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Highlights

Global insured catastrophe losses in the year 2021 are expected to rise to **\$112 billion**, the **fourth highest on record**, with **Hurricane Ida** being the main loss-making event, according to an estimate by Swiss Re Institute.

U.S. **Wildfires**, Storms, and '**Social Inflation**' continue to create intense pressure on insurers, causing insured losses in the billions, and while COVID -19 has of course added new types of losses to the mix, more so, it created additional **uncertainty** which has added to an already **challenging insurance marketplace**.

Winter storm Uri caused an estimated **USD \$20 billion insured losses** in the U.S., the **highest ever recorded for this peril** in the country.

Source: A.M. Best, ISO, Verisk, Property Casualty Insurers Association of America (PCI)

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Key Industry Metrics



- The industry's **2021** combined ratio of **99.6%** deteriorated from 2020's 98.4%.
- **Policyholder surplus** grew **13.6%** in 2021 to **\$1 trillion**. An all time high.
- The U.S. property and casualty insurance industry recorded a **\$4.1 billion net underwriting** loss last year, as rising losses and underwriting expenses outweighed premium growth.
- The industry saw an **8.5% increase** in **net investment income** and an additional \$1.9 billion in other income.

Signs point to a healthy, yet unsettled, insurance market, due to the unknowns of **COVID-19 Variants**, **inflation**, **weather extremes**, sea level rise, **wildfires**, catastrophic losses, **social inflation** and **investment earnings**. All remain areas of **concern for insurers**.

Source: A.M. Best, ISO, Verisk, Property Casualty Insurers Association of America (PCI)

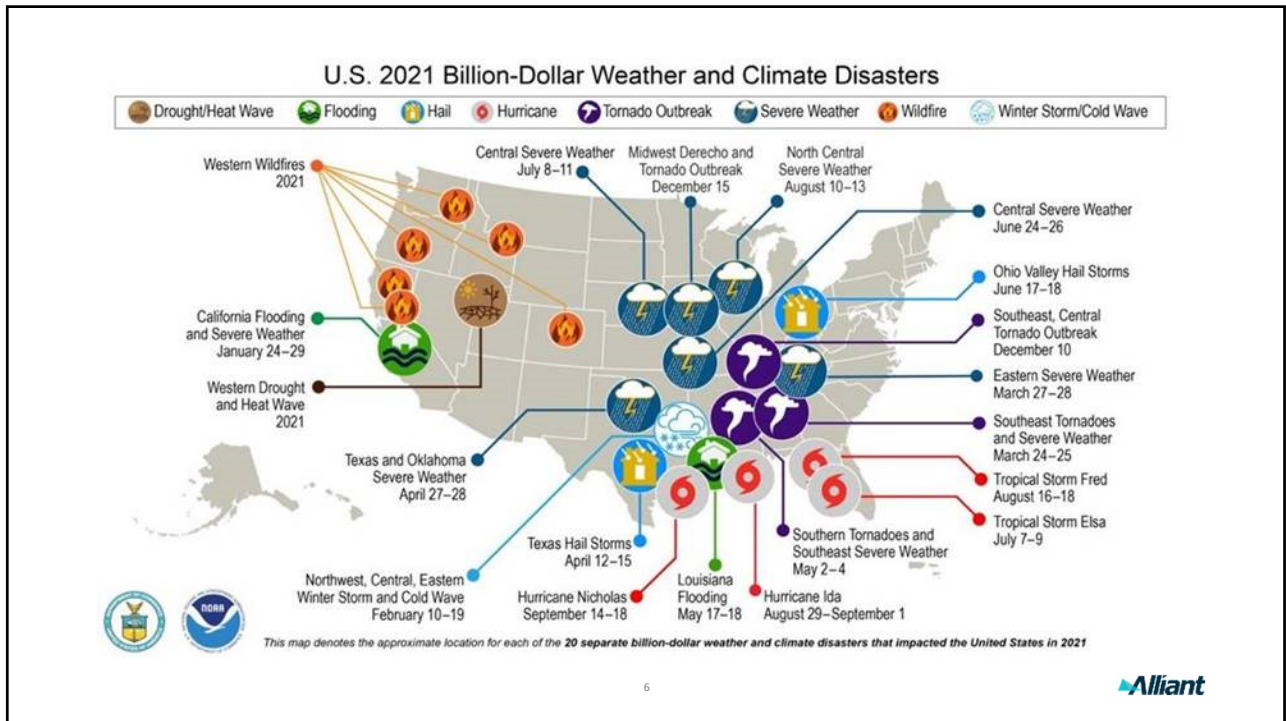
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Wildfires



“The total damage and cumulative economic loss for the 2021 wildfire season is expected to be between \$70 billion and \$90 billion in the U.S. with \$45 billion to \$55 billion of those damages to California alone.” *(AccuWeather)*

Insured losses from wildfires in the U.S. have exceeded \$13 billion and economic losses have topped \$20 billion in three of the last four years, according to Aon.



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Earthquakes



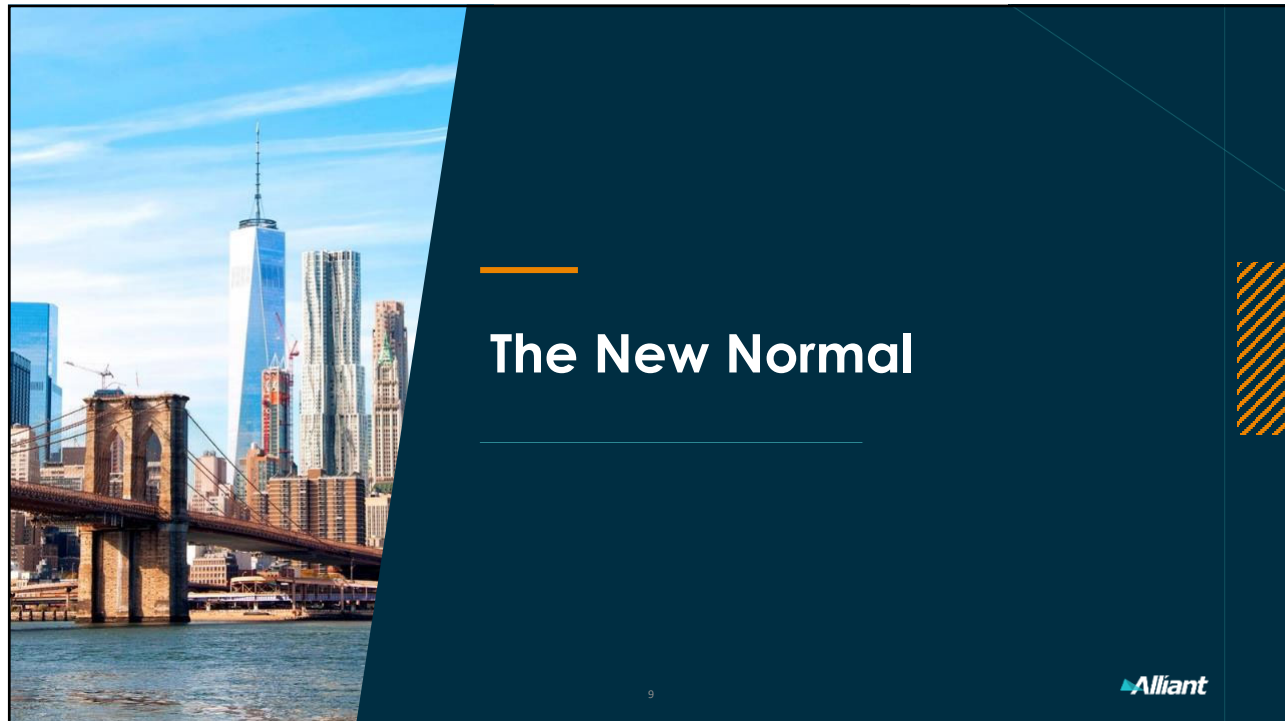
Not to be overlooked, Earthquakes are inevitable and can happen at any time.

Economic impacts of an earthquake can be devastating on first party property, and expected business revenues.



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The Landscape

Insurance Landscape:

1. Markets have contracted
2. Underwriting has become more conservative
3. Variability further challenges the market

Workforce:

1. Remote work: new normal for many
2. Job mobility
3. Vaccination/pandemic concerns

Society:

1. Polarization
2. Worldwide focus on climate impacts

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Cyber Facts

Cyber Liability Insurance—the "Must-Have" Coverage

Estimated global damage from ransomware.

Year	Damage
2018	\$8 Billion
2019	\$11.5 Billion
2020	\$20 Billion

Cyber ranks as the **top** business concern

Of 1,200 business leaders who participated in a national survey, 59% said they worry some or a great deal about cyber, compared to medical cost inflation (53%) and increasing employee benefit costs (53%).

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Minimum Privacy and Security Standards

- **Multi Factor Authentication – 100% Implemented**
- Endpoint protection, detection, and response product implemented enterprise wide with 24/7/365 response
- Remote Desktop Protocol connections enabled
- Backups
- Planning and Training
- Critical and high severity patches installed within 1-7 days
- Adequate end of life software

Without good controls, coverage is extremely limited!

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Aging Infrastructure - 2021



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Liability Renewal Outlook

- **Excess liability market:**
 - Severity trends continue, which gives reason to expect continued hard market conditions with carriers providing lower limit options.
 - The market has hardened considerably for the past three renewal cycles, and at current premium levels the path forward is unclear and likely account specific (losses).
- **Specific problem areas:**
 - Aggregate limits – pools should consider impact to shared risk layers with reinsurance
 - Attachment point
 - Overall capacity issues when trying to build a large limit program
- **Underwriting focus:**
 - Law Enforcement
 - Sexual Abuse & Molestation
 - Wildfire Liability

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Property Renewal Outlook

- Continued scrutiny of client data (SOV, loss runs, COPE, etc.)
 - Building materials
 - Date of construction / building codes
 - Environment
- Values Reporting and Trending
 - Higher than average trend factors
 - Labor shortages, material costs, supply chain interruption
- Increased retentions and caps on certain types of exposure
 - Wildfire
 - Silent Cyber
- Market Stabilizing
 - Rates continue to be moderating, dependent on loss experience; along with the accepted values trending

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Cyber Renewal Outlook

- Continued Rate Pressure on Cyber placements
 - Premium increases vary by industry segment.
- Push for increased retentions
- Expect sub-limits, particularly for ransomware losses
- Underwriting scrutiny on network security
 - Minimum standards.
- Many carriers will no longer write public entities or pools

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Workers Compensation Outlook

- Relatively stable, more stable than other lines
 - Premium increases vary by industry segment and loss experience.
- Full impact of COVID has not reached this line of business
- While rate increases are still in the single digit range – we are beginning to carriers increase rates in the low double digit range
- Loss Data and reserving methods are more important than ever due to adverse development.

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Overview of OC San's Insurance Program

Liability & Workers Comp.

- Coverage for damages to **third parties** arising out of District negligence or statutory obligations. Includes:
 - General Liability
 - Automobile Liability
 - Marine Liability
 - Cyber Liability
 - Pollution Liability
 - Workers Compensation
 - Public Entity Errors and Omissions
- \$40MM Limit, \$750,000 retention

Property Insurance

- Coverage for Districts' **property** arising from "all risk" perils. Includes:
 - Boiler and Machinery
 - Flood
 - Earthquake
 - Terrorism
 - Hull
 - Other Misc.
- \$800,000,000 in Limits
- Various Sublimits
- \$500,000 deductible, generally

All coverage provided on an "Occurrence" Basis

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2022 Renewal *Expectations*

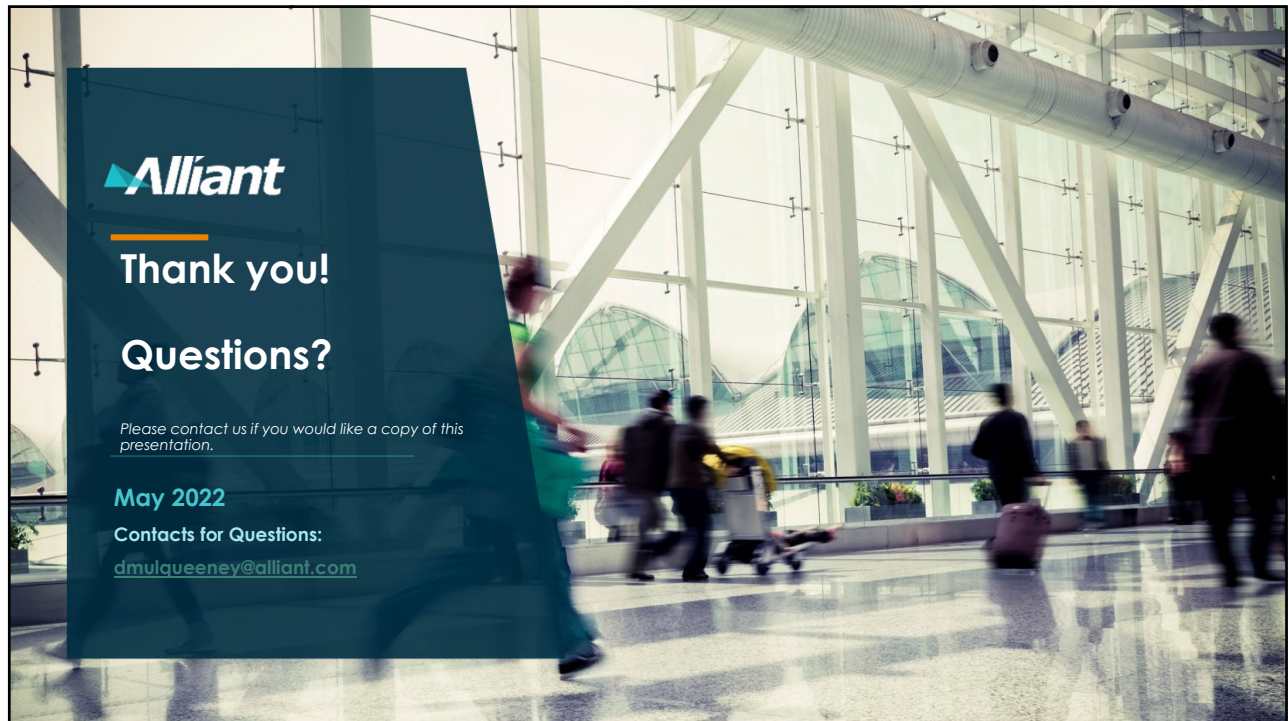
At expiring limits and deductible structure...

Generally, conservative numbers are delivered at this point in time, but unlike last year where there was a high degree of uncertainty about the outer limits of cost, these figures are safe "NTE" numbers in the current environment

Estimated Year over Year Total Cost Results			
As of 5-03-22			
Excess Liability	Total Cost 2021	Est. Cost 2022	Change - Dollars/Percent
Limit	40,000,000	40,000,000	- 0%
Self-Insured Retention	750,000	750,000	- 0%
\$10MM - Great American	442,842	531,411	88,568 20%
\$20MM - Berkley National	302,419	362,903	60,484 20%
Arch \$5MM Part of \$20MM	54,590	65,508	10,918 20%
\$10MM - Great American Custom	87,500	105,000	17,500 20%
Total Cost	887,351	1,064,822	177,470 20%
Excess Workers' Comp	Total Cost 2021	Est. Cost 2022	Change - Dollars/Percent
Payroll	79,958,707	81,881,299	1,922,592 2%
Limit	Statutory	Statutory	N/A N/A
Rate Per \$100	0.34	0.42	0.08 23%
Self-Insured Retention	1,000,000	1,000,000	- 0%
Total Cost	266,355	343,000	76,645 29%
Property			
Property (incl. B&M)	Total Cost 2021	Est. Cost 2022	Change - Dollars/Percent
Values	2,222,240,711	2,378,199,811	155,959,100 7%
A/R Limit	800,000,000	800,000,000	- 0%
Flood Limits	25M/25M	25M/25M	- 0%
A/R Deductible	500,000	500,000	- 0%
Flood Deductible	1,000,000	1,000,000	- 0%
Boiler Limit/Deductibles	100M/25k/Vrs	100M/25k/Vrs	- 0%
Rate Per \$100	0.06	0.07	0.01 15%
Total Cost Including Rebated Comm.*	1,424,276	1,752,868	328,592 23%
Earthquake	Total Cost 2021	Est. Cost 2022	Change - Dollars/Percent
Values	109,091,054	116,727,428	7,636,374 7%
Rate Per \$100	0.10	0.11	0.01 10%
Deductibles	5% \$5MM Min	5% \$5MM Min	N/A N/A
Total Cost	112,087	131,927	19,839 18%
Total Cost - Board Items	2,690,070	3,292,617	602,547 22%

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