Schools Program Alliance
c/o Alliant Insurance Services
Corporation Insurance License No. 0C36861
2180 Harvard Street, Suite 460, Sacramento, CA 95815

AGENDA

A Action
I Information

1 Attached
2 Hand Out
3 Separate Cover
4 Verbal

MEETING:	Board of Directors Meeting Schools Program Alliance Teleconference Meeting
DATE/TIME:	April 8, 2024 at 10:00 AM PDT
LOCATION VIA TELECONFERENCE:	Toll Free (888) 475 4499 or (669) 900-6833 US Toll Meeting number (access code): 969 2326 1466

https://alliantinsurance.zoom.us/j/96923261466?pwd=VUI1eXphOUMxc3gyNkU5cDRsVEdyZz09

IMPORTANT NOTICES AND DISCLAIMERS:
Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Michelle Minnick at Alliant Insurance at (916) 643-2715 twenty-four (24) hours in advance of the meeting. The Agenda packet will be posted at each member's site. Documents and material relating to an open session agenda item that are provided to the SPA members less than 72 hours prior to a regular meeting will be available for public inspection and copying at 2180 Harvard Street, Suite 460, Sacramento, CA 95815.

Access to some buildings and offices may require routine provisions of identification to building security. However, SPA does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3.

This Meeting Agenda shall be posted at the address of the teleconference locations shown below with access for the public via phone/speaker phone.

1. Butte Schools Self-Funded Programs, 500 Cohasset Road, Suite 24, Chico, CA 95926
2. North Bay Schools Insurance Authority, 380 Chadbourne Rd, Fairfield, CA 94534
3. Redwood Empire Schools' Insurance Group, 5760 Skylane Blvd., Suite 100, Windsor, CA 95492
4. Schools Insurance Authority, 9800 Old Placerville Rd, Sacramento, CA 95827
5. Schools Insurance Group, 550 High Street, Ste. 201, Auburn, CA 95603
6. Central California Schools Authority, 7170 N. Financial Dr. #130, Fresno, CA 93720

PAGE				
	A.	**CALL TO ORDER, ROLL CALL, QUORUM**	**A**	**4**
	B.	**APPROVAL OF AGENDA AS POSTED**	**A**	**4**
	C.	**PUBLIC COMMENTS** *The public is invited at this point to address the Board of Directors on issues of interest to them.*	**I**	**4**
Pg. 3	**D.**	**CONSENT CALENDAR** *The Board of Directors may take action on the items below as a group except a Board Member may request an item be withdrawn from the Consent Calendar for discussion and action.* 1. Minutes of SPA Board Teleconference Meeting March 11, 2024	**A**	**1**
	E.	**MEMBER PROGRAM AND IDEA SHARING** *This is an opportunity for a member to discuss a topic of interest or seek guidance and input from the group about a current issue, risk management topic or exposure the member is facing. Please mail a copy of any materials to each member City in advance of the meeting.*	**I**	**4**

F. LIABILITY PROGRAM

Pg. 8	**1. Excess Liability Program Renewal** *Jim Wilkey may provide the Board with an update regarding the Liability Renewal.*	**I**	**4**
Pg. 11	**2. SPA Liability Policy & Procedure – Aggregate Erosion Policy** *The Board will be presented with a draft policy and may consider approval.*	**A**	**1**

G. GENERAL ADMINISTRATION AND FINANCIAL REPORTS

Pg. 14	**1. Strategic Planning Update** *The Board will receive an update regarding the Strategic Plan.*	**I**	**1**
Pg. 17	**2. Claims Task Force Update** *The Board will receive an update from the Claims Task Force.*	**I**	**1**
Pg. 20	**3. Actuary Report** *Chris Nahas and Phil Brown will present SPA's actuarial report for YE June 30, 2023.*	**A**	**1**

H. PROPERTY PROGRAM

Pg. 40	**1. 2024 Property (and APDADWRP) Renewal – Update** *The Board will receive an update for the FY 24/25 renewal.*	**I**	**1**
Pg. 41	**2. Coverage Limitations at July 1, 2024 Property Program Renewal – Remote and High Risk Locations** *Members will receive an update related to the meetings with underwriters and the Board may provide direction.*	**I**	**1**

I. INFORMATION ITEMS AND DISCUSSION — I 4

This is an opportunity for a Board Member to discuss a topic of interest or seek guidance and input from the group about a current issue, risk management topic or exposure the Member is experiencing.

Pg. 43	**1. CA Insurance Commissioner Ricardo Lara Sustainable Insurance Strategy**	**I**	**1**
Pg. 45	**2. SPA Board of Directors Meeting Dates FY 2024-2025**		

J. ADJOURNMENT — A 4

Upcoming Teleconference Meeting Dates:
May 13, 2024 and June 10, 2024

Item No: D.

CONSENT CALENDAR

ACTION ITEM

ISSUE: Items on the Consent Calendar are to be reviewed. If any item requires clarification, discussion, or amendment by any member of the Board, such item(s) may be pulled from Consent Calendar and placed on the agenda for separate discussion.

Items pulled from the Consent Calendar will be placed on the agenda in an order determined by the President.

RECOMMENDATION: Adoption of items presented on the Consent Calendar after review by the Board.

FISCAL IMPACT: As indicated on any item included.

BACKGROUND: Items of importance that may not require discussion are included on the Consent Calendar for adoption.

ATTACHMENTS:

1. Minutes of SPA Board Teleconference Meeting March 11, 2024

SCHOOLS PROGRAM ALLIANCE
March 11, 2024 Teleconference Board Meeting Minutes

Members Present:

Butte Schools Self-Funded Programs (BSSP)	Christy Patterson
Butte Schools Self-Funded Programs (BSSP)	Nicole Strauch
North Bay Schools Insurance Authority (NBSIA)	Kim Santin
North Bay Schools Insurance Authority (NBSIA)	Brandon Schlenker
Redwood Empire Schools Insurance Group (RESIG)	Cindy Wilkerson
Redwood Empire Schools Insurance Group (RESIG)	Sandy Manzoni
Schools Insurance Authority (SIA)	Martin Brady
Schools Insurance Authority (SIA)	Brooks Rice
Schools Insurance Authority (SIA)	Debrah Sherrington
Schools Insurance Authority (SIA)	Phil Brown
Schools Insurance Authority (SIA)	Amy Russell
Schools Insurance Authority (SIA)	Olivia Nelson
Schools Insurance Group (SIG)	Kelli Hanson
Schools Insurance Group (SIG)	Nancy Mosier
Central California Schools Authority (CCSA)	Alan Caeton

Consultants & Guests

Dan Madej, Alliant Insurance Services
Marcus Beverly, Alliant Insurance Services
Michelle Minnick, Alliant Insurance Services
Jenna Wirkner, Alliant Insurance Services
Mike Kielty, George Hills
James Wilkey, New Front Insurance
Eileen Massa, New Front Insurance
Ryan Telford, AmWins
Chris Tambo, AmWins

A. CALL TO ORDER, ROLL CALL, QUORUM

Mr. Martin Brady called the meeting to order at 10:02 a.m. The above-mentioned members were present constituting a quorum.

B. APPROVAL OF THE AGENDA AS POSTED

A motion was made to approve the Agenda as posted.

MOTION: Cindy Wilkerson **SECOND: Kim Santin** **MOTION CARRIED UNANIMOUSLY**

C. PUBLIC COMMENT

There were no public comments.

D. CONSENT CALENDAR

1. Minutes of SPA Board Teleconference Meeting February 12, 2024
2. Vacancy Policy & Procedure

Dan Madej provided some comments about the Vacancy Policy and Procedure and noted this is a fillable PDF that can be shared with members.

A motion was made to approve the Consent Calendar.

MOTION: Cindy Wilkerson **SECOND: Kim Santin** **MOTION CARRIED UNANIMOUSLY**

E. MEMBER PROGRAM AND IDEA SHARING

Cindy Wilkerson provided some comments about the recent AGIP meeting and indicated there were some great sessions of value. Phil Brown noted discussions with Ben Duffy from Kynd and mentioned that they are working to aggregate the data that is collected through applications to make it easier for members to use for actuarial reporting and actual models. Lastly, there was a discussion regarding continued First Amendment Audits occurring at the members sites.

F. GENERAL ADMINISTRATION AND FINANCIAL REPORTS
F.1. FINANCIALS AS OF DECEMBER 31, 2023

Phil Brown provided the Board with review of the SPA Financial Statement for the Period Ending December 31, 2023. It was noted that the financials were prepared before the actuarial report.

A motion was made to approve the financials as presented.

MOTION: Kelli Hanson **SECOND: Cindy Wilkerson** **MOTION CARRIED UNANIMOUSLY**

F.2. STRATEGIC PLANNING UPDATE

Marcus Beverly provided that we will review this list at each meeting and indicated that we will discuss the vacant structures will be reviewed later today. After a review it was noted that members were interested in joining the Loss Control Task Force (Cindy Wilkerson, Brandon Schlenker, Debrah Sherrington and Jennifer).

F.3. CLAIMS TASK FORCE UPDATE

Marcus Beverly provided the Board with an update related to the Claims Task Force and shared a sample loss run template to report claims by occurrence and indicated that McLarens will be adjusting claims in the SPA retained layer.

F.4. SPA MEETING - STRATEGIC PLANNING LOCATION

Jenna Wirkner provided the Board with a review of the pricing for the potential locations noted at the last meeting. After discussion it was agreed that the Lodge at Tiberon was the best selection.

A motion was made to select the Lodge at Tiburon for the August 20-21, 2024.

MOTION: Kim Santin **SECOND: Cindy Wilkerson** **MOTION CARRIED UNANIMOUSLY**

G. LIABILITY PROGRAM
G.1. EXCESS LIABIILTY PROGRAM RENEWAL

Jim Wilkey thanked members for submitting application information so they can begin marketing the coverage as well as continued efforts to explore a 3 year policy. He noted they are in a good spot with marketing and quotes are expected shortly.

G.2. SPA LIAIBLITY POLICY & PROCEDURE – AGGREGATE EROSION POLICY

Cindy Wilkerson noted that there were questions at the last meeting and the group requested this be brough back to the Board for review. Jim Wilkey provided an overview of the scenarios and models that were considered. After a discussion it was requested that the task group meet one more time and this will be brought back to the next SPA Board meeting.

H. PROPERTY PROGRAM
H.1. 2024 PROPERTY (AND APD) RENEWAL DISCUSSION

Dan Madej provided the Board that we are in the process of collecting data as some members are still updating data. It was mentioned that the CoreLogic Scores have been run and additionally members data is being prepared to be trended.

H.2. PROPERTY PROGRAM COVERAGE LIMITATION AT JULY 1, 2024 REMOTE AND HIGH RISK LOCATIONS

Dan Madej reminded members that the CoreLogic Scores have been run and we have shared those with the members. It was mentioned, that this process in fairness, will be applied to all SPA members and may consist of a margin clause for locations with high wildfire scores. Lastly it was mentioned that after discussions with Underwriters this will be brought back.

I. INFORMATION ITEMS AND DISCUSSION

Introduce Oliva Nelson who has stared at SIA and came from Beazley to help create a SAM Prevention program.

J. ADJOURNMENT

A motion was made to adjourn the meeting at 11:29 A.M.

MOTION: Alan Caeton **SECOND: Kim Santin** **MOTION CARRIED UNANIMOUSLY**

NEXT MEETING DATE: April 8, 2024 via Teleconference

Respectfully Submitted,

____

Martin Brady, Secretary

____

Date

Item No: F.1.

EXCESS LIABILITY PROGRAM RENEWAL

INFORMATION ITEM

ISSUE: The Board will receive information regarding the Excess Liability Program.

RECOMMENDATION: None.

FISCAL IMPACT: None.

BACKGROUND: Newfront is currently exploring options to purchase additional supplemental (or sideways) aggregate to shore up existing aggregate limits quoted and will present those as soon as possible.

ATTACHMENTS: Alternative Risk Financing Option – Three Year Plan

SPA Excess Liability Program
Alternative Risk Financing Option – 7/1/24 to 7/1/27 (Three Year Plan)
$5m XS $5m Layer
Current Carrier: Everest Re
Current Premium: $5.5m

London Broker: BMS London – Ioannis Vasileiou
Slip Leader: USQ London – Jonathan Richardson – UK Chief Underwriting Officer

Coverage:	Casualty Facultative Reinsurance including Educators' Legal Liability, Personal Injury Liability, Products and Competed Operations, Premises Liability, Automobile Liability, Employment Practices Liability, Employee Benefits Liability, Professional Liability and Errors and Omissions Liability.
Coverage Document:	Except as otherwise stated herein, this Reinsurance is subject to the same terms, conditions, limitations and exclusions as more fully defined in the underlying SIA / BASIC / CCSA Memorandums of Coverage on the identical subject matter and risk, with any subsequent amendments to be agreed by Slip Leader only.
Occurrence Limits:	$5,000,000 per occurrence Excess of $5,000,000 underlying limits per occurrence.
Aggregate Limits:	$20,000,000 Annual Aggregate for all coverages $35,000,000 In Aggregate for 3-year policy term for all coverages
Minimum Premium:	USD $12,000,000 for 3-year term payable in three equal installments: USD $4,000,000 due at inception USD $4,000,000 due July 1, 2025 USD $4,000,000 due July 1, 2026 Premium is based on projected 2024 – 2025 Average Daily Attendance of 512,795. 5% ADA growth per year permitted with no additional premium.
Additional Premium:	If incurred losses are greater than USD 6,000,000 then an additional premium equal to 100% of the paid losses above USD 6,000,000 will be due to Reinsurers. This is subject to a maximum additional premium due of USD 6,000,000 resulting in a maximum premium for the 3-year policy of $18,000,000. No additional premium shall be due until the end of the 3-year term. At expiration of the policy period of 36 months (1st July 2027) if losses paid exceed $6,0000,000 within the covered layer ($5m xs $5m) insured will be required to pay 100% of paid losses exceeding the $6,000,000 threshold up to $6,000,000. Post 1st July 2027, if losses to be paid exceed the threshold of $6,0000,000 within the covered layer of $5m xs $5m, insured will be required to pay 100% of

losses exceeding the $6,000,000 threshold up to $6,000,000 directly towards the claim payment until the $6,000,000 AP is exhausted.

Notes/Thoughts:

Claims: We are discussing claims procedures Entering with BMS and USQ. Perhaps SPA and USQ can agree upon a California-based TPA (or other claims representative) to represent USQ (to include settlement authority) in claim settlement negotiations, etc.

We are also discussing claim notice requirements and procedures.

MOLCs: Since this is a 3-year policy term, we are discussing procedures should changes to MOLCs be desired. Practically speaking, we should keep MOLC changes to a minimum during this 3-year policy term.

SPA Membership:

It should be noted that entering into this agreement could have a significant impact on changes to SPA membership during the 3-year policy term. SPA is advised to discuss (and possibly mandate) that members are committed and prohibited from withdrawal for the 3-year policy term. Growth in ADA within existing membership should not be an issue, but consideration of new members (whether new SPA members or new members to underlying JPAs) would need to be negotiated with BMS and USQ.

Aggregate Limits:

SPA currently has annual aggregate limit with Everest Re in this layer of $20m – with auto liability excluded from the aggregate. USQ is currently offering an annual aggregate limit for all coverages of $20m, but only $35m for the 3-year term. Once the initial USQ quote is finalized we plan to work with BMS and USQ to (hopefully) shore up the 3-year term aggregate.

Item No: F.2.

SPA LIABILITY POLICY & PROCEDURE – AGGREGATE EROSION POLICY

ACTION ITEM

ISSUE: The SPA Liability Working group has prepared a draft policy for the Boards review.

RECOMMENDATION: Revie and approve the Policy & Procedure

FISCAL IMPACT: None.

BACKGROUND: At the November 13, 2023 Board meeting it was noted an Ad Hoc Committee was formed to discuss the erosion of aggregate limits and the SPA Board will receive an update from the committee.

ATTACHMENTS: P&P 2-Liability - Liability - SPA Liability Program - Aggregate Erosion Policy

The Schools Program Alliance (SPA) has developed an Excess Liability Program for its Members. Members of the Schools Program Alliance (SPA) Excess Liability Program acknowledge that, from time to time and for any program year, insurance market conditions may result in the purchase and placement of reinsurance and/or excess insurance policies which contain annual aggregate limits shared by the members of that program year.

If annual aggregate limits for any program year become eroded by payment of claims, the SPA members agree to pursue all available options to purchase reinstatement of limits. The purchase of reinstated or other additional limits for any program year shall be at the sole discretion of the SPA Board of Directors. The SPA members understand that the availability and/or affordability of reinstated or other additional limits may vary from year to year depending upon insurance market conditions and other factors.

Notwithstanding the above, should the erosion of aggregate limits for any program year result in claims which exceed the reinsurance and/or excess insurance funds available for payment of such claims, the SPA members of that program year shall be responsible for the total cost of claims in excess of the annual aggregate limits. Each SPA member shall contribute "Additional Contributions". Additional Contributions shall be an amount equal to the SPA member's pro-rata share of the program year's total contributions (premiums) as applied to the amount of claim(s) in excess of the annual aggregate limits.

Commented [PB1]: Might want to better define… How is the amount defined? Based on the Individual Member reserve on the claim? Only based on actual expenses paid? Only contributed after the claim is closed? Is frequency of cash calls worth discussing? If this is a full tower major loss, we are talking about the possibility of coming up with $27M. Timing and pre-working this out could be critical.

To request these claims costs, it is the intent of the Board that the requesting member(s) identify the sums needed to adjudicate claims, including indemnity, loss adjustment costs, IBNR, and other necessary and related expenses. It shall be the decision of the SPA Board to review and approve the request for costs. It shall also be the decision of the SPA Board to approve the amount, timing and frequency of "Additional Contributions".

~~Under no circumstances shall the SPA program be responsible for any claims in excess of the aggregate and/or total limits of coverage for the program year; all amounts in excess of the program year's aggregates or total limits of coverage shall be the responsibility, in the manner set forth above, of the SPA members of the program year in which the excess claims~~

Under no circumstances shall the SPA program (or by extension any SPA Member) be responsible for any claims in excess of the total limits of coverage (vertical coverage tower) carried for any program year.

The Schools Program Alliance (SPA) has developed an Excess Liability Program for its Members. Members of the Schools Program Alliance (SPA) Excess Liability Program acknowledge that, from time to time and for any program year, insurance market conditions may result in the purchase and placement of reinsurance and/or excess insurance policies which contain annual aggregate limits shared by the members of that program year.

If annual aggregate limits for any program year become eroded by payment of claims, the SPA members agree to pursue all available options to purchase reinstatement of limits. The purchase of reinstated or other additional limits for any program year shall be at the sole discretion of the SPA Board of Directors. The SPA members understand that the availability and/or affordability of reinstated or other additional limits may vary from year to year depending upon insurance market conditions and other factors.

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Under no circumstances shall the SPA program (or by extension any SPA Member) be responsible for any claims in excess of the total limits of coverage (vertical coverage tower) carried for any program year.

Item No: G.1.

STRATEGIC PLANNING UPDATE

INFORMATION ITEM

ISSUE: The Action Plan developed at SPA's recent Long Range Planning Meeting is attached for further review and approval by the Board.

A total of eight goals were identified, ranging from identifying and sharing resources to evaluating coverage for school sponsored housing. Six of the goals contain action items that are addressed later in the agenda for this meeting.

RECOMMENDATION: None.

FISCAL IMPACT: None expected from this item. Several of the goals have potential fiscal impacts that will be evaluated when addressed with the members.

BACKGROUND: SPA held its third long range planning meeting on September 11-12, 2023 and developed the attached Plan as a result. Key discussion points centered on the nature and extent of risk sharing among the members, growth of membership and coverage options, and identifying resources for sharing or group purchase.

ATTACHMENTS: FY 23/24 SPA Long Range Action Plan

FY 2023/24 SPA LONG RANGE ACTION PLAN						
GOAL		**ACTION / TASK**	**STAFF**	**Assigned**	**DEADLINE**	**STATUS**
LRP-1		**Implementation of Coverage Limitation for Vacant Structures and Process to Approve Exceptions**				
	1.	Develop MOC edits and P&P with new sublimit, definition of vacant building, process to obtain a permit	DM	PA	Dec-23	Completed
	2.	Develop Visual Aid on how to add and identify in Alliant Connect	MM	PA	Dec-23	Completed
	3.	Memorandum on initial information to Members reviewed and approved for distribution	DM	BOD	Jan-24	In Progress
	4.	SPA BOD adopts final draft and approves member communication	DM	BOD	Feb-24	
	5.	Notice to members	MM	PA	Mar-24	
	6.	Coverage change effective at renewal	MM	PA	Jul-24	
LRP-2		**Process Improvement to Expedite Property Loss Valuations and Claims Resolution Process - Property Claims SWAT Team**				
	1.	Task Group to identify bottlenecks in claims process and potential solutions	MB, BF	PA, SM, BS, PB	Oct-23	In Progress
	2.	Discussion presentation to SPA Board of potential process changes	MB, BF	SM, BS, PB	Jan-24	In Progress
	3.	Execute next steps agreed upon to improve process, including MOC, P&P, vendor assignments, etc.	PA	BOD	Apr-24	
	4.	Communicate changes to the Membership	MM	PA	Jun-24	
LRP-3		**Adoption of Policy and Procedure to Submit and Approve Course of Construction (Builder's Risk) Coverage**				
	1.	Develop P&P with process and definitions	DM	PA	Nov-23	Completed
	2.	Discussion draft of P&P to BOD for review and discussion with members	DM	BOD	Dec-23	Completed
	3.	Comments and suggested changes sent to PA for review and incorporation in final draft	MM, DM	BOD	Feb-24	Completed
	4.	Presentation and approval of revised and proposed final P&P to SPA BOD	DM	BOD	Mar-24	Completed
	5.	Communicate SPA COC P&P to the Membership	MM	PA	Apr-24	
LRP-4		**Property Program MOC Definition of Catastrophic Loss Occurrence for Additional Perils**				
	1.	Develop Definition of occurrence that addresses extended occurrence perils more broadly	DM	PA	Nov-23	In Progress
	2.	Presentation and approval of revised and proposed final MOC changes SPA BOD	DM	BOD	Dec-23	
	3.	Communication of revisions to MOC and effective date	MM	PA	Dec-23	
LRP-5		**Business Continuity Planning Single Site Districts - Master Mutual Aid Policy Template**				
	1.	Gather sample continuity planning documents and mutual aid agreements, assign task group	JW	BOD/PA	Jan-24	In Progress
	2.	Evaluate examples develop sample BCP and Mutual Aid templates	JW	Task Group	Mar-24	
	3.	Presentation of proposed sample BCP and Mutual Aid templates to BOD for review/comment/approval	JW	BOD	Apr-24	
	4.	Communication of recommended sample BCP and Mutual Aid templates to members	JW	PA	May-24	
LRP-6		**Retained Layer Analysis to Evaluate Retaining More Risk in Property Program**				
	1.	Gather updated loss information for preliminary renewal submission and actuarial report	MM/DM	PA	Jan-24	In Progress
	2.	Appointment of Ad Hoc Committee to develop P&P for BOD review	NF	NF, Ad Hoc	Jan-24	Completed
	3.	Actuarial report preparation and presentation to SPA Board	DM	PA/Alliant Actuarial	Mar-24	
	4.	Board evaluation and direction on long term retained layer direction	DM	BOD	Mar-24	
	5.	Renewal Marketing and Underwriter Meetings	DM	PA	Feb-24 to Mar-24	
	6.	Preliminary renewal options and NTE's and Board decision on retained layer for PY 24/25	DM	PA/BOD	May-24	
	7	Final renewal options and Board final action on retained layer for PY 24/25	DM	BOD	Jun-24	
LRP-7		**Loss Control Budget Ideas**				
	1.	Appointment of Task Group to gather Loss Control ideas/initiatives and proposed budget	MM	BOD	Oct-23	In Progress
	2.	Task Group to identify opportunities and long term strategies	MM, MB	PA, Task Group	Jan-24	
	3.	Report to SPA Board of identified opportunities and Direction given by Board	MM, MB	Task Group, BOD	Feb-24	
	4.	Final report on long term strategy developed along with budget projections	MM, MB	Task Group	Mar-24	
	5.	Presentation to SPA Board of Directors for action and inclusion on FY 24/25 budget	MM, MB	Task Group, BOD	Apr-24	
LRP-8		**Review of SPA Joint Powers Agreement**				
	1.	Identification of potential general counsel, direction from BOD	MM, DH	PA, MM	Nov-23	Completed
	2.	Review of SPA governing documents and risk financing and contracting activities	DH	GC	Dec-23	In Progress
	3.	Report to SPA Board by General Counsel initial direction from SPA Board	DH	GC, BOD	Jan-24	
	4.	Development of amendments and/or replacement governing documents	DH	GC	Feb-24	
	5.	Presentation of proposed changes in governing documents, direction from BOD	DH	GC, BOD	Mar-24	

4/4/2024

FY 2023/24 SPA LONG RANGE ACTION PLAN						
GOAL	ACTION / TASK		STAFF	Assigned	DEADLINE	STATUS
	6.	Review of proposed changes with SPA member organizations	DH	PA	Apr-24	
	7.	Final approval of proposed changes by SPA Board	DH	BOD	May-24	
	8.	Final Approval of proposed changes by member boards	BOD	Membership	Jun-24	

BOD: SPA Board of Directors
PA: SPA Program Administrator
MM: Managing Member
CFO: SPA Accounting and Finance

AIS: Alliant Ins. Svcs.(Property Program)
NF: Newfront Insurance (Liability Program)
GC: SPA General Counsel

Item No: G.2.

CLAIMS TASK FORCE UPDATE

INFORMATION ITEM

ISSUE: The Task Force met on March 27, 2024, with representatives from each JPA present as well as Chris Stafford of McClarens and SPA actuary Chris Nahas. The main focus of the meeting was establishing a process and standard for receiving quarterly loss runs from each of the underlying members and McLarens. We discussed a standard format for the loss runs and developed the attached draft set of required fields. Members are asked to refer the template to their report development staff and send a test loss run to SPA staff at their earliest convenience.

Another focus of discussion was the role of McLarens in adjusting those claims solely within the SPA layer. Chris Stafford received confirmation from the group that McLarens is to adjust those claims and we will work to make the SPA loss run more comprehensive by including those claims in the future.

We also provided an updated loss reporting form to include specific SPA staff email addresses on new reports.

RECOMMENDATION: Review and provide feedback regarding the loss run format and refer to your IT staff to prepare.

FISCAL IMPACT: None expected from this item.

BACKGROUND: Members have formed a task force to identify and provide suggestions to resolve bottlenecks in the claims adjustment process, including achieving consensus on replacement cost and timely processing of proofs of loss and payments.

ATTACHMENTS: SPA Property Loss Run Format Template

SPA Loss Run Format Template

Evaluation Date	**Policy Period**	**SPA participant**	**Claim Number**	**# of claims**	**District Name**	**Type of Coverage**	**Text Description**
	7/1/xxxx	*Member Name*	*By Occurrence**	*sub-claims*	*District*		*Loss description*
	or Fiscal Year						
As of Date	Policy Period	SPA Member	Claim Number	# of claims	District	Type of Coverage	Text Description

* Prefer by occurrence - indicate if by claim

SPA Loss Run Format Template

<u>Date of Loss</u>	**<u>Date Closed</u>**	**<u>Status</u>**	**<u>Paid Loss</u>**	**<u>Paid Expenses</u>**	**<u>Total Paid Losses</u>**	**<u>Total Reserves</u>**	**<u>Total Incurred</u>**	**<u>Subro</u>**	**<u>CAT</u>**	**<u>Wildfire</u>**
								yes/no **_if able_**	*Flag if able*	*Flag if able*
Date of Loss	Date Closed	Status	Paid Loss	Paid Expenses	Total Paid Losses	Reserves	Total Incurred	Subrogation	CAT	Wildfire

Item No: G.3.

ACTUARY REPORT

ACTION ITEM

ISSUE: Annual Actuarial Study

RECOMMENDATION: Review, accept and file the actuary report.

FISCAL IMPACT: Accrual of actuarial liabilities as presented.

BACKGROUND: The SPA Property Program includes a self-insured, shared retained layer. The retained layer covers member losses in excess of $250,000 primary layer/deductible for each member. SPA contracts with Aliant Insurance Services to perform actuarial services for the Property Program.

Attached please find the draft 2023 Actuarial Reserve Analysis. This study has been used to record the actuarial liabilities for the SPA financial records and financial statements. In summary, the actuarial report estimates:

- Outstanding case reserves of $1,116,141 (up $1.116M from last year)
- IBNR of $1,684,435 (up $1.661M from last year)
- Total unpaid losses of $2,800,576 (an increase of 23,725 from last year)

As a result of the actuarial study, IBNR of $1,661M has been accrued into the 6/30/2023 financial statements and expensed during the 2022/23 program year.

Chris Nahas, of Alliant, will present the actuarial study to the SPA Board for approval.

ATTACHMENTS: Draft report follows

SPA

Schools Property Alliance

2023 Actuarial Reserve Analysis

As of 6/30/2023

Lines of Business

Property

DRAFT

Table of Contents

Overview of Program Analysis

The Schools Property Alliance (SPA) contracted with Alliant Insurance Services, Inc. (Alliant) to perform an actuarial loss reserve analysis for its retained risk for their property coverages as of 6/30/2023.

The objective of the analysis is to **Estimate Ultimate *Unpaid Loss* and Allocated Loss Adjustment Expense (ALAE) including Incurred But Not Reported Losses (*IBNR*)** that SPA retains within their deductibles for policy years 7/1/2020 through and including 7/1/2022. The entities within SPA each provided loss and exposure experience back to policy year 7/1/2011. This actuarial reserve opinion is only for the years when SPA was formed however, the policy years prior to SPA's formation are shown in the appendix as another source of data, if needed.

SPA retains property losses based on the following retention summary.

[a] SPA Retention Summary

Retention A	1.) Losses in the $250,000 excess of $250,000 layer, capped at $1,000,000 aggregate
Retention B	2.) Losses in the $250,000 excess of $250,000 layer, after the $1,000,000 aggregate is exhausted
	3.) Losses excess of $500,000
	4.) Total Retention B: The sum of (2) and (3), capped at $2,000,000 aggregate
Total SPA Retention	The sum of Retention A and Retention B

* Given the retention summary shown above, the maximum SPA would retain in losses in a particular policy year is $3,000,000 ($1,000,000 from Retention A and $2,000,000 from Retention B)

** Wildfire losses do not erode the SPA retention layer

The underlying data relied upon in this analysis was provided by each of the five entities within SPA; Schools Insurance Authority (SIA), Schools Risk and Insurance Management Group (SIG), Butte Schools Self-Funded Program (BSSP), Redwood Empire Schools' Insurance Group (RESIG), North Bay Schools Insurance Authority (NBSIA)

The provided underlying data has a valuation date as of 6/30/23 and included individual loss runs and exposures. Within the scope of this analysis, the information was evaluated for reasonability and consistency however, the data was not audited for accuracy. Any discrepancies in the underlying or assumptions should be reported immediately as they could have a material impact on the results and findings of this analysis.

Executive Summary

Underlying Data

As of 6/30/2023

Limited Losses within SPA Retentions [a]

Policy Year	Earned TIV $000	Reported Claim Counts (Non-Zero)	Open Claim Counts	Paid Losses	Case Reserves	Case Incurred Losses
[1]	[2]	[3]	[4]	[5]	[6]	[7]
7/1/20	16,228,966	0	0	0	0	0
7/1/21	16,715,835	3	3	2,250,000	261,141	2,511,141
7/1/22	16,857,142	3	3	0	855,000	855,000
Total	49,801,943	6	6	2,250,000	1,116,141	3,366,141

Total Unpaid Loss Exhibit

Policy Year	Paid Losses	Case Reserves	Case Incurred	Ultimate Losses	IBNR	Unpaid Losses
[1]	[2]	[3]	[4]	[5]	[6]	[7]
7/1/20	0	0	0	36,300	36,300	**36,300**
7/1/21	2,250,000	261,141	2,511,141	2,564,276	53,135	**314,276**
7/1/22	0	855,000	855,000	2,450,000	1,595,000	**2,450,000**
Total	2,250,000	1,116,141	3,366,141	5,050,576	1,684,435	**2,800,576**

Discussion of Methodology

This reserve analysis employed the following actuarial methodologies to project losses and ALAE to ultimate value.

1. **Paid Loss Development**
   This methodology uses historical paid Loss & ALAE development to predict future development of paid losses. This methodology is based on actual paid claims without the impact of claim adjuster judgment in setting loss reserves. It can be volatile in early stages of policy year maturity.
2. **Incurred Loss Development**
   This methodology uses historical case incurred Loss & ALAE development to predict future development of incurred losses. This methodology assumes consistency in claims handling practices will continue in the future and will therefore be predictive of future loss development. In early stages of a policy year, it is less volatile than paid loss development.
3. **Case Reserve Development**
   This methodology is a combination of both paid and incurred methods applied to outstanding case reserves to determine ultimate losses.
4. **Bornhuetter-Ferguson (BF) Paid Method**
   This methodology starts with the amount of Loss & ALAE paid to date and adds IBNR based on the Loss & ALAE expected to be outstanding at that point in time. The losses expected to be outstanding is based on the expected loss rate times the exposures times the percentage of outstanding losses at that point in time. The expected loss rate is determined by adjusting the estimated ultimate loss rate on prior years to current rate, benefit and trend levels. This methodology is particularly useful in immature policy periods or volatile lines of business with long tail reporting patterns.

5. **Bornhuetter-Ferguson Incurred Method**
   This methodology is the same as the BF Paid Method but is based on incurred Loss & ALAE.

The formulas for each of the above methods utilize loss development factors. Loss development factors quantify how losses will change until they reach their ***ultimate losses*** and are based on how many months a policy has aged. For example, a policy that is only a few months old will have larger loss development factors than a policy that is a few years old because the younger policy has more time for accident to happen, claims to be reported and ultimately settled.

SPA was not able to provide loss experience at past valuation dates therefore, the loss development factors could not be developed purely on SPA's experience. This is not a concern as many clients use loss development factors based on industry data. In this case, the loss development factors used in this analysis are from the Insurance Services Office (ISO). Using industry development factors is a more credible approach that leads to more smooth age to age factors. If this client data is thin, the age-to-age factors can be volatile and not be relied on for loss development factor selections.

The paid and incurred loss development methods above were based on developing ground-up claims and then quantifying how those losses pierce into SPA's Retention A and Retention B. As shown in the ISO loss development factors included in this analysis, commercial property claims are reported and paid quickly.

As of 6/30/2023, any major catastrophes would have been reported and known as of the time of this analysis. It is assumed that no non-wildfire catastrophes have been reported as of 6/30/2023. For this reason, there is no pure IBNR included in this analysis associated from catastrophes that have yet to be reported. There have been 2 wildfire losses however, these do not erode the SPA retention and do not need to be contemplated for SPA's unpaid losses in their retention.

Conditions and Limitations

Actuarial calculations by their nature are inherently volatile as they are estimates of uncertain future events and occurrences. Standard actuarial methodologies have been employed to reasonably estimate probable outcomes for the ultimate value of losses and ALAE based on information provided at the time the analysis was made. These estimates assume that development on this program will be consistent with historical development patterns, general industry trends, and benefit levels. If future development does not follow these assumed trends and development, the ultimate value of losses may differ, possibly substantially, from these estimates. These projections make no provision for the extraordinary future emergence of losses that are not represented in the historical data, assumed development patterns, or are not yet quantifiable.

Use and Distribution

This Actuarial Analysis has been prepared for use by SPA for the expressed purpose described in the Program Overview above. Because the Appendix and each section of this report is an integral part of the whole analysis, the study should be reviewed in its entirety prior to use or being relied upon.

It is expected that SPA may distribute this report to auditors and insurance regulators. Any further distribution is restricted without the express written permission of Alliant. When distributed, this Actuarial Analysis should be distributed only in its entirety including this Report, the Appendix, and all supporting exhibits.

Definitions

Policy Year: *The year the policy was written/ became effective*

Unpaid Loss: *Future losses that have not yet been paid. Unpaid losses are comprised of the case reserves plus IBNR*

IBNR: *IBNR stands for 'Incurred but Not Reported' and contains the following;*

- *The amount estimated to ultimately settle and close all claims that have not yet been reported*
- *The development of losses on known claims. This is also referred to Incurred but Not Enough Reported (IBNER)*

Ultimate losses: *The amount of money required to close and settle all claims for a group of policies. In a formula form: Ultimate losses = Paid Losses + Case Reserves + IBNR*

Case Reserve: *An estimate of the future amount of money required to ultimately settle a claim. This is usually determined by a claims adjuster or third-party administrator.*

Loss Triangle: *An aggregation of losses where individual claims are grouped by the policy year and age of the policy year (usually in months).*

Alliant

Schools Program Alliance
Actuarial Reserve Analysis

Line of Business	Property
Valuation Date	6/30/23
Revised Date	3/13/24

I. Underlying Losses

Limited Losses within SPA Retentions [a]

Policy Year	Earned TIV $000	Reported Claim Counts (Non-Zero)	Open Claim Counts	Paid Losses	Case Reserves	Case Incurred Losses	Prior Year Case Incurred	Emergence
[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
7/1/20	16,228,966	0	0	0	0	0	0	0
7/1/21	16,715,835	3	3	2,250,000	261,141	2,511,141	2,250,000	261,141
7/1/22	16,857,142	3	3	0	855,000	855,000	-	-
Total	49,801,943	6	6	2,250,000	1,116,141	3,366,141	2,250,000	261,141

Unlimited Losses

Policy Year	Earned TIV $000	Reported Claim Counts (Non-Zero)	Open Claim Counts	Paid Losses	Case Reserves	Case Incurred Losses	Prior Year Case Incurred	Emergence
[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
7/1/20	16,228,966	47	3	9,376,421	2,394,636	11,771,057	12,061,849	-290,792
7/1/21	16,715,835	80	6	5,731,024	1,314,758	7,021,214	6,250,402	770,813
7/1/22	16,857,142	145	97	2,286,171	6,121,064	7,312,235	-	-
Total	49,801,943	272	106	17,393,616	9,830,458	26,104,507	18,312,250	480,021

II. Selection of Ulitmate Losses

Policy Year	Chain Ladder Paid Method	Chain Ladder Incurred Method	Reserve Method Ultimate Losses	BF Paid Method	BF Incurred Method	Selected	Prior Year Ultimate	Change
[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
7/1/20	0	0	0	36,300	15,134	36,300	0	36,300
7/1/21	2,515,047	2,511,141	2,607,954	2,641,811	2,545,426	2,564,276	2,273,725	290,551
7/1/22	855,000	855,000	1,084,187	1,192,228	926,287	2,450,000	-	-
Total	3,370,047	3,366,141	3,692,141	3,870,339	3,486,847	5,050,576	2,273,725	326,851

III. Total Loss Reserve Summary

Policy Year	Paid Losses	Case Reserves	Case Incurred	Ultimate Losses	IBNR	Unpaid Losses
[1]	[2]	[3]	[4]	[5]	[6]	[7]
7/1/20	0	0	0	36,300	36,300	**36,300**
7/1/21	2,250,000	261,141	2,511,141	2,564,276	53,135	**314,276**
7/1/22	0	855,000	855,000	2,450,000	1,595,000	**2,450,000**
Total	2,250,000	1,116,141	3,366,141	5,050,576	1,684,435	**2,800,576**

[a] SPA Retention Summary

Retention A	1.) Losses in the $250,000 excess of $250,000 layer, capped at $1,000,000 aggregate
Retention B	2.) Losses in the $250,000 excess of $250,000 layer, after the $1,000,000 aggregate is exhausted
	3.) Losses excess of $500,000
	4.) Total Retention B: The sum of (2) and (3), capped at $2,000,000 aggregate
Total SPA Retention	The sum of Retention A and Retention B

* Given the retention summary shown above, the maximum SPA would retain in losses in a particular policy year is $3,000,000 ($1,000,000 from Retention A and $2,000,000 from Retention B)

** Wildfire losses do not erode the SPA retention layer

Alliant

Schools Program Alliance

All Other Perils Loss Projections
Excludes catastrophes
Valuation Date 6/30/23

Case Incurred Losses

				SPA Retention						Ground-Up		Within SPA Retention	
Policy Year	Earned TIV $000	Member Deductible $250K	$250K x $250K	Retention A	Retention B				Retention A + B	Reported Claim Counts (Non-Zero)	Open Claim Counts	Reported Claim Counts	Open Claim Counts
[1]	[2]	[3]	[4]	[5] = min([4], $1M)	[6]= [4] - [5]	[7] = Excess $500K	[8]=[6]+[7]	[9]=min([8],$2M)	[10]=[5]+[9]	[11]	[12]	[13]	[14]
7/1/11	12,057,427	1,203,288	0	0	0	0	0	0	0	88	0	0	0
7/1/12	12,814,003	1,845,262	250,000	250,000	0	43,909	43,909	43,909	293,909	85	1	1	0
7/1/13	13,470,170	2,347,683	750,000	750,000	0	2,606,467	2,606,467	2,000,000	2,750,000	97	1	3	0
7/1/14	13,808,956	1,446,653	0	0	0	0	0	0	0	81	0	0	0
7/1/15	14,218,078	1,004,848	250,000	250,000	0	688,061	688,061	688,061	938,061	51	0	1	0
7/1/16	14,625,942	3,650,383	1,156,196	1,000,000	156,196	7,506,704	7,662,900	2,000,000	3,000,000	109	0	6	0
7/1/17	14,987,553	3,860,313	911,224	911,224	0	810,158	810,158	810,158	1,721,382	72	0	8	0
7/1/18	15,297,357	3,712,384	894,767	894,767	0	11,918,513	11,918,513	2,000,000	2,894,767	71	1	8	0
7/1/19	15,756,278	2,093,851	51,534	51,534	0	0	0	0	51,534	66	2	1	0
7/1/20	16,228,966	2,057,446	0	0	0	0	0	0	0	47	3	0	0
7/1/21	16,715,835	2,925,935	511,141	511,141	0	2,500,000	2,500,000	2,000,000	2,511,141	80	6	3	3
7/1/22	16,857,142	5,473,962	450,000	450,000	0	405,000	405,000	405,000	855,000	145	97	3	3
Total	176,837,706	31,622,009	5,224,862	5,068,666	156,196	26,478,811	26,635,007	9,947,127	15,015,794	992	111	34	6

Paid Losses

				SPA Retention					
Policy Year	Earned TIV $000	Member Deductible $250K	$250K x $250K	Retention A	Retention B				Retention A + B
[1]	[2]	[3]	[4]	[5] = min([4], $1M)	[6]= [4] - [5]	[7] = Excess $500K	[8]=[6]+[7]	[9]=min([8],$2M)	[10]=[5]+[9]
7/1/11	12,057,427	1,203,288	0	0	0	0	0	0	0
7/1/12	12,814,003	1,844,551	250,000	250,000	0	43,909	43,909	43,909	293,909
7/1/13	13,470,170	2,347,619	750,000	750,000	0	2,606,467	2,606,467	2,000,000	2,750,000
7/1/14	13,808,956	1,446,653	0	0	0	0	0	0	0
7/1/15	14,218,078	1,004,848	250,000	250,000	0	688,061	688,061	688,061	938,061
7/1/16	14,625,942	3,650,383	1,156,196	1,000,000	156,196	7,506,704	7,662,900	2,000,000	3,000,000
7/1/17	14,987,553	3,837,113	911,224	911,224	0	810,158	810,158	810,158	1,721,382
7/1/18	15,297,357	3,712,384	894,767	894,767	0	11,918,513	11,918,513	2,000,000	2,894,767
7/1/19	15,756,278	2,093,851	51,534	51,534	0	0	0	0	51,534
7/1/20	16,228,966	1,876,421	0	0	0	0	0	0	0
7/1/21	16,715,835	2,771,009	250,000	250,000	0	2,000,000	2,000,000	2,000,000	2,250,000
7/1/22	16,857,142	1,348,280	0	0	0	0	0	0	0
Total	176,837,706	27,136,401	4,513,720	4,357,525	156,196	25,573,811	25,730,007	9,542,127	13,899,652

Schools Program Alliance

All Other Perils Loss Projections
Excludes catastrophes
Valuation Date 6/30/23

Case Reserves

				SPA Retention					
Policy Year	Earned TIV $000	Member Deductible $250K	$250K x $250K	Retention A	Retention B				Retention A + B
[1]	[2]	[3]	[4]	[5] = min([4], $1M)	[6]= [4] - [5]	[7] = Excess $500K	[8]=[6]+[7]	[9]=min([8],$2M)	[10]=[5]+[9]
7/1/11	12,057,427	0	0	0	0	0	0	0	0
7/1/12	12,814,003	711	0	0	0	0	0	0	0
7/1/13	13,470,170	64	0	0	0	0	0	0	0
7/1/14	13,808,956	0	0	0	0	0	0	0	0
7/1/15	14,218,078	0	0	0	0	0	0	0	0
7/1/16	14,625,942	0	0	0	0	0	0	0	0
7/1/17	14,987,553	23,200	0	0	0	0	0	0	0
7/1/18	15,297,357	0	0	0	0	0	0	0	0
7/1/19	15,756,278	0	0	0	0	0	0	0	0
7/1/20	16,228,966	181,025	0	0	0	0	0	0	0
7/1/21	16,715,835	154,926	261,141	261,141	0	500,000	500,000	0	261,141
7/1/22	16,857,142	4,125,682	450,000	450,000	0	405,000	405,000	405,000	855,000
Total	176,837,706	4,485,609	711,141	711,141	0	905,000	905,000	405,000	1,116,141

Alliant

Schools Program Alliance

All Other Perils Loss Projections
Excludes catastrophes
Valuation Date 6/30/23
Ultimate Loss Projections

Paid Chain Ladder Method

Policy Year	Earned TIV $000	Member Deductible $250K	$250K x $250K	SPA Retention						Paid Bornhuetter-Ferguson Method			
				Retention A	Retention B				Retention A + B	Property Trend	Projected A-Priori Loss Rate	% Paid	BF Paid Method
[1]	[2]	[3]	[4]	[5] = min([4], $1M)	[6]= [4] - [5]	[7] = Excess $500K	[8]=[6]+[7]	[9]=min([8],$2M)	[10]=[5]+[9]	[11]	[12]	[13]	[14]
7/1/11	12,057,427	1,203,288	0	0	0	0	0	0	0	2.52	0.036	100.00%	0
7/1/12	12,814,003	1,845,262	250,000	250,000	0	43,909	43,909	43,909	293,909	2.33	0.039	100.00%	293,909
7/1/13	13,470,170	2,347,683	750,000	750,000	0	2,606,467	2,606,467	2,000,000	2,750,000	2.16	0.042	100.00%	2,750,000
7/1/14	13,808,956	1,446,653	0	0	0	0	0	0	0	2.00	0.046	100.00%	0
7/1/15	14,218,078	1,004,848	250,000	250,000	0	688,061	688,061	688,061	938,061	1.85	0.049	100.00%	938,061
7/1/16	14,625,942	3,650,383	1,156,196	1,000,000	156,196	7,506,704	7,662,900	2,000,000	3,000,000	1.71	0.053	100.00%	3,000,000
7/1/17	14,987,553	3,862,113	911,224	911,224	0	810,158	810,158	810,158	1,721,382	1.59	0.058	100.00%	1,721,382
7/1/18	15,297,357	3,712,384	894,767	894,767	0	11,918,513	11,918,513	2,000,000	2,894,767	1.47	0.062	100.00%	2,894,767
7/1/19	15,756,278	2,113,634	54,769	54,769	0	0	0	0	54,769	1.36	0.067	98.94%	66,031
7/1/20	16,228,966	2,116,709	0	0	0	0	0	0	0	1.26	0.073	96.92%	36,300
7/1/21	16,715,835	3,172,880	515,047	515,047	0	2,767,202	2,767,202	2,000,000	2,515,047	1.17	0.079	90.34%	2,641,811
7/1/22	16,857,142	5,839,088	450,000	450,000	0	405,000	405,000	405,000	855,000	1.08	0.085	76.41%	1,192,228
Total	176,837,706	32,314,925	5,232,003	5,075,807	156,196	26,746,014	26,902,210	9,947,127	15,022,935				15,534,488

Incurred Chain Ladder Method

Policy Year	Earned TIV $000	Member Deductible $250K	$250K x $250K	SPA Retention						Incurred Bornhuetter-Ferguson Method			
				Retention A	Retention B				Retention A + B	Property Trend	Projected A-Priori Loss Rate	% Incurred	BF Incurred Method
[1]	[2]	[3]	[4]	[5] = min([4], $1M)	[6]= [4] - [5]	[7] = Excess $500K	[8]=[6]+[7]	[9]=min([8],$2M)	[10]=[5]+[9]	[11]	[12]	[13]	[14]
7/1/11	12,057,427	1,203,288	0	0	0	0	0	0	0	2.52	0.036	100.00%	0
7/1/12	12,814,003	1,845,262	250,000	250,000	0	43,909	43,909	43,909	293,909	2.33	0.039	100.00%	293,909
7/1/13	13,470,170	2,347,683	750,000	750,000	0	2,606,467	2,606,467	2,000,000	2,750,000	2.16	0.042	100.00%	2,750,000
7/1/14	13,808,956	1,446,653	0	0	0	0	0	0	0	2.00	0.046	100.00%	0
7/1/15	14,218,078	1,004,848	250,000	250,000	0	688,061	688,061	688,061	938,061	1.85	0.049	100.00%	938,061
7/1/16	14,625,942	3,650,383	1,156,196	1,000,000	156,196	7,506,704	7,662,900	2,000,000	3,000,000	1.71	0.053	100.00%	3,000,000
7/1/17	14,987,553	3,862,113	911,224	911,224	0	810,158	810,158	810,158	1,721,382	1.59	0.058	100.00%	1,721,382
7/1/18	15,297,357	3,712,424	894,799	894,799	0	11,918,827	11,918,827	2,000,000	2,894,799	1.47	0.062	100.00%	2,894,822
7/1/19	15,756,278	2,104,908	53,342	53,342	0	0	0	0	53,342	1.36	0.067	99.40%	59,666
7/1/20	16,228,966	2,081,706	0	0	0	0	0	0	0	1.26	0.073	98.72%	15,134
7/1/21	16,715,835	3,003,055	511,141	511,141	0	2,567,040	2,567,040	2,000,000	2,511,141	1.17	0.079	97.39%	2,545,426
7/1/22	16,857,142	5,528,378	450,000	450,000	0	405,000	405,000	405,000	855,000	1.08	0.085	95.01%	926,287
Total	176,837,706	31,790,701	5,226,703	5,070,507	156,196	26,546,166	26,702,361	9,947,127	15,017,634				15,144,686

A-Priori Loss Rate	0.092
Loss Trend	8.0%

Schools Program Alliance

All Other Perils Loss Projections
Excludes catastrophes
Valuation Date 6/30/23
Limited Case Reserve Method

Policy Year	Earned TIV $000	Limited Paid Losses Retention A + B	Age	Percent Losses Paid	Percent Losses Reported	Percent Losses Reserved	Limited Case Reserves	Limited Ultimate Losses
[1]	[2]	[3]	[4]	[5]	[6]	[7] = ([6] - [5]/ (1 - [5])	[8]	[9]= [3] + [8]/[7]
7/1/11	12,057,427	0	144	100.00%	100.00%	0.00%	0	0
7/1/12	12,814,003	293,909	132	100.00%	100.00%	0.00%	0	293,909
7/1/13	13,470,170	2,750,000	120	100.00%	100.00%	0.00%	0	2,750,000
7/1/14	13,808,956	0	108	100.00%	100.00%	0.00%	0	0
7/1/15	14,218,078	938,061	96	100.00%	100.00%	0.00%	0	938,061
7/1/16	14,625,942	3,000,000	84	100.00%	100.00%	0.00%	0	3,000,000
7/1/17	14,987,553	1,721,382	72	100.00%	100.00%	0.00%	0	1,721,382
7/1/18	15,297,357	2,894,767	60	100.00%	100.00%	0.00%	0	2,894,767
7/1/19	15,756,278	51,534	48	98.94%	99.40%	43.85%	0	51,534
7/1/20	16,228,966	0	36	96.92%	98.72%	58.31%	0	0
7/1/21	16,715,835	2,250,000	24	90.34%	97.39%	72.95%	261,141	2,607,954
7/1/22	16,857,142	0	12	76.41%	95.01%	78.86%	855,000	1,084,187
Total	176,837,706	13,899,652					1,116,141	15,341,793

A-Priori Loss Rate

Policy Year	Earned TIV $000	Member Deductible $250K	$250K x $250K	SPA Retention					
				Retention A	Retention B				Retention A + B
[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
7/1/11	12,057,427	0.100	0.000	0.000	0.000	0.000	0.000	0.000	0.000
7/1/12	12,814,003	0.144	0.020	0.020	0.000	0.003	0.003	0.003	0.023
7/1/13	13,470,170	0.174	0.056	0.056	0.000	0.193	0.193	0.148	0.204
7/1/14	13,808,956	0.105	0.000	0.000	0.000	0.000	0.000	0.000	0.000
7/1/15	14,218,078	0.071	0.018	0.018	0.000	0.048	0.048	0.048	0.066
7/1/16	14,625,942	0.250	0.079	0.068	0.011	0.513	0.524	0.137	0.205
7/1/17	14,987,553	0.258	0.061	0.061	0.000	0.054	0.054	0.054	0.115
7/1/18	15,297,357	0.243	0.058	0.058	0.000	0.779	0.779	0.131	0.189
7/1/19	15,756,278	0.134	0.003	0.003	0.000	0.000	0.000	0.000	0.003
7/1/20	16,228,966	0.130	0.000	0.000	0.000	0.000	0.000	0.000	0.000
7/1/21	16,715,835	0.190	0.031	0.031	0.000	0.166	0.166	0.120	0.150
7/1/22	16,857,142	0.346	0.027	0.027	0.000	0.024	0.024	0.024	0.051
Total	176,837,706	0.183	0.030	0.029	0.001	0.151	0.152	0.056	0.085

	Member Deductible	SPA Retention		
		Retention A	Retention B	Retention A + B
All Yr Avg. x 2022	0.163	0.029	0.058	0.087
All Yr Avg.	0.179	0.028	0.055	0.084
Volume Wtd Avg. x 2022	0.150	0.026	0.054	0.080
5 Yr Avg.	0.191	0.031	0.061	0.092
Excl high/ Low Avg.	0.163	0.027	0.055	0.083
Selection	0.163	**0.031**	**0.061**	**0.092**

Incurred Losses Excluding Hurricanes

ISO Loss Development Circular AS-CF-2021-005-004

Age	Basic Group I	Basic Group II	Special Cause of Loss	All Sublines Combined	Selected
15	0.949	1.088	1.004	1.003	1.046
27	0.970	1.042	0.999	0.999	1.021
39	0.989	1.020	1.001	1.002	1.011
51	0.997	1.009	1.000	1.002	1.005
6	15	27	1.0460	1.0205	1.0655
7	15	27	1.0460	1.0205	1.0634
8	15	27	1.0460	1.0205	1.0612
9	15	27	1.0460	1.0205	1.0590
10	15	27	1.0460	1.0205	1.0568
11	15	27	1.0460	1.0205	1.0546
12	15	27	1.0460	1.0205	1.0525
13	15	27	1.0460	1.0205	1.0503
14	15	27	1.0460	1.0205	1.0482
15	15	27	1.0460	1.0205	1.0460
16	15	27	1.0460	1.0205	1.0439
17	15	27	1.0460	1.0205	1.0417
18	15	27	1.0460	1.0205	1.0396
19	15	27	1.0460	1.0205	1.0374
20	15	27	1.0460	1.0205	1.0353
21	15	27	1.0460	1.0205	1.0332
22	15	27	1.0460	1.0205	1.0310
23	15	27	1.0460	1.0205	1.0289
24	15	27	1.0460	1.0205	1.0268
25	15	27	1.0460	1.0205	1.0247
26	15	27	1.0460	1.0205	1.0226
27	27	39	1.0205	1.0105	1.0205
28	27	39	1.0205	1.0105	1.0197
29	27	39	1.0205	1.0105	1.0188
30	27	39	1.0205	1.0105	1.0180
31	27	39	1.0205	1.0105	1.0172
32	27	39	1.0205	1.0105	1.0163
33	27	39	1.0205	1.0105	1.0155
34	27	39	1.0205	1.0105	1.0147
35	27	39	1.0205	1.0105	1.0138
36	27	39	1.0205	1.0105	1.0130
37	27	39	1.0205	1.0105	1.0122
38	27	39	1.0205	1.0105	1.0113
39	39	51	1.0105	1.0045	1.0105
40	39	51	1.0105	1.0045	1.0100
41	39	51	1.0105	1.0045	1.0095

DRAFT

Incurred Losses Excluding Hurricanes

ISO Loss Development Circular AS-CF-2021-005-004

Age	Basic Group I	Basic Group II	Special Cause of Loss	All Sublines Combined	Selected
42	39	51	1.0105	1.0045	1.0090
43	39	51	1.0105	1.0045	1.0085
44	39	51	1.0105	1.0045	1.0080
45	39	51	1.0105	1.0045	1.0075
46	39	51	1.0105	1.0045	1.0070
47	39	51	1.0105	1.0045	1.0065
48	39	51	1.0105	1.0045	1.0060
49	39	51	1.0105	1.0045	1.0055
50	39	51	1.0105	1.0045	1.0050
51	51	63	1.0045		1.0045
52	51	63	1.0045		1.0040
53	51	63	1.0045		1.0035
54	51	63	1.0045		1.0030
55	51	63	1.0045		1.0025
56	51	63	1.0045		1.0020
57	51	63	1.0045		1.0015
58	51	63	1.0045		1.0010
59	51	63	1.0045		1.0005
60	51	63	1.0045		1.0000

Paid Losses Excluding Hurricanes

ISO Loss Development Circular AS-CF-2021-005-004

Age	Basic Group I	Basic Group II	Special Cause of Loss	All Sublines Combined	Selected
15	1.260	1.338	1.158	1.255	1.255
27	1.034	1.096	1.027	1.053	1.062
39	1.007	1.036	1.008	1.017	1.022
51	0.999	1.012	1.002	1.004	1.007

6	15	27	1.2550	1.0615	1.4229
7	15	27	1.2550	1.0615	1.4032
8	15	27	1.2550	1.0615	1.3838
9	15	27	1.2550	1.0615	1.3646
10	15	27	1.2550	1.0615	1.3457
11	15	27	1.2550	1.0615	1.3270
12	15	27	1.2550	1.0615	1.3087
13	15	27	1.2550	1.0615	1.2905
14	15	27	1.2550	1.0615	1.2726
15	15	27	1.2550	1.0615	1.2550
16	15	27	1.2550	1.0615	1.2376
17	15	27	1.2550	1.0615	1.2205
18	15	27	1.2550	1.0615	1.2035
19	15	27	1.2550	1.0615	1.1869
20	15	27	1.2550	1.0615	1.1704
21	15	27	1.2550	1.0615	1.1542
22	15	27	1.2550	1.0615	1.1382
23	15	27	1.2550	1.0615	1.1224
24	15	27	1.2550	1.0615	1.1069
25	15	27	1.2550	1.0615	1.0915
26	15	27	1.2550	1.0615	1.0764
27	27	39	1.0615	1.0220	1.0615
28	27	39	1.0615	1.0220	1.0582
29	27	39	1.0615	1.0220	1.0548
30	27	39	1.0615	1.0220	1.0515
31	27	39	1.0615	1.0220	1.0482
32	27	39	1.0615	1.0220	1.0449
33	27	39	1.0615	1.0220	1.0416
34	27	39	1.0615	1.0220	1.0383
35	27	39	1.0615	1.0220	1.0350
36	27	39	1.0615	1.0220	1.0317
37	27	39	1.0615	1.0220	1.0285
38	27	39	1.0615	1.0220	1.0252
39	39	51	1.0220	1.0070	1.0220
40	39	51	1.0220	1.0070	1.0207
41	39	51	1.0220	1.0070	1.0195

Paid Losses Excluding Hurricanes

ISO Loss Development Circular AS-CF-2021-005-004

Age	Basic Group I	Basic Group II	Special Cause of Loss	All Sublines Combined	Selected
42	39	51	1.0220	1.0070	1.0182
43	39	51	1.0220	1.0070	1.0170
44	39	51	1.0220	1.0070	1.0157
45	39	51	1.0220	1.0070	1.0145
46	39	51	1.0220	1.0070	1.0132
47	39	51	1.0220	1.0070	1.0120
48	39	51	1.0220	1.0070	1.0107
49	39	51	1.0220	1.0070	1.0095
50	39	51	1.0220	1.0070	1.0082
51	51	63	1.0070		1.0070
52	51	63	1.0070		1.0058
53	51	63	1.0070		1.0045
54	51	63	1.0070		1.0033
55	51	63	1.0070		1.0020
56	51	63	1.0070		1.0008
57	51	63	1.0070		1.0000
58	51	63	1.0070		1.0000
59	51	63	1.0070		1.0000
60	51	63	1.0070		1.0000

Insurance Services Office (ISO)

COMMERCIAL FIRE & ALLIED LINES

Loss Development -- Special Causes of Loss [a]

Multistate

INCURRED LOSSES

Loss Year	As of 15 Months	As of 27 Months	As of 39 Months	As of 51 Months	As of 63 Months
2010	685,754,675	672,899,658	667,393,660	666,215,046	666,009,575
2011	731,347,222	715,332,293	710,338,809	707,533,798	707,266,512
2012	387,083,761	383,486,165	381,795,587	382,486,911	383,965,861
2013	436,401,320	428,202,733	420,873,269	419,580,831	419,440,794
2014	641,918,335	636,014,550	637,572,828	637,420,334	636,325,210
2015	557,040,255	555,719,001	551,443,468	551,984,107	552,252,772
2016	376,144,789	392,551,697	394,828,278	395,824,752	
2017	396,122,018	398,275,345	400,799,030		
2018	564,512,000	557,677,533			
2019	457,892,870				

LINK RATIOS

Loss Year	27:15 Months	39:27 Months	51:39 Months	63:51 Months
2010	0.981	0.992	0.998	1.000
2011	0.978	0.993	0.996	1.000
2012	0.991	0.996	1.002	1.004
2013	0.981	0.983	0.997	1.000
2014	0.991	1.002	1.000	0.998
2015	0.998	0.992	1.001	1.000
2016	1.044	1.006	1.003	
2017	1.005	1.006		
2018	0.988			
3 pt. Avg.	1.012	1.001	1.001	0.999
5 pt. Avg.	1.005	0.998	1.001	1.000
5 pt. ex. Hi/Low	0.998	1.000	1.001	1.000
All pt. Avg.	0.995	0.996	1.000	1.000

LOSS DEVELOPMENT FACTORS TO ULTIMATE

	15:Ult	27:Ult	39:Ult	51:Ult
3 pt. Avg.	1.013	1.001	1.000	0.999
5 pt. Avg.	1.004	0.999	1.001	1.000
5 pt. ex. Hi/Low	0.999	1.001	1.001	1.000
All pt. Avg.	0.991	0.996	1.000	1.000

Age	LDF	% Reported	Age	LDF	% Rept	% Paid	% Reserved
15	1.013	98.72%	12	1.017	98.37%	83.80%	90%
27	0.999	100.10%	24	1.002	99.75%	94.49%	96%
39	1.001	99.90%	36	1.000	99.95%	98.74%	96%
51	1.000	100.00%	48	1.000	99.98%	99.65%	93%

Insurance Services Office (ISO)

COMMERCIAL FIRE & ALLIED LINES

Loss Development -- Special Causes of Loss [a]

Multistate

PAID LOSSES

Loss Year	As of 15 Months	As of 27 Months	As of 39 Months	As of 51 Months	As of 63 Months
2010	590,512,318	654,128,337	661,488,069	664,130,215	664,753,742
2011	638,752,073	691,782,785	701,623,414	705,170,690	705,876,321
2012	322,514,463	370,279,876	377,475,961	380,905,260	382,579,646
2013	356,923,992	408,320,929	416,668,572	417,920,875	418,953,971
2014	558,213,496	619,524,888	631,556,978	635,679,517	634,810,372
2015	491,482,532	540,245,202	546,593,351	550,392,770	551,929,174
2016	328,127,036	382,210,842	391,837,113	394,010,016	
2017	342,823,417	387,701,257	395,141,290		
2018	472,561,908	534,471,661			
2019	387,481,776				

LINK RATIOS

Loss Year	27:15 Months	39:27 Months	51:39 Months	63:51 Months
2010	1.108	1.011	1.004	1.001
2011	1.083	1.014	1.005	1.001
2012	1.148	1.019	1.009	1.004
2013	1.144	1.020	1.003	1.002
2014	1.110	1.019	1.007	0.999
2015	1.099	1.012	1.007	1.003
2016	1.165	1.025	1.006	
2017	1.131	1.019		
2018	1.131			
3 pt. Avg.	1.142	1.019	1.007	1.001
5 pt. Avg.	1.127	1.019	1.006	1.002
5 pt. ex. Hi/Low	1.124	1.019	1.007	1.002
All pt. Avg.	1.124	1.017	1.006	1.002

LOSS DEVELOPMENT FACTORS TO ULTIMATE

	15.000	27.000	39.000	51.000
	15:Ult	27:Ult	39:Ult	51:Ult
3 pt. Avg.	1.173	1.027	1.008	1.001
5 pt. Avg.	1.158	1.027	1.008	1.002
5 pt. ex. Hi/Low	1.156	1.028	1.009	1.002
All pt. Avg.	1.152	1.025	1.008	1.002

Age	LDF	% paid	Age	LDF	% paid
15	1.158	86.36%	12	1.193	83.80%
27	1.027	97.37%	24	1.058	94.49%
39	1.008	99.21%	36	1.013	98.74%
51	1.002	99.80%	48	1.003	99.65%

* * * * *

Christopher Nahas, ACAS, MAAA is a member of the Casualty Actuarial Society and the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the Actuarial Opinion contained in this Report.

This analysis was performed using generally accepted actuarial principles and in accordance with all relevant Actuarial Standards of Practice.

Please contact me with any questions in regards to this report.

Respectfully submitted,

Christopher Nahas, ACAS, MAAA
Associate Actuary
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Item No: H.1.

2024 PROPERTY (AND APD/ADWRP) RENEWAL - UPDATE

INFORMATION ITEM

ISSUE: The topics to be covered include:

1. We will provide an update on the data collection efforts
2. We will provide an update on the submission
3. We will provide an update on modeling, and
4. The Board is asked to consider whether any members would be available to meet with underwriters at the Risk and Insurance Managers Society (RIMS) annual conference which will be in San Diego on May 5-7, 2025.

RECOMMENDATION: No action required.

FISCAL IMPACT: None identified for the review of this initial presentation.

BACKGROUND: This item remains on the agenda from January – June each year, touching on the progression of topics related to the renewal and marketing phase of the SPA Property, APD and ADW programs. We begin this item with pre-renewal discussions (and presentation) regarding topics of importance as we lead into the renewal season. We discuss and review, as needed, the data request for the submission each year. As the data is collected and the submission is created, we use this time to review key updates on the submission, in particular, how we are being represented in the market (what our losses show, what our exposures and changes show, etc.). This item is also used to update the board on market "happenings" and feedback from the marketplace on our program throughout the marketing phase. Additionally, as the modeling and/or any actuarial structuring and pricing initiatives are completed, these are presented and discussed with the board (AIR and CoreLogic results). As quotes and terms are received from the markets, these are presented and discussed with the to the board. And finally, the discussion of "not to exceed", as well as binding intentions and orders are presented to and sought from the board as this item rounds out in May and June.

ATTACHMENT(S): None.

Item No: H.2.

COVERAGE LIMITATION AT JULY 1, 2024 PROPERTY PROGRAM RENEWAL – REMOTE AND HIGH RISK LOCATIONS

INFORMATION ITEM

ISSUE: The Program Administration met with underwriters in London who are in basic agreement with the concept presented to pursue a course of action to mitigate loss costs from locations exposed to wildfire. The Program Administrator is looking for feedback on the proposed list of locations to be subject to the coverage limitation apply.

The action taken would be to provide a loss limit of 125% of reported value plus an increased cost of construction not to exceed 100% of the reported value or the applicable sublimit for ICC ($10 million). The goal is to remove the existing blanket agreed value loss limit that applies to BSSP, and instead apply it to locations of all SPA members that exceed the high risk threshold in the CORE Logic wildfire risk model.

At this time, next steps include:

- Review proposed schedule with SPA member JPA's – Member/Alliant
- Communicate proposed coverage limitation to individual districts affected – Member
- Finalize schedule with underwriters for renewal policy – Alliant/AmWINS
- Revise Memorandum of Coverage - Alliant

Note – while wildfire loss modeling along with remote locations or single site districts with high loss characteristics would be the point of initiating and underwriting review for scheduling a location for this coverage limitation, **the limitation would apply for all causes of loss, not just wildfire.**

If approved by the SPA Board, this change would need approval from the program's excess insurers and reinsurers.

RECOMMENDATION: It is recommended that the Board discuss the proposed list of locations to be subject to the coverage limitation and provide direction on next steps for approval of the schedule of locations and the proposed Memorandum of Coverage.

FISCAL IMPACT: The proposed changes would likely reduce the cost of some property losses in the future and thereby reduce insurance costs.

BACKGROUND: SPA is underwritten as a program consisting mostly of highly protected property risks. Unexpectedly large losses happen at undervalued locations cause significant impact to SPA's ability to secure coverage and the cost of coverage. The cost of such losses is shared among all the members and remain in the loss rating calculus for 5 years.

SPA has seen over $15 million of reported losses at locations that are exposed to wildfire. These tend to be single site districts as well which exacerbates the cost of the loss. The Program Administrator is recommending a plan along the following lines:

- Modify the existing margin clause for valuation of properties that applies currently only to all BSSFP property. Instead, apply a margin clause for all SPA member locations deemed high risk based on modeling. The margin clause would apply only to scheduled locations and limit Real and Personal Property loss to no more than 125% of reported value.
- Add an ordinance and law/increased cost of construction (ICC) limitation for these scheduled locations that limits the total amount of ICC to 100% of the reported value or the policy ICC sublimit of $10 million – whichever is lower. This limitation would apply to requirements of the Department of the State Architect (DSA) and any other requirements, such as those in the California Education Code or regulations.

Note – while wildfire loss modeling along with remote locations or single site districts with high loss characteristics would be the point of initiating and underwriting review for scheduling a location for this coverage limitation, **the limitation would apply for all causes of loss, not just wildfire.**

SPA has experienced significant losses due to wildfire at locations significantly undervalued for replacement cost and that incurred substantial increased cost of construction due to increased costs of reconstruction due to code and ordinance and requirements of the Department of the State Architect or California Education Code or regulations. Losses from wildfire that include near or total loss of a location have been shown to incur higher cost than would normally be anticipated. Rather than exclude these locations entirely, the Program Administrator recommends limiting coverage to preserve some level of insurability.

Under the Program Administrator's proposal, a school location that is specifically scheduled by endorsement for this coverage location would be subject to a recovery that may be below full replacement value. The following example shows how the coverage limitation would be applied:

- Reported Total Insured Value for scheduled location = $4 million
- Maximum recovery at 125% of reported Value = $5 million
- Maximum additional recovery for increased cost of construction, extra expense, etc. at 100% of reported value = $4 million
- Total insurance proceeds for loss at scheduled location = $9 million.

ATTACHMENTS: None.

Commissioner Lara announces next phase of Sustainable Insurance Strategy to safeguard Californians' access to insurance

Catastrophe modeling regulation promotes transparency, insurance availability, and wildfire safety

March 19, 2024 — Insurance Commissioner Ricardo Lara released his catastrophe modeling regulation that will help restore options for all Californians, the latest phase of his Sustainable Insurance Strategy to safeguard the integrity of the state's insurance market. The Department of Insurance will hold a public workshop on April 23 to take input before starting the process of submitting the regulation for approval by the Office of Administrative Law.

Today's announcement keeps California on track for a December 2024 goal of enacting the state's largest insurance reform in over 30 years. It follows Commissioner Lara's release last month of a new regulation to improve oversight and handling of insurance rate filings.

Catastrophic insurance losses are defined as those that are larger and affect multiple policyholders as a result of a severe event, such as a wildfire affecting dozens of homes compared to a common house fire. For more than 30 years, California regulations have allowed insurance companies to apply a catastrophe factor to insurance rates based on historical wildfire losses. These outdated rules have contributed to rate spikes and balloon premiums following major wildfire disasters without fully accounting for the growing risk caused by climate change or risk mitigation measures taken by communities or regionally, as a result of local, state, and federal investments.

Currently, the Department of Insurance allows the use of catastrophe models for earthquake losses and fire following earthquake. The proposed regulation expands the allowable use of catastrophe models to include wildfire, terrorism, and flood lines for homeowners and commercial insurance lines.

Commissioner Lara's strategy addresses a major limitation of Proposition 103, passed by voters in 1988. Under that law, insurance companies are free to propose rates at any level needed to cover future losses but, unlike public utilities, are not required to cover all residents. With the combination of climate-intensified disasters, rising costs of repair and rebuilding, and global economic forces, major companies have increased rates while pulling back from higher-risk properties where the FAIR Plan is now the only option.

"My Sustainable Insurance Strategy is intended to address decades-long neglected issues. Under outdated rules, the growth of climate-driven mega fires has supercharged insurance costs for many Californians while making insurance harder to find," said Commissioner Lara about the second in a series of a proposed regulatory changes where he is seeking public comment and review. "We can no longer look solely to the past as a guide to the future. My strategy will help modernize our marketplace, restoring options for consumers while safeguarding the independent, transparent review of rate filings by Department of Insurance experts, which is a bedrock principle of California law."

Commissioner Lara's proposed regulation will have major benefits for Californians in the form of:

- More reliable rates: Insurance consumers will have more stable costs than under current regulations, which have resulted in sudden and steep increases for those at higher risk of wildfire.
- Greater availability of insurance: Insurance companies will increase their writing because they can better anticipate future losses, rather than making abrupt decisions to non-renew higher-risk policyholders, pause writing, or rapidly increase rates.
- Stronger oversight: The Department of Insurance will have strong public oversight of modeling, which is already being widely used by insurance companies outside of rate-making and across the nation. The Department will have access to models and build expertise, so California can continue to lead on consumer protection.

- Safer communities: Catastrophe models can capture efforts taken by federal, state, and local governments, property owners, communities and utility companies to mitigate the exposure of communities to catastrophic events – encouraging and rewarding those efforts.

The regulation corrects a major shortfall of using historical data, which fails to account for wildfire mitigation. The regulation specifies that any model must incorporate the best available scientific information on risk mitigation at the property, community, and landscape scales, including risk mitigation initiated by local and regional utility companies. This forward-looking change will also enhance a recent regulation that Commissioner Lara spearheaded and now enforces, requiring wildfire safety discounts for homeowners and businesses and aligning with record investments in wildfire mitigation by Governor Newsom and the California Legislature.

The regulation complies with California's strong consumer protection laws, which requires that anytime an insurance company seeks to change its rates, it must provide a complete rate application with all information that the Insurance Commissioner requires for review. The proposed regulation creates a new process for review of models by a panel of experts overseen by the Department of Insurance -- before insurance companies can use them in a rate filing and meet the stringent transparency requirements under Proposition 103. The panel would evaluate the appropriateness and soundness of each model and a Department of Insurance official would determine what information about the model must be included in rate applications. Any member of the public can participate in this review.

The Department of Insurance will hold a public workshop to take input on the proposed regulation on April 23, 2024, at 2PM/PT.

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Media Notes:

- View the draft text of the catastrophe modeling regulation.
- View the workshop invitation.
- Catastrophe models are computerized processes that simulate potential catastrophic events. Catastrophe models have been rapidly evolving since their introduction in the 1980s, incorporating historical data, technology, scientific research, engineering methods, and statistical analysis to model complex scenarios and events. Catastrophe models were developed to estimate the probability of loss due to extreme weather events but have expanded to apply to non-weather risks including casualty or liability loss, terrorism, and cyber-attacks.

SPA MEETING DATES FY 24/25 (INCLUDING STRATEGIC PLANNING LOCATION)

08/20/2024 (TUESDAY) and 08/21/2024 (WEDNESDAY) at the Lodge at Tiburon
11/18/2024 – MONDAY 10 AM via Teleconference
1/13/2025 – MONDAY 10 AM via Teleconference
2/10/2025 – MONDAY 10 AM via Teleconference
3/10/2025 – MONDAY 10 AM via Teleconference
4/14/2025 – MONDAY 10 AM via Teleconference
5/12/2025 – MONDAY 10 AM via Teleconference
6/9/2025 – MONDAY 10 AM via Teleconference