

# FY 2025-26 Insurance Update

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Administration Committee  
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**OC SAN**  
ORANGE COUNTY SANITATION DISTRICT

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## Overview

- Insurance Events
- Market Drivers
- OC San Cost Estimates























All data and information has been provided by Alliant Insurance Services

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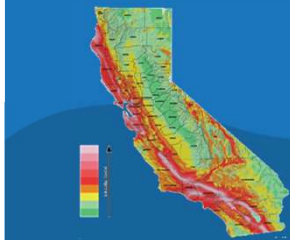
## Recent Catastrophic Losses

Flooding	Hurricanes	Wildfires	Tornado/ Convective Storm	Winter Storms
 2018-2024 – More than <b>10</b> severe flood events   <b>\$70.1b</b> Economic Loss – only \$20b insured	 2018-2023 <b>97</b> named storms   <b>\$470.7B+</b> in economic losses (US )   Hurricane Ida, Ian, Nicole & Idalia = <b>\$108b?</b>   Hilary, first CA Tropical Storm since 1939	 <b>2018-2023</b> 95 \$1B+ Wildfire events   2023 Burned over <b>8m</b> acres   2022 = <b>7.5m</b> acres   <b>\$39B</b> in insured loss, *8.68B in 2021 alone   17% increase from 2019 to 2021 in U.S. wildfires and a 223% increase since 1983	 <b>\$71B</b> in insured losses due to severe convective storm through 2023-year end (\$60B in U.S.)   Accounted for nearly <b>58%</b> of all <b>global</b> Insured losses   SCS insured losses growing at a rate of <b>8.9%</b> since 1990   10 singular <b>\$1B+</b> events	 <b>Uri</b> – 2021 Over <b>110</b> deaths associated   Estimated <b>\$20B+</b> insured losses   Largest Q1 loss record   <b>Elliott</b> – 2022 Over <b>65</b> deaths associated   Estimated <b>\$5.4B+</b> insured losses

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## Earthquake/ Difference in Conditions Renewal Outlook



Earthquake is catastrophic in nature, it is priced and underwritten separately from Property risks.



### Current Market Conditions:

- Major underwriters are re-evaluating the most profitable way to deploy capital:
  - CA EQ vs. Other CAT/ Florida Wind



- Market conditions pushed many placements into non-admitted markets, and a backlog developed creating service delays
- For 2024, the goal is to provide stability and faster underwriting processing



Over the previous 10 years, the earthquake market has remained stable, and pricing has remained relatively flat compared to other major lines of CAT coverage. That is now changing.



### Capacity is generally declining:

- Current markets are shrinking appetites – the push for smaller limits continues
- No new significant injection of capital for EQ markets

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# Casualty Market Drivers



## General Liability & Excess Liability

Increase in Catastrophic Losses

- Sexual Misconduct
- Law Enforcement Liability
- Lifetime Care Costs
- Punitive Damage Awards

Organized Plaintiff Bar

- Litigation Financing

Inflationary Pressures

- Social Inflation
- Personal Injury Trends

Aging Infrastructure



## Workers Compensation

Aging Workforce

Medical Cost Inflation

Cancer & PTSD Presumptions

Workplace Violence

Medical Service Delays

Out of State Exposure

Accident Survivability

Mental Health



## Auto Liability

Cost of vehicles (inflation)

Cost to repair (technology)

Fatality Trends

Distractive Driving – Cell Phones

Claims Frequency and Severity Trajectory

Social Inflation

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## Liability Claim Trends and Inflationary Pressures



### Liability Claims frequency has increased

- Third-party litigation funding (TPLF)
- Aging Infrastructure
- Dissatisfaction



### Liability Claim severity has increased

- Social Inflation
- Medical Cost Inflation
- Plaintiff Bar Success – Advertising, Reptile Theory, etc.



### Inflation Toll

- As inflation increased, Insurance Carriers seek increased premiums
  - Higher claims payouts, operational costs, etc.
- Investment Portfolio is impacted
- Claims more likely to approach retention levels, retentions increases are common

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## Increasing Impact on Liability Market



### Reduced Capacity

Reinsurer withdrawals have been significant over the past two years



### Litigation Financing

Continues to drive large claims. Funding increased \$3.5B in 2022



### Plaintiff Attorney Strategies

Specialization and strategies have evolved to get larger verdicts and settlements



### Hyper Social Inflation

1.7b award given in Missouri on October 31, 2023 for conspiring to inflate real estate commissions and will triple to 5.3b under US antitrust law



### Labor Shortage

Everyone is doing more with less



### Reviver Legislation Amendments

A rise in Sexual Abuse and Molestation claims and settlements



### Law Enforcement

Increased focus on policing policy and procedures as well as pressure on Qualified Immunity



### Auto Liability

Frequency & Severity of losses has returned to pre COVID figures



### Underwriter Scrutiny

Reinsurers are seeking to grow prudently and are maintaining a disciplined, conservative underwriter approach



### Inflation

Rising cost are increasing the size of claims



### Exclusions

Continued restrictions surrounding sexual abuse, Wildfire Exclusions, COVID, cyber, opioids, man made chemicals (PFAS) and Biometric Identifiers (new focus)



### Emerging Risk

New Technologies such as AI, Telematics, Biometrics and machine learning systems risks are not fully understood given historical information

Environmental risks relative to climate change are substantial  
Growing concerns around mental health impacts including impact on productivity, access to care, medical inflation and the steady rise of healthcare costs

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## Workers' Compensation Hardening Market

### Trends to Impacting the Market:

- **Rising** medical costs for catastrophic claims
  - Accident survivability
  - **Increased** life expectancy for catastrophically injured workers
  - **Higher** costs for medical care technology
  - 30% **increase** in claims incurred over \$10M in last 3 years\*
- While frequency of claims is down, the financial severity of claims is up
- Home Health and Skilled Care Facility costs **increasing** at rates far more significant than average medical inflation.
- Number of claims and cost to deliver benefits very high in CA

\*Source: Safety National's Carrier Chronicles

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## 2025 Major Coverages

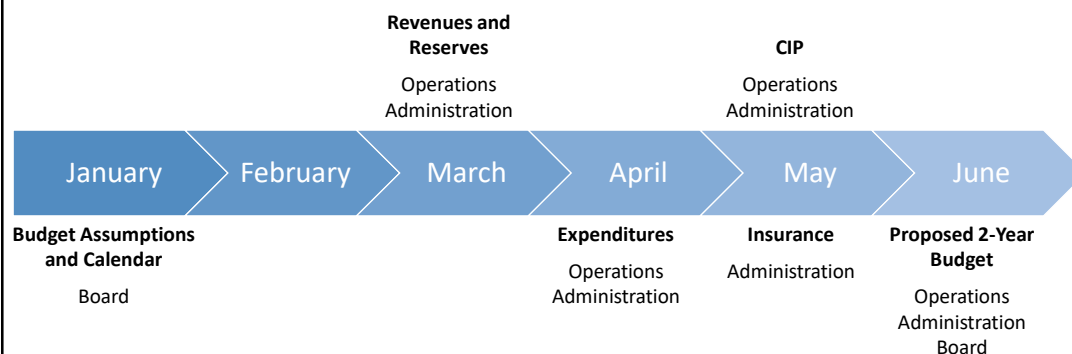
Coverage,  
Exposure,  
and Cost  
Estimates –  
As compared  
to 2024

Coverage	2024	2025	Change
<b>Property</b>			
Limit	1,000,000,000	1,000,000,000	None
Retention	500,000	500,000	None
Total Insurable Value	2,813,772,889	2,892,579,839	3%
Total Cost (Est.)	3,126,562	3,118,944	-0.2%
<b>Excess Workers Compensation</b>			
Limit	Statutory	Statutory	None
Retention	1,000,000	1,000,000	None
Payroll	86,592,000	89,335,718	3%
Total Cost (Est.)	378,342	476,000	26%
<b>Excess Liability</b>			
Limit	40,000,000	40,000,000	None
Self-Insured Retention	\$1M/\$1M Corr.	\$1M/\$1M Corr.	None
Exposure - Payroll	86,592,000	89,335,718	3%
Total Cost (Est.)	1,191,618	1,429,942	20%
<b>Earthquake</b>			
Limit	25,000,000	25,000,000	None
Retention	5% (\$5M Min)	5% (\$5M Min)	None
Total Insurable Value	122,218,703	129,709,788	6.13%
Total Cost (Est.)	185,528	206,744	11%
<b>Cyber Liability</b>			
Limit	2,000,000	2,000,000	None
Retention	250,000	250,000	None
Exposure - Values	2,813,772,889	2,892,579,839	2.80%
Total Cost (Est.)	139,743	143,935	3%
<b>Total Cost</b>	<b>5,021,793</b>	<b>5,375,565</b>	<b>7.04%</b>

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## Key Meeting Dates



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# Questions?

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