

FY 2026-27 Insurance Update

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Administration Committee
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Overview

- Insurance Events
- Market Drivers
- OC San Cost Estimates



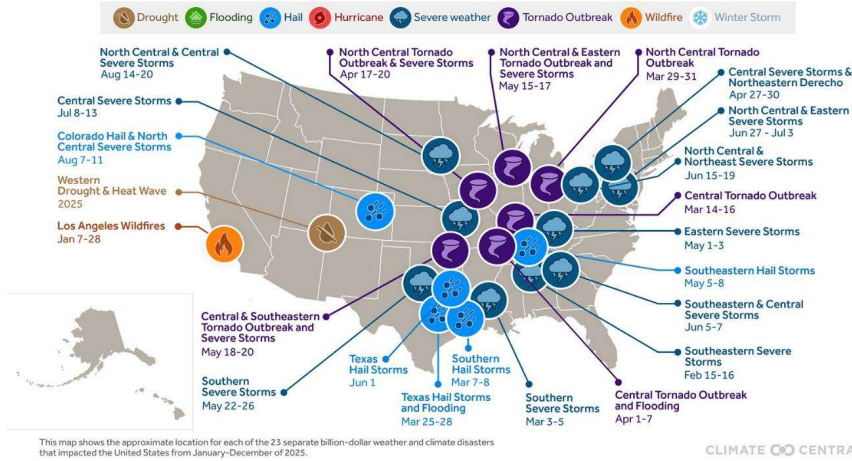
All data and information has been provided by Alliant Insurance Services

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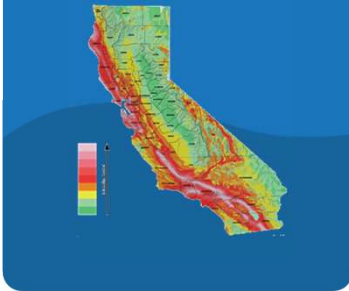
Major U.S Losses in 2025

U.S. 2025 Billion-Dollar Weather & Climate Disasters



Heavy concentration of losses in Gulf Coast states and CA

Earthquake/ Difference in Conditions Renewal Outlook



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



In recent years Earthquake markets reacted to significant reinsurance rate increases and pushed large premium increases to insureds. Since then, premiums have fallen, and downward pressure continues.



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



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



- Market conditions pushed many placements into non-admitted markets, and a backlog developed creating service delays

For 2026, the goal is to provide renewal term stability and faster underwriting processing and proposal delivery.

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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Worker's Compensation Trends/Outlook



1. 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
2. Enhanced care with AI tools
3. Inflation, tariffs and stress on our medical system
4. The risk and needs of an aging workforce
5. Legal claim costs
6. Uptick in cumulative trauma claims
7. Mental health claims
8. Return to office

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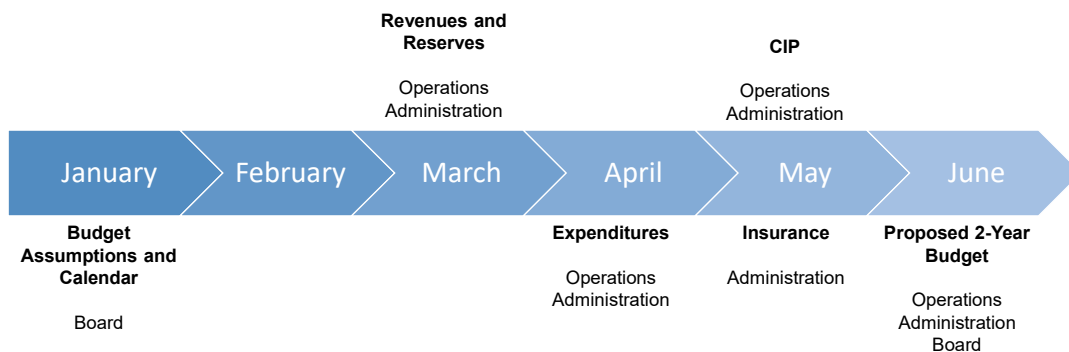
Coverage, Exposure, and Cost Estimates

Coverage	2025-26	2026-27	Change	
	Expiring	Estimated	Dollars	Percent
APIP Property (Including B&M)	2,958,369	2,742,809	(215,560)	-7%
Earthquake	175,138	166,381	(8,757)	-5%
Excess Liability	1,291,606	1,485,347	193,741	15%
Excess Workers Comp (PRISM)	414,522	518,000	103,478	25%
Cyber	144,700	159,829	15,129	10%
Pollution (PRISM)	46,918	49,264	2,346	5%
Crime (ACIP) *	5,842	6,437	595	10%
Marine	56,079	58,883	2,804	5%
Travel Accident	2,500	2,500	-	0%
Deadly Weapons Response	9,286	10,519	1,233	13%
Total Program Cost:	5,104,960	5,199,970	95,009	2%

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Key Meeting Dates



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Recommendation

Information Item

