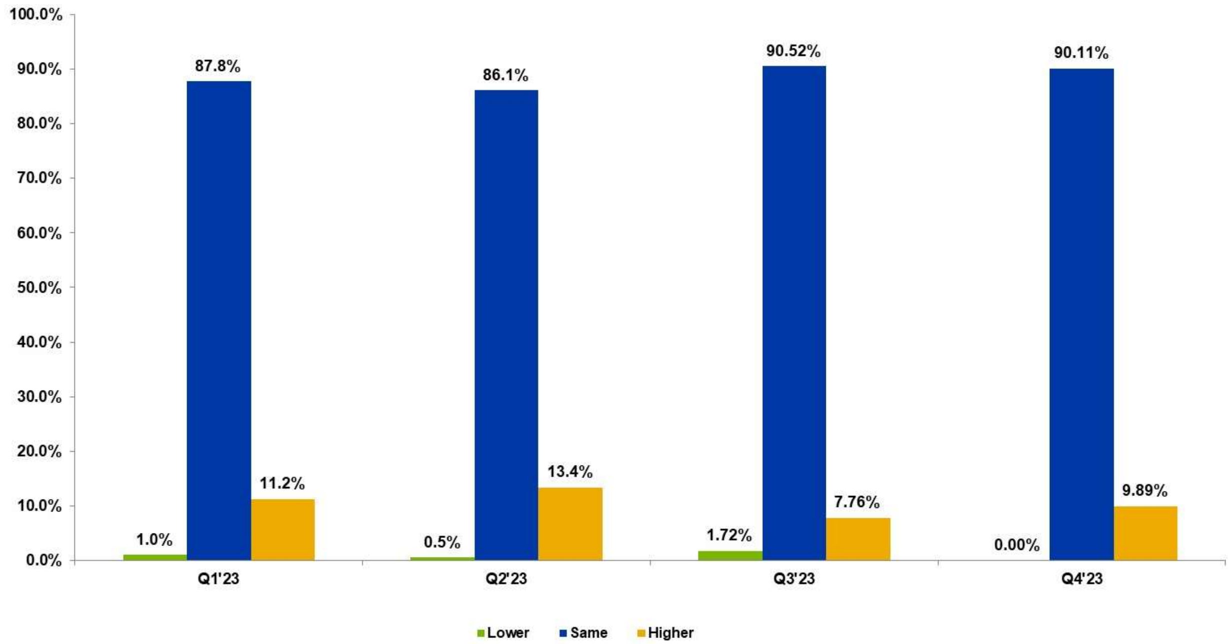


Property – Quarterly Rate Direction by % of



Programs with a rate change of +/- 2% or less are considered Flat in this analysis.

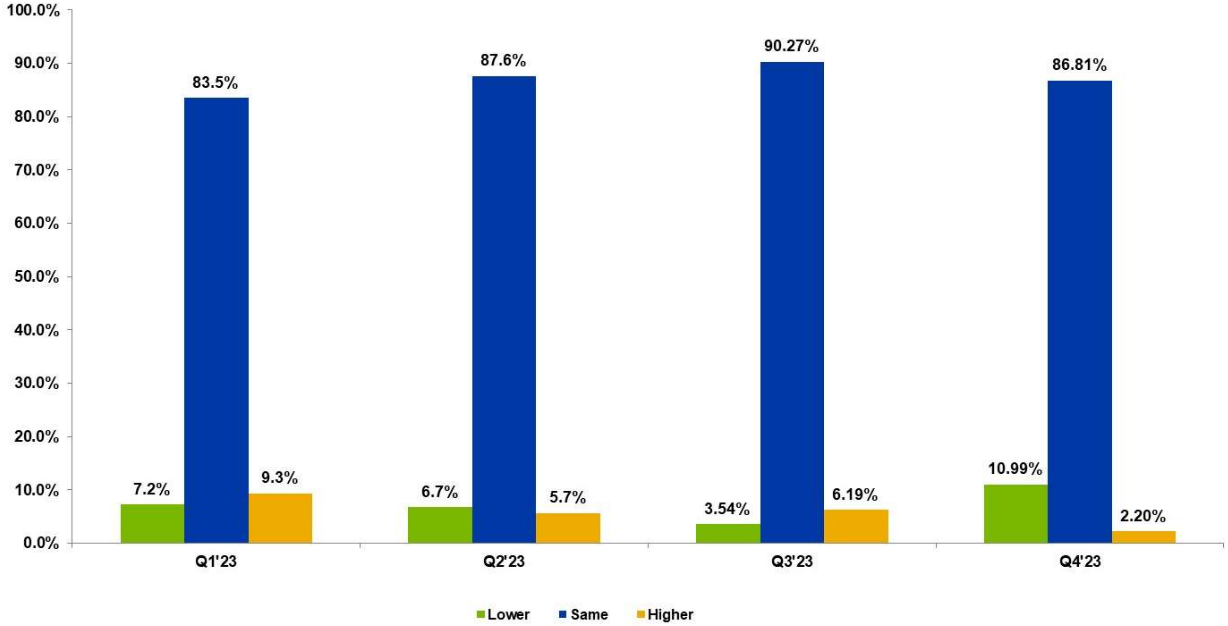
Property – Quarterly Year-Over-Year Change In Deductibles/Retentions



Type of Change	Q1 ‘23	Q2 ‘23	Q3 ‘23	Q4 ‘23
Lower	1.0%	0.5%	1.72%	0%
Same	87.8%	86.1%	90.52%	90.11%
Higher	11.2%	13.4%	7.76%	9.89%

Source: Aon Data

Property – Quarterly Year-Over-Year Change In Limits



Type of Change	Q1 '23	Q2 '23	Q3 '23	Q4 '23
Lower	7.2%	6.7%	3.54%	10.99%
Same	83.5%	87.6%	90.27%	86.81%
Higher	9.3%	5.7%	6.19%	2.20%

Source: Aon Data

Q4 2023 U.S. Property Market Summary

	Overall Market	Single Carrier Placements	Quota Share & Layered Placements
Pricing	Upward property rate increases moderated from 12.5% in Q3 2023 to 9.6% in Q4 2023. Q4 2023 represents the 25th consecutive quarter of positive rate increase. For early 2024, a moderating (though still rate positive) pricing environment should reveal the following: • the most desirable risks to underwriters should see rates of flat to +5%; • loss-challenged, less desirable occupancy classes and predominantly natural catastrophe exposed accounts should expect +5% or greater; • Florida-only accounts will still face capacity challenges and may still need to be prepared for +10% or greater. Renewal rates for Sabotage and Terrorism are generally increasing from +10% to +20% at renewal, subject to location, occupancy and loss activity. For clients with programs that include Political Violence, renewal rates are increasing from +30%.	Average rates for single carrier accounts quarter-over-quarter also was 8.5%.	Shared and layered accounts decreased over the quarter from a Q3 average 18.6% to 10.6%. Less desirable occupancy classes and accounts with losses continue to be under greater pressure due to profitability concerns.

Q4 2023 U.S. Property Market Summary

	Overall Market	Single Carrier Placements	Quota Share & Layered Placements
Capacity	Pricing and capacity moderation should continue through early 2024, largely due to less-than-significant loss events during the 2023 Atlantic Basin hurricane season along with generally positive January 1 reinsurance treaty outcomes. Carriers continue to look to maintain quality risks and less challenging occupancies. • Capacity for Florida Windstorm, Severe Convective Storm (SCS) and Wildfire continue to be challenged. • Adequate Nat-Cat limits continue to be challenging to obtain and/or costs for those limits may prove very high. • Capacity for California Earthquake continues to be challenging, with increasing pressures expected moving into 2024. • Difference in Conditions (DIC) capacity is still limited. • Continued to see hardening of the Terrorism Market in Q1 2024.	▪ Large, single carrier capacity is easing but remains limited in the large commercial space. ▪ Capacity is adequate for well-engineered / protected risks with limited or no Nat-Cat exposures. ▪ We expect more restrictive capacity for SCS given that 2023 saw a record 21 billion-dollar SCS loss events, totaling $58 billion in insured losses.	▪ While easing, we are witnessing efforts on the part of insurers for shared and layered accounts with desirable occupancy classes, nominal Nat-Cat and profitable historic loss ratios. Accounts with poor loss experience and/or Nat-Cat exposures are particularly challenged in gaining access to adequate capacity. ▪ Capacity for Florida, SCS and Wildfire may be challenged. ▪ Capacity for California Earthquake continues to be challenging with increasing pressures expected moving further into 2024. ▪ Pressure is also being seen with exclusions for Strikes, Riots & Civil Commotion due to treaty restrictions. The events which occurred in Israel on October 7th have had a significant impact on the treaty renewals. Many Treaties now include an “Escalation Clause” which allows Reinsurers to cancel coverage should the situation in the Middle East escalate. ▪ Non Nat-Cat capacity will be adequate for most clients. Nat-Cat capacity will be more expensive (though overall rate moderation should ease pressure).

Q4 2023 U.S. Property Market Summary

	Overall Market
Deductibles / Retentions	Deductibles remained consistent for the quarter with 90.1% of clients maintaining deductible levels. The percentage of clients increasing retentions was 9.9% which is down 7.8% compared to Q3 2023. There is still pressure on Nat-Cat deductibles.
Limits	11% of clients reduced limits in Q4 2023. Conversely, 2.2% of clients increased limits in Q3. Clients maintaining limits decreased slightly by 3.5% to 86.8% compared to the prior quarter. For perspective, over fourteen quarters, the average for clients maintaining their limits is 87.7%. We observed a slight expansion of available Nat-Cat limits in Q4 due to moderated windstorm losses in 2023 and the desire by carriers to deploy unused Nat-Cat aggregate for Q4.
Coverage	The overall percentage exposure change for Q4 was +4.4%, down from +7.7% in Q3, likely a reflection of moderating impact from lower inflation rates over the recent two quarters. • Building values reported at +6.5% (from +9.0% in Q3); • Inventory values also reported at +6.5% (from +9.4% in Q3); • Equipment values reported at +6.1% (from +8.2% in Q3); • Business Interruption (BI) values increased significantly from +4.4% in Q3 to +17.4% in Q4, likely due to macroeconomic factors, lagging core inflation impact and interest rates. The number of value-reported limitations, margin or occurrence limit clauses applied to accounts dropped from 37% in Q3 to 17% in Q4.

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Q1-Q2 2024 Property Program Renewal Guidance

Property Program Renewal Guidance for Q1-Q2 2024

Category	Q4 2023	Guidance for Q1-Q2 2024 Property Renewals
Pricing	↔	***Rates have moderated over the past two quarters. We expect rate pressure will continue but at more reasonable levels.*** • Market conditions are moderating but still challenging, especially for Nat-Cat-exposed businesses. • While some less-loss challenged and lesser Nat-Cat-exposed programs are seeing flat to single-digit increases, clients should prepare renewals early (five to six months in advance of renewal date) and anticipate the potential for rate increases, though lesser than recent prior quarters. • We are still seeing low double-digit rate increases for more heavily exposed tier-one wind- or EQ-exposed clients and those with less favorable occupancies. • Clients should consider all options including increased retentions, lower overall limit purchases and co-insuring/retaining some working layers throughout a program to manage cost. Of course, chosen strategies should adjust to risk appetite in the current the environment. • While core inflation is slowly moderating over the recent period, easing impacts on valuations, clients should still scrutinize values as a means of potentially attracting more favorable rates, as well as decreasing incidence of margin clause and co-insurance applications by insurers. • Consider alternate risk transfer solutions like captives, parametric insurance and structured property programs. Renewal rates for Sabotage and Terrorism are generally increasing from +10% to +20% at renewal, subject to location, occupancy and loss activity. The Political Violence / Terrorism (PVT) market continues to be in a transitionary period following unrest and consequential claims into the market. For clients with programs that include Political Violence, renewal rates are increasing from +30%.

Property Program Renewal Guidance for Q1-Q2 2024 (cont.)

Category	Q4 2023	Guidance for Q1-Q2 2024 Property Renewals
Deductibles / Retentions	↔	With rate moderation, some clients will reconsider decisions to increase retentions as a cost control mechanism in order to avoid higher rate increases imposed to control attritional losses. We are still seeing pressure on Nat-Cat deductibles. From a cost control perspective, clients should consider if raising retentions is a suitable strategy to offset higher premiums. This decision should be weighed in broader context with deductibles, valuation increases and potentially reduced capacity.
Capacity	↔	Depending on occupancy group, Nat-Cat exposures and loss history, clients should still continue to work closely with their broker to identify carriers with appetite and available capacity and prepare their management for potential pricing and limits availability challenges at renewal. • Adequate Nat-Cat limits can be obtained but costs may remain elevated. • London market Nat-Cat capacity is increasing with underwriters willing to deploy more capacity at pricing deemed to be favorable to markets. • Capacity for California Earthquake continues to be challenging, with increasing pressures expected.

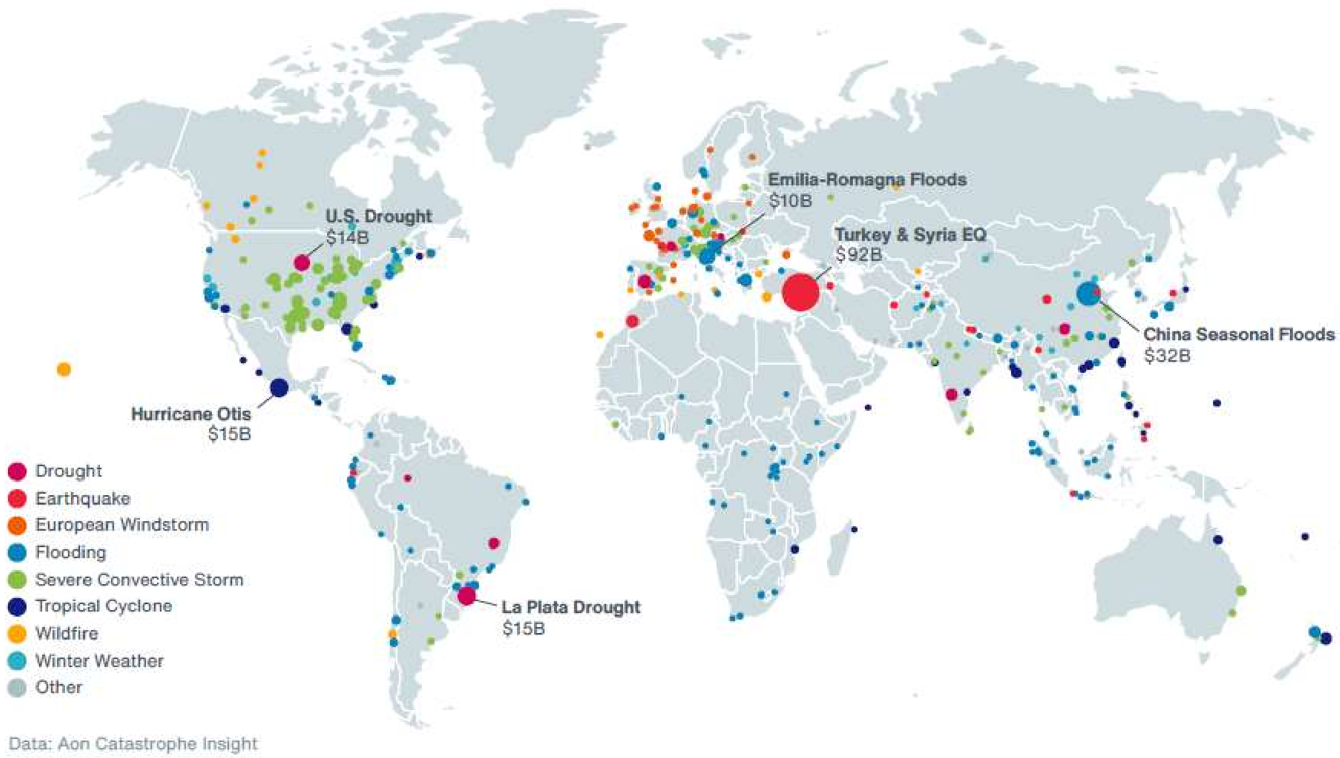
Property Program Renewal Guidance for Q1-Q2 2024 (cont.)

Category	Q4 2023	Guidance for Q1-Q2 2024 Property Renewals
Limits	↔	• Though inflation is slowly moderating over the past two quarters, clients should continue to consider program limit adjustments to ensure adequate coverage. • During renewals, clients should consider all options including lower overall limit purchases and co-insuring/retaining some working layers throughout a program to manage cost. • Markets continue to monitor exposure to contingent business interruption (CBI) with concerns over extended and vulnerable supply chains.
Coverage	↔	• Clients should continue to carefully review all policy limits and sub-limits, which may not be adequate based on previous values. When reviewing values across buildings, BI, equipment and inventory, clients should pay close attention to impact of inflation on values, notably inventory and BI. • Underwriters may impose values-reported restrictions or margin clauses unless provided with a detailed explanation on renewal values. • Contingent BI coverage continues to be very carefully underwritten.

3 Q4 2023 Catastrophe Review and Global Insured Loss Update

AON

Notable 2023 Economic Loss Events



Economic losses from global natural disasters in 2023 are estimated at $380 billion, above long-term and short-term averages, after adjusting historical losses to today's values using the U.S. Consumer Price Index.

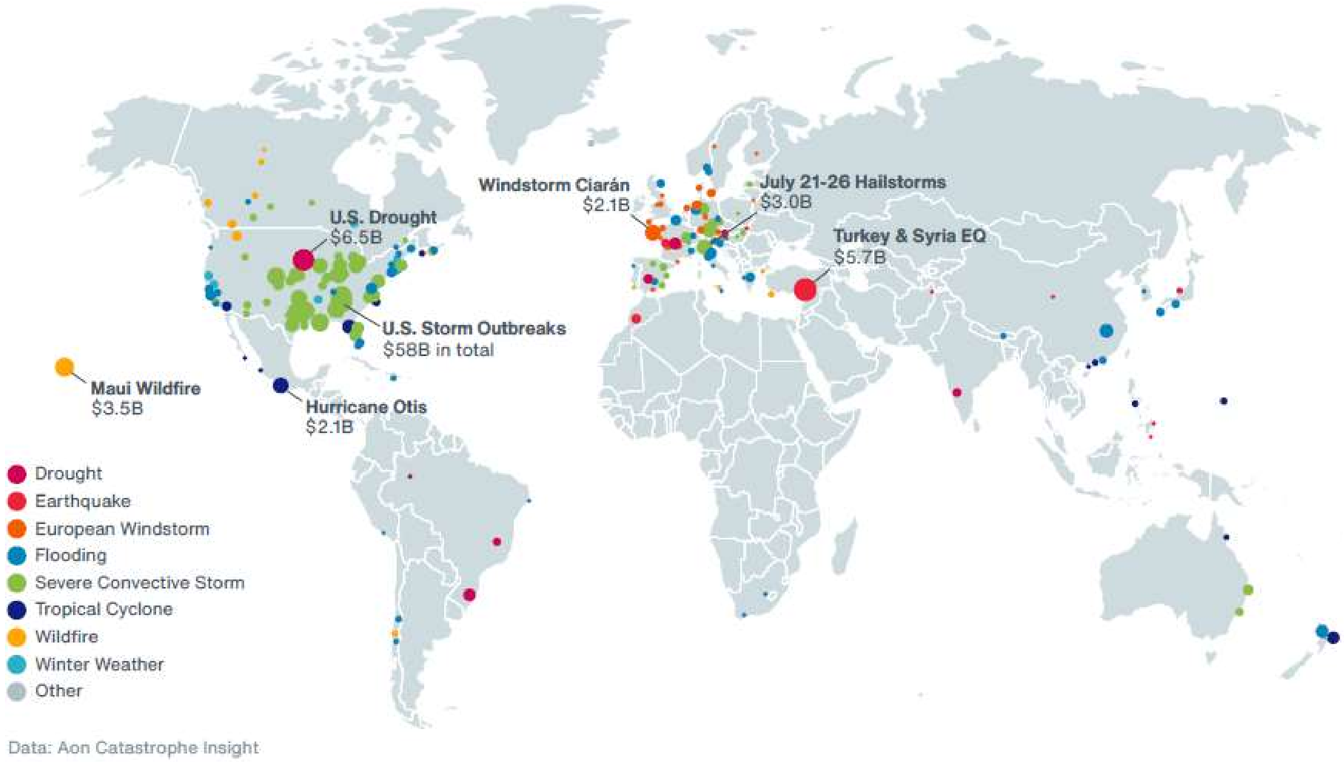
All continents recorded remarkable natural disaster events in 2023 and multiple countries faced the most significant disasters in their modern histories. The global map shows event and peril patterns that contributed to the overall economic losses in 2023.

The largest loss driver was earthquake, yet this was largely caused by a handful of events, notably the earthquake sequence in Turkey and Syria. Severe convective storms came second, with the largest individual losses concentrated in the United States and Europe.

Note that significant price inflation throughout the year already resulted in notable increases of per-event losses.

Source: 2024 Climate and Catastrophe Insight -- Aon

Notable 2023 Insured Loss Events

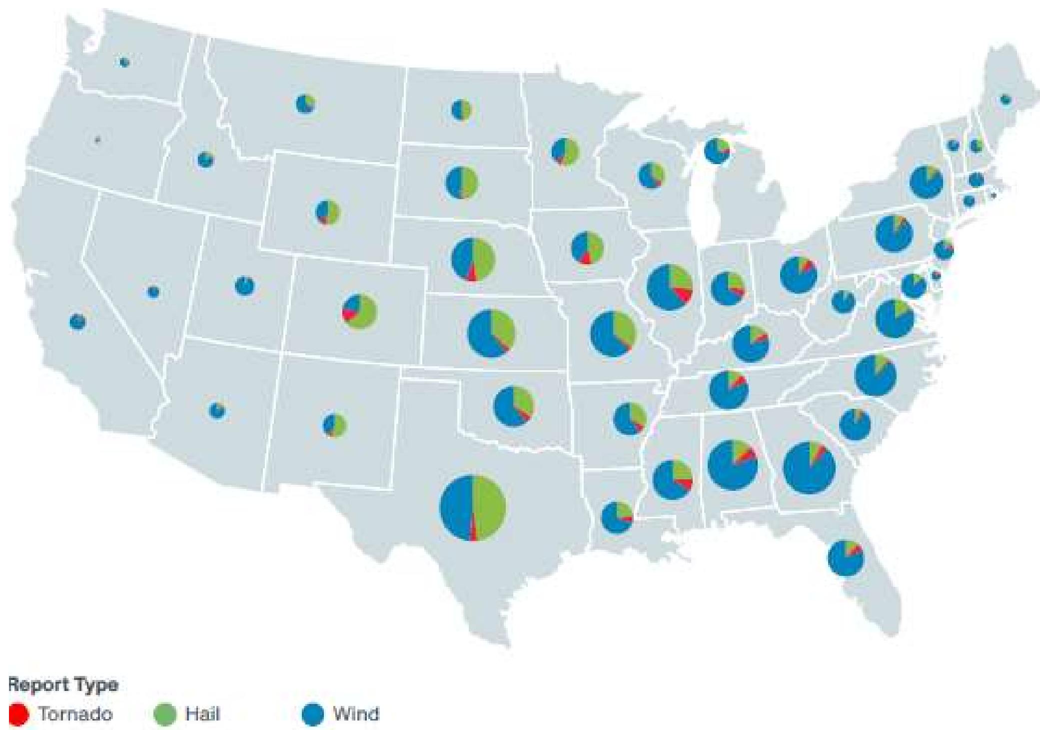


Source: 2024 Climate and Catastrophe Insight -- Aon

Global insured losses from natural disasters in 2023 are estimated at $118 billion, well above the short-, medium- and long-term averages. Only about 31% of global economic losses were covered by private or public insurance, which was close to long-term normal. This presents a notable decrease after 2022, when more than 42% of total losses were covered and the protection gap was the lowest on record. Many of the significant disasters across the world generated significant uninsured damage, costs of which had to be covered by local governments.

The largest loss of the year can be attributed to the seasonal drought in the United States, with total crop insurance payouts above $6.5 billion. The earthquake sequence in Turkey and Syria came was the second-highest insured loss event.

U.S. Storm Reports in 2023, by State



Source: 2024 Climate and Catastrophe Insight -- Aon

Severe Convective Storms (SCS) stood out significantly in 2023. In the United States alone, insured losses from the peril exceeded $50 billion for the first time on record and the preliminary total stands at $58 billion, compared to the previous record of $44 billion set in 2020.

Despite the practice of including SCS in the so-called secondary perils, it has undoubtedly become a major loss driver, generating ever increasing number of costly medium-sized events. In the U.S. alone, this includes 10 multi-billion dollar insured loss events in 2023.

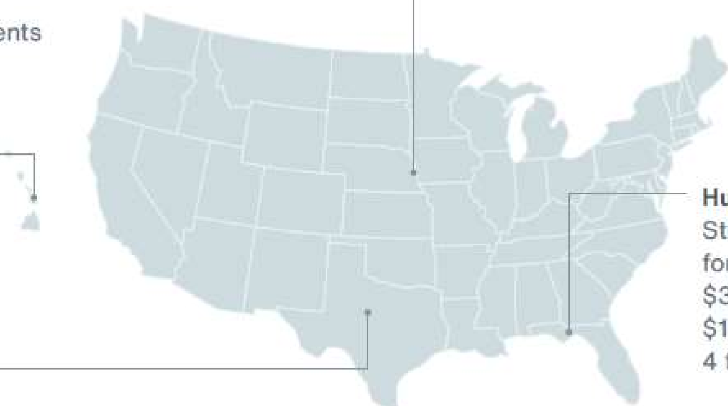
Hail damage in the United States was exceptional in 2023, especially in Texas and Colorado. While hail caused the majority of total SCS losses, wind impacts were still significant. 2023 featured multiple noteworthy tornado outbreaks, including the third largest tornado outbreak in United States history between March 31 and April 1.

2023 U.S. Loss Figures – United States

Severe Convective Storm Outbreaks
Record-setting year with
21 billion-dollar insured loss events
$73B economic loss,
$58B insured loss

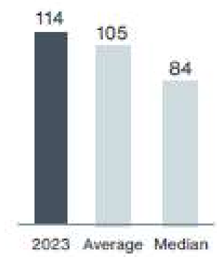
Lahaina Wildfire
Deadliest U.S. wildfire
in over a century
$5.5B economic loss,
$3.5B insured loss,
100 fatalities

Intense Drought
Prolonged drought conditions
throughout 2023
$14B economic loss,
$6.5B insured loss

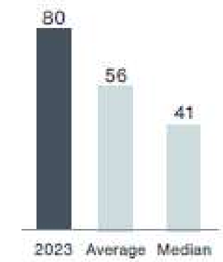


Hurricane Idalia
Strongest hurricane on record
for Florida Big Bend region
$3.5B economic loss,
$1.5B insured loss,
4 fatalities

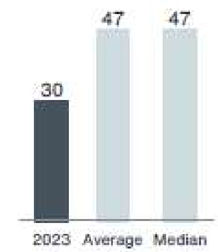
Economic Losses (2023 $ billion)



Insured Losses (2023 $ billion)



Protection Gap (%)



Source: 2024 Climate and Catastrophe Insight -- Aon

4 Property Valuations

Property Values: Trends and Guidance

The overall percentage exposure change for Q4 was +4.4%, down from +7.7% in Q3, likely a reflection of moderating impact from lower inflation rates over the recent two quarters.

- Building values reported at +6.5% (from +9.0% in Q3);
- Inventory values also at +6.5% (from +9.4% in Q3);
- Equipment values reported at +6.1% (from +8.2% in Q3);
- Business Interruption values increased significantly from +4.4% in Q3 to +17.4% in Q4, likely due to macroeconomic factors, lagging core inflation impact and interest rates.
- The number of value-reported limitations, margin or occurrence limit clauses applied to accounts dropped from 37% in Q3 to 17% in Q4.

For clients planning Q1 2024 / Q2 2024 property renewals, consider the following:

- A client's assets, and notable valuation thereof, can be critically impacted by inflation rates. In February 2024, Core Inflation, which excludes the more volatile energy and food prices, rose by 3.9%, the same pace seen in December 2023 and above the 3.7% economists forecasted.
- Reporting the same values from the previous renewal will raise a "red flag" to underwriters.
- Clients should be prepared to explain their values and the methodology used to calculate the values across criteria.
- Clients should carefully review all policy limits and sub-limits which may not be adequate based on previously reported values.
- While value-reported limitations, margin or occurrence limit clauses were down in Q4 2023 for Aon's National Property account renewal base, underwriters are still imposing value reporting limitations – "margin clauses" and "location / occurrence limit of liability" endorsements. Increased values with a flat rate will likely result in increased premiums. Bermuda and London markets, in particular, still view valuation reporting as an ongoing issue.

5

Global Broking Center Update

London Market Overview

- The London market, as a whole (including European markets), has seen a flattening of rates with low single-digit rate increases on shared and layered programs.
- London market Nat-Cat capacity is increasing with underwriters willing to deploy more capacity at pricing deemed to be favorable to markets. Most London markets have significant growth targets for 2024 coupled with some new entrants such as Westfield, Argentina and increased capacity from Aon Client Treaty.
- The London market has started to see over-placement on some accounts giving more ability to create competitive tension.
- Several Lloyds syndicates have raised additional capital to enable them to write new risks.
- Supply chain, inflation and property valuation have been key talking points. Many clients have been requesting further explanation on these items, which in the main, has enabled clients to avoid co-insurance penalties. The London market has however witnessed that underwriters are pushing harder on co-insurance clauses in 2023 when valuation methodology is unclear or viewed as inaccurate.
- Strikes, Riots and Civil Commotion clause (SRCC) coverage for the retail sector is challenging for London property markets but solutions exist in the political violence market.
- Aon Client Treaty (ACT) continues to add valuable capacity to the London market, offering 22.5% of following capacity subject to $55 Million maximum ($27.5 Million maximum for Critical Nat-Cat) on approved lines in the London market.
- Aon London Team has witnessed a significant upturn in clients travelling to London for market meetings thus far in 2023.
- We have seen a couple of resignations in Lloyds and Ascot that may signal potential for new capacity in 2024 but no destinations confirmed as of yet.

Bermuda Market Overview

- The Bermuda market saw rate movement in line with the U.S. shared and layered placements with rate increases on average moderating compared to previous quarters.
- Markets are continuing to watch their Nat-Cat capacity to manage flat-to-reduced aggregates, which are seeing pressure from increasing values requiring additional aggregate usage to maintain the same line going forward. RMS v23 is slowly being adopted and is expected to increase results between 20% and 40%. (Bermuda markets are split evenly between RMS and AIR so this could lead to additional polarizing of the market. Many programs tend to have an outlier or two, based on markets internal metrics not always aligning with their peers.)
- While there is heavy focus on aggregates, markets are finding ways to offer additional capacity through alternative structures and top-up layers.
- Terms & Conditions are a continuing point of focus, with some markets seeking commonality on occupancies and restrictions based on experiences. SRCC coverage has a renewed focus along with political risk exclusions.
- Client valuation / reporting is still a key concern for many markets; they are seeking confirmation on client valuation methodology which leads to some difference of opinions with not all sectors seeing the same inflationary changes. Markets are looking to institute margin clauses where they see a disconnect.
- Jan 1 treaty renewals were steady with nominal rate increases and increased capacity. Focus on secondary perils – Severe Convective Storm (SCS), freeze, and wildfire continues to be an area of focus given recent loss activity.
- Clients have been returning to Bermuda for on-site market meetings with 2023 visits to-date well above 2019 levels, remote meetings continue at a steady pace.
- Moving into 2024, Bermuda markets, with limited exception, are tasked with growing their books in 2024, through new business, expansion on current accounts or a combo of the two varies by market.
- Influx of capacity at the end of 2023 is resulting in overlined programs and Insured’s having to make some difficult decisions with long term carriers after years of pricing exhaustion
- January 1 Treaty renewals appear to be steady compared to 2023 renewals, with some coverages added back into programs.

Terrorism Market Overview

- In the first quarter of 2024, we continue to see hardening in the Terrorism market. The January 1 Treaty renewals are complete and matched expectations of further increased Self-Insured Retentions and cost of reinsurance.

- The Political Violence / Terrorism (PVT) market continues to be in a transitionary period following the unrest and consequential claims into the market. While all risks are evaluated on a case-by-case basis, there is a requirement from markets to obtain rate adequacy with further review surrounding the breadth of coverage and extensions, loss history, market aggregate, and local political outlook ratings.

- The driving factors of this transitionary period are events and insured losses from the Russia/Ukraine conflict (estimated between $2 - $3 billion), 2021 South Africa riots (estimated at $2 billion), U.S. riots due to civil unrest in 2020-21, along with additional events, including civil unrest in Chile, Colombia, Myanmar, and Hong Kong contributing to continuous losses in the Terrorism and Political Violence Market.

- Renewal rates for Sabotage and Terrorism are generally increasing from +10% to +20% at renewal, subject to location, occupancy and loss activity. For clients with programs that include Political Violence, renewal rates are increasing from +30%.

- The events which occurred in Israel on October 7th have had a significant impact on the Treaty renewals. Many Treaties now include an "Escalation Clause" which allows Reinsurers to cancel coverage should the situation in the Middle East escalate. We have also seen one market exclude Israel from their Treaty, forcing them to run off all exposure in 2024. There has also been a contraction of capacity for Israeli War aggregate, which could in turn lead to further rate increases.

- CNA Hardy left the Political Violence space towards the end of 2023. However we have seen Optio, an MGA which previously struggled to obtain support, reenter the space with new backing. Ark syndicate are also creating a new Political Violence team with hires from Talbot and Chaucer. This new capacity will have a potential impact to rates in the second half of the year as it ensures the Terrorism space remains competitive with no reduction in carriers.

7 Economic Themes for Q1: Inflation

Developing Economic Themes for Q1 2024

U.S. Economy: Inflation / Fed Rates

- Annual rate of inflation dropped less than expected to 3.1% in January from 3.4% in December. Core inflation, which excludes the more volatile energy and food prices and is generally considered a better gauge of underlying trends, rose by 3.9%, the same pace seen in December and above the 3.7% economists forecasted. [1]
- The Fed interest rate is 5.25% to 5.50%. At its most recent meeting in January, the Federal Open Market Committee (FOMC) left the rate unchanged. Many economists expect the U.S. Federal Reserve will wait until the second quarter or beyond before cutting interest rates, according to a majority of economists polled by Reuters, with June seen more likely than May and less easing forecast this year than markets now expect. [2]
- The University of Michigan's Consumer Sentiment Index rose 9.1 points, the biggest monthly advance since 2005, to 78.8. The preliminary January reading stands at the highest level since July 2021, far surpassing the most optimistic estimate in a Bloomberg survey of economists. [3]
- Surplus line premium reported by the group of 15 U.S. surplus lines service and stamping offices grew 14.6% to $72.66 billion last year. Property insurance saw the biggest growth in premium, with a 31.8% increase. [4]

Inflation Trends: US inflation reducing, but risks remain

Broad inflation (CPI) remained stable at 3.1%

Inflation is now being driven by services, particularly **shelter prices** as opposed to goods ; core CPI dropped to 3.9%

Aon property loss cost index, weighting of goods and labor prices shows ~2.8% YoY

- Down from peak of 15% in Jan 2022
- Some of that 2.8% driven by base effects; other indexes and projections exist in the 3-4% range
- Building materials inflation had outpaced broad inflation measures but price increases slowing, in some cases reversing
- Construction labor has so far lagged broader wage growth and now shows initial signs of cooling

Inflation is expected to remain moderate into 2024

- The Federal Reserve expects interest rates to remain higher for longer as consumer spending remains healthy and shelter inflation stays high
- Consumers expect broad inflation to be around 4% over the next year and return to ~3% in the medium term
- The Federal Reserve expects broad inflation to be 2.5% in 2024; Wall Street is indicating an inflation rate of ~2-3% over the next 5 years

Clients with appropriate inflation guard mechanisms likely reflect the current inflation in their limits profiles and care should be taken to avoid double counting

- Demand surge levels of 10+% for $10 billion events and 30+% for $100 billion events are already accounted for in the catastrophe models; further loads are likely unnecessary
- Insurance rates implicitly contemplate some amount of underinsurance

Aon Inflationary Trends Report, February 2024

The Consumer Price Index inflation rate has cooled recently

But broad average hides details in individual commodities and services

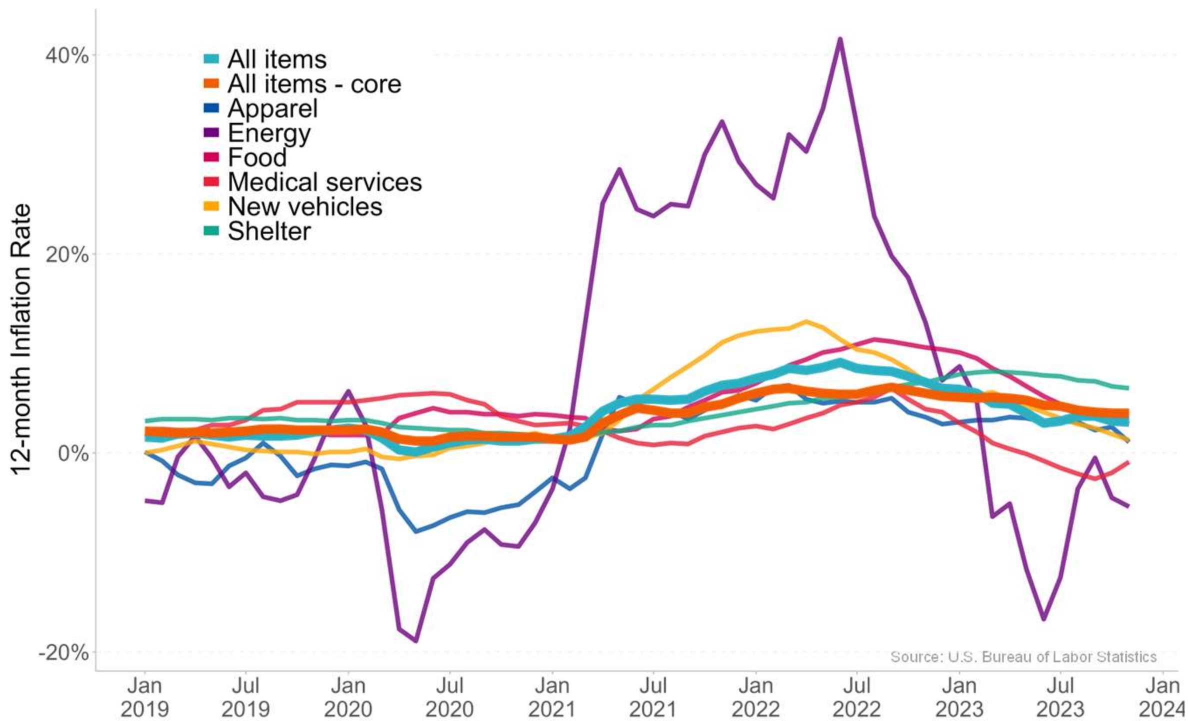
CPI All Items	**+3.1%**
CPI Core	**+3.9%**

Core inflation excludes food and energy prices

CPI Component	Latest 12-month Inflation Rate
Apparel	0.1%
Energy	-4.6%
Food	2.6%
Medical services	0.6 %
New vehicles	0.7 %
Shelter	6.0 %

Note: Medical insurers now commenting on pick-up in medical inflation above CPI measure.

Year-over-Year Change in CPI and Individual Components



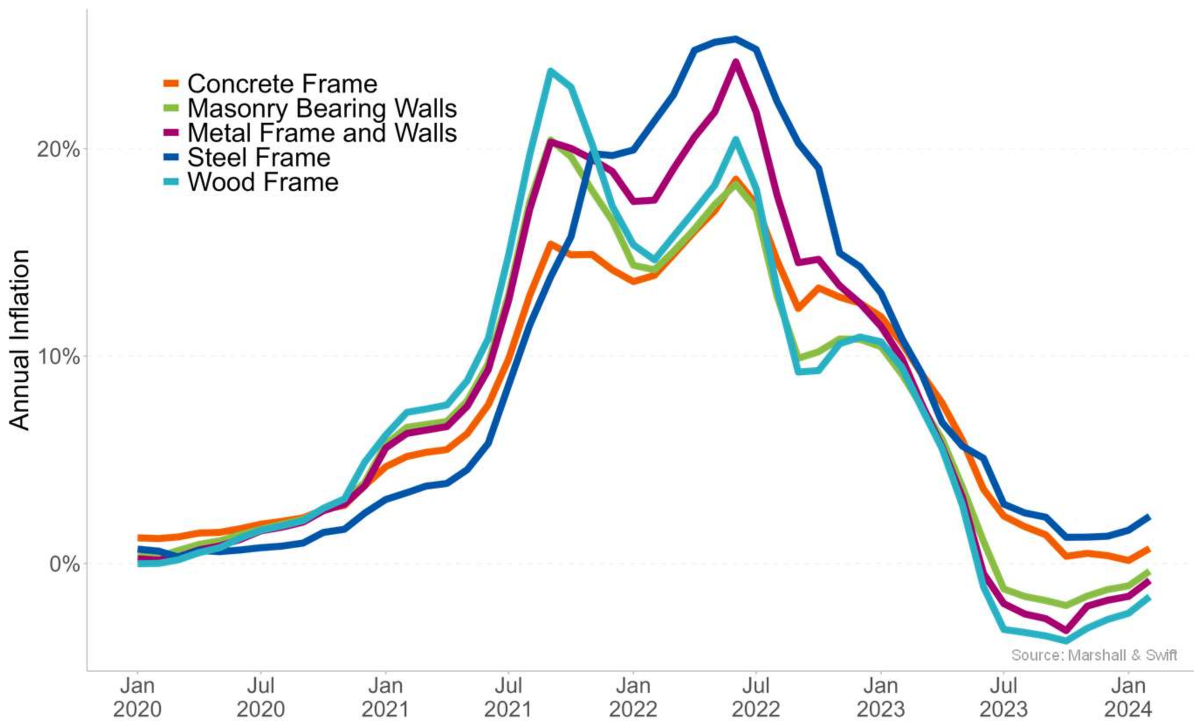
Aon Inflationary Trends Report, February 2024

AON

Detailed cost of materials indices show cooling inflation

Building materials prices have shown significant stability

Indices for Costs Trends by Building Type



Building costs trend data showed increases that have outpaced broader inflation measures

Material costs and labor shortages pushed trends up for all types of building

The Marshall & Swift indices have changed in the range of -3% to +3% year-over-year depending on the material, though other indices are in the top part of that range

Property loss trends lag prices, and the entire effect of inflation on loss may not be reflected until later

After a period of high inflation, all building types now show low inflation or deflation over the last 12 months

Aon Inflationary Trends Report, February 2024

Aon’s property cost index combines goods and labor prices

All indices are around 3%

50% Goods	50% Labor

Combining construction goods and labor prices gives a more holistic view of construction costs

Index uses the PPI for net inputs to residential, non-residential, and all construction mixed with average hourly construction wages

Goods/wage split was adjusted to 50/50 after conversations with clients about what’s being seen in claims data

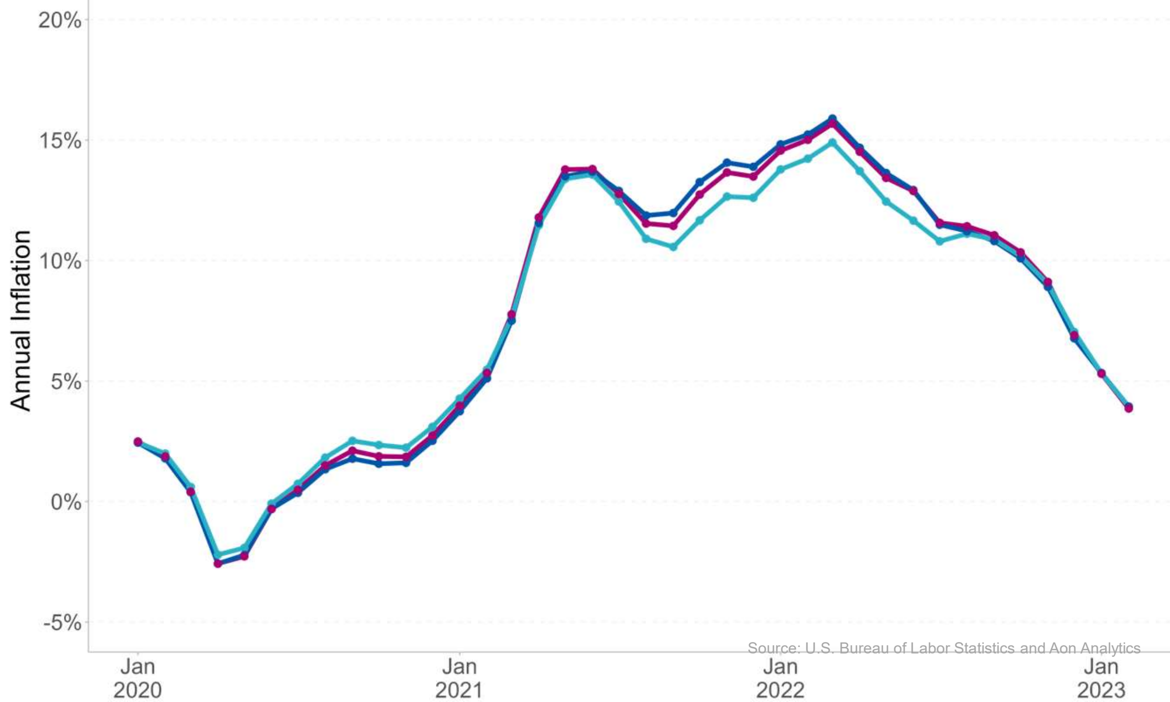
Residential shows inflation of 2.9%, Non-Residential of 2.1% and all construction of 1.9%. Other indexes are in the same 2-4% range

Inflation rates were consistent from spring of 2021 to spring of 2022 and have been generally falling for the last 18 months

Aon Inflationary Trends Report, February 2024

Aon Property Cost Index Annual Inflation

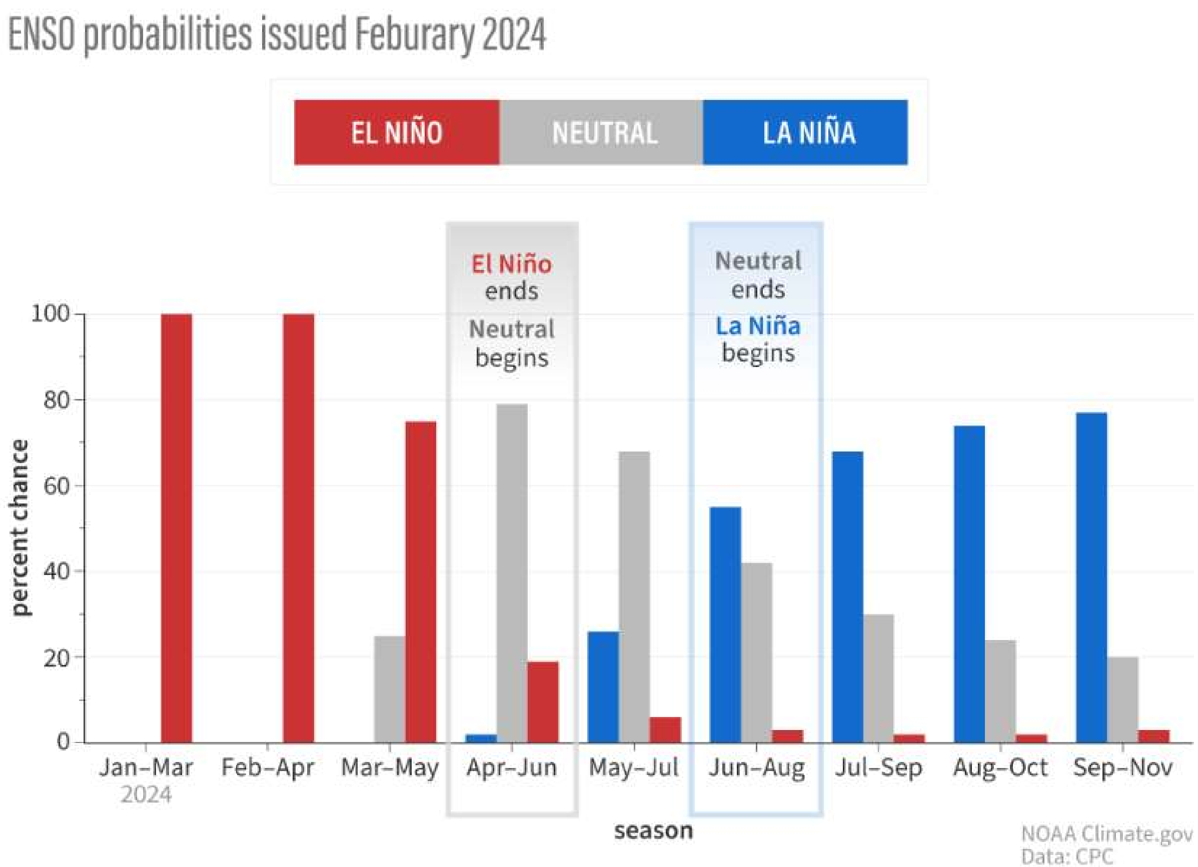
For Residential, Non-Residential, and All Construction



8 Weather Predictions: Winter Outlook and Drought Forecast

Proprietary & Confidential

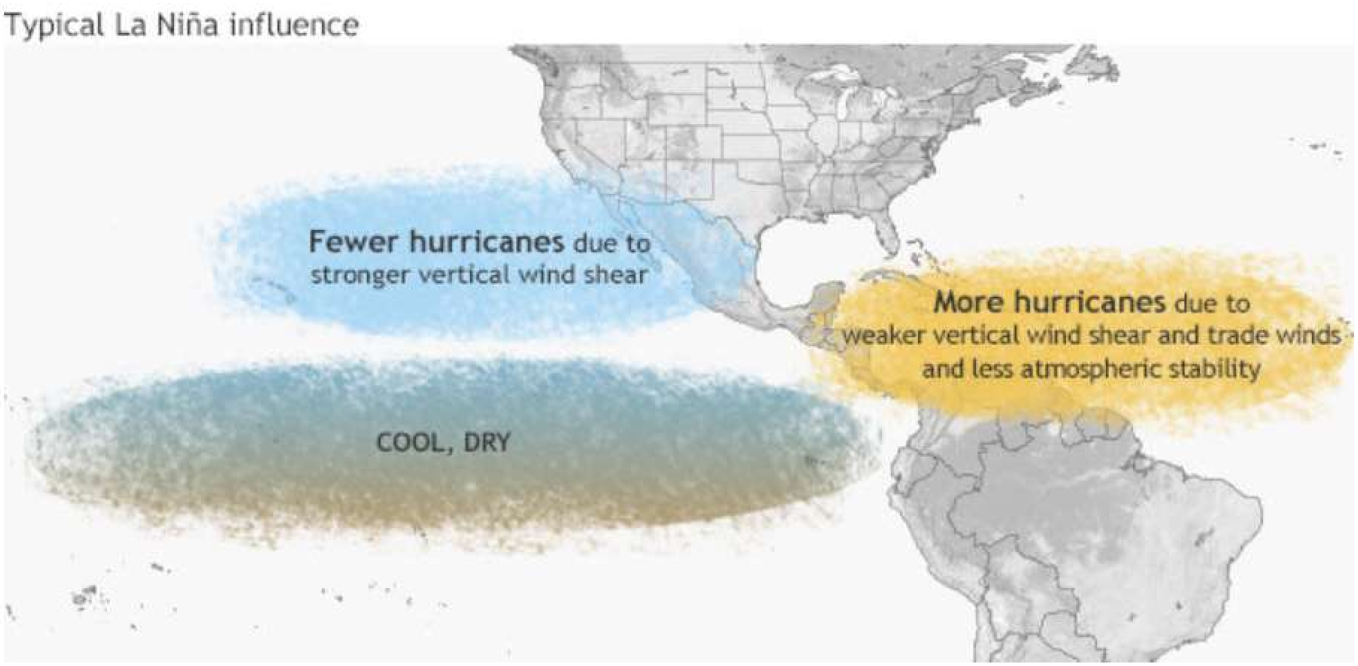
Probabilities of Switch from El Nino to La Nina Weather Pattern in late 2024



The February El Niño-Southern Oscillation (ENSO) Outlook officially announces that we are in a La Niña Watch, even while, at the current moment, the Pacific Ocean remains in an El Niño (this is simultaneous to the ongoing El Niño Advisory—here is an explainer to help sort it out).

The outlook gives a 79% chance that El Niño will transition to ENSO-Neutral by the April–June period, and then a 55% chance the Pacific transitions into La Niña in June–August.

La Niña's Influence on Hurricane Development



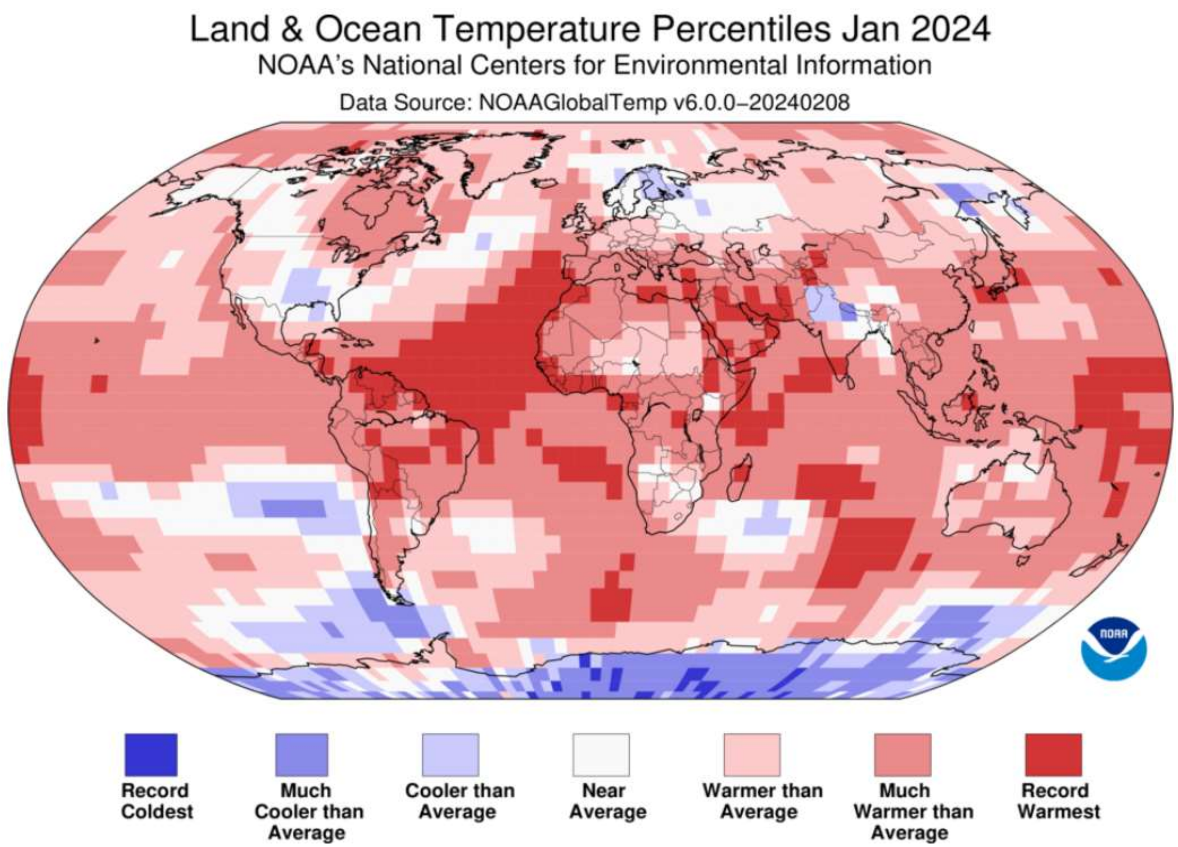
Source: NOAA Climate.gov

The hurricane impacts of El Niño and its counterpart La Niña see-saw between the Pacific and Atlantic oceans, strengthening hurricane activity in one region while weakening it in the other.

El Niño favors stronger hurricane activity in the central and eastern Pacific basins, and suppresses it in the Atlantic basin. Conversely, La Niña suppresses hurricane activity in the central and eastern Pacific basins, and enhances it in the Atlantic basin.

These impacts are primarily caused by changes in the vertical wind shear, which refers to the change in wind speed and direction between roughly 5,000-35,000 ft. above the ground. Strong vertical wind shear can rip a developing hurricane apart, or even prevent it from forming.

NOAA: January 2024 Global Climate Report



Highlights:

Temperatures were above average over much of the globe, but the eastern United States, most of Europe and a few other areas were cooler than average.

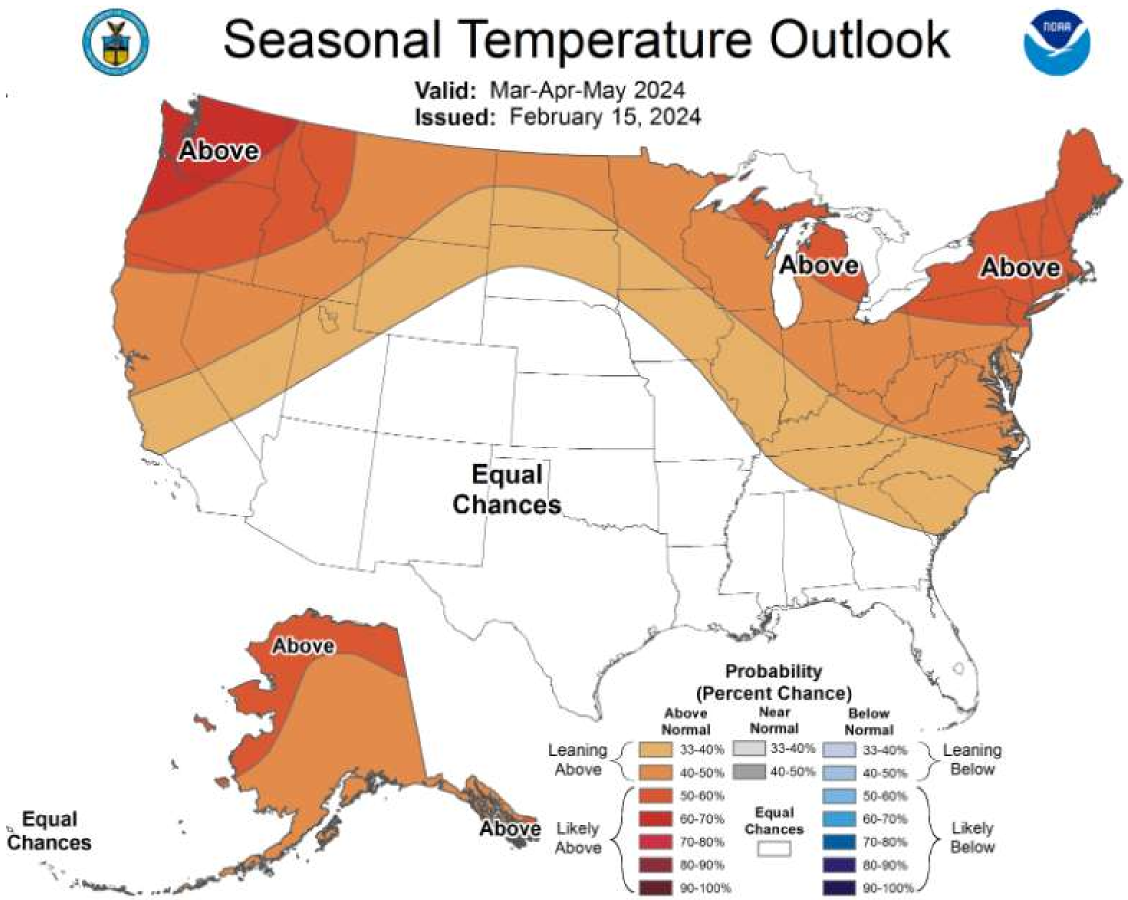
There is a 22% chance that 2024 will be the warmest year in NOAA's 175-year record and a 79% chance that El Niño will transition to neutral conditions by mid-year.

Northern Hemisphere snow cover was near average, but Antarctic sea ice extent was fifth lowest on record for January.

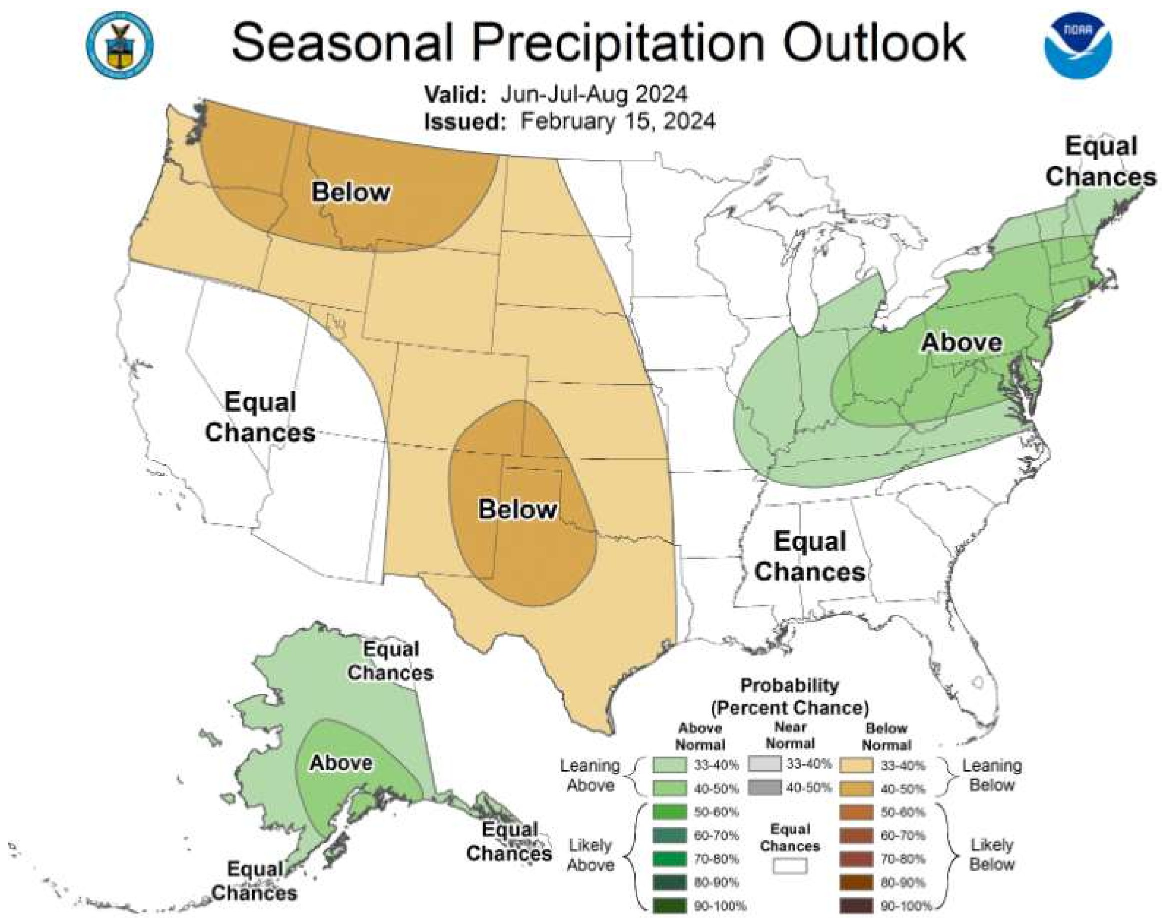
Global precipitation was nearly record-high in January, following on the heels of a record-wet December.

January 2024 Global Climate Report, Published Feb. 14, 2024

NOAA 2024 Seasonal Temperature Outlook



NOAA Seasonal Precipitation Outlook

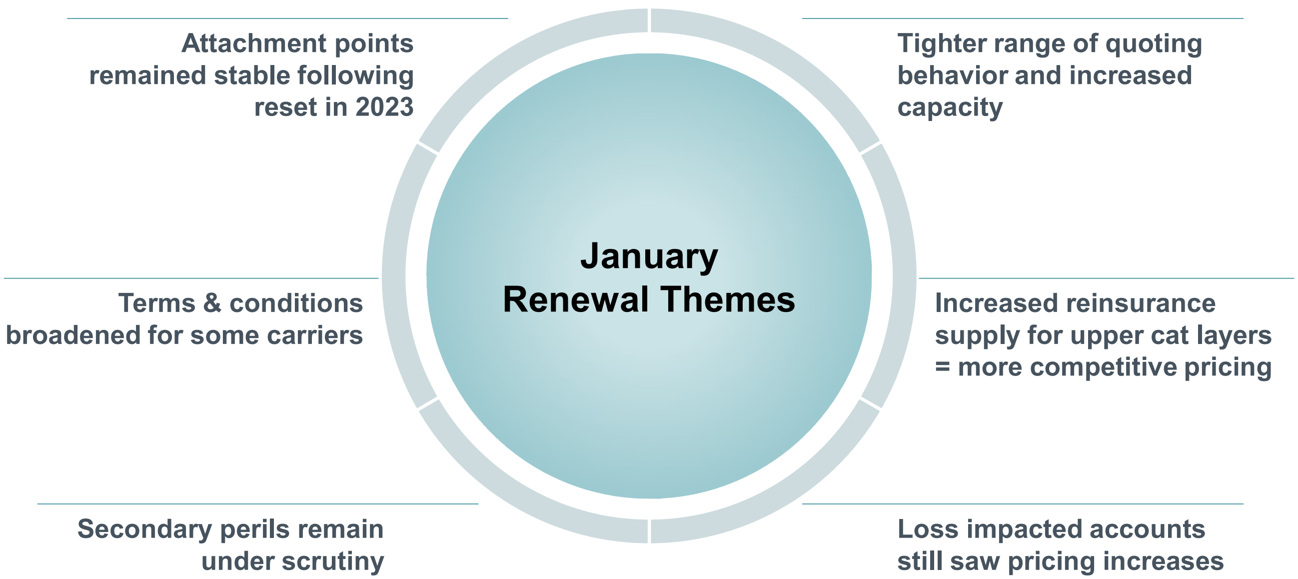


9 Reinsurance Market Overview

AON

January 1 Property Renewal Outcomes

Orderly renewal with capacity available at stable pricing



Increased reinsurer appetite led to ample capacity at stable pricing

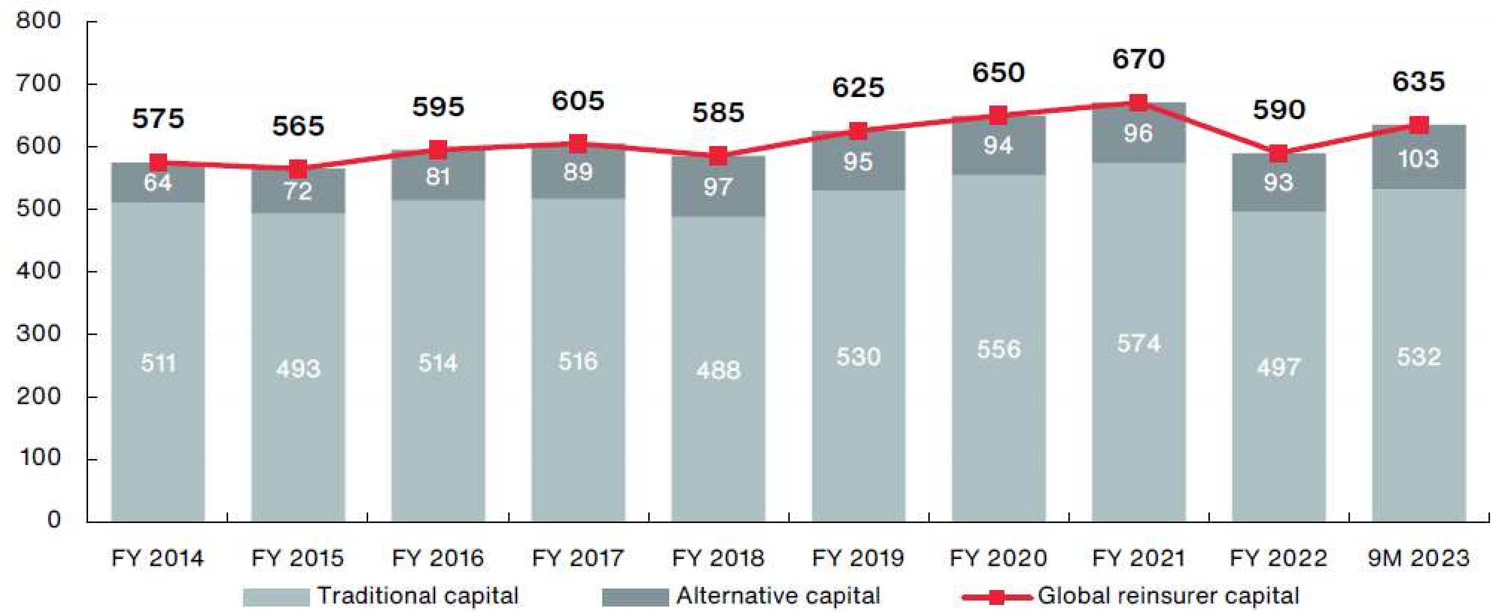
Coverages broadened for some treaties

- Named Perils / Natural Perils / HU & EQ only layers shifting to All Perils
- Expanded coverage for
  - Terrorism
  - SRCC

Oversubscriptions driven by reinsurers' appetite to grow, especially on middle and upper layers

Increased appetite for frequency/aggregate covers

Global Reinsurer Capital ($ billions)



Sources: Company financial statements / Aon's Reinsurance Solutions / Aon Securities Inc.

Aon estimates that global reinsurer capital rose by $45 billion to $635 billion over the nine months to September 30, 2023. The increase was principally driven by retained earnings, recovering asset values and new inflows to the catastrophe bond market.

Footnotes

1. Barrons, What CPI Numbers Revealed, https://www.barrons.com/livecoverage/cpi-inflation-data-january-report-today
2. Reuters, Fed to cut in Q2, probably June; economists less dovish than markets - Reuters poll, https://www.reuters.com/markets/us/fed-cut-q2-probably-june-economists-less-dovish-than-markets-2024-01-23/
3. Bloomberg, *Improved Inflation Views Lift US Sentiment to Highest Since 2021*, https://www.bloomberg.com/news/articles/2024-01-19/us-consumer-sentiment-jumps-price-outlook-hits-three-year-low?embedded-checkout=true
4. Business Insurance, Surplus lines premium grew nearly 15% in 2023, https://www.businessinsurance.com/article/20240213/NEWS06/912362674/Surplus-lines-premium-grew-nearly-15-in-2023#:~:text=Surplus%20line%20premium%20reported%20by,according%20to%20data%20released%20Monday
5. Climate.gov, February 2024 ENSO Outlook: All along the La Niña WATCH-tower, https://www.climate.gov/news-features/blogs/enso/february-2024-enso-outlook-all-along-la-nina-watch-tower

About Aon

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ACWA JPIA
Property Program Update & Renewal Strategy
March 20, 2024

BACKGROUND

The JPIA's Property Program renews on July 1, 2024. Catastrophic weather events, including wildfire, continue to be the costliest losses impacting the property insurance market. The JPIA experienced significant wildfire losses over the past several years. JPIA losses, coupled with catastrophic losses throughout the world and the United States, continue to cause JPIA's renewals to be challenging.

CURRENT SITUATION

Recap of the 2023/24 Renewal

As the JPIA does not have the same risks as other public entities including schools and municipalities, part of last year's renewal strategy was to partner with one or more large utility risk carriers to take a significant portion of the tower to provide JPIA with a more efficient number of excess and reinsurance carriers. Unfortunately, due to varying circumstances outside of the JPIA's control, these relationships did not come to fruition. JPIA remained at a $10M self-insured retention and a $500M Program limit in a layered and shared coverage tower across thirteen excess and reinsurance carriers, for a total cost of $7.3M, a 20% increase over expiring, as depicted.

Program Funding

Pooled layer historical costs and claims frequency continued to rise. Coupled with a continued hard market and two significant large losses, staff made members aware that recent program years are in a significant deficit and that, with both the cost of self-insuring to a higher limit and sharply increased excess costs, it was likely the Property Program would need to increase rates by approximately 15-20% per year for the foreseeable future to properly fund anticipated losses, build up reserves, and balance out years with negative equity. As such, in June 2023, the Property Program Committee recommended, and the Executive Committee approved, a 20% rate increase for the 2023/24 Program Year.

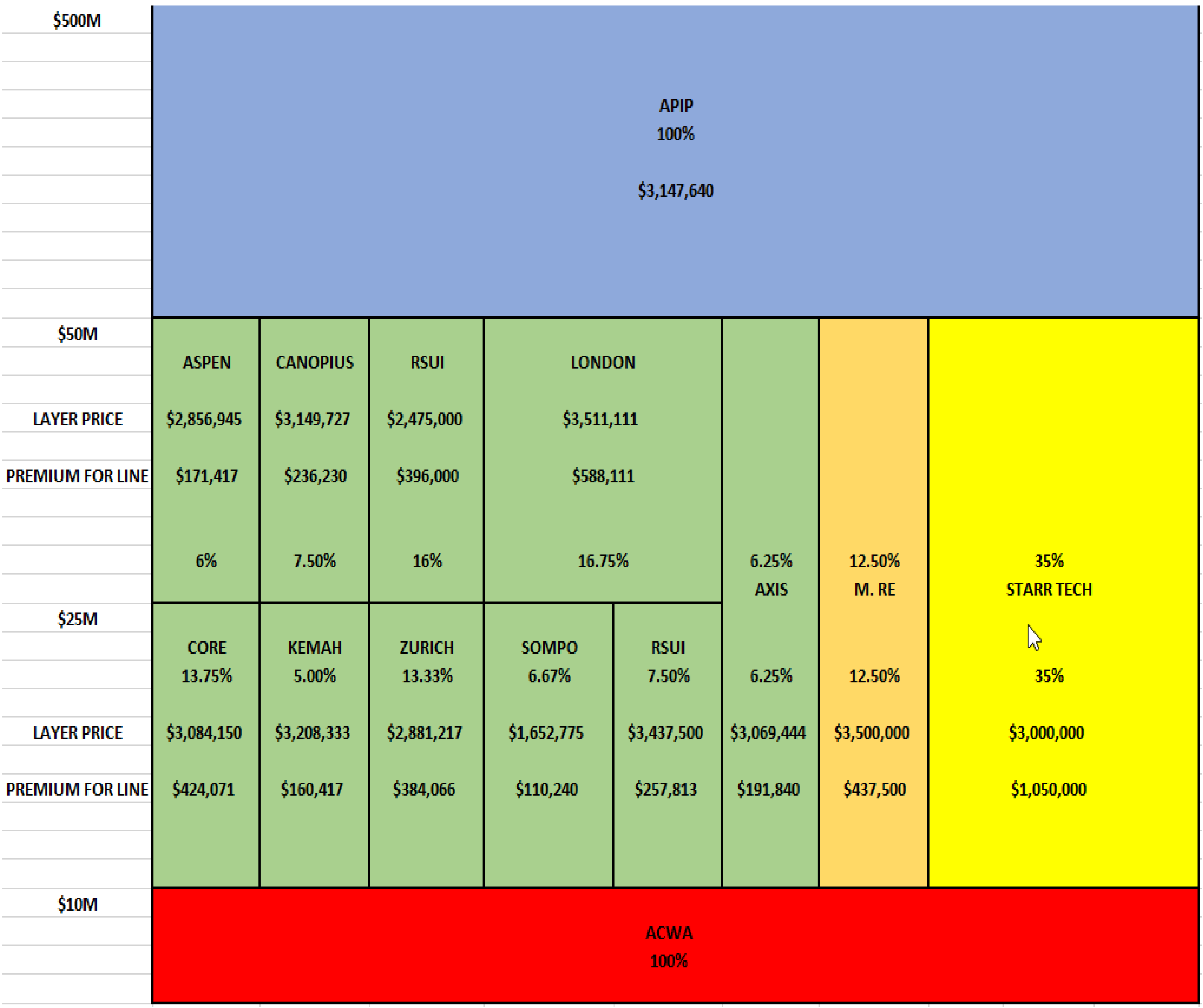
Renewal Strategy

In anticipation of a continued hard market and adverse renewal rates, JPIA re-initiated a focus upon establishing relationships with two large utility risk carriers. Over the past several months, staff has worked strategically and diligently to develop an alternative program structure and build carrier relationships that will aid in positioning the JPIA more favorably for the 2024/25 Program renewal. As a part of this process, staff has meet with property carriers from across the US and Europe, as well as with key representatives from two large utility mutuals to ensure their detailed knowledge and understanding of JPIA's exposures. These discussions are fundamental to establishing the JPIA as inherently different from other public entities with police, fire, and school risks. Staff have coordinated engineering inspections conducted by the utility mutuals of our largest assets and facilitated educational tours of member facilities for existing and prospective carriers. These tours provide “insider” education and access to the State’s preeminent drinking, recycled, and wastewater treatment facilities. This level of understanding of member agency operations allows carriers to see first-hand the exposure differentials between the JPIA and other public entities. It is through this kind of education and exposure that we hope will result in carriers deploying greater capacity and possibly allowing us the opportunity to reduce both our attachment point and overall Program limits.

RECOMMENDATION
None, information only.

Prepared by: Jennifer Jobe, Director of Pooled Programs   Date prepared: March 7, 2024

2023-24 Property Program Coverage Tower



Prepared by: Jennifer Jobe, Director of Pooled Programs Date prepared: March 7, 2024

ACWA JPIA
Review of AMP Property Risk Software
March 20, 2024

BACKGROUND

The JPIA's Property Program is comprised of 288 members with total insured values (TIV) of approximately $11.9B. Historically, the JPIA has conducted property valuations for a select number of member assets with TIV of approximately $460M. These internal valuations are conducted as a mechanism by which to obtain proper valuations for use in the placement of JPIA's insurance, update property schedules and determine accurate replacement costs of insured buildings, structures, and contents.

The property market has remained challenging for several years. Staff has strategically sought to identify ways in which we might successfully differentiate JPIA's exposures from that of other public entities. As one of the most important factors in the underwriting process is proper valuation of insured assets, staff looked to enhance JPIA's existing property valuation practices.

In February 2023, the JPIA issued a Request for Proposal for Appraisal Services and in line with established practice, AssetWorks Risk Management was selected to perform appraisal services at 20 sites with assets valued above $5M.

CURRENT SITUATION

Through the limited scope valuation survey and as part of staff's continued planning relative to renewals, it was determined AssetWorks would be retained as a strategic partner to assist in on-going property valuations for all Program members on a rolling five-year basis. A formal valuation performed once every three to five years is recognized as a positive proactive measure within the property insurance space.

JPIA's TIV, currently at $11.9B, has doubled over the past six years. At present, assets are managed within antiquated and inefficient property risk software. AMP, AssetWorks' proprietary software, is utilized to manage their customer's individual member's buildings, structures, and equipment, and produce valuation reports. Staff determined that with an established partnership with AssetWorks, the implementation of AMP would prove most beneficial in managing the Program members, long-term.

In November 2023, the JPIA entered into an agreement with AssetWorks, dba Centurisk, for configuration of a pilot database of the AMP Property Risk Management Application. The agreement specified various customized elements of AMP to fit the JPIA's unique needs relative to buildings and fixed equipment. Two members' assets were selected to participate in the pilot, a large urban water district, and a small rural irrigation district. Assets of the participating member agencies were imported to the database and staff continues to work with AMP's technical team toward migration of all JPIA Program member assets.

Given JPIA's unique needs, it is staff's intent to concurrently manage assets in our existing platform through the course of the migration. This process will allow for the most accurate transfer of data and greatest overall efficiency of the AMP platform.

RECOMMENDATION

None, information only.

Prepared by: Jennifer Jobe, Director of Pooled Programs Date prepared: March 7, 2024

ACWA JPIA
Property Claims Department Update
March 20, 2024

BACKGROUND
Jennifer Nogosek, Property Claims Manager, will provide the Committee with a department update.

CURRENT SITUATION
Since our last meeting on June 20, 2023, we've added a new Senior Claims Adjuster. Judy Shui is a long-tenured adjuster bringing a wealth of knowledge and expertise to the JPIA. The Property Claims Department is fully staffed with a total of six (6) colleagues.

RECOMMENDATION
None, information only.

ACWA JPIA
Director of Pooled Programs Update
March 20, 2024

BACKGROUND
This is a standing item on Committee agendas.

CURRENT SITUATION
The JPIA's Director of Pooled Programs, Jennifer Jobe, will provide the Committee with an overview of relevant current matters, issues, and opportunities.

RECOMMENDATION
None, information only.

Prepared by: Jennifer Jobe, Director of Pooled Programs   Date prepared: March 7, 2023

ACWA JPIA MEETINGS & CONFERENCE CALENDAR – 2024

Meeting Dates	Board of Directors	Executive	Personnel	Finance & Audit	Programs				Risk Mgmt	CWIF
					Emp. Benefits	Liability	Property	Work Comp		
Jan 8			10:00 AM Zoom							
Jan 17									1:00 PM	
Jan 18		8:00 AM								
January 29-30- Strategic Planning Session - San Diego										
Mar 20				1:00 PM		10:30 AM	3:00 PM			
Mar 21		8:30 AM								
May 6	1:00 PM	10:00 AM			8:30 AM					
May 7-9 ACWA Spring Conference – Sacramento										
May 31										9:00 AM Utah
June 3			11:00 AM							
June 20							3:00 PM	1:00 PM		
June 21		8:00 AM								11:00 AM
July 31		1:00 PM			9:30 AM					
Sept 4			10:00 AM							
Sept 25				1:00 PM		3:00 PM				
Sept 26		8:00 AM								11:00 AM
Oct 16		1:00 PM								
Dec 2	1:00 PM	10:00 AM								8:30 AM
December 3-5 ACWA Fall Conference – Palm Desert										

- AGRiP Governance Conference, Nashville, TN – March 3-6, 2024
- CICA Conference, Scottsdale, AZ – March 10-12, 2024
- CAJPA Conference, Lake Tahoe – September 10-13, 2024

Date Prepared: 12/5/2023 4:12 PM

**DATES AND TIMES SUBJECT TO CHANGE