



INFORMATIONAL REPORT

DATE ISSUED: September 14, 2022

REPORT NO: HCR22-025

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of September 20, 2022

SUBJECT: Annual Insurance Report – Fiscal Year 2023

COUNCIL DISTRICT: Citywide

NO ACTION IS REQUIRED ON THE PART OF THE HOUSING COMMISSION

SUMMARY

The attached Fiscal Year (FY) 2023 Insurance Summary details the San Diego Housing Commission's (Housing Commission) insurance policies as of July 31, 2022. The report includes both summary and detailed information on all lines of insurance coverage for the Housing Commission. The total insurance expense for FY2022 was \$2,309,032. The total insurance expense projected and budgeted for FY2023 is \$2,425,989.

	<u>FY2022</u>	<u>FY2023</u>	<u>Difference in \$</u>	<u>Difference in %</u>
Total Insurance Expense	\$2,309,032	\$2,425,989 *	\$116,957	5%

* Estimated/Budgeted

The 5 percent insurance premium increase represents a \$249,000 (17 percent) increase in the Housing Commission's overall policies, offset by a decrease of \$132,000 in the workers' compensation insurance premium. The decrease in the workers' compensation insurance premium is related to the increased expense in FY2022 associated with the City of San Diego COVID-19 Housing Stability Assistance Program (HSAP) direct hire contractors, which is no longer budgeted in FY2023.

With the world battling the novel coronavirus pandemic, the impact has been felt on every sector and everyday life. One of the biggest impacts of this pandemic has been on the financial services industry and the insurance industry. The industry-wide consensus is that the full cost of the COVID-19 pandemic will not be known for up to two years; however, coronavirus-related losses to the insurance sector are expected to be the largest to date.

Housing Commission staff and Alliant Insurance Services, the Housing Commission's insurance broker, are monitoring the situation closely and will provide updates as needed. The Housing Commission's comprehensive insurance coverage contains 11 insurance programs and 27 insurance policies (Table 1). Additional details are provided in Attachment 1 - 2023 Insurance Summary.

Table 1:

- 1. Property Insurance**
- 2. Master Crime Program**
- 3. Pollution Program**
- 4. Smart Corner Liability**
 - a. Smart Corner - Premises Liability
 - b. Smart Corner - Excess Liability #1
 - c. Smart Corner - Excess Liability #2
 - d. Smart Corner - Excess Liability #3
 - e. Smart Corner - Excess Liability #4
- 5. Fiduciary Liability**
- 6. General Liability**
 - a. General Liability – Housing Commission
 - b. General Liability – Kearny Vista and Valley Vista Apartments
 - c. Excess General Liability – Kearny Vista and Valley Vista Apartment
 - d. General Liability – Homelessness Response Center
- 7. Auto Liability Program**
 - a. Primary Auto
 - b. Excess Auto
 - c. Excess Auto
- 8. Cyber Insurance Program**
 - a. Cyber Primary
 - b. Cyber Buy-up Option
- 9. Flood Insurance (NFIP)**
 - a. Flood - 5077 1/2 Muir Ave.
 - b. Flood - 5071 Muir Ave.
 - c. Flood - 351 S. 33rd St.
 - d. Flood – 355 S. 33rd St.
- 10. Directors & Officers Liability**
 - a. Primary Directors & Officers
 - b. Excess Directors & Officers #1
 - c. Excess Directors & Officers #2
- 11. Workers' Compensation**
 - a. Primary Workers' Compensation Liability
 - b. Excess Workers' Compensation Liability

(1) Property Insurance

Property insurance provides the Housing Commission coverage for damage to real and personal property and business income as a result of a covered peril, such as a fire. The Housing Commission currently procures its property insurance coverage from Public Risk Innovation, Solutions, and Management (PRISM). The property insurance effective date was March 31, 2022. The Housing Commission renews its property coverage annually.

(2) Master Crime Program

The Housing Commission currently procures its crime insurance coverage from PRISM. The master crime insurance effective date was July 1, 2022. The Housing Commission renews its crime coverage annually. The master crime program manages the loss exposures resulting from criminal acts, such as robbery, burglary and other forms of theft.

(3) Pollution Program

The Housing Commission currently procures its pollution insurance coverage from PRISM. This policy provides coverage for pollution conditions and includes first- and third-party coverages. The pollution coverage effective date was July 1, 2022. The Housing Commission renews its pollution coverage annually.

(4) Smart Corner Liability

The Smart Corner liability program is composed of five insurance policies: a) Smart Corner premises liability and b) four Smart Corner excess liabilities. Premises liability provides coverage for claims for damage or injury (caused by negligence or acts of omission) at the Smart Corner location. An example would be a “slip and fall” at the Smart Corner premises. Excess liabilities insurance provides excess coverage specific to the Smart Corner location and follows the primary liability placement. This policy was marketed this year and resulted in a change in coverage. The Housing Commission currently procures its Smart Corner liability insurance coverage from Liberty Mutual Fire Insurance Company. Excess coverage policies are with Liberty Mutual Fire Insurance Company, Trisura Specialty Insurance Company, Burlington Insurance and Capitol Specialty. The Smart Corner liability insurance effective date was July 1, 2022, and it is renewed annually.

(5) Fiduciary Liability

Since the Housing Commission sponsors a retirement and health plan for its employees and is involved with the management of those plans, it is considered a "Fiduciary" and can be held personally liable for what happens to the plan. This insurance provides coverage for losses that arise as a result of alleged errors or omissions or breach of the fiduciary duties. The Housing Commission currently procures its fiduciary insurance coverage from Hudson Insurance Company (Hudson). The fiduciary insurance effective date was July 1, 2022. The Housing Commission renews its fiduciary coverage annually.

(6) General Liability

General liability provides third-party coverage for Housing Commission liabilities that occur as a result of alleged negligence or omissions. Coverage includes bodily injury, physical damage and personal injury. The Housing Commission currently procures its general liability insurance coverage from the Housing Authority Risk Retention Group, Inc. (HARRG). In addition, the Housing Commission also procures several separate insurance policies from HARRG, Ascot Insurance Company and Kinsale Insurance Company for Kearny Vista and Valley Vista Apartments and the Homelessness Response Center. The Housing Commission renews its general liability coverages annually.

(7) Auto Liability Program

The Housing Commission currently procures its auto insurance coverage from Liberty Mutual Fire Insurance Company. Excess coverage policies are with Liberty Mutual Fire Insurance Company and Trisura Specialty Insurance Company. This policy was marketed this year and resulted in a change in

coverage. The auto insurance effective date was July 1, 2022. The Housing Commission renews its auto insurance coverage annually. The auto liability program is composed of three insurance policies: one primary auto and two excess auto policies. Primary coverage provides comprehensive and collision. “Any auto” applies to the Liability and “Owned auto” applies to all other coverages, such as medical payments and physical damage. Excess coverage provides excess auto coverage following the primary auto placement.

(8) Cyber Insurance Program

The Housing Commission procures its cyber insurance coverage from PRISM. The cyber insurance effective date was July 1, 2022. The Housing Commission renews coverage annually. The cyber insurance program is composed of two insurance policies: a) cyber primary and b) cyber buy-up option. The cyber primary provides first- and third-party coverage for cyber incidents, such as liabilities that arise from, but not limited to, a breach of secured data, the notification costs associated with a breach, and taxes and penalties. The cyber buy-up option provides dedicated “per life” coverage for notification costs associated to a cyber breach, and this coverage does not erode the limit of liability or program aggregate associated to the primary cyber placement. For example, if the Housing Commission experienced a data breach and 900,000 individuals were effected, the cost to notify the individuals would be covered by this buy-up option.

(9) Flood Insurance - National Flood Insurance Program (NFIP)

The National Flood Insurance Program (NFIP), managed by the Federal Emergency Management Agency (FEMA), provides flood coverage for four Housing Commission properties located in zoned flood prone areas. The Housing Commission procures its flood insurance coverage for two of its properties from The Hartford Services Group, Inc. (5077 1/2 Muir Ave. and 5071 Muir Ave.) and two from Wright National Insurance Company (351 S 33rd St. and 355 S 33rd St.). The Housing Commission renews its flood coverage annually.

(10) Directors & Officers' Liability

The Housing Commission procures its primary directors' and officers' liability insurance coverage from the ACE American Insurance Company and excess liabilities from Ironshore Indemnity Inc. and Indian Harbor Insurance Company. The directors and officers liability insurance effective date was December 8, 2021. The Housing Commission renews this coverage annually. This program is composed of two insurance policies: a) primary directors and officers and b) excess directors and officers. Primary liability insurance is payable to the directors and officers of a company as indemnification (reimbursement) for losses or advancement of defense costs in the event an insured suffers a loss such as a legal action brought for alleged wrongful acts in their capacity as directors and officers. Examples could include liabilities that arise from allegations of poor management decisions. Excess directors and officers insurance provides excess coverage following the primary directors and officers placement.

(11) Workers' Compensation

Workers' Compensation provides wage replacement and medical benefits for employees who are injured during the course of employment. It also provides coverage for Employment Practice Liability, which includes wrongful termination. The Housing Commission procures its primary workers' compensation insurance coverage from the California Housing Workers' Compensation Authority (CHWCA) and its excess coverage from Local Agency Workers' Compensation Excess Joint Powers Authority. The Housing Commission renews this coverage annually.

Insurance Broker:

Alliant Insurance Services

Alliant was re-selected to be the Housing Commission’s insurance broker in a comprehensive procurement process in January 2022. As the broker of record for the Housing Commission, Alliant provides support to all facets of brokerage services for the Housing Commission, including the marketing of all lines of insurance coverage, as well as the administrative support and servicing, loss control, and claims management. Alliant ensures that the Housing Commission has the most effective insurance program design, with the broadest terms and conditions, at the most competitive premium available. As the Housing Commission’s risk consultant, Alliant is also responsible for keeping the Housing Commission informed of any changes, trends and emerging risks within the public entity and commercial insurance industry.

FISCAL CONSIDERATIONS

The FY2022 funding sources and uses were approved by the Housing Authority in the FY2022 Budget. The FY2023 funding sources and uses were approved by the Housing Authority in the FY2023 Budget.

Program	FY2023 Premium	FY2022 Premium	Inc/(dec) \$	Inc/(dec) %
Property	809,897	720,226	89,671	12%
Master Crime (Primary & Excess)	15,332	21,265	(5,933)	-28%
Fiduciary Liability	6,737	6,293	444	7%
General Liability	331,407	284,985	46,422	16%
Smart Corner - Premises Liability	24,999	28,665	(3,666)	-13%
Smart Corner - Excess Liability & Auto Liability	40,185	20,252	19,933	98%
Commercial Auto	43,242	59,089	(15,847)	-27%
Additional Excess Auto & Smart Corner (5x5x5)	33,050	19,877	13,173	66%
Cyber	29,490	20,969	8,521	41%
Cyber Buy Up Option	66,750	48,011	18,739	39%
Pollution	11,815	8,571	3,244	38%
* Flood NFIP (multiple locations)	15,346	10,340	5,006	48%
* Directors & Officers	94,612	76,860	17,752	23%
* Excess Directors & Officers	66,240	53,811	12,429	23%
* General & Excess Liability - Kearny Vista & Valley Vista	82,162	57,993	24,169	42%
* Workers Compensation	679,725	811,825	(132,100)	-16%
* Broker Fee	75,000	60,000	15,000	25%
Total	2,425,989	2,309,032	116,957	5%
* FY22 actual, FY23 budget				

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

Alliant is committed to equity and inclusion and promotes a diverse, equitable, and collaborative environment. They offer a diversity, equity and inclusion program across all levels of their organization to strengthen their business and culture.

HOUSING COMMISSION STRATEGIC PLAN

This item relates to the Housing Commission Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024 Core Value: Believe in transparency and being good financial stewards.

CONCLUSION


The market for insurance is cyclical. It fluctuates between the soft market (when premiums hold steady or decrease) and the hard market (when rates increase and coverage is more difficult to find). Unprecedented world events, in tandem with carriers not turning a profit, has resulted in the market remaining hard.

Prior to 2020, rate increases were largely tied to a soft market correction while factoring in increased attritional loss and adverse catastrophe loss development. In 2020, the pandemic, social unrest, rising reinsurance costs, financial market volatility, global recession, and more frequent and severe catastrophes greatly exacerbated the situation. Unlike previous hard markets, restricted capacity offered by carriers is a result of a reduced appetite rather than capital reduction. Lack of significant new capital flowing into the market (which would help drive competition) points to a sustained hard market.


Property insurance is one of the Housing Commission’s most significant insurance expenses. The property insurance market is challenging and has been for the last several years. Catastrophic local, regional and worldwide events, such as wildfires and weather events, have driven reinsurance markets to double-digit rate increases and reduced capacity with the market. While the size of the PRISM Property Program brings leverage to negotiate with reinsurers, and the Housing Commission’s long-term relationships keep underwriters at the table, Housing Commission losses, like the rest of the industries, are also part of a renewal conversation. To keep increases manageable, PRISM’s Property Committee moved to self-funding the primary \$10 million layer as further explained in Attachment 2 – PRISM Property Program Restructures

Housing Commission staff make every effort to obtain the most comprehensive and lowest-price coverage available for the agency. The Housing Commission is a member of several directed insurance risk-sharing pools, and with its insurance broker, Alliant, has developed effective risk management solutions to help proactively control losses and prepare for different exposures.

Respectfully submitted,


Suket Dayal
Executive Vice President &
Interim Chief Financial Officer
San Diego Housing Commission

Approved by,


Jeff Davis
Interim President & Chief Executive Officer
San Diego Housing Commission

Attachments:

1. 2023 Insurance Summary
2. PRISM Property Program Restructures

Docket materials are available in the “Governance & Legislative Affairs” section of the San Diego Housing Commission website at www.sdhc.org.



2023 INSURANCE SUMMARY

Policy	Carrier	Effective Date	Premium	Limits	Deductible/Retention	Description of Coverage
Property	PRISM	03/31/2022	\$809,897	\$10,000,000	\$25,000	Provides coverage for damage to real estate and personal property, and business income as a result of a covered peril such as a fire.
Fiduciary Liability	Hudson Insurance Company	07/01/2022	\$6,737	\$2,000,000	\$25,000	Provides coverage for losses that arise as a result of alleged errors or omissions or breach of fiduciary duties.
Pollution	PRISM	07/01/2022	\$11,815	\$10,000,000	\$75,000	Provides coverage for pollution conditions and includes 1st and 3rd party coverages.
Master Crime	PRISM	07/01/2022	\$15,332	\$15,000,000	\$2,500	Coverage that manages the loss exposures resulting from criminal acts such as robbery, burglary and other forms of theft.
Smart Corner - Premises Liability	Liberty Mutual Fire Ins. Company	07/01/2022	\$24,999	\$2,000,000	\$5,000	Provides coverage for claims from SDHC’s liability to damage or injury during performance of business. Premises liability coverage only, as operations are excluded.
Smart Corner & Auto - Excess Liability	Trisura Specialty Ins. Company	07/01/2022	\$21,454	5,000,000	\$10,000	Provides excess coverage to auto and specific to the Smart Corner location and follows the primary liability placement.
Smart Corner - Excess Liability	Burlington Insurance	07/01/2022	\$6,500	5,000,000	\$10,000	Provides excess coverage specific to the Smart Corner location and follows the primary liability placement.
Smart Corner - Excess Liability	Capital Specialty	07/01/2022	\$3,465	5,000,000	\$10,000	Provides excess coverage specific to the Smart Corner location and follows the primary liability placement.
General Liability	HARRG	07/01/2022	\$331,407	\$20,000,000	\$10,000	Provides third party coverage for SDHC liabilities that occur as a result of negligence or omissions. Coverage includes bodily injury, physical damage and personal injury.

Policy	Carrier	Effective Date	Premium	Limits	Deductible/Retention	Description of Coverage
Commercial Auto	Liberty Mutual Fire Ins. Company	07/01/2022	\$43,242	\$1,000,000	\$5,000	Provides comprehensive and collision. Liability and all other coverages such as medical payments and physical damage.
Smart Corner & Auto - Excess Liability	Liberty Ins. Corporation	07/01/2022	\$40,185	\$4,000,000	\$0 Deductible at \$1,000,000 attachment point	Provides excess auto coverage and Smart Corner liability following the primary Liberty Mutual policy.
Cyber	PRISM	07/01/2022	\$29,490	\$3,000,000	\$50,000	Provides first and third party coverage for cyber incidents such as liabilities that arise from but not limited to a breach of secured data, taxes and penalties.
Cyber Buy Up Option	PRISM	07/01/2022	\$68,750	1M Notified Individuals		Provides dedicated “per life” coverage for notification costs associated to a cyber-breach, and this coverage does not erode the limit of liability or program aggregate associated to the primary cyber placement.
Director's & Officers	ACE American Ins. Company	12/08/2021	\$76,860	\$3,000,000	\$100,000 Agreement C,D \$150,000 Agreement A \$250,000 Agreement B	Liability insurance payable to the directors and officers of a company as indemnification (reimbursement) for losses or advancement of defense costs in the event an insured suffers such a loss as a result of a legal action brought for alleged wrongful acts in their capacity as directors and officers.
Excess Director's & Officers	Ironshore Indemnity Inc.	12/08/2021	\$8,919	\$3,000,000	\$0 Deductible at \$5,000,000 attachment point	Provides excess coverage following the primary Director’s & Officers placement.

Policy	Carrier	Effective Date	Premium	Limits	Deductible/Retention	Description of Coverage
Excess Director's & Officers	Indian Harbor Ins. Company	12/08/2021	\$44,643	\$	\$Deductible at \$attachment point	Provides excess coverage following the primary Director's & Officers placement.
Flood - 355 S. 33rd Street	Wright Flood	02/21/2022	\$3,503	\$500,000 building \$100,000 contents	\$10,000 building and contents	Provides mandated flood (NFIP) coverage for the 355 S. 33rd Street location.
Flood - 351 S. 33rd Street	Wright Flood	02/21/2022	\$1,915	\$500,000 building \$100,000 contents	\$10,000 building and contents	Provides mandated flood (NFIP) coverage for the 351 S. 33rd Street location.
Flood - 5071 Muir Ave	Hartford Insurance Company	11/30/2021	\$3,553	\$250,000 building \$10,700 contents	\$2,000 building and contents	Provides mandated flood (NFIP) coverage for the 5071 Muir Ave location.
Flood - 5077 1/2 Muir Ave	Hartford Insurance Company	10/04/2022	\$1,797	\$250,000 building	\$2,000 building and contents	Provides mandated flood (NFIP) coverage for the 5077 ½ Muir Ave location.
Workers' Compensation	CHWCA	01/01/2022	\$811,825	\$5,000,000	First Dollar	Form of insurance that provides wage replacement and medical benefits for employees that are injured during the course of employment. Also provides coverage for Employment Practice Liability to include wrongful termination.

March 14, 2022

To: Property Program Members

From: Gina Dean, CEO

Re: PRISM's Property Program Restructures

It's a good time to be in a JPA!

As many of you are aware, the property insurance market is challenging and has been for the last several years. Catastrophic local, regional and worldwide events such as wildfires and weather events have driven reinsurance markets to double digit rate increases and reduced capacity within the market. While the size of the PRISM Property Program brings leverage to negotiate with reinsurers, and our long term relationships keep underwriters at the table, our losses, like the rest of the industry's, are also a part of the renewal conversations.

Background

From 2017 - 2021, the property insurance market has firmed year-after-year. Carriers have collected insufficient premium to cover the surging claims. In 2020, PRISM had its highest incurred property claims in the Program's history with over \$86M of losses as compared to \$54M on average over the last five years. In 2020, these claims can largely be attributed to the wildfires within California, which account for almost 60% of the loss dollars that year.

Over the course of the last two years, PRISM's Property Committee has been working with staff and Alliant to explore more advantageous Program structure options going forward. Fortunately, the Property Program has a strong surplus position, and with surplus, you have options.

PRISM's Property Committee's Action

When we began negotiations with AIG on the primary \$10M layer for the 2022/23 renewal, the initial indication offered was a 78% increase with restrictions in terms and conditions. As a result, staff was directed by the Committee to investigate self-funding the primary layer, while Alliant explored open market options. To analyze the risk, PRISM completed an actuarial study at an 80% confidence level to determine the appropriate funding. Funding considers the all-risk, auto physical damage, earthquake, wildfire, flood exposures and additional costs (stop loss protection, audit fees, Boiler and Machinery jurisdictional inspections, third party claims administration expenses, etc.).

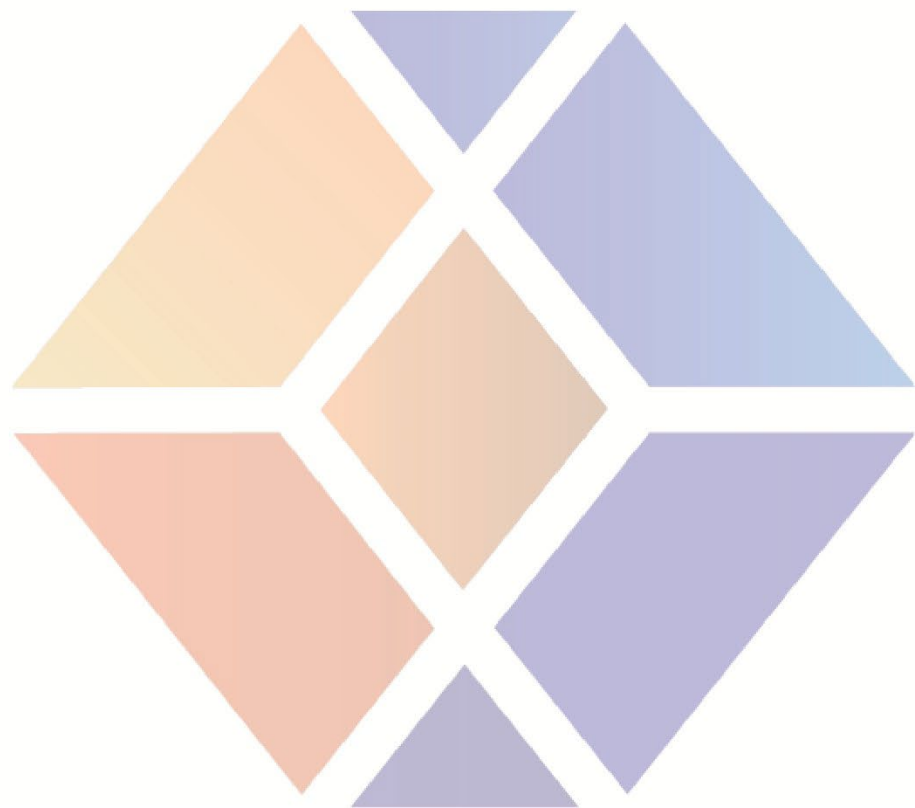


- Stop Loss of \$50M xs \$100M
- Stop loss attaches excess of \$100M of PRISM agg claims. Agg contribution is \$10M per occ, per tower

Alliant and staff determined that open market options to replace AIG in the primary \$10M were not viable due to excessive pricing and coverage restrictions. However, Alliant and staff did obtain an option for stop loss protection to reduce PRISM's self-funding exposure. This protection contemplates PRISM funding \$10M per occurrence, per Tower, up to \$100M aggregate. If the \$100M aggregate is breached, the stop loss protection would fund \$50M xs of \$100M. This results in a substantial savings to the Program.

The reason we can move to PRISM self-funding the primary \$10M layer is due to the strong net position, with a surplus of over \$45M. This surplus will allow PRISM to fund unprecedented losses within the Program while still maintaining competitive pricing and terms for members.

One of the greatest attributes of being in a Joint Power Authority (JPA) is the flexibility and leverage the group affords. Because of our historical conservative funding and the surplus accumulated, we are not at the mercy of the insurance markets. The Committee has authorized staff and Alliant to proceed with self-funding the primary \$10M layer, and to procure stop loss protection to protect the Program. The new structure creates an expected rate increase of approximately 10% - 15% for the Program versus up to 45% if we stayed with AIG. In addition, the Property Program expects to continue to provide all excess limits and coverage as in years past. This is a great outcome for members and highlights the flexibility and the benefits of being in a pool.



Talking Points for the Property Market

- **Industry catastrophe loss experience.** The property market has been challenging for the last several years as the industry has experienced unprecedented losses including the devastating wildfires that have impacted California.
 - Worldwide, 2017 was the worst year for natural catastrophe losses in history. The main driver of this was losses associated with Hurricanes Harvey, Irma, and Maria (HIM). Insured losses for these hurricanes exceeded \$100B dollars.
 - 2018 was the third most costly year for natural catastrophe losses in history. Losses spanned many different types of catastrophes including hurricanes, wildfires, severe flooding in the Midwest, and increased frequency and severity of convective storms (hail and tornado). California and the PRISM Property Program have experienced unprecedented wildfire activity. In the last several years, we have seen the largest, deadliest, and costliest wildfires in our state's history. The eight largest wildfires in our history have occurred in the last three years.
 - Largest fire: August Complex Fire, August 2020 – over 1,000,000 acres burned. Total insured losses for the Northern California wildfires of 2020 are currently estimated at \$5B - \$9B.
 - Deadliest fire: Camp fire, November 2018 – 85 lives lost and nearly 19,000 structures destroyed. Total insured losses are estimated at \$10.2B dollars.
 - Costliest fire(s): In the past several years, five of the most destructive California wildfires have occurred: Camp Fire, Tubbs Fire, Woolsey Fire, Atlas Fire, and Thomas Fire. Total insured losses associated with these fires is expected to exceed \$30B dollars.
 - 2020 was the fifth costliest on record for insured catastrophe losses and is currently estimated at \$83B in insured losses. This is in addition to the COVID-19 pandemic, unprecedented civil unrest, and adverse loss development.
- **Industry attritional loss experience.** In addition to the large natural catastrophe losses, the size and frequency of “attritional” or non-catastrophe related claims such as fire and water damage has also been growing. This is seen as an industrywide trend and is also taking place within the PRISM Program.
- **Property Program moves to self-insure primary layer.** Because of the flexibility of a JPA, staff was able to consider all options and best possible program structures to combat the effects of the increase in rates offered by reinsurers as a

result of the hard market. In this case, self-insuring the primary layer of the pool created a substantial cost savings.

- **How much will this minimize an increase in rates?** The indication received in the primary layer of the Program was a 78% increase versus an estimated 13% increase by self-insuring.
- **Is there additional risk in self-insuring the primary pool layer?** PRISM will accept risk for up to \$10M per occurrence, per Tower; however, this risk is mitigated by stop loss protection and a strong net position.
- **Do all Member rates increase the same amount?** The degree of rate increase to each individual member will vary within an established range dependent upon your entity's claims experience. Member allocation also takes into account the unique exposures of each entity including the types of property being insured and exposure to natural catastrophes.

Members with minimal or no losses in the last five years can expect to be on the lower end of the range. Those who have experienced claims in the last five years will be on the higher end of the range, but will benefit in the security of being part of a pool. Obtaining coverage for an individual public entity with large losses is extremely difficult, especially in California.

- **PRISM's Property Program size is an advantage.** A positive for PRISM members is that the size of the Property Program creates stability and offers economies of scale that could not be realized without being in a large pool. Because of its size, we are able to leverage the volume of capacity we purchase at the excess levels to benefit all Program members.
- **Relationship advantages.** PRISM has long-standing relationships with carriers worldwide, which result in better renewal offerings.
- **PRISM ARC (our Captive).** PRISM has always been proactive in managing the Property Program and our approach to making funding decisions. We are one of the few self-insurance groups in the nation that have the size required to form our own captive insurance company. The captive is used to benefit from the increased opportunities for investment income and expanding coverage available within the Program.
- **Pools have an advantage in challenging markets.** If we have learned from history, we know that JPAs (self-insurance pooling) have benefited members in turbulent markets. All members benefit from our flexibility, economies of scale, our leverage in the insurance markets, and our sharing of best practices to help manage risk.