

## AGENDA

**MEETING:** Board of Directors Meeting  
 Schools Program Alliance  
 Teleconference Meeting

**DATE/TIME:** November 8, 2021 at 9:30 AM PDT

**LOCATION VIA TELECONFERENCE:** Toll Free [\(888\) 475 4499](tel:8884754499) or [\(669\) 900-6833](tel:6699006833) US Toll Meeting number (access code): 937 1723 9274  
<https://alliantinsurance.zoom.us/j/93717239274?pwd=aStzVWtJVNu5anZPNjNOdDJzcVBFdz09>

**A Action**  
**I Information**

**1 Attached**  
**2 Hand Out**  
**3 Separate Cover**  
**4 Verbal**

**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

|       |   |          |          |
|-------|---|----------|----------|
|       | <b>A. CALL TO ORDER, ROLL CALL, QUORUM</b>  | <b>A</b> | <b>4</b> |
| Pg. 3 | <b>B. AUTHORIZATION TO MEET VIA TELECONFERENCE</b><br>Authorization to Meet Via Teleconference Pursuant to Government Code Section 54953, Subdivision (e)(1)(C) and Discussion of Meeting Formats                     | <b>I</b> | <b>4</b> |
|       | <b>C. APPROVAL OF AGENDA AS POSTED</b>  | <b>A</b> | <b>4</b> |
|       | <b>D. PUBLIC COMMENTS</b><br><i>The public is invited at this point to address the Board of Directors on issues of interest to them.</i>  | <b>I</b> | <b>4</b> |
|       | <b>E. CONSENT CALENDAR</b><br><i>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.</i> | <b>A</b> | <b>1</b> |
| Pg. 5 | 1. Minutes of SPA Long Range Planning Meeting October 11, 2021  |          |          |

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**F. ADMINISTRATIVE REPORTS****1. Alliant Update**

*The Board will receive an update on matters pertinent to SPA.*

**G. GENERAL ADMINISTRATION**

*Pg. 9*

**1. Policies Regarding New Members**

*The Board will consider and may approve the requirements for adding a new member to SPA as well as adding a member to an underlying member of SPA.*

**A 1**

*Pg. 16*

**2. Property Valuation Strategy**

*Members will receive additional trend factors and will provide comments on the strategy for application of trend factors.*

**A 1**

*Pg. 33*

**3. Liability Program Update**

*The Board will receive information related to the renewal timeline of the Liability Program.*

**I 1**

**H. INFORMATION ITEMS AND DISCUSSION**

*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.*

**I 4**

**I. ADJOURNMENT**

**A 4**

Item No: B.

**AUTHORIZATION TO MEET VIA TELECONFERENCE**

Authorization to Meet Via Teleconference Pursuant to Government Code  
Section 54953, Subdivision (e)(1)(C) and Discussion of Meeting Formats

**INFORMATION ITEM**

**ISSUE:** The Governor has declared a state of emergency such that normal agenda posting and attendance requirements can be waived if the local agency finds that because of the COVID-19 emergency meeting in person would present imminent risks to the health and safety of the attendees.

This agenda has been prepared without the need for the emergency declaration by following the regular Brown Act rules and listing all the participants' locations for posting. Given that the emergency declaration is good for only 30 days, necessitating a declaration at every SPA meeting, the Program Administrators recommend proceeding under the regular rules.

If members would prefer to meet under the emergency declaration rules and requirements please provide direction for future meetings.

**RECOMMENDATION:** Provide direction for use of emergency authorization for future meetings.

**FISCAL IMPACT:** None expected for this item.

**BACKGROUND:** None

**ATTACHMENTS:** None

Item No: E.

**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 Long Range Planning Meeting October 11, 2021

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## SCHOOLS PROGRAM ALLIANCE

### October 11, 2021 Teleconference Board Meeting Minutes

#### Members Present:

|   |                    |
|---|--------------------|
| <b>Butte Schools Self-Funded Programs (BSSP)</b>      | Christy Patterson  |
| <b>North Bay Schools Insurance Authority (NBSIA)</b>  | Janet Selby        |
| <b>North Bay Schools Insurance Authority (NBSIA)</b>  | Brandon Schlenker  |
| <b>Redwood Empire Schools Insurance Group (RESIG)</b> | Rose Burcina       |
| <b>Redwood Empire Schools Insurance Group (RESIG)</b> | Sandy Manzoni      |
| <b>Schools Insurance Authority (SIA)</b>              | Martin Brady       |
| <b>Schools Insurance Authority (SIA)</b>              | Debrah Sherrington |
| <b>Schools Insurance Authority (SIA)</b>              | Brooks Rice        |
| <b>Schools Insurance Group (SIG)</b>                  | Cindy Wilkerson    |
| <b>Schools Insurance Group (SIG)</b>                  | Nancy Mosier       |

#### Consultants & Guests

|   |  |
|---|--|
| Dan Howell, Alliant Insurance Services        | Michelle Minnick, Alliant Insurance Services |
| Dan Madej, Alliant Insurance Services         | James Wilkey, New Front Insurance            |
| Marcus Beverly, Alliant Insurance Services    | Jaesa Cusimano, Sedgwick                     |
| Dennis Mulqueeney, Alliant Insurance Services |  |

#### **A. CALL TO ORDER, ROLL CALL, QUORUM**

Mr. Martin Brady called the meeting to order at 10:05 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: Janet Selby      MOTION CARRIED  
UNANIMOUSLY**

#### **C. PUBLIC COMMENT**

There were no public comments.

#### **D. CONSENT CALENDAR**

1. Minutes of SPA Long Range Planning Meeting August 30-21, 2021

*A motion was made to approve the Consent Calendar.*

**MOTION: Cindy Wilkerson      SECOND: Rose Burcina      MOTION CARRIED  
UNANIMOUSLY**

**E. ADMINISTRATIVE REPORTS****E.1. ALLIANT UPDATE**

There was no update to provide as the items will be covered later in the agenda.

**F. GENERAL ADMINISTRATION****F.1. LONG RANGE ACTION PLAN APPROVAL**

Marcus Beverly provide a review of the Long Range Action Plan including the anticipated deadlines to ensure that we captured the contents and direction of the meeting. Martin thanked the staff for putting this together and after a discussion members generally agreed this captured the intent of the meeting.

*A motion was made to approve the Long Range Action Plan as presented.*

**MOTION: Janet Selby**

**SECOND: Cindy Wilkerson**

**MOTION CARRIED  
UNANIMOUSLY**

**F.2. SPA RESOLUTION - SHARED RISK LAYER**

Marcus Beverly provided a review of the intent the board provided that the pooled retained layer (which has an annual aggregate) is intended to be a shared risk layer and it was recommended the Board adopt a resolution to confirm that intent. It was noted that Robert Cuthbert has recommended SPA start a third program titled “Risk Pooling Activities” for the purposes of risk sharing and the resolution has been drafted to capture that. Dan Howell mentioned that this has been discussed with Gilbert Associates and it was noted that Kevin Wong provided feedback with the understanding that this would be addressed by resolution as risk sharing and would be retroactive to the inception of SPA so that any amounts paid into the shared layer would be treated as an expense and a note should be made in the audit for the prior year as well on a go forward basis. Lastly it was noted that the resolution has been written in a way so that it could apply to the Liability Program as well.

*A motion was made to approve the SPA Resolution No. 21-01 as presented.*

**MOTION: Cindy Wilkerson**

**SECOND: Rose Burcina**

**MOTION CARRIED  
UNANIMOUSLY**

It was noted that the members wanted a Roll Call vote for this item.

AYE: PATTERSON, SELBY, BRADY.

NAYS: NONE.

ABSENT: NONE.

ABSTAIN: NONE.

**F.3. POLICIES REGARDING NEW MEMBERS**

Marcus Beverly noted that this was an item from the Long Range Planning meeting and mentioned that this is related to the Property and APD lines of coverage. He noted that the process to add a new member or new properties would be the same as for current members. Currently, no action (other than reporting) is needed if a SPA member adds an underlying member that has no locations over \$25M and no vehicle schedule over \$10M – locations that exceed those thresholds are subject to Underwriter approval.

Dan Howell noted the current reporting requirements and noted the Board will also need consider the

addition of new members to the existing members of SPA. P&P1 was drafted to help facilitate the discussion of how SPA would entertain the idea of new members being added to SPA (e.g. if a new JPA or a new district wanted to join the SPA JPA). After a discussion, it was suggested to amend the P&P to address “new members of members” and separately a working group (Jim, Jaesa, and another BOD Member) will create a P&P for the Liability program with additional direction from the Board. It was noted that the underlying JPA’s have a process for reviewing the addition of new members and SPA could consider a policy which affirms that the underlying member has provided. Program Administration was provided with direction to bring back sample language at a future meeting. Dan Howell noted that he will amend the policy to add the dual purpose to address entirely new members as well as the addition of “new members of existing SPA members” and provide the updated version to the Board as well as the Liability team to incorporate the concept of affirming that a member has done their due diligence to add a member and noted that if it’s a new JPA being considered then an Underwriting process would be needed.

#### **F.4. LEARNING MANAGEMENT SYSTEM (LMS) COMPARISON MATRIX**

Marcus Beverly provided a review of the vendors that members are using currently to determine if members would be willing to move to another vendor if a purchase by a larger group could solicit a discount. Praesidium was noted to not be a full learning management system but it was noted that BASIC contracts with them for the Child and Student Abuse Safety Management training (as it is not offered under their other learning management systems) – it was mentioned that Acu Train is also not a full learning management system. After a discussion, members asked that the Matrix be re-tooled and shared with employees who are familiar with the platforms to help determine which vendors are full service and Alliant can take direction from the sub-committee. It was also requested that our list be compared to what is available through Safe Schools.

#### **F.5. PROPERTY VALUATION STRATEGY**

Marcus Beverly noted that this is being discussed as we are going through the appraisals and provided the 10 years summary of Marshall Swift trend factors noting that the 4<sup>th</sup> Quarter numbers for 2021 are not yet released. It was also noted that Duff & Phelps has confirmed they will complete all appraisals by the end of 2022. After a discussion it was requested to see what other rating agencies are providing in terms of trend factors to get a balanced comparison and determine SPA’s next steps with more information.

#### **F.6. ALLIANT CONNECT PROPERTY SCHEDULES**

Marcus Beverly mentioned that some members are currently using the Alliant Connect Property Schedules while others are still using the Duff & Phelps system to track changes and will move to using the Alliant Connect Property Schedules. It was noted that Program Administration is seeking to get the SPA data into one source to help ensure data integrity. The intention of the Board is to move to the Alliant Connect Property Schedules database as the appraisal is completed, the data has been reviewed and approved by the member. It was noted Program Administration will create a flow chart for each member to help communicate the timeline for the transition.

#### **F.7. LOSS CONTROL UPDATE**

Marcus Beverly provided members with a review of the current loss control efforts for wildfire assessments completed by IEC, XMR Fire and Fireline Defense. Members were asked to consider what mitigation efforts can be taken once these reports have been received. Brandon Schlenker provided an update regarding Dan Delac and noted that he is seeking more detailed site information than XMR did but also noted they approximate pricing was high. It was also noted that SPA should consider what actions should be taken

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once these reports are received. Members expressed that overall they were pleased with the reports received from both XMR and IEC but it was mentioned that Fireline Defense pricing might be too expensive. Members also discussed the use of drones and how use of drones could benefit the group – Dan Howell indicated that they could be used not only for wildfire assessment but also in pre and post loss assessment as well as full mapping of campuses for security and maintenance records.

**F.8. SPA WEBSITE DEMO**

Marcus Beverly noted that the SPA website is ready to go and we are getting the behind the scenes access to start using this to post the Agendas soon.

**G. INFORMATION ITEMS AND DISCUSSION**

There were no information items.

**H. ADJOURNMENT**

*A motion to adjourn was made at 11:40 A.M.*

**MOTION: Janet Selby**

**SECOND: Rose Burcina**

**MOTION CARRIED  
UNANIMOUSLY**

The meeting was adjourned at 11:41 A.M.

**NEXT MEETING DATE: Monday November 8, 2021 10:00 A.M.**

Respectfully Submitted,

\_\_\_\_\_  
Martin Brady, Secretary

\_\_\_\_\_  
Date



Item No: G.1.

**POLICIES REGARDING NEW MEMBERS****ACTION ITEM**

**ISSUE:** SPA members have requested a review of policies regarding the addition of new members to establish policies for the SPA programs.

The Program Managers have updated the current SPA Property Program Underwriting Procedures (P&P #1-Property) to include more details regarding addition of new locations, new members of underlying JPAs, and new members of SPA. Please see attached red-line changes.

The Property Policy also serves as a template for a similar policy for the Liability Program. The first draft of that policy is attached for review.

**RECOMMENDATION:** Review and provide direction regarding addition of new members to SPA or to an underlying member JPA.

**FISCAL IMPACT:** None expected from this item at this time.

**BACKGROUND:** At the recent Board planning meeting members identified the need for policies regarding the addition of new members to their underlying JPAs as well to SPA. Consideration is given to the requirements of the SPA underwriters, as expressed in the Property MOC, as well as the impact adding new members could have in potentially reducing the aggregate limits available to incumbent members, particularly in the Liability Program.

**ATTACHMENTS:**

1. SPA Property Program Underwriting Procedures: P&P #1-Property – Red-line draft
2. SPA Liability Program Underwriting Procedures: P&P #1 Liability – First Draft

## Policy & Procedure No. P&P 1-Property

**ADOPTED:** January 11, 2021

**AMMENDED:** November 8, 2021

**EFFECTIVE:** ~~January 11, 2021~~ November 8, 2021

**SUBJECT:** Property Program Underwriting Procedures

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*Should there be any discrepancy between this documents and the JOINT POWERS AGREEMENT or the Property Program Memorandum of Coverage, the JOINT POWERS AGREEMENT and Property Program Memorandum of Coverage will govern.*

### PURPOSE:

The Schools Program Alliance (SPA) has developed a **Property Program** for its **Members**. SPA has established rating plans and operating practices conditions for its **Property Program**. This Policy and Procedure describes Underwriting Procedures intended to maintain **Member** confidence in the funding and viability of SPA's **Property Program** as well as guidelines for adding locations, members to existing Members and prospective new Mmembers to the **Property Program**.

### POLICY:

It is the policy of the SPA **Board** that the **Property Program** Underwriting Procedures balance and achieve the following underwriting goals

- Rate Stability over time so that **Members** can plan for SPA **Property Program** cCosts;
- Loss Accountability so that **Members** are incentivized to prevent and reduce losses; and,
- Relationship of loss exposure, including professional appraisals of insurance to value within every five program years, so that rates reflect each Member's relative exposure to loss; and,-
- Growth in membership managed so that addition of new locations or members to existing Members and addition of prospective new Members supports the overall goals of SPA and mitigates potential negative impacts to SPA Members.

### PROCEDURE:

The following underwriting procedures are followed in establishing the **Property Program** funding and rates.

1. Underwriting gGuidelines /fFunding rRequirements/rRating Pplan  
Rates are established and adopted by the **Board** based upon multiple factors including, but not limited to, the following:
  - The **Program Administrator** shall gather and analyze information on **Member**  
*SPA is a Partnership of California Public Entity Joint Powers Authorities*

### Schools Program Alliance

exposure including but not limited to the schedule of values, loss history, loss control reports, and exposure modelling.

- The **Program Administrator** shall project funding requirements for retained layers and reinsurance costs. An actuary may be engaged to assist as needed.
- The **Program Administrator** shall present to the **Board** for each year's renewal a rating plan cost allocation and review the methodology for calculating member contributions and reinsurance premiums.

- New locations, new members of existing **Members** and prospective new **Members**  
Existing **Members** may add additional locations or members to their membership and receive coverage under the SPA **Property Program** as provided in the automatic acquisition and reporting requirements of the **Property Program** Memorandum of Coverage. If the additional locations or members exceed the automatic acquisition coverage or trigger reporting requirements of the Memorandum of Coverage, then the **Member** shall in advance of receiving coverage under the SPA **Property Program** provide underwriting information and any report or findings of the **Member's** own underwriting review. The **Program Administrator** shall then prepare a report for the **Board** summarizing the new locations or members and the impact on the **Property Program** considering the policy and procedures of this Policy and Procedure No. 1-Property. The **Board** may then take action to approve or deny coverage under the **Property Program** and may direct the **Program Administrator** to secure approval of the **Property Program's** insurance and reinsurance underwriters. The **Program Administrator** will advise the **Member** and the **Board** the effective date of coverage if it is approved.

A prospective new **Member** of SPA eligible under the joint powers agreement shall engage with the **Program Administrator** in an evaluation of potential participation in the **Property Program**. The **Program Administrator** shall conduct an initial underwriting review considering the policy and procedures of this Policy and Procedure P&P No. 1-Property including but not limited to the underwriting factors described above and may confer with insurance and reinsurance underwriters for additional evaluation. ~~New **Members** shall be scheduled to have a property insurance appraisal within 5 years of the new **Member's** most recent appraisal or as soon as practicable after joining if the most recent appraisal has not been within 5 years.~~ The **Program Administrator** shall prepare a report to the **Board** summarizing the prospective new **Member's** application. **Board** considerations may include but are not limited to additional considerations such as:

- Prospective member's risk profile relative to existing **Members'** risk profile;
- Impact of the prospective new **Member** on availability of coverage and aggregate limits; and,
- SPA's ability to serve effectively the prospective member.

New **Members**, new locations and new members of existing **Members** -shall be scheduled to have a property insurance appraisal within 5 years of the new **Member's** most recent appraisal or as soon as practicable after joining if the most recent appraisal has not been within 5 years.

- Periodic ~~r~~Review

This Policy and Procedure shall be reviewed by the **Board** and amended as needed.

## DEFINITIONS:

“**Board**” means the Board of Directors of the SPA Joint Powers Authority.

“**Member**” means the signatories to the SPA Joint Powers Authority.

## Schools Program Alliance

“**Program Administrator**” means the person or organization designated by the **Board** to administer the SPA Property Program.

“**Property Program**” means the program established by the **Board** to provide any combination of self-insured, insured and reinsured coverages and services designated by the **Board** as elements of the SPA Joint Powers Authority property program offering.

## POLICY & PROCEDURE NO. P&P 1-LIABILITY

**ADOPTED:** November 8, 2021

**EFFECTIVE:** November 8, 2021

**SUBJECT:** Liability Program Underwriting Procedures

### **PURPOSE:**

The Schools Program Alliance (SPA) has developed a **Liability Program** for its **Members**. SPA has established rating plans and operating practices conditions for its **Liability Program**. This Policy and Procedure describes Underwriting Procedures intended to maintain **Member** confidence in the funding and viability of SPA's **Liability Program** as well as guidelines for adding locations, members to existing **Members** prospective new **Members** to the **Liability Program**.

### **POLICY:**

It is the policy of the SPA **Board** that the **Liability Program** Underwriting Procedures balance and achieve the following underwriting goals

- Rate Stability over time so that **Members** can plan for SPA **Liability Program** costs;
- Loss Accountability so that **Members** are incentivized to prevent and reduce losses;
- Relationship of loss exposures so that rates reflect each **Member's** relative exposure to loss; and,
- Growth in membership managed so that addition of members to existing **Members** and addition of prospective new **Members** supports the overall goals of SPA and mitigates potential negative impacts to SPA **Members**.

### **PROCEDURE:**

The following underwriting procedures are followed in establishing the **Liability Program** funding and rates.

1. Underwriting guidelines /funding requirements/rating plan  
Rates are established and adopted by the **Board** based upon multiple factors including, but not limited to, the following:
  - The **Program Administrator** shall gather and analyze information on **Member** exposure including but not limited to the average daily attendance, loss history, loss control reports, and actuarial review.
  - The **Program Administrator** shall project funding requirements for retained layers and reinsurance costs. An actuary may be engaged to assist as needed.
  - The **Program Administrator** shall present to the **Board** for each year's renewal a rating plan cost allocation and review the methodology for calculating member contributions and reinsurance premiums.

2. New members of existing **Members** and prospective new **Members**

In advance of receiving coverage under the SPA **Liability Program** for new members of existing **Members**, the **Member** shall provide underwriting information and any report or findings of the **Member's** own underwriting review. The **Program Administrator** shall then prepare a report for the **Board** summarizing the new member and the impact on the **Liability Program** considering the policy and procedures of this Policy and Procedure No. 1-Liability. The **Board** may then take action to approve or deny coverage under the **Liability Program** and may direct the **Program Administrator** to secure approval of the **Liability Program's** insurance and reinsurance underwriters. The **Program Administrator** will advise the **Member** and the **Board** the effective date of coverage if it is approved.

A prospective new **Member** of SPA eligible under the joint powers agreement shall engage with the **Program Administrator** in an evaluation of potential participation in the **Liability Program**. The **Program Administrator** shall conduct an initial underwriting review considering the policy and procedures of this Policy and Procedure P&P No. 1-Liability and may confer with insurance and reinsurance underwriters for additional evaluation. The **Program Administrator** shall prepare a report to the **Board** summarizing the prospective new **Member's** application. **Board** considerations may include but are not limited to additional considerations such as:

- Prospective member's risk profile relative to existing **Members'** risk profile;
- Impact of the prospective new **Member** on availability of coverage and aggregate limits; and,
- SPA's ability to effectively serve the prospective member.

3. Periodic review

This Policy and Procedure shall be reviewed by the **Board** and amended as needed.

**DEFINITIONS:**

“**Board**” means the Board of Directors of the SPA Joint Powers Authority.

“**Member**” means the signatories to the SPA Joint Powers Authority.

“**Program Administrator**” means the person or organization designated by the **Board** to administer the SPA Liability Program.

“**Liability Program**” means the program established by the **Board** to provide any combination of self-insured, insured and reinsured coverages and services designated by the **Board** as elements of the SPA Joint Powers Authority liability program offering.

Item No: G.2.

## **PROPERTY VALUATION STRATEGY**

### **ACTION ITEM**

**ISSUE:** The Program Administrators continue to monitor the property value trend factors used by underwriters to keep pace with inflation. Marshall and Swift is the leading provider of trend factors and have recommended a 12% real property increase as of the last quarter. Additional reference material is attached for review and discussion.

**RECOMMENDATION:** Review and provide direction regarding use of the trend factors for the SPA FY 22/23 property renewal.

**FISCAL IMPACT:** Trending the values of insured property will tend to increase the premium, though perhaps not as much as the percentage increase in the values, given target premiums.

**BACKGROUND:** Members have requested an overview of the trend factors used to update the property values and an update on how those factors may impact the FY 22/23 property renewal.

Duff and Phelps uses the M&S factors and trends the values at the end of the calendar year based on 4<sup>th</sup> quarter factors, as does the Alliant property program, APIP. The appraisals for Butte have been completed and values will be uploaded before the end of the year. D&P has confirmed they can complete all the assigned appraisals, except for SIA, by the end of calendar year 2022.

The appraised values will not need to be trended this year, though the properties not appraised will be subject to trending. The remaining appraisals will be uploaded when received without trending.

### **ATTACHMENTS:**

1. CBiz Cost Trend Update – October 2021
2. DGS California Construction Cost Index CCCI
3. CoreLogic Quarterly Construction Insights Q3 2021



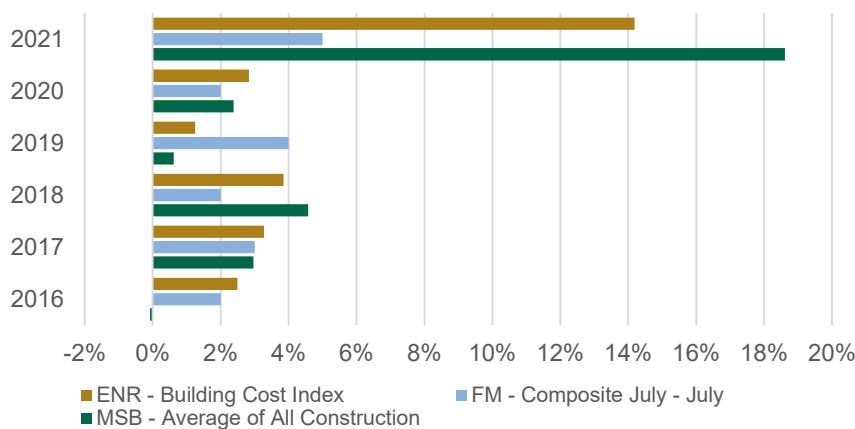


# Cost Trend Update October 2021

## CONSTRUCTION COST TRENDS

Material prices along with labor shortages are two things on every builder's and customer's mind. Construction material supply chains are starting to adjust and recover from the pandemic; however, most contractors are still experiencing at least one or more building product or material shortages while completing a project. Notably, this quarter saw steel surpass lumber as the most-reported product shortage. Other reported material shortages include copper, insulation, and PVC materials. Rising fuel, shipping and trucking costs have further worsened the supply chain situation by placing added pressure on construction material cost. The demand for skilled labor is clear in every industry. The skilled labor shortage is unavoidable as workers across the country make locational employment decisions. Several experts are now suggesting material and labor cost increases could last into 2023.

### Construction Cost Trends October Yearly



### 2021 Construction Cost Trends

**14.2%** ENR: Building Cost Index

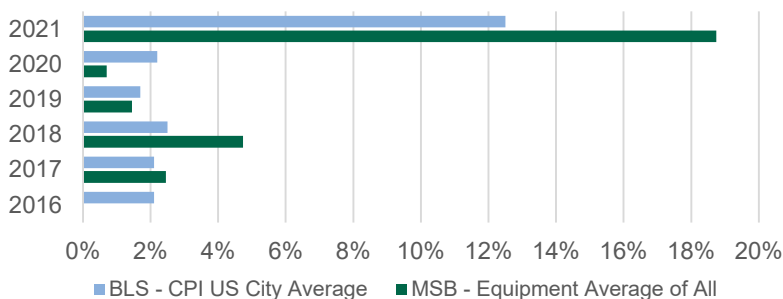
**5.0%** FM: Composite July - July

**18.6%** MSB: Average of all Construction

## EQUIPMENT COST TRENDS

The rise in retail and used equipment prices is accelerating as values increased significantly more in August and September than in the first half of 2021. Used supply remains tight across the industry as fleet owners carefully manage available inventory. Transportation equipment prices are hitting record levels in the US while earthmoving and vocational truck prices are also up substantially year-over-year.

### Equipment Cost Trends October Yearly



### 2021 Equipment Cost Trends

**12.5%** BLS: CPI US City Average

**18.7%** MSB: Equipment Average of All



[www.cbiz.com/valuation](http://www.cbiz.com/valuation)

Sources  
Marshall & Swift/CoreLogic- Quarterly Cost Indexes  
FM Global - Cost Trends - Industrial Buildings  
US Bureau of Labor Statistics - Consumer Price Index  
Engineering News-Record  
Risk Management Solutions



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es-Division-Resources-List-Folder%2FDGS-California-Construction-Cost-Index-CCCI%0a%0a)

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# DGS California Construction Cost Index CCCI

Client agencies can find current construction cost index for California by the Real Estate Services Division.

The California Construction Cost index is developed based upon Building Cost Index (BCI) cost indices average for San Francisco and Los Angeles ONLY as produced by Engineering News Record (ENR) and reported in the second issue each month.

The current five year CCCI table is updated the 2nd half of the month for the current month. The ENR BCI reports cost trends for specific construction trade labor and materials in the California market and does not reflect current market bidding environment. Prior to July 1991, CCCI was recorded quarterly, all months post July 1991 are calculated based on the ENR BCI reports and recorded for each month.

## California Construction Cost Index 2021-2025

| Month    | 2025 | 2024 | 2023 | 2022 | 2021 |
|----------|------|------|------|------|------|
| January  |      |      |      |      | 7090 |
| February |      |      |      |      | 7102 |
| March    |      |      |      |      | 7130 |
| April    |      |      |      |      | 7150 |
| May      |      |      |      |      | 7712 |
| June     |      |      |      |      | 7746 |
| July     |      |      |      |      | 7892 |
| August   |      |      |      |      | 8122 |

| Month      | 2025 | 2024 | 2023 | 2022 | 2021 |
|------------|------|------|------|------|------|
| September  |      |      |      |      | 7900 |
| October    |      |      |      |      | 8080 |
| November   |      |      |      |      |      |
| December   |      |      |      |      |      |
| Annual % * |      |      |      |      |      |

\*Annual Percentage is calculated from December to December.

### HISTORIC CALIFORNIA CONSTRUCTION COST INDEX

[Expand All](#)

#### CALIFORNIA CONSTRUCTION COST INDEX 2016-2020

| Month      | 2020 | 2019 | 2018 | 2017 | 2016 |
|------------|------|------|------|------|------|
| January    | 6995 | 6684 | 6596 | 6373 | 6106 |
| February   | 6945 | 6700 | 6596 | 6373 | 6132 |
| March      | 6947 | 6616 | 6596 | 6373 | 6248 |
| April      | 6955 | 6841 | 6596 | 6461 | 6249 |
| May        | 6958 | 6852 | 6596 | 6455 | 6240 |
| June       | 7041 | 6854 | 6598 | 6470 | 6238 |
| July       | 6984 | 6854 | 6643 | 6474 | 6245 |
| August     | 6988 | 6823 | 6613 | 6620 | 6244 |
| September  | 7036 | 6814 | 6674 | 6620 | 6267 |
| October    | 7120 | 6851 | 6679 | 6596 | 6343 |
| November   | 7123 | 6895 | 6679 | 6596 | 6344 |
| December   | 7120 | 6924 | 6684 | 6596 | 6373 |
| Annual % * | 2.8% | 3.6% | 1.3% | 3.5% | 4.4% |

# Quarterly Construction Insights

## Q3 2021

\* The data for this Q3 report is a review of Q2 2021. This naming convention has recently been updated to match the quarter of release.

## Summary of Q2 2021

### **June Permit Authorizations Up 25% YoY, Lumber Costs Up 129% YoY**

- Authorizations for new housing permits continue to rise and increased 25% YoY in June.
- Costs for plywood and lumber continued to have over 100% YoY increases, while Romex wire and oak followed the trend.
- Labor costs continue to grow faster in the U.S. than in Canada, with many key construction labor costs growing by over 5% YoY.
- Confidence in commercial construction is improving, though still much lower than before pandemic.



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# The Big Picture

Lumber costs continue to rise at unprecedented levels, but then began to level out. Why?

In June 2021, costs for lumber, an important component of construction, increased by **129% YoY** and **152% YoY** in the United States and Canada, respectively.

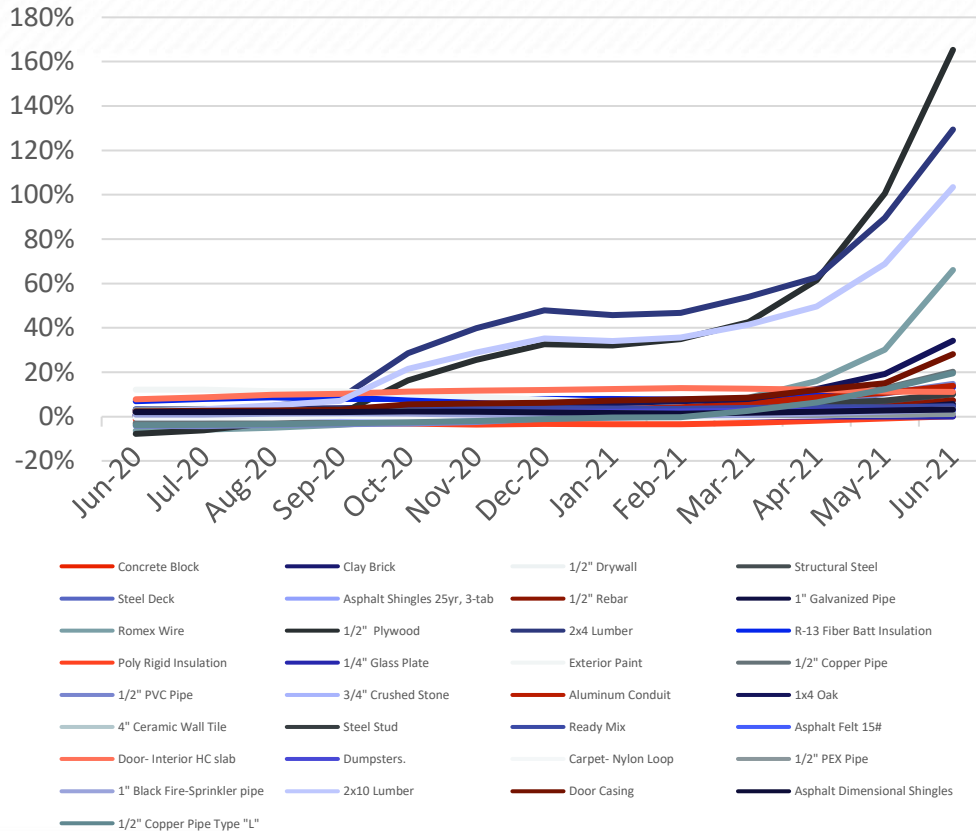
After many sawmills shut down due to the COVID-19 pandemic, production of lumber declined. However, unexpectedly, a homebuilding boom was underway, driven partly by low interest rates and partly by pandemic lockdown restrictions. Residential and commercial building owners began to remodel to adapt to the new circumstances. With a steep increase in demand for lumber and low supply, sawmills struggled and are still struggling to catch up. But very recently, as production of lumber met high demand, the growth of lumber prices began to slow, as indicated by sales prices at retailers.

With the rapid increase in building costs continuing to have a ripple effect, U.S. new and existing home prices in Q2 2021 have seen a YoY 14% and 17% increase, respectively. It is important to note that unforeseen events can cause spikes in lumber costs. With respect to current building costs, insurance carriers, contractors and homeowners should be aware of the potential downstream implications of cost spikes on insuring to value (ITV). These fluctuations could have regional variations in impact.

# U.S. Changes in Material Cost, YoY

Costs for many individual materials have continued to be significantly higher than at the same time last year. Costs for plywood and lumber in June 2021 were more than double what they were in June 2020, and Romex wire and oak followed the trend.

Different materials experience different rate hikes for various reasons. Products such as plywood or plastics use additional processes, meaning that glues and resins contribute to their cost. For materials with additional processes, cost changes are more gradual. But for solid soft woods such as lumber or oak, cost changes are more rapid.

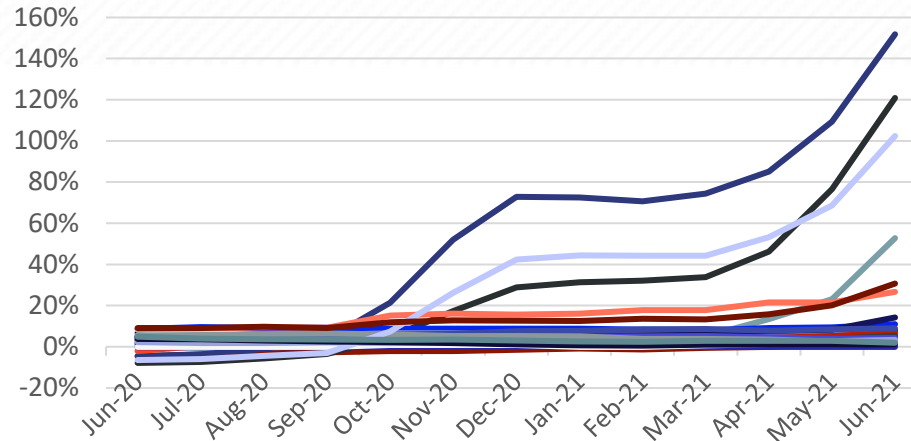


| Material     | June 2021 YoY Change |
|--------------|----------------------|
| 1/2" Plywood | +165%                |
| 2x4 Lumber   | +129%                |
| 2x10 Lumber  | +104%                |
| Romex Wire   | +66%                 |
| 1x4 Oak      | +34%                 |

# Canada Changes in Material Cost, YoY

Costs for many individual materials have continued to be significantly higher than at the same time last year. Costs for plywood and lumber in June 2021 were more than double what they were in June 2020, and Romex wire and oak followed the trend.

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- Concrete Block
- Structural Steel
- 1/2" Rebar
- 1/2" Plywood
- Poly Rigid Insulation
- 1/2" Copper Pipe
- Aluminum Conduit
- Steel Stud
- Door- Interior HC slab
- 1/2" PEX Pipe
- Door Casing
- Clay Brick
- Steel Deck
- 1" Galvanized Pipe
- 2x4 Lumber
- 1/4" Glass Plate
- 1/2" PVC Pipe
- 1x4 Oak
- Ready Mix
- Dumpsters.
- 1" Black Fire-Sprinkler pipe
- Asphalt Dimensional Shingles
- 1/2" Drywall
- Asphalt Shingles 25yr, 3-tab
- Romex Wire
- R-13 Fiber Batt Insulation
- Exterior Paint
- 3/4" Crushed Stone
- 4" Ceramic Wall Tile
- Asphalt Felt 15#
- Carpet- Nylon Loop
- 2x10 Lumber
- 1/2" Copper Pipe Type "L"

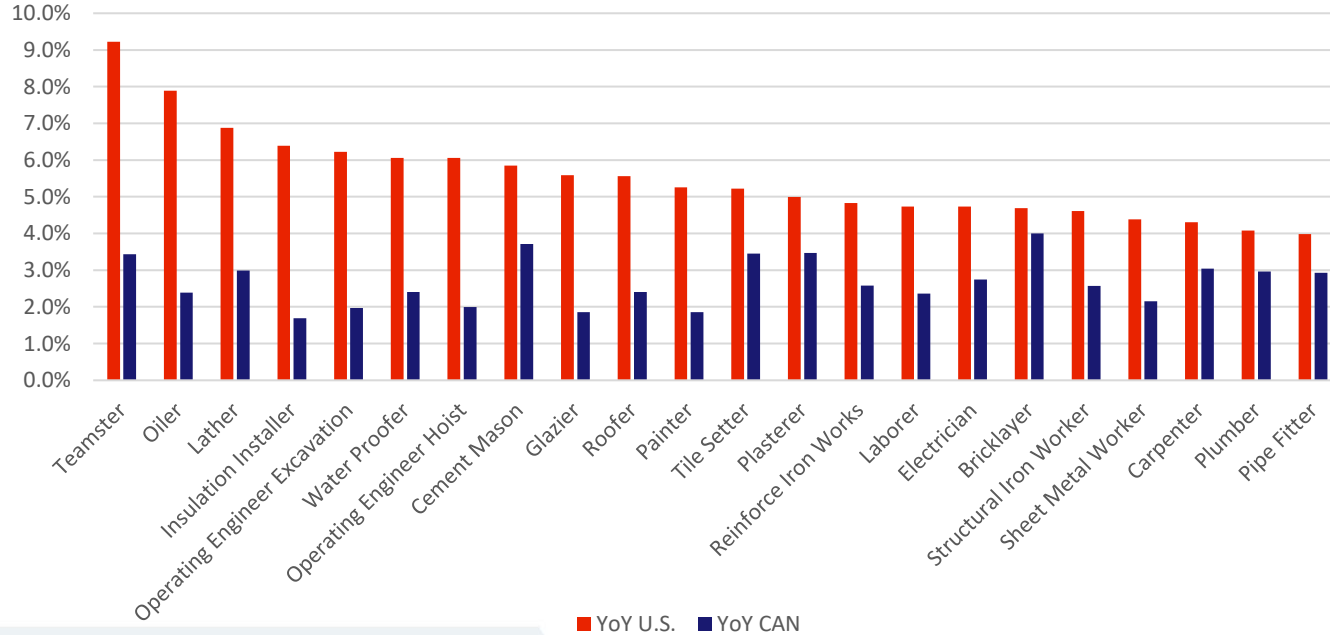
| Material     | June 2021 YoY Change |
|--------------|----------------------|
| 2x4 Lumber   | +152%                |
| 1/2" Plywood | +121%                |
| 2x10 Lumber  | +102%                |
| Romex Wire   | +53%                 |
| 1x4 Oak      | +14%                 |



# Labor Costs in the U.S. and Canada Compared

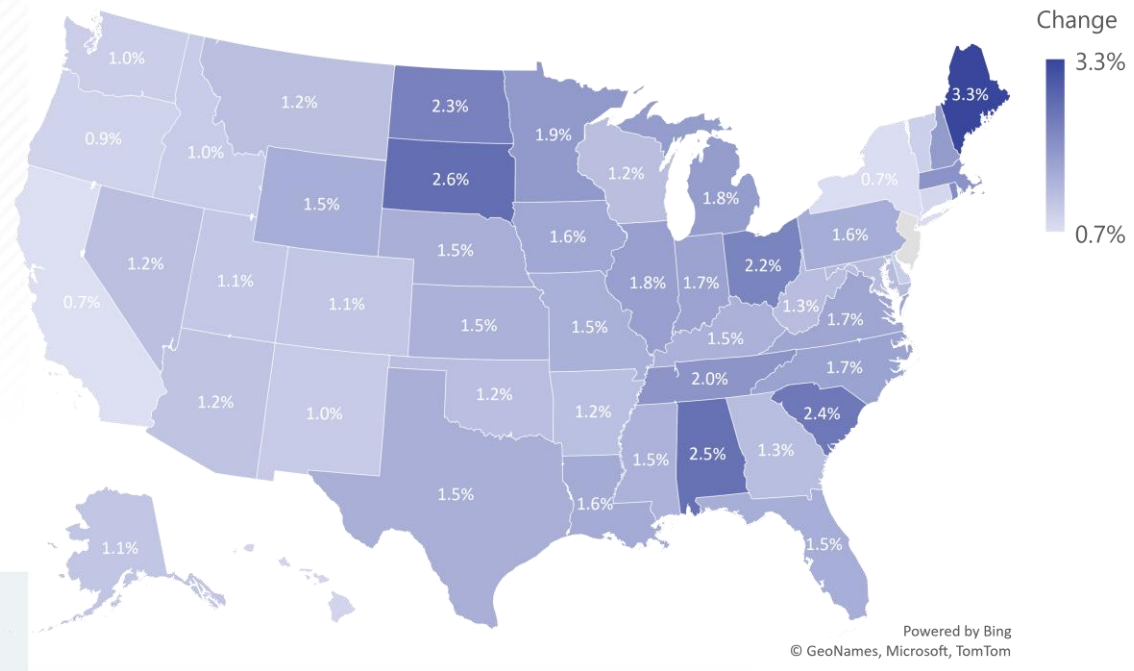
With a continuing shortage of workers for construction, companies are needing to pay higher rates for skilled labor. From June 2020 to June 2021, residential and commercial labor costs in the United States grew significantly with cost growth as high as 9% for teamsters. Labor costs in Canada continue to remain relatively more stable, with cost growth highest for bricklayers at 4%.

**Labor Cost Change by Occupation**  
(percent change, June 2020 to June 2021)



# Q1 2021 to Q2 2021 Change in Residential Reconstruction Cost – United States

Changes in costs for materials impacts the final residential reconstruction cost of a property. Over a quarter, costs have increased anywhere from 0.7% to 3.3% in each state. The national average was a change of 1.4%.



## Most Significant Cost Increases

| State        | Change |
|--------------|--------|
| Maine        | +3.3%  |
| South Dakota | +2.6%  |
| Alabama      | +2.5%  |

## Least Cost Growth

| State      | Change |
|------------|--------|
| New Jersey | +0.7%  |
| California | +0.7%  |
| New York   | +0.7%  |

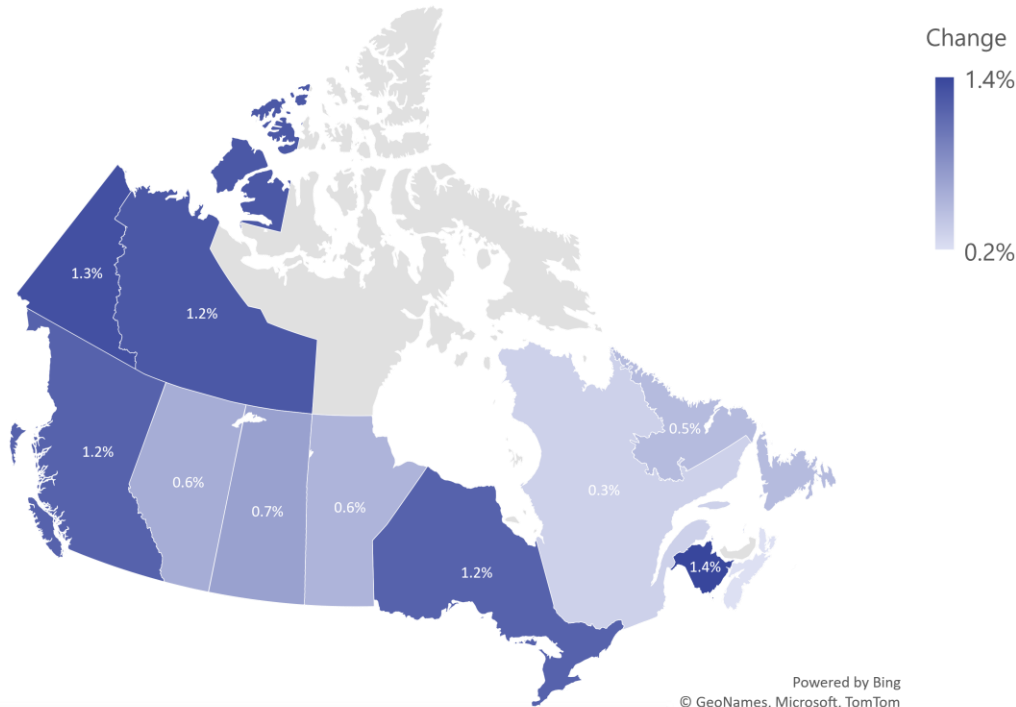


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Source: CoreLogic RCT

# Q1 2021 to Q2 2021 Change in Residential Reconstruction Cost – Canada

Changes in costs for materials impacts the final residential reconstruction cost of a property. Over a quarter, costs have increased anywhere from 0.2% to 1.4% in every province. The national average was a change of 0.8%.



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## Most Significant Cost Increases

| State                 | Change |
|-----------------------|--------|
| New Brunswick         | +1.4%  |
| Yukon Territory       | +1.3%  |
| Northwest Territories | +1.2%  |

## Least Cost Growth

| State        | Change |
|--------------|--------|
| Nova Scotia  | +0.2%  |
| Quebec       | +0.3%  |
| Newfoundland | +0.5%  |

Source: CoreLogic RCT

# U.S. Economic Indicators

The U.S. economy has seen significant disruptions over the course of the pandemic. Housing prices have skyrocketed, with change in home price from Q2 2020 to Q2 2021 being 17.2% for existing stock and 13.8% for new stock. Though unemployment has declined and consumer confidence has increased, housing starts, building permits and home sales are lower in Q2 2021 than in Q1 2021.



## ECONOMIC INDICATORS

|                             | Q1 2021 | Q2 2021 |
|-----------------------------|---------|---------|
| Housing Starts*             | 1,599   | 1,568   |
| Building Permits*           | 1,788   | 1,671   |
| Home Sales*                 | 7,200   | 6,558   |
| New                         | 826     | 728     |
| Existing                    | 6,303   | 5,830   |
| Unemployment                | 6.2%    | 5.9%    |
| Consumer Confidence         | 96.3    | 121.6   |
| 30-Year Fixed Mortgage Rate | 2.9%    | 3.0%    |

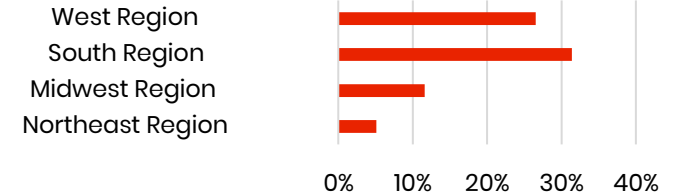
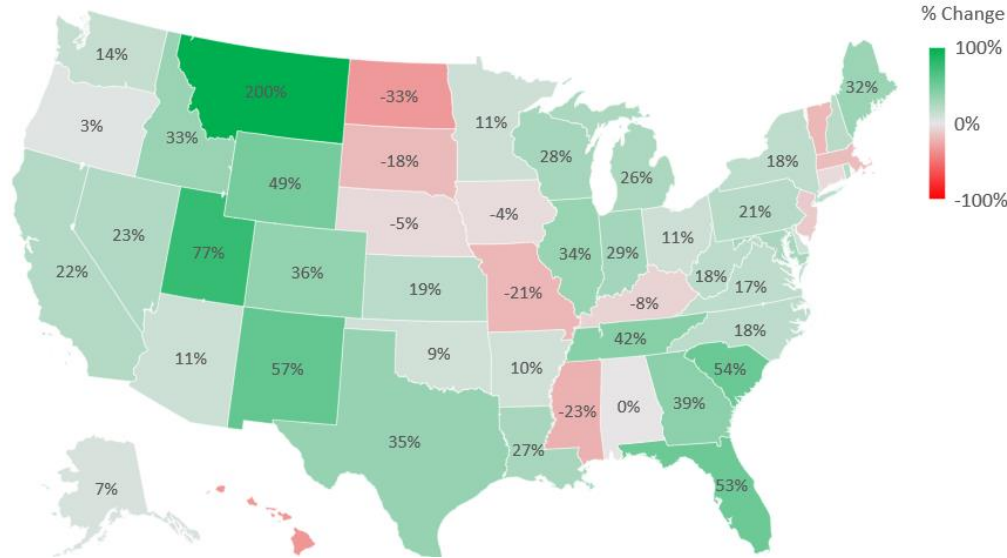
|                       | Q2 2020 | Q2 2021 |
|-----------------------|---------|---------|
| Home Price YOY Change |         |         |
| New (%)               | 2.7%    | 13.8%   |
| Existing (%)          | 4.5%    | 17.2%   |

Data may be revised  
\*in 1,000s

Sources: U.S. Bureau of the Census, National Association of Realtors, U.S. Bureau of Labor Statistics, The Conference Board, Freddie Mac, CoreLogic

# Changes in Permit Authorizations

Construction permits are an indicator of anticipation. Because permits are required before construction can begin, they may be an indicator that builders are moving forward with projects. U.S. permit authorizations in June 2021 were at 25% total growth when compared to June 2020. All four regions have seen an increase in permit authorizations with the South and West in the lead with 31% and 27% growth, respectively. All unit types have seen an increase between 19% and 25%, with no particular focus on one type over the others.



| Units        | Jun-20         | Jun-21         | % Change   |
|--------------|----------------|----------------|------------|
| 1            | 84,270         | 105,122        | 25%        |
| 2            | 2,324          | 2,770          | 19%        |
| 3 or 4       | 1,569          | 1,895          | 21%        |
| 5+           | 35,836         | 44,713         | 25%        |
| <b>Total</b> | <b>123,999</b> | <b>154,500</b> | <b>25%</b> |

Authorized Building Permits  
(Units % Change) 6/2020 – 6/2021

Source: U.S. Census Bureau

# Construction Job Growth in the U.S.

Construction employment totaled 7,410,000 in June, down 38,000 from March. Employment in construction was up by 239,000 jobs since June 2020.

## Total U.S. Construction Employment in June 2021

**7,410,000**



**38,000**

qtr/qtr



**239,000**

yr/yr

## Highest Annual GROWTH

Massachusetts

**25%**

New York

**22%**

Michigan

**21%**

## Largest Annual DECLINE

Wyoming

**-8%**

Colorado

**-2%**

Alabama

**-2%**

Source: U.S. Bureau of Labor Statistics

\*Total percent from 5/2020 to 5/2021.

Source: Associated General Contractors of America

# Construction Confidence in the U.S.

In Q2 2021, the USG Corporation and U.S. Chamber of Commerce stated the Commercial Construction Index increased three points from 62 in Q1 to 65. Surveys indicate that 72% of contractors are experiencing project delays due to COVID-19, down from 80% in Q1. 84% of contractors are experiencing at least one material shortage, up from 71% in Q1. 33% of contractors report that their top material shortage is wood/lumber, up from 22% in Q1.

**72%**

of contractors  
are experiencing  
project delays  
due to COVID-19

**17%**

is the average  
share of delayed  
projects due to  
COVID-19

## Contractors' top reported material shortages:



33% say wood/lumber



29% say steel



12% say pipe/PVC

## Products of most concern to contractors who report impacts from cost fluctuations:



56% say wood/lumber



48% say steel



19% say copper

**84%**

of contractors  
face at least one  
material shortage

Sources: USG Corporation and U.S Chamber of Commerce



CoreLogic tracks construction costs for commercial, residential and agricultural construction of all types by researching a basket of goods (labor and materials) all around the United States and Canada. This research is conducted monthly, which allows us to monitor fluctuations to commonly used materials.

**For more information, please call:**  
**855.267.7027**



Item No: G.3.

**LIABILITY PROGRAM UPDATE****INFORMATION ITEM****ISSUE:** Timeline for 7/1/2022 renewal of SPA Excess Liability program**RECOMMENDATION:** For discussion and feedback**FISCAL IMPACT:** Not applicable**BACKGROUND:** Newfront recommends that the SPA Board of Directors and Newfront Insurance agree to set expectations regarding timelines for the gathering of renewal underwriting information, marketing schedule and presentation of final quotations regarding the SPA Excess Liability program.**ATTACHMENTS:** Excess Liability Program Renewal Timeline

Newfront (formerly ABD Insurance)  
 1435 N. McDowell Blvd., #320  
 Petaluma, CA 94954  
 Main Phone: (650) 488-8565

**TO:** SPA Board of Directors  
**FROM:** Jim Wilkey & Eileen Massa – Newfront  
**RE:** Excess Liability Program Renewal Timeline  
**DATE:** November 2, 2021

| Proposed Renewal Timeline for 7/1/2022-2023      | Request Date | Due Date   |
|--|--------------|------------|
| <b>Newfront Request to SIA and BASIC for:</b>    |              |            |
| • Liability Renewal Underwriting Information     | 11/12/2021   | 12/10/2021 |
| • Consolidated Loss Runs valued October 31, 2021 | 11/12/2021   | 12/10/2021 |
| • Most Recent Actuarial Reports from SIA & BASIC | 11/12/2021   | 01/07/2022 |
| • Audited Financial Reports as of June 30, 2020  | 11/12/2021   | 01/07/2022 |
| • MOLC Updates                                   | 11/12/2021   | 01/07/2022 |
| • Updated Certificate of Insurance Schedules     | 04/08/2022   | 05/20/2022 |

|   |            |            |
|---|------------|------------|
| <b>Newfront Request to BASIC JPA Members for:</b> |            |            |
| • MOLC Updates                                    | 12/03/2021 | 01/07/2022 |
| • Most Recent Actuarial Reports                   | 12/03/2021 | 01/07/2022 |
| • Audited Financial Report as of June 30, 2020    | 12/03/2021 | 01/07/2022 |

|  |            |
|--|------------|
| Newfront Underwriting Submissions to Market                        | 01/14/2022 |
| Renewal Options for Primary \$5M Layers Presented to SIA and BASIC | 04/08/2022 |
| Renewal Options for SPA Excess Liability Program                   | 05/13/2022 |
| Renewal Binders, Invoices, and Certificates Issued By ABD          | 06/10/2022 |