



# CSJVRMA Board Meeting

## Property Renewal

June 23, 2023

Kevin Bibler

*(THIS INFORMATION HAS BEEN CONSOLIDATED FROM VARIOUS INDUSTRY SOURCES)*



# State of the Market Property

# State of the Market – Property

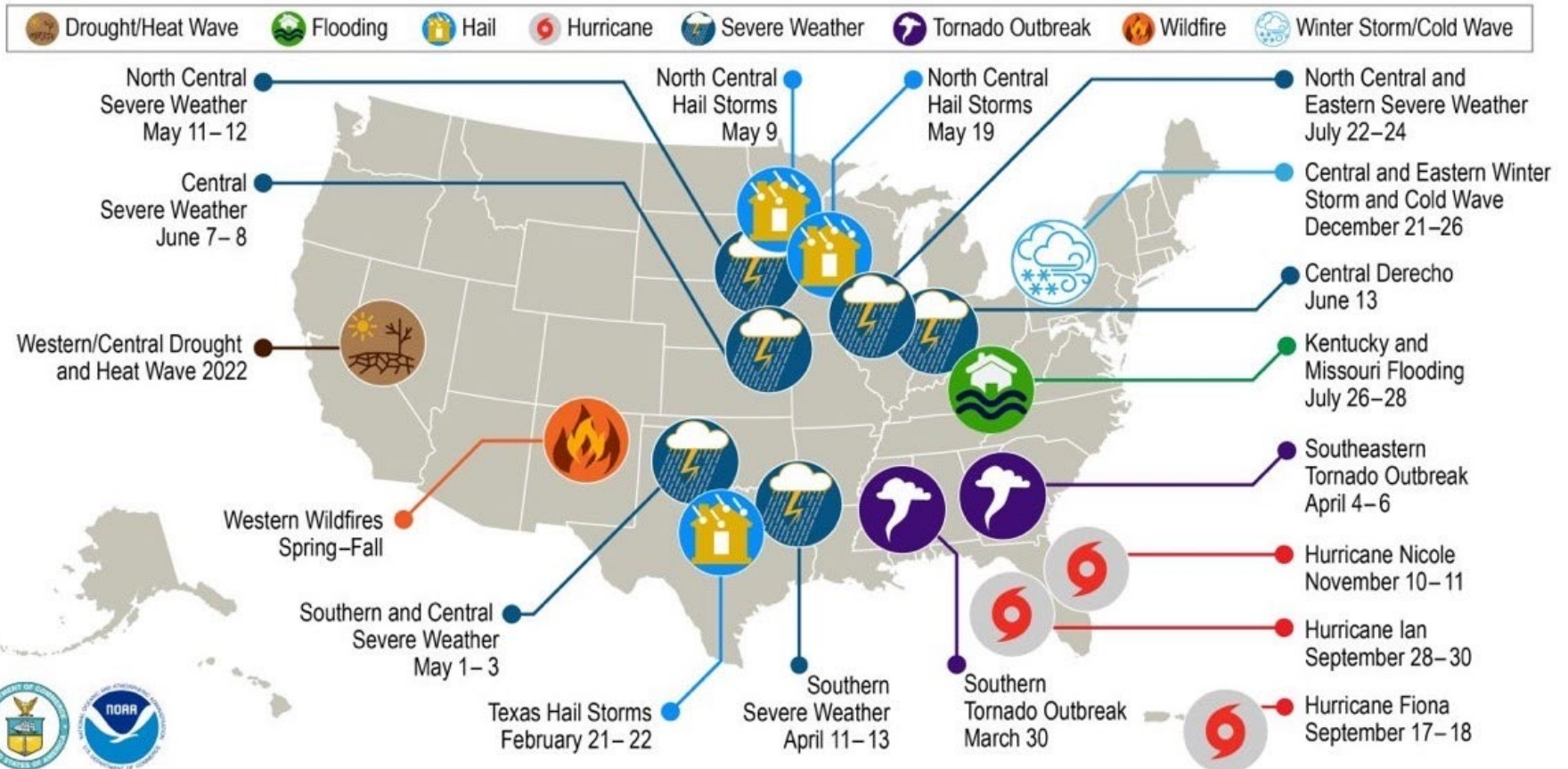
- Hard/Hardening market for 4-5 years
- 2023 “hardest in a generation”
  - Poor Underwriting results
  - Increased cost of reinsurance
  - Inflation – Carriers hypersensitive to valuations
- Weather related events spiking in frequency and severity

Event(s)	Estimated Insured Loss
2022 Hurricane Ian	\$53 Billion
2022 Winter Storm Elliott	\$5.4 Billion
2021 Winter Storm Uri	\$15 Billion
2021 Hurricane Ida	\$40 Billion
U.S. Wildfires 2018-2022	\$10 Billion+ in 4 of last 5 years



# Major U.S. Losses in 2022

## U.S. 2022 Billion-Dollar Weather and Climate Disasters

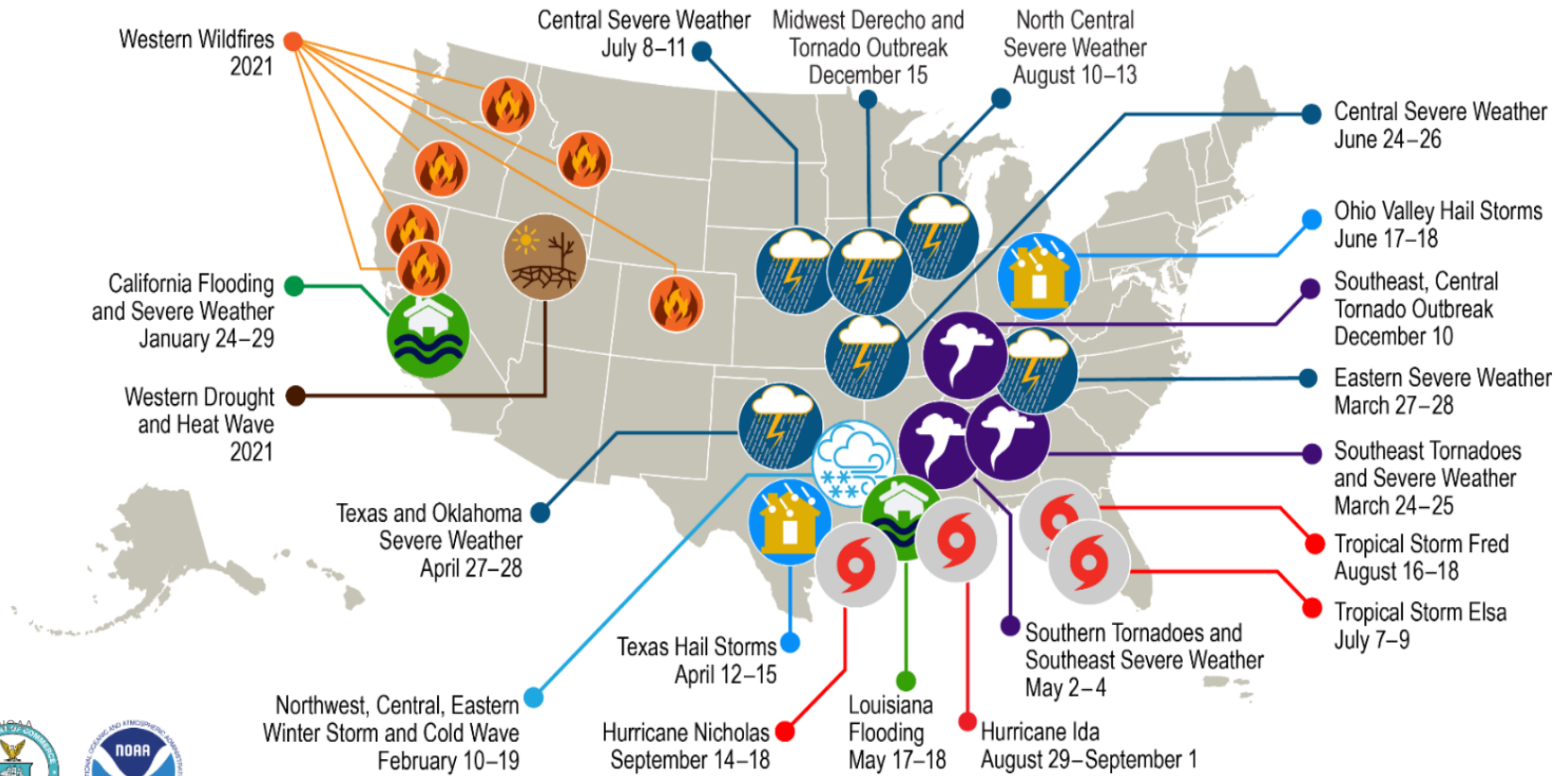
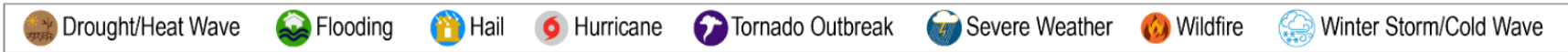


This map denotes the approximate location for each of the 18 separate billion-dollar weather and climate disasters that impacted the United States in 2022.



# Major U.S Losses in 2021

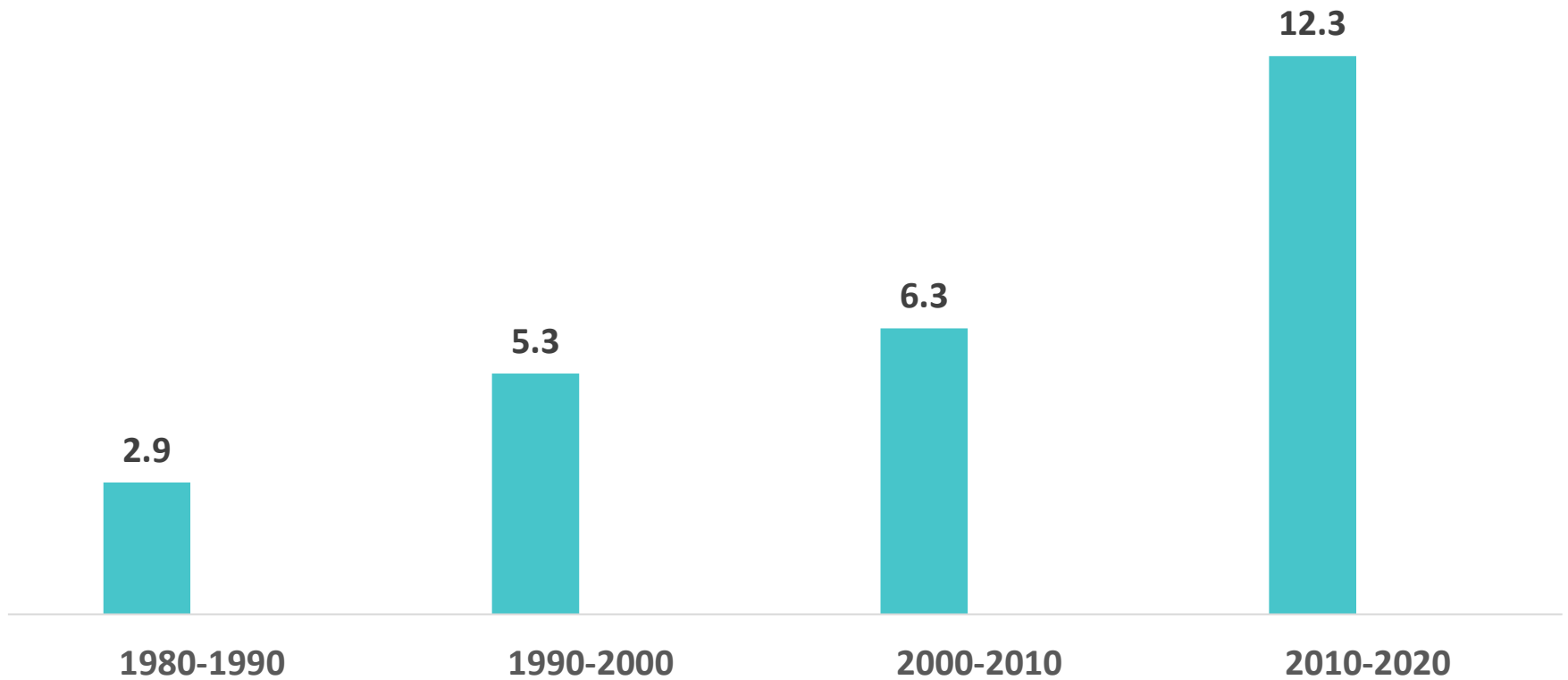
## U.S. 2021 Billion-Dollar Weather and Climate Disasters



This map denotes the approximate location for each of the 20 separate billion-dollar weather and climate disasters that impacted the United States in 2021

## Average # of Events

### Average # of \$1B+ Events (NOAA source)



6

# The Newest CAT Peril: Wildfire



Climatic changes are resulting in larger and hotter wildfires occurring each summer and later into fall.

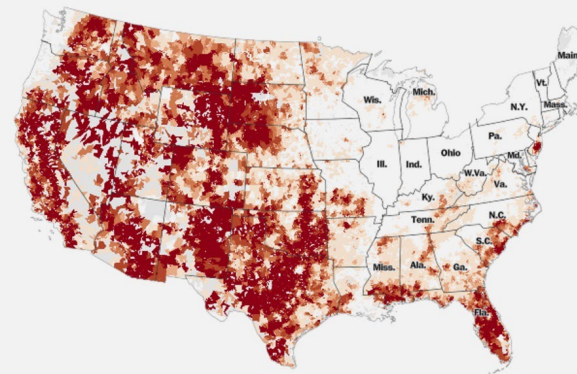


Beyond the physical damage and destruction of wildfires, intense smoke significantly impacts the health and economy of communities:

- Reduced travel and tourism leading to loss of sales and occupancy taxes.
- Reduced school attendance and outdoor activities.
- Smoke can hurt your eyes, irritate your respiratory system, and worsen chronic heart and lung diseases.



Continued investment & development of high-risk areas.



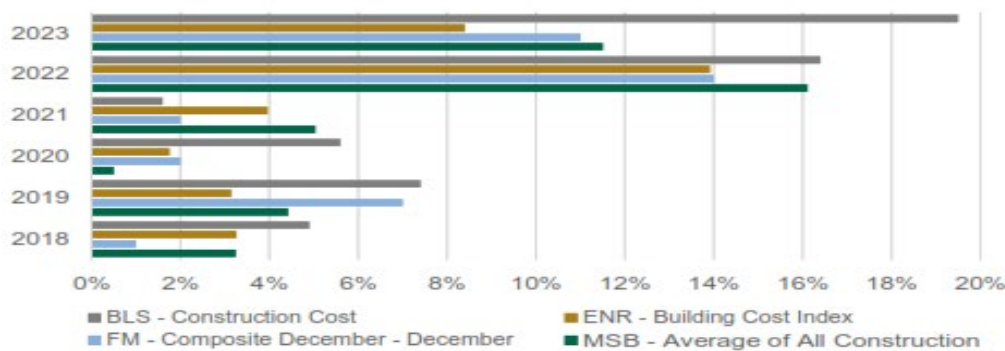


# Valuation Emphasis

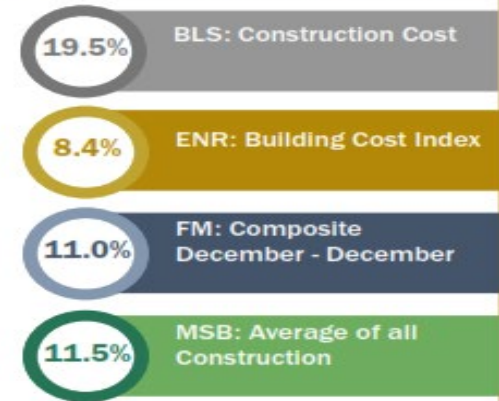
## CONSTRUCTION COST TRENDS

The current property insurance market can be very challenging. Construction inflation and rising premiums can be daunting for the unprepared. To help mitigate these issues, consider having a comprehensive data collection/reporting program for your property - such a program can be effectively utilized by brokers and also provide insurance carriers with transparency on the portfolio to be insured. In turn, brokers can market efficiently and carriers have the information they need to determine the best market position and rates. The more an insured manages its own risk exposures, the better its risk mitigation efforts, and the more it will empower insurance carriers to offer competitive policy pricing.

**Construction Cost Trends January Yearly**



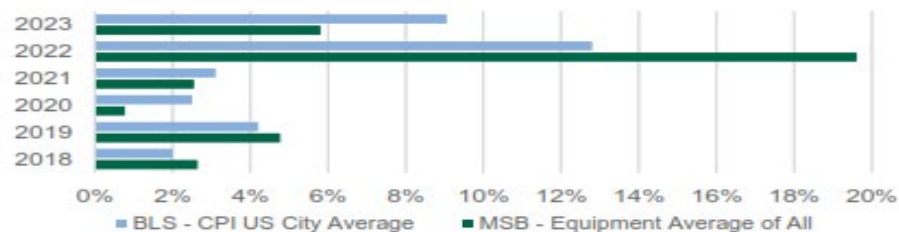
**2023 Construction Cost Trends**



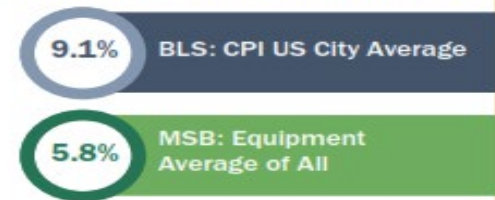
## EQUIPMENT COST TRENDS

Equipment prices continue to increase over inflation, with equipment costs rising an average of 10% over the last 12 months.

**Equipment Cost Trends January Yearly**



**2023 Equipment Cost Trends**



Source: CBIZ.com/valuation





# 23/24 Renewal Recap Property

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## 23/24 Property Renewal

- RMA Loss Experience
  - We continue to be on the “loss leader” list
  - 108.24% 5-Year Primary Loss Ratio (down from 118% last year)
    - Program underwriting target is 55% primary loss ratio
    - Large \$18.5M and \$6.175M shock losses included
    - Consistent attritional losses as well
    - Still a high frequency of vehicle losses
- Values up 6.45%
- Told by underwriters to expect +40% to +50% increase

## 23/24 Property Renewal – Marketing Results

Carrier	Marketing Results
Liberty Mutual	Declined – wildfire exposure
Travelers	Declined - loss analysis
Affiliated FM	Declined - too large. Referred to FM Global
Chubb	No response
AIG	Declined – not competitive
FM Global	Declined. Will review for possible future consideration. Will require significant loss control visits before quoting.

## APIP 23/24 Renewal

- Renewal Quote from APIP including the APD coverage
- Deductible remained the same as follows:
  - A/R Deductible 100,000
  - Vehicle Deductibles
    - 25,000 for vehicles with RCV of 250,000 or lower
    - 100,000 for vehicles with RCV between 250,000 and 750,000
    - 250,000 for vehicles with RCV over 750,000
  - Boiler and Machinery Deductible minimum of 10,000
- Primary carrier changed from AIG to Berkshire Hathaway
- 120% Margin Clause for older vehicles (10 years and older)
- Rate increase 23%, includes Cyber and Pollution



# APIP Executive Summary – 23/24

CSJVRMA	2022-2023 (at 03/08/2023)	2023-2024	Variance
Total Insurable Values (TIV):	\$4,360,693,688	\$4,642,301,397	6.45%
Earthquake TIV:	Not Applicable	Not Applicable	N/A
Earthquake Limit:	Not Applicable	Not Applicable	N/A
Property Annual Cost:	\$12,937,327	\$17,011,138	31.48%
Cyber Liability Annual Cost:	\$223,498	\$224,378	0.39%
Pollution Liability Annual Cost:	\$33,224	\$41,174	23.92%
Total Account Rate (\$/100):	.3025677	0.3721579	22.99%
*Total Annual Cost:	\$13,194,049	\$17,276,691	30.94%

\* Plus Alliant broker fee of \$119,025

# Proposed AIP Changes (Property)

Description	2022-2023	2023-2024
Scheduled Landfill sub-limit	Not specified	\$5,000,000 Scheduled Landfills (as defined in the policy); or 120% of values on file with Alliant Insurance Services, Inc. whichever is less.
Personal Property Outside of the USA	\$1,000,000 Personal Property Outside of USA	\$1,000,000 Personal Property Outside of USA <b>(including associated business interruption)</b>
Off Premises Services Interruption	Last Sentence: To an Insured Location. The coverage provided by this clause is sub-limited to USD as per Declarations Page.	Last Sentence: To an Insured Location. The coverage provided by this clause is sub-limited to USD as per Declarations Page. <b>Coverage under this extension is subject to a 24-hour waiting period.</b>
Debris Removal	This Policy also covers expenses incurred in the removal of debris of the property covered hereunder from the Insured Location that may be destroyed or damaged by a covered peril(s).	This Policy also covers expenses incurred in the removal of debris <b>of the property covered hereunder</b> from the Insured Location that may be destroyed or damaged by a covered peril(s).

# Proposed APIP Changes (Property Cont.)

Description	2022-2023	2023-2024
Increased Cost of Construction		Wording modified to clarify intent.
Transit		Wording modified to remove Ocean Marine coverages
Library Contents		Library contents value increased per 18.6% inflation factor.
Auto Coverage*	Replacement Cost Value (RCV) recovery	Subject to a 120% Margin clause for vehicles 10 years of age and older.

\* The APIP form was modified to provide Actual Cash Value (ACV) for vehicles greater than 10 years of age. For CSJVRMA, we were able to negotiate keeping the RCV, but subject to a 120% margin clause.

# Proposed APIP Changes (Cyber)

Description	2022-2023	2023-2024
Retention Buy Down	Coverage not offered to NEW Members	Coverage offered to NEW Members – Underwriting required
New members to APIP Cyber Core – Mid Term Transactions	Required underwriting for mid-term transactions	New this year; no underwriting, all members requesting core coverage are eligible.
Beazley Core Coverage	War and Civil War Exclusion	War and Civil War Exclusion with Single Entity Impact Carve Back
Beazley Core Coverage	First Party Loss Exclusions Amendatory Endorsement	Expands and clarifies First Party Loss exclusions to include Financial and Digital/Internet Infrastructure



# Questions