SAN DIEGO HOUSING COMMISSION
SDHC

Item 100

EXECUTIVE SUMMARY

HOUSING COMMISSION
EXECUTIVE SUMMARY SHEET

MEETING DATE: March 4, 2022 HCR22-016

SUBJECT: 2022-2023 Procurement of Property Insurance Coverage

COUNCIL DISTRICT(S): Citywide

ORIGINATING DEPARTMENT: Business Administration

CONTACT/PHONE NUMBER: Suket Dayal (619) 578-7608

REQUESTED ACTION:
Authorize the San Diego Housing Commission to procure and bind property insurance coverage from Public Risk Innovation, Solutions, and Management (PRISM) in an amount not to exceed $927,000 plus 5 percent as a contingency reserve with effective dates of March 31, 2022, to March 31, 2023.

EXECUTIVE SUMMARY OF KEY FACTORS:
- The San Diego Housing Commission (Housing Commission) procures its property insurance coverage from the Public Risk Innovation, Solutions, and Management (PRISM) insurance pool.
- 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 harder to find).
- The worldwide property market has seen significant natural disasters. California has experienced unprecedented wildfire activity over the last four years, including the largest, deadliest, and costliest wildfires in State history. These events have impacted the market's surplus, capacity and available reinsurance, pushing the industry into a hardening market for consumers.
- In 2020, PRISM had its highest-incurred property claims in the program's history. As a result, the PRISM Program increased rates this year, in the range of 25-35 percent.
- The degree of rate increase to each individual member will vary within an established range dependent upon the 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.
- The Housing Commission's five-year loss ratio is attributable to a several major fires and to a number of significant water damage incidents taking place at Housing Commission-owned properties in the last five years. The information the Housing Commission has received about these incidents indicates that they were not caused by any structural issues with the properties; the majority involved situations specific to the tenants at the properties at the time of the incidents.
- The Housing Commission's loss ratio is high (80 percent); though for the 2021-2022 policy year, the Housing Commission is trending around 50 percent due to the higher premium received during the last renewal. Therefore the Housing Commission received the proposal on the midpoint of the 25-35 percent range (29 percent).
- In early January, PRISM provided the Housing Commission with a preliminary premium estimate of $927,000 for the 2022-2023 policy year.
- The proposed funding sources and uses proposed for approval by this action were approved in the Fiscal Year (FY) 2022 Housing Authority-approved Budget.

SAN DIEGO HOUSING COMMISSION
SDHC

Item 100

REPORT

DATE ISSUED: February 24, 2022 **REPORT NO**: HCR22-016

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of March 4, 2022

SUBJECT: 2022-2023 Procurement of Property Insurance Coverage

COUNCIL DISTRICT: Citywide

REQUESTED ACTION
Authorize the San Diego Housing Commission to procure and bind property insurance coverage from Public Risk Innovation, Solutions, and Management (PRISM) in an amount not to exceed $927,000 plus 5 percent as a contingency reserve with effective dates of March 31, 2022, to March 31, 2023.

STAFF RECOMMENDATION
That the San Diego Housing Commission (Housing Commission) authorize the procurement and binding of property insurance coverage for the Housing Commission from Public Risk Innovation, Solutions, and Management (PRISM) in an amount not to exceed $927,000 plus 5 percent as a contingency reserve with effective dates of March 31, 2022, to March 31, 2023.

SUMMARY
The Housing Commission currently procures its property insurance coverage from PRISM insurance pool through a contract awarded based on competitive marketing of the Housing Commission's coverage in 2017 by its insurance broker, Alliant Insurance Services (Alliant). The marketing process resulted in five bids received, and PRISM was determined to provide the most comprehensive and lowest price coverage available.

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 managements handling. 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.

In 1979, 29 California counties, formed PRISM, previously known as the California State Association of Counties Excess Insurance Authority, for the sole purpose of finding cost-effective insurance and risk management solutions. Today, 52 of the 58 counties in California participate. Later, membership was offered to cities and to other non-county public entities, such as housing authorities, public authorities, educational organizations, fire districts, etc., tasked with supporting the public.

The Housing Commission has been a long-time member of the PRISM's Property Program, which is one of the largest public entity property placements worldwide, joining in conjunction with San Diego County on June 13, 1993. This group purchase program has been highly successful over the years in providing extremely broad coverage and substantial limits (including more combined California earthquake limits than purchased by any other entity). The PRISM Program is summarized in Table 1 below.

Table 1:

PROPERTY PROGRAM SUMMARY

Program	Public Risk Innovation, Solutions, and Management (PRISM)
Type of Insurance	All Risk, including Flood, Earthquake and Boiler & Machinery
Number of Members	110 Members, including 52 counties and 58 other public entities
Policy Period	March 31, 2022, to March 31, 2023
Excess All Risk Limit	$600 Million
Total Insured Values	$90 Billion

Prior to 2017, the property insurance market was in a "soft" market cycle that allowed consumers to take advantage of extremely competitive pricing and expanded terms and conditions. However, beginning in 2017, increases in attritional losses along with historically severe catastrophe claims resulted in carriers collecting insufficient premium to cover the surging claims. In addition, these events have impacted the market's surplus, capacity, and available reinsurance, pushing the industry into a hardening cycle for consumers.

The property market 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 $100 billion dollars.

The third-costliest year for natural catastrophe losses in history was 2018. 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, the State has experienced the largest, deadliest, and costliest wildfires in its history. Seven of the largest wildfires in State 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 $5 - $9 billion.

- Deadliest fire: Camp Fire, November 2018 – nearly 19,000 structures destroyed and 85 lives lost. Total insured losses are estimated at $10.2 billion dollars.

- Costliest fire(s): In the last three years, the top five 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 $30 billion dollars.

The fifth-costliest year on record for insured catastrophe losses was 2020. Insured losses are currently estimated at $83 billion. This is in addition to the COVID-19 pandemic, unprecedented civil unrest, and adverse loss development.

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 occurring within the PRISM Program.

In 2020, PRISM had its highest-incurred property claims in the program's history. Currently, 2020/21 PRISM losses are estimated at $96 million, compared to an average of $46 million over the last five years. Higher-than-normal claims within the program can largely be attributed to the wildfires within California, which account for almost 60 percent of the loss dollars. At the same time, the worldwide insurance market continued to sustain significant catastrophe losses along with the additional challenges brought on by the COVID-19 pandemic. The increased reinsurance costs, aggressive litigation trends, and adverse claim development trends have further aggravated the property market. As a result, carriers have become more risk averse, offering up restricted capacity at increased pricing. Unlike previous hard market cycles, significant new capital is not entering the market, which would provide the competition needed to soften the market.

In 2021, PRISM losses are expected to be only slightly above average. Additionally, carriers’ underwriting discipline over the last several years is generally resulting in profitable portfolios, and therefore more favorable renewals are being offered. Barring major events within the PRISM Program and in the worldwide market, Housing Commission staff expects that the average rate increase will be lower than 2021/22.

In early January, PRISM provided the Housing Commission with a preliminary premium estimate of $927,000 for the 2022-2023 policy year. The 29 percent premium increase directly corresponds to the hardening of the insurance market, industry natural catastrophe and non-catastrophe loss experience, growing total insured values (TIV), recent property acquisitions and the Housing

Commission's claims experience.

Businesses, organizations and public entities with commercial property and liability policies are expected to maintain adequate loss ratios. Otherwise, they may face premium increases and cancellations. To determine if and for what amount a premium increase is warranted, carriers review claims history and loss ratios for the current year plus the past five years. In general, for PRISM's Property Program, loss ratio below 55 percent means low future risk. Loss ratio above 55 percent means high future risk. The Housing Commission's five-year loss ratio is 80 percent; therefore, the Housing Commission is considered to be a high-risk entity. The growing total insured values and rate/loss ratios are summarized in Table 2 and Table 3 below.

Table 2:

INCREASE OF TOTAL INSURED VALUES SUMMARY

	2021 - 2022	**2022 - 2023**	**Change**
Housing Commission's Total Insured Values	$388.4 M	$429.5 M	$41.1 M
CSAC EIA's Total Insured Values	$80 B	$90 B	$10 B

Table 3:

CURRENT YEAR + FIVE YEAR RATE/LOSS RATIO SUMMARY

Policy year	**Premium**	**Claim**	**Difference**	**Loss ratio**
2016 - 2017	289,092	150,328	138,764	52%
2017 - 2018	298,963	361,745	(62,782)	121%
2019 - 2020	341,991	471,948	(129,957)	138%
2020 - 2021	429,320	352,843	139,477	82%
2021 - 2022	720,226	335,195*	385,031	47%*
5-Year Total	**$2,079,592**	**$1,672,059**	**$407,533**	**80%**

** Estimate as of 1/31/2022*

The Housing Commission's five-year loss ratio is attributable to a several major fires and to a number of significant water damage incidents taking place at Housing Commission-owned properties in the last five years. The information the Housing Commission has received about the above mentioned incidents indicates that they were not caused by any structural issues with the properties; the majority involved situations specific to the tenants at the properties at the time of the incidents.

In conclusion, the worldwide property market has seen significant natural disasters, including the devastating wildfires that have hit California. California has experienced unprecedented wildfire activity over the last four years including the largest, deadliest, and costliest wildfires in State history. These events have impacted the market's surplus, capacity and available reinsurance, pushing the industry into a hardening market for consumers. This trend is impacting all insurance buyers, including public entities, such as counties, cities and housing authorities, particularly in California.

In 2020, PRISM had its highest-incurred property claims in the program's history. As a result, the PRISM Program increased rates this year, in the range of 25-35 percent. The degree of rate increase to each individual member will vary within an established range dependent upon the 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. The Housing Commission's loss ratio is high (80 percent); though for the 2021-2022 policy year, the Housing Commission is trending around 50 percent due to the higher premium received during the last renewal. Therefore the Housing Commission received the proposal on the midpoint of the 25-35 percent range (29 percent).

PRISM's Property Program size is an advantage. A positive for PRISM members is that the size of the program creates stability and offers economies of scale that could not be realized without being in a large pool. Because of its size, PRISM is able to leverage the volume of capacity being purchased to benefit all program members.

As a self-insurance pooling joint powers authority, PRISM is expected to fare better than the market and public agencies trying to endure a hard market on their own. Shopping as an individual entity with large losses is extremely difficult, especially in California.

While PRISM attempts to be conservative with a preliminary premium estimates, the number on the estimate is not a not-to-exceed amount. Therefore, Housing Commission staff added 5 percent as a potential contingency reserve because the amount to be approved by the proposed action is defined as a not-to-exceed amount.

PRISM will be providing their final premiums after March 4, 2022; however, the premiums are not expected to exceed the amounts provided in Table 4 below. However, large catastrophic events or economic downturn prior to the March 31, 2022, renewal could impact the property insurance marketplace, resulting in further hardening of the market and potentially resulting in premiums that vary from this estimate.

Table 4:

	2021 -2022	**2022- 2023**	**Inc. /Dec. (%)**
Premium	$720,226	$927,000	29%
5 percent Contingency Reserve		$46,350	
Total		**$973,350**	

FISCAL CONSIDERATIONS

The proposed funding sources and uses proposed for approval by this action were approved in the Fiscal Year (FY) 2022 Housing Authority-approved Budget. Approving this action will not change the FY 2022 Total Budget. Funding sources for the portion of the policy year from July 1, 2022, to March 31, 2023, will be budgeted in FY 2023.

EQUAL OPPORTUNITY/CONTRACTING

PRISM is a nonprofit, member-directed, risk-sharing pool of public agencies and is not subject to the requirement to submit a Workforce Report.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

On March 5, 2021, the Housing Commission Board of Commissioners unanimously authorized the Housing Commission to procure and bind property insurance coverage with PRISM for the period of March 31, 2021, to March 31, 2022 (Report No. HCR21-024).

ENVIRONMENTAL REVIEW

The purchase of insurance is not a project as defined by the California Environmental Quality Act Section 21065 and State CEQA Guidelines Section 15378(b)(5), as it is an administrative activity of government that will not result in direct or indirect physical changes in the environment. The determination that this activity is not subject to CEQA, pursuant to Section 15060(c)(3), is not appealable and a Notice of Right to Appeal the Environmental Determination (NORA) is not required. The Fiscal Year 2022 Budget which funds this purchase received NEPA approval from the City of San Diego on 7.9.2021.

Respectfully submitted,

Mariangela Patruno

Mariangela Patruno
Moving to Work Program Administrator
Rental Assistance Division

Approved by,

Jeff Davis

Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments:

1. 2022 Insurance Summary
2. 2022 Property Market Overview

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

Attachment 1

2022 INSURANCE SUMMARY

Policy	Carrier	Effective Date	Premium	Limits	Deductible/Retention	Description of Coverage
Property	CSAC EIA	03/31/2022	$341,991	$25,000,000	$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	07/01/2021	$5,614	$2,000,000		Provides coverage for losses that arise as a result of alleged errors or omissions or breach of fiduciary duties.
Pollution	CSAC EIA	07/01/2021	$1,858	$10,000,000	$75,000	Provides coverage for pollution conditions and includes 1st and 3rd party coverages.
Master Crime	CSAC EIA	07/01/2021	$8,259	$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	Travelers	07/01/2021	$21,256.50	$5,000,000		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 - Excess Liability	Travelers	07/01/2021	$17,113.05	$20,000,000		Provides excess coverage specific to the Smart Corner location and follows the primary liability placement.
General Liability	HARRG	07/01/2021	$206,888	$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	Travelers	07/01/2021	$38,736.20	$1,000,000	$1,000	Provides comprehensive and collision. Liability and all other coverages such as medical payments and physical damage.
Excess Auto	Travelers	07/01/2021	$9,967.95	$9,000,000	$0 Deductible at $1,000,000 attachment point	Provides excess auto coverage following the primary auto placement.
Cyber	CSAC EIA	07/01/2021	$2,416	$2,000,000	$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	CSAC EIA	07/01/2021	$25,575	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	Stratford Insurance Company	12/08/2021	$89,981	$5,000,000	$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	$28,950.90	$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
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	10/04/2021	$3,380	$250,000 building	$2,000 building and contents	Provides mandated flood (NFIP) coverage for the 5077 ½ Muir Ave location.
Flood - 3051 54th Street	Hartford Insurance Company	08/07/2021	$883	$350,000 building $20,000 contents	$1,000 building and contents	Provides mandated flood (NFIP) coverage for the 3051 54th Street location.
Workers' Compensation	CHWCA	01/01/2022	$709,548	$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.

Attachment 2

PRISM
Public Risk Innovation, Solutions, and Management

December 20, 2022

To: Property Program Members

From: Gina Dean, CEO

Re: State of the Property Market

As many of you are aware, the property insurance market has been challenging for a few years. Although we are not seeing signs of the market significantly softening just yet, we are expecting that the 2022/23 renewal will be more favorable than 2021/22.

I want to take this opportunity to provide some background information on the state of the market and the status of the PRISM Property Program. I have also attached talking points that we hope you will find useful in communicating this reality to the stakeholders within your organization.

<u>Background</u>

Prior to 2017, the property insurance market was in a "soft" market cycle that allowed consumers to take advantage of extremely competitive pricing and expanded terms and conditions. However, beginning in 2017, increases in attritional losses along with historically severe catastrophe losses resulted in carriers collecting insufficient premium to cover the surging claims. These events impacted the market's surplus, capacity, and available reinsurance, and pushed the industry into a hardening cycle for consumers.

In 2020, PRISM had its highest incurred property claims in the Program's history. Currently, 2020/21 PRISM losses are about at $96M, as compared to an average of $46M over the last five years. Higher than normal claims within the Program can largely be attributed to the wildfires within California, which account for almost 60% of the loss dollars. At the same time, the worldwide insurance market continued to sustain significant catastrophe losses along with the additional challenges brought on by the COVID-19 pandemic. The increased reinsurance costs, aggressive litigation trends, and adverse claim development trends have further aggravated the property market. As a result, carriers have become more risk adverse, offering up restricted capacity at increased pricing. Unlike previous hard market cycles, there is not significant new capital entering the market, which would provide the competition needed to soften the market.

In 2021, PRISM losses are tracking to be only slightly above average. Additionally, carriers' underwriting discipline over the last several years is generally resulting in profitable portfolios and therefore more favorable renewals are being offered. Barring no major events within the PRISM Program and in the worldwide market, we expect that the average rate increase will be lower than those of 2021/22.

PRISM's Renewal Strategy

PRISM has always been, and continues to be, proactive in managing the Property Program, which continues to be one of the largest public entity property placements worldwide. Currently, the Program has about 110 members and approximately $90B in total insured values. We have increased marketing efforts to secure the best possible outcome for the upcoming Property Program renewal. This year, the Property Committee is investigating self-funding the primary $10M of the Program due to increased cost and reduced coverage offered by AIG. It is expected that self-funding will provide members continued stability and a more competitive Program.

The Property Program is currently structured with a primary $10M insured layer, above which excess layers of coverage are placed. Exposure is allocated among separate "towers" to diversify the risk geographically and by building type. The unique structure of the Program and its risk sharing features have afforded members higher loss limits, reduced costs, and coverage stability. These program features are expected to be maintained if PRISM self funds the primary $10M.

Because of the model we have built, our Property Program will fare better than the market and certainly better than for public agencies trying to endure a hard market on their own. However, members should still expect rates to increase based on the trends, capacity within the industry, and the Property Program's loss experience last year.

If we have learned from history, we know that joint powers authorities (self-insurance pooling) have been the answer to turbulent markets. By staying the course, we will all benefit from our economies of scale, our partnership with markets, and our sharing of best practices to help manage risk.

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 $100 Billion 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 3 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 $5 - $9 Billion.
    - Deadliest fire: Camp fire, November 2018 – nearly 19,000 structures destroyed and 85 lives lost. Total insured losses are estimated at
      $10.2 Billion dollars.
    - Costliest fire(s): In the last 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 $30 Billion dollars.

  - 2020 was the fifth costliest on record for insured catastrophe losses and is currently estimated at $83 Billion 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.

- **Member rates will increase in 2022.** Rate increases are expected to be more moderate in 2022 than increases to the Program in 2021. 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 considers 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 more moderate rate increases. 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. Shopping as an individual 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 can leverage the volume of capacity we purchase 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 joint powers authorities (self-insurance pooling) have been the answer to turbulent markets. By staying the course, we will all benefit from our economies of scale, our leverage in the insurance markets, and our sharing of best