Cit of Glendale, AZ
State of the Market and Renewal Presentation

May 16, 2024

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Insurance Market & Financial Performance

Market Pressures…

Great Resignation & Quiet Quitting

Geo Political

Mass Shootings

Social Inflation/ Nuclear Verdicts & Legislation

Cyber Attacks

Ukraine & Middle East War/Conflicts

Q2 23 P/C industry combined ratio, net income at worst levels since 2011:

“While the aggregate industry balance sheet is strong enough to meet its contractual commitments and obligations to consumers and businesses, the ever-increasing challenges from claims cost and expense increases, extreme weather events, legal system abuse, and ongoing regulatory resistance to rate adequacy in a few jurisdictions, continue to have significant negative financial consequences for insures,” Robert Gordon, senior vice president of policy, research and international for APCIA.

Aging Infrastructure

Climate Change

Inflation

Natural Disasters

Supply Chain & Labor Shortage

Proliferation of “secondary” perils (SCS)

Market Conditions

Impactful issues for insureds:

Property

01

Property capacity reductions:
- Further reduction in capacity from incumbents
- Coastal, Earthquake and wildfire capacity continue to be especially difficult
- Very few new entrants into the commercial property sector

02

Insurers produced negligible profit in 2022 – Nearly **$125b in Global Insured CAT** losses in 2022 – **2nd** Worst Loss Year on Record.
- United States accounted for **75%** of global insured losses

03

Insured natural catastrophe losses exceeded **$100bn** for 2023, with SCS the largest driver, accounting for $70b of the total. This marks the **4th consecutive** year global losses have topped $100b.

04

Consistent **increases in attritional property losses** (fires, water damage, tornados, hail, wildfires) – are secondary perils ‘secondary’ anymore?

05

Inflation continues to add to the issue of **valuation across all property classes**

Liability

06

Liability capacity pull back and withdrawals have been significant over the past two years

07

Social inflation & Litigation Financing driving up liability verdicts and settlements

08

Excess Workers Compensation **remains stable, but retained layer may be experiencing increased claims volume**

Cyber

09

Cyber capacity has improved and creating stabilized terms and conditions

10

Ransomware cyber losses are systemic – **Expecting $10 Trillion by 2025**

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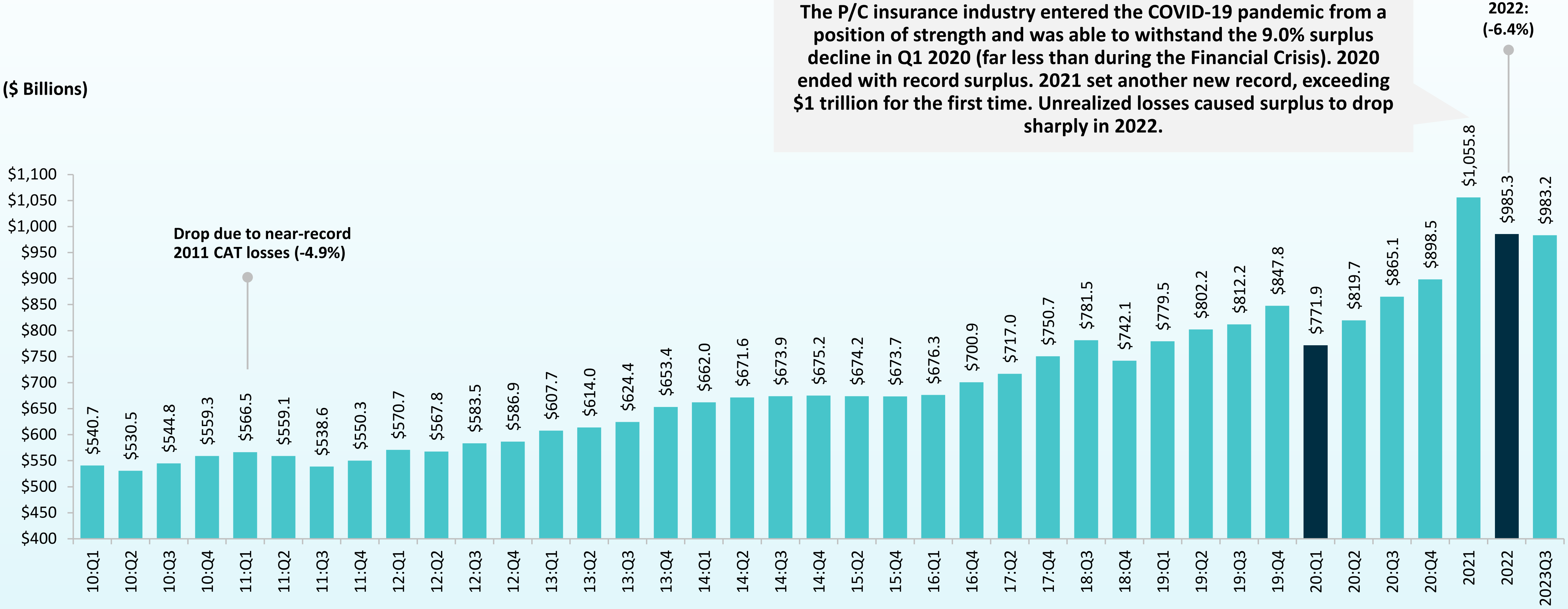
Policyholder Surplus (Capacity), 2010: Q1 – 2023: Q3

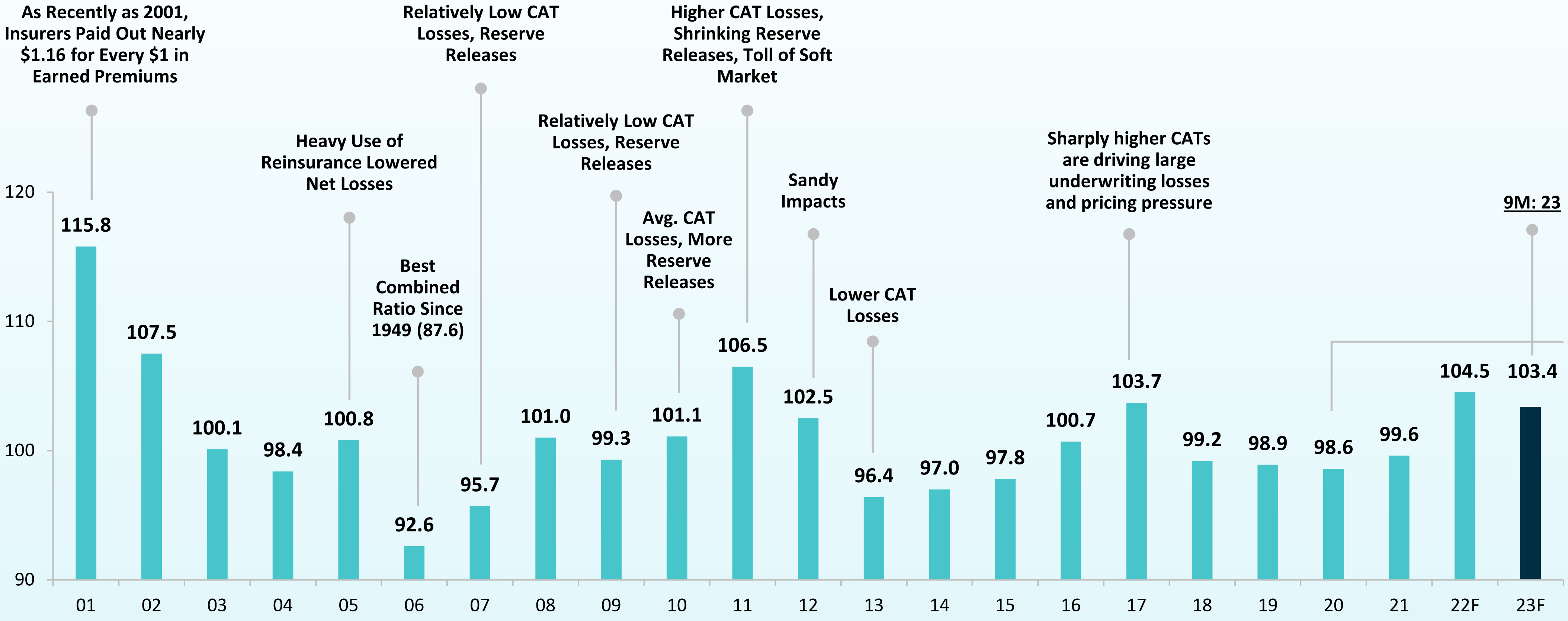
The P/C insurance industry entered the COVID-19 pandemic from a position of strength and was able to withstand the 9.0% surplus decline in Q1 2020 (far less than during the Financial Crisis). 2020 ended with record surplus. 2021 set another new record, exceeding $1 trillion for the first time. Unrealized losses caused surplus to drop sharply in 2022.



Policyholder Surplus is the industry's financial cushion against large insured events, periods of economic stress and financial market volatility. It is also a source of capital to underwrite new risks.

.Sources: ISO, A.M .Best, NAIC. Risk and Uncertainty Management Center, University of South Carolina.

P/C Insurance Industry Combined Ratio, 2001–2023 F*



COVID-19 has had no discernable *net* impact on pre-COVID expectations for the combined ratio in 2020;

-7.5 pts. due to CATs vs. 4.1 in 2019 (about twice avg.)

Pre-COVID 2020 Combined Ratio Est. 99.1 (A.M. Best)

Actual = 98

**Excludes Mortgage & Financial Guaranty insurers 2008–2014.
Sources: A.M. Best, ISO (2014-2024F).

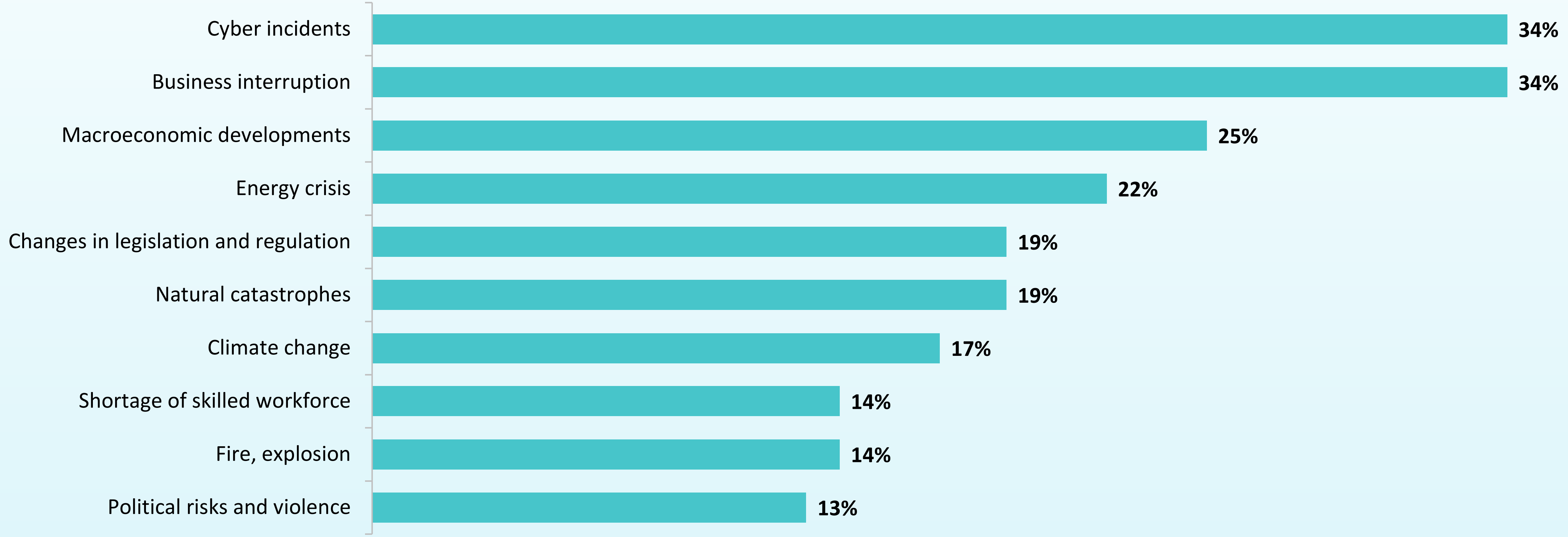
Loss Trends & Market Disruptors

What are Risk Manager’s Concerns?

The most important global business risks for 2023

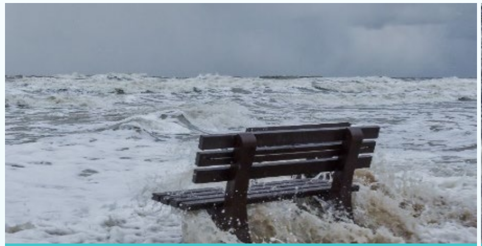
Alliance Risk Barometer 2023

The numbers represent the percentage of all participants who responded (2,712). The numbers do not add up to 100% because more than one risk could be selected.



Source: Allianz Global Corporate & Specialty

Recent CAT Losses



Flooding

2018-2022 – More than **10** severe flood events

$70.1b Economic Loss – only $20b insured

Hurricanes

2018-2022 **77** named storms

$470.7B+ in economic losses (US)

Hurricane Ida, Ian, Nicole & Idalia = **$95b?**

Hilary, first CA Tropical Storm since 1939

Wildfires

2018-2022 82 $1B+ Wildfire events

2021 Burned over **7m** acres

2022 = **7.5m** acres

$39B in insured loss, *8.68B in 2021 alone

17% increase from 2019 to 2021 in U.S. wildfires and a 223% increase since 1983

Tornado/Convective Storm

$71B in insured losses due to severe convective storm through 2023-year end ($60B in U.S.)

Accounted for nearly **58%** of all **global** Insured losses

SCS insured losses growing at a rate of **8.9%** since 1990

10 singular **$1B+** events

Winter Storms

Uri – 2021 Over **110** deaths associated

Estimated **$20B+** insured losses

Largest Q1 loss record

Elliott – 2022 Over **65** deaths associated

Estimated **$5.4B+** insured losses

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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 and 68% of firms are using it in 2021

Plaintiff Attorney Strategies
specialization and strategies have evolved to get larger verdicts and settlements.

Hyper Social Inflation
"A Texas jury awarded $300 billion to the family of a teen and her grandmother, who were killed in a 2017 crash with a drunk driver." This type of verdict is meant to send a message to others.

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 and man made chemicals (PFAS – new focus)

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The Makings of a Hard Market – Timeline

2016 is the height of a soft market.
Buyers and producers are happy, prices are low and companies compete to pay producers commission.

2022 we are in a hard market.
There is high demand for insurance coverage and low appetite to insure. Rates are high and coverage is difficult to find.

2017

2017
Costliest Year on Record for Natural Disasters
16 separate events, each causing damages in excess of $1B[1]

2017 Hurricane Season Ranks as Costliest Ever for U.S.

2017 California Wildfires

8/17/2017 Hurricane Harvey[2]
- 2nd costliest storm on record ($125B)
- Dumped approximately 29 trillion gallons of water on Texas and Louisiana

Harvey The 'Most Significant Tropical Cyclone Rainfall Event' in U.S. History

8/30/2017 Hurricane Irma
- Category 5
- 5th costliest storm on record ($50B)

9/16/2017 Hurricane Maria
- Category 5
- 3rd costliest storm on record ($90B)

2018

2018
Market Starts to Harden Due to Catastrophes
The market begins to harden and capacity constricts causing supply and demand issues for insurers

10/17/2018 Hurricane Michael
- Category 5
- 9th most costly storm on record ($25B)[3]

Hurricane Michael Is the Most Powerful Storm to Hit the Florida Panhandle on Record

2018 California Wildfires

8/31/2018 Hurricane Florence

2019

2019
The Rise of Social Inflation
The rising cost of insurance claims due to the impact of societal factors such as:
- An increase in litigated claims and larger jury awards
- Broader definitions of coverage by the legal system, such as pandemic insurance
- Use of Public Adjustors in the claims process
- Changing views of social responsibility

This all caused the losses from the 2017 and 2018 seasons to be much bigger than anticipated.

COVID-19 Global Pandemic
- Bigger losses than 9/11
- Uncertainty around full impact to the industry and the world

2020

2020
Rising Reinsurance Costs
Florida insurers seeing rate increases of at least 20% and as high as 60%

2020
Very Low Interest Rates
Very difficult to earn the investment return many carriers are dependent on, causing reduced risk appetite

2020 California Wildfires

2020 Colorado Wildfires

2020
Active Catastrophe Season
- Most active storm season on record
- Cost estimated to be over $30B for Hurricanes Isaias, Laura and Sally alone[4]

2020 Atlantic Hurricane Season Breaks All-time Record while Leaving the Gulf Coast Battered

8/10/2020 Midwest Derecho
Caused $7.5B in damage in just 14 hours and generated winds up to 140 MPH

2020
Global Insurance Market Starts to Harden

2021

2021
Another Active Catastrophe Season
with the second most disasters in a calendar year, behind 2020[5]
- Winter storm event in the deep south
- Extreme heat, drought and wildfires across western U.S.
- Hurricane Ida

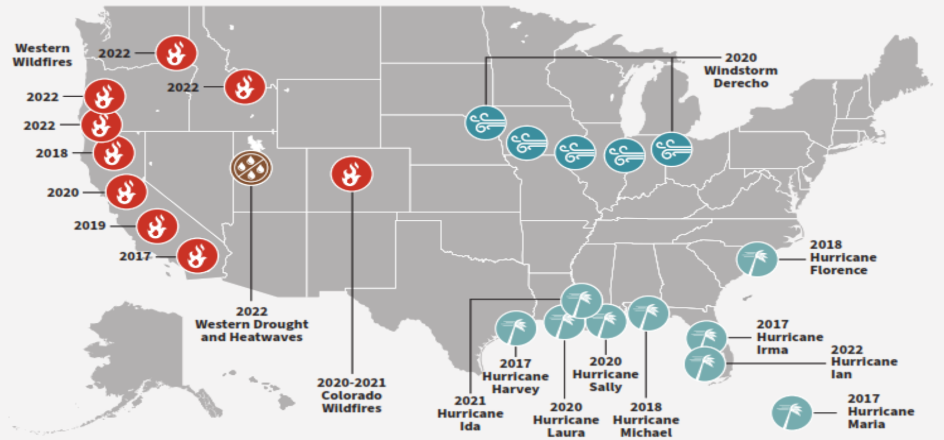
2022

2022
Rising Costs
Due to inflation, social inflation, undervaluation, and a lack of insurance capacity, creating a hard market.

9/2022 Hurricane Ian
- Category 4
- Estimated to exceed $50B in insured and uninsured losses[5]

Aftermath of Hurricane Ian, Fort Meyers, FL

2017-2022 Natural Disaster Locations



TIMELINE KEY
Nationwide (and worldwide)
2019-2022 Hardening Markets
2020-2022 COVID-19

icat a VICTOR company

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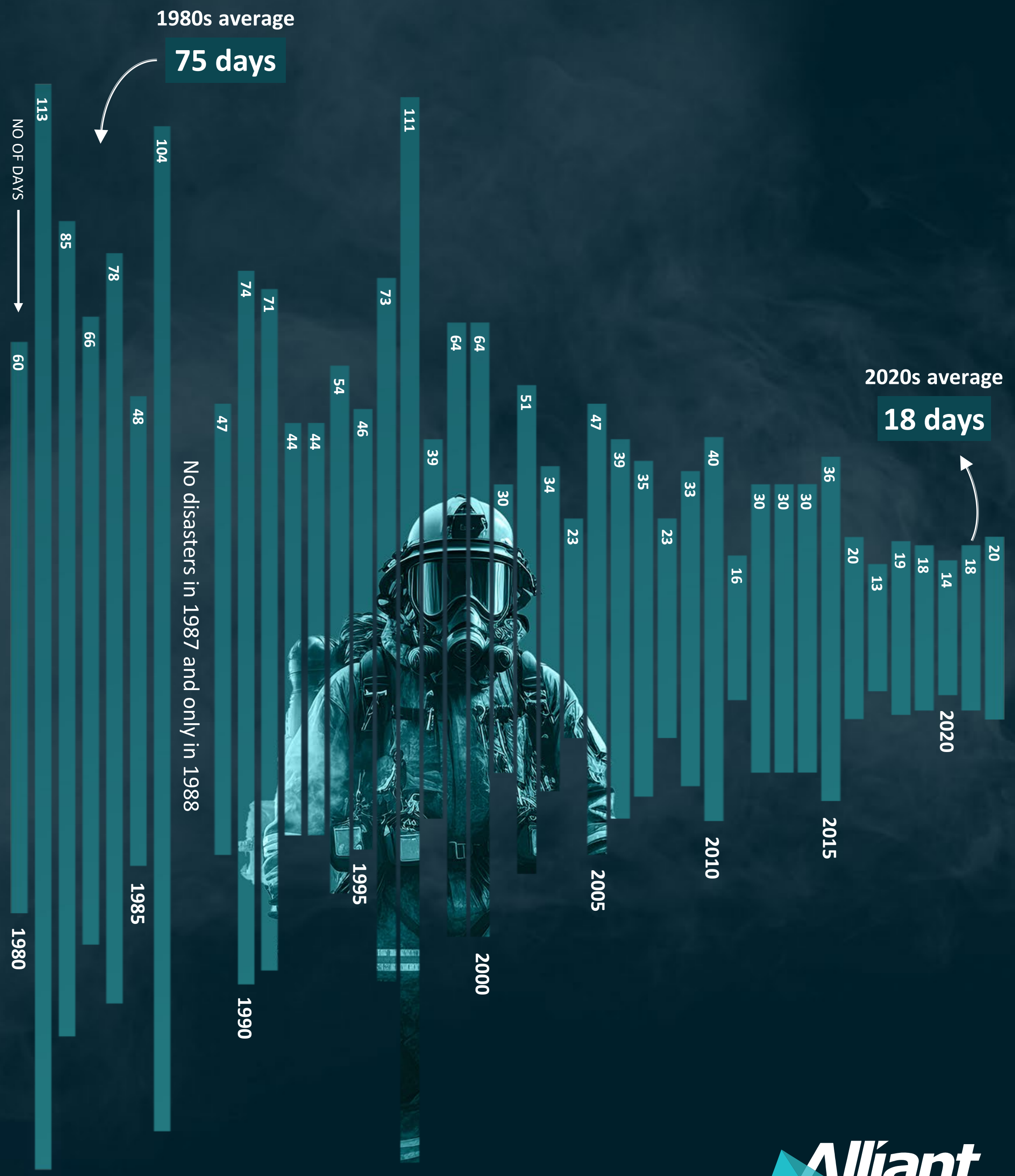
Days between billion-dollar disasters

Since the 1980s, the U.S. has faced more frequent climate disasters with every passing decade. Between 2020 to 2022, the average number of days between billion-dollar disaster events within one year dropped to just 18.

Billion-dollar disasters are events where overall damages/costs reached or exceeded $1 billion (including CPI adjustment to 2023).



Source: NOAA | PLANET ANOMALY

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Toward the Future

Property Renewal Outlook

Continued scrutiny of data (SOV, COPE, ITV with Increased Construction Cost)

- *Must go to market with a compelling narrative*

Increased retentions and caps on certain types of exposure

- *Windstorm & Severe Convective Storm*

Rate increases expected and highly dependent on Wind Season, Reinsurance Market and individual client losses

Underwriter submission activity remains high – imperative to engage early and access global market

- *For the first time in a number of renewal cycles, there are a few new markets writing in the property sector*
- *Many London markets are targeting premium growth in the 20-30% range, including increased rate on renewal business and inflation*

Regional Underwriting: Property markets are affected differently across the nation.

- *e.g., West: Wildfire/Earthquake, East: Hurricanes, Midwest: SCS, etc.*

Unknown impact of RMS v23

- *Atlantic wind model expected to show an average 5%-10% uplift to aggregate industry modelled losses –for some areas, could be as much as 20-30%*
- *The most significant changes are to the Florida/Gulf/Southeast areas and commercial exposures*
- *Most carriers, however, are still testing/trialling this version*
- *Anticipated influence on insurer aggregates and pricing likely not fully realized until early 2024*

Public Entity Space dislocation – leaving buyers underinsured

Liability Renewal Outlook

Excess liability continues to be a challenge

Specific Problem areas:

- Aggregate limits – Many carriers are looking to cap their exposure on pool programs
- Attachment point/Retentions are being closely examined
- Underwriter scrutiny on Law Enforcement and Sexual Abuse/Misconduct coverages
- Emerging Exclusions: PFAS, Biometric Identifiers, Legislative

Insurers reporting loss cost increases in the 10-15% rate. Pricing will be based on losses and jurisdiction

Engage incumbent carriers early to gain commitment on renewal. Seeking face time with underwriters for complex risks.

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Cyber Renewal Outlook

Leading insurers have indicated “We may have hit rate equilibrium”

2024 Forecast:

- 15% to 15% increases, at a minimum, for “good” risks and most starting much higher
- Lower overall capacity deployment
- Increased per-claim, self-insured retentions for poor security posture
- Potential coinsurance percentages added for ransomware
- Further reduction of ransomware limit

Requirement to evidence security posture:

- MFA 100%
- Data Backups
- Endpoint Detection
- Employee Education & Training Programs

Workers Compensation Leading Concerns

Rate Expectations: Account Specific

Trends to Watch:

- Increase in state legislative bills filed for Presumptive and PTSD benefits
- Opioid Epidemic
- Data analytics and AI emerging in claims handling
- Increased severity of workplace injuries
- Mental health exposures
- Medical marijuana
- Increasing Payroll's impact on premium

Wage Inflation's impact on premiums & Medical Expense Inflation

Underwriter Concerns: Per Occurrence exposure to CAT loss; rate adequacy; changes in the labor market

Remote Work: Out of State employees & impact on productivity and compliance

Investment Yield on Long Tail Coverage

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Glendale

ARIZONA

Property/Casualty Coverage overview and Budget for 2024/2025

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City of Glendale Presentation Overview

- Review of Current Insurance Programs
  - **Property**
  - **General Liability**
  - **Workers Compensation**
  - **Cyber liability**
  - **Ancillary Coverages**
- Renewal Strategy -Marketing
- Insurance Premium Budget Projections 24/25
- Parting thoughts on Insurance Renewals

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City of Glendale Property Overview

- **Replacement cost for physical damage**
- **Earthquake Coverage provided**
- **Flood Coverage including Zones A&V**
- **Automatic acquisition of new locations**
- **Blanket fine arts coverage**
- **Municipal bond and tax revenue interruption coverage**
- **Course of construction coverage**
- **Coverage for Misc./Unnamed locations**
- **Boiler and machinery (includes jurisdictional inspections)**
- ***Cyber liability limits up to $2M***
- ***Pollution limits up to $2M***
- **Built-in loss control and appraisals**

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Current Property Insurance Overview

Alliant Insurance Property Program (APIP)

2023/2024	Limits	24/25 Updates
Total Insured Values	$999,051,296	$1,057,880,174
Policy Limit	$1,000,000,000	$1,000,000,000
Deductible	$100,000 All Risk Deductible	$100,000 All Risk Deductible
Key Sub-limits:	Sub-limits:	Sub-limits:
Business Interruption	$100,000,000	$100,000,000
Course of Construction	$25,000,000	$25,000,000
Terrorism	$100,000,000	$100,000,000
Flood (Non High Hazard)	$75,000,000	$75,000,000
Flood (Flood Zone A&V)	$7,500,000	$7,500,000
Earthquake	$100,000,000	$100,000,000
Boiler and Machinery (APIP)	$100,000,000	$100,000,000
Cyber Liability (APIP)	$2,000,000 (APIP member limit)	$2,000,000
Pollution (APIP)	$2,000,000 (APIP member limit)	$2,000000
Expiring Premium	$1,783,110.36	

Current Earthquake and Flood Overview- in APIP

Current Coverage

- Coverage is provided through the APIP program
- Earthquake: $100,000,000 limits with a $100K deductible
- Flood: $75,000,000 Limits with a $250,00 all flood zones
- $7,500,000 Flood for Zones A&V with a $500,000 deductible

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General Liability

Coverage for damages to ***third parties*** arising out of the City' negligence includes:

- General Liability- *Occurrence*
- Law Enforcement Liability
- Automobile Liability
- Public Officials (Directors and Officers) Liability
- Employment Practices Liability

Current Glendale Excess Liability Limits Structure

$40M	Great American Assurance Company $5M xs $35M excess of $1M SIR
$36M	Navigators Specialty Insurance Company $10M xs $25M excess of $1M SIR
$26M	StarStone Specialty $5M xs $20M excess of $1M SIR
$21M	Allied World Assurance Co. (U.S.) Inc. $10M xs $10M excess of $1M SIR
$11M	The Princeton Excess and Surplus Lines Insurance Company $5M xs $5M excess of $1M SIR
$6M	Safety National Casualty Corporation $5M excess of $1M SIR
$1M	*$1,000,000 Retention*
	Total Annual Premium $2,031,898.28 Including Taxes/ Fees ****Limits shown do not reflect the applicable Policy Aggregates for each layer participant***

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Current Excess Workers' Compensation Coverage Overview

- Coverage for injuries to employees while in the course and scope of employment

▪ Insurance Carrier	Safety National	
▪ Limits	Statutory	
▪ Employers Liability Limit	$	5,000,000
▪ *Current Retention*	*$*	*2,000,000*
▪ *Presumptive Retention*	*$*	*2,500,000*
▪ Payroll at Binding	$	*160,052,353*
▪ *Expiring Premium*	*$*	480,477

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Glendale's Cyber Liability Coverage	23/24 LIMITS STRUCTURE
Part of APIP Cyber Program (Lloyd's of London Beazley Syndicate) *Limits are Shared among all members*	**$45,000,000 Annual Policy and Program Aggregate Limit of Liability for all members combined**
	$2,000,000 maximum limit, per occurrence, each member
Coverage Includes:	Breach Response Costs, Business Interruption, Cyber Extortion, Data Recovery Costs, Dependent Business Interruption, Data & Network Liability, Regulatory Defense & Penalties, Sub-limits Include: Fraudulent Instruction, Funds Transfer Fraud, Telephone Fraud, Computer Hardware replacement costs
Retention:	***$500,000, Per Occurrence for each Insured***
	Premium Included in APIP Cost
APIP -Beazley Breach Response Services (BBR) Cyber Enhancement Option (Beazley)	Notified Individuals- Includes any notification Services, call center services, credit & identify monitoring, and Beazley Breach Response Services
	Limits Purchased: 250,000 Notified individuals
	Retention: 100 Notified individuals
Excess Cyber $3M Excess of $2M with Liberty Surplus	**Dedicated Excess Limits $3M**
	Limits are excess of APIP Cyber and drop down to become primary dedicated limits should APIP aggregate layer be exhausted
Excess Cyber $2M excess of $5M	**$2,000,000 Dedicated Limits (excess of $5M)**
Total Cyber Limits $7M	

Crime Insurance Overview

CURRENT CRIME COVERAGE	LIMITS
National Union Fire Company of Pittsburgh	$10,000,000
Coverage Includes: Employee Theft – Per Loss Coverage including Faithful Performance of Duty	Sub-Limits/Endorsements:
Forgery or Alteration - including Credit, Debit, or Charge Card Forgery	Revision of Discovery and Prior Theft or Dishonesty $25,000 Sub-Limit.
Inside the Premises – Theft of Money and Securities	Include Expenses Incurred to Establish Amount of Covered Loss - $75,000 Sub-limit
Inside the Premises – Robbery & Safe Burglary of Other Property	Employee Post Termination Coverage – 90 Days
Outside the Premises	Bonded Employees Exclusion Deleted endorsement
Computer Fraud	• Add Faithful Performance of Duty Coverage for Government Employees – Employee Theft Per Loss Limit
Retention:	$50,000
Total Annual Premium	**$30,750**

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Current Miscellaneous Insurance Policies Overview

	Policies	LIMITS
Airport Owners' and Operators' Liability	**Airport Owners' and Operators' Liability (Chubb Insurance)**	$25,000,000 Limits with No Retention
	Coverages Include	Bodily Injury, Property Damage, Hanger Keepers, Non Owned Aircraft, Products Completed (Aggregate), Medical Expenses, Personal Injury and Advertising Injury
Drones	**Drone Liability coverage**	The City owns and insures 34 for liability coverage for $1M in limits.
Fiduciary	**Fiduciary Liability (Hudson Insurance)**	$5,000,000 in Aggregate Limits
		Glendale Section 457 Deferred Compensation Plan - 98742-00
		Protects fiduciaries against mismanagement of an employee benefit plans, or plan assets.
	Coverages Includes	Includes Defense Costs, and sub-limits for HIPPA and HITECH Fines & Penalties, Compliance Fees, Settler Coverage, Waiver of Recourse
Special Liability Insurance Program (SLIP)	**Special Liability Insurance Program (SLIP)**	*Location Covered: Regional Public Safety Training*
		$2,000,000 Per Occurrence, $1,000,000 Fire Damage Liability Sub-limit
	Coverages Include s	General Liability, Personal Injury (Including Bodily and Property Damage), Fire Damage Liability, Non-Owned and Hired Automobile

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City of Glendale Renewal Strategy

Marketing Process:

- ***Property-*** Glendale is expected to receive a lower rate increase for their property renewal than expiring. The APIP program includes property for buildings, contents, auto, equipment breakdown, cyber and pollution coverage. Alliant has conducted a soft marketing of each coverage the last few years and premiums have been higher once each coverage, and premium is broken out separately than they would be as a package in APIP.
- ***General Liability*** – Alliant went to the market to find a replacement to Allied World Insurance Co (AWAC) as their premium increased by more than 200% over expiring. AWAC currently participates in the $10M excess of $10M layer. Alliant was able to find replacement to the layer participation by adding two new carriers to replace AWAC. Bowhead and Upland will each put up $5M in limits to make up the $10M layer. We are also working with PRISM for an alternative $5M limit that can take over if the pricing and coverage makes sense.

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Glendale Renewal Budget Projections 2024/2025

Current Line of Coverage	Renewal Date	Carrier (s)	2023/2024 Program Cost (Annual)	Estimated % Change	2024/2025 Estimated Cost
Alliant Property Insurance Program (APIP) Includes Property, Boiler & Machinery, Earthquake, Flood, Auto, Cyber Liability, and Pollution Liability coverages	7/1/2024	Various Including - Lexington	$1,783,110.36	24.24%	$2,215,270.30
BBR -Cyber Enhancement over APIP for Notified Individuals- (250,000 Notified Lives) + Cyber Excess Solutions $3M XS $2M	7/1/2024	Beazley-Lloyds	$280,704.00	10.00%	$308,774.40
Excess Cyber $2M XS $5M ($7M total limits)	7/1/2024	Liberty Surplus Insurance Corporation	$186,121.20	10.00%	$204,733.32
Excess Liability $1M SIR with $40M Excess Policy Limits *(Note, 24/25 Renewal SIR will be $2M)*	7/1/2024	1. $ 5M Safety National 2. $5M X $5M Princeton 3. $10M X $10M AWAC 4. $ 5M X $20M StarStone 5. $10M X $25M Navigators 6. $ 5M X $35M Great-American	$2,031,898.28	27.60%	$2,592,628.96
Alliant Crime Insurance Program (ACIP)	7/1/2024	National Union Fire Insurance Company (AIG)	$30,750.00	17.00%	$35,977.50
Fiduciary Liability	7/10/2024	Hudson Insurance Company	$15,564.00	20.00%	$18,676.80
Airport Liability Airport Owners' and Operators' Liability	7/1/2023-7/1/2026	ACE Property and Casualty Insurance Company (Chubb)	$14,393.00	N/A	$14,393.00
Drone Liability (*from 23 drones to 34*)	7/1/2024	Starr Companies	$18,750.00	32.00%	$24,750.00
Premises Pollution Liability	8/15/2023-8/15/25	Fireman's Fund Indemnity Corporation	$72,483.55	-100.00%	
Special Liability Insurance Program (SLIP) Regional Public Safety Training Center	9/29/2024	Great American E&S Insurance Company	$6,793.97	10.00%	$7,473.37
TOTAL Cost (not including WC)			**$4,440,568.36**	**22.12%**	**$5,422,677.65**
Excess Workers' Compensation and Employer's Liability	7/1/2024	Safety National Casualty Corporation	$480,477.00	11.26%	$534,575.00

Parting Thoughts on 2024/2025 Insurance Renewals

- Rates will continue to rise for both property and liability as limits/capacity decrease. Alliant will continue to work closely with the City to review coverages and options for each line of coverage as needed.

- Public agencies with a history of or exposure to large verdicts and liability settlements will continue to see increases and the marketplace for coverage will continue to retract.

- Dramatic price increases and reductions in coverage can be expected in the casualty market, as Law Enforcement claims put municipalities in the spotlight.

- Aging Public Entity infrastructure, undervalued locations, and lack of updates on older buildings, will continue to be a concern to the carriers.

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Thank you!

Questions?