CORAL GABLES INSURANCE & RISK MANAGEMENT ADVISORY BOARD

Minutes of January 18, 2024, 8:00am
2151 Salzedo Street, 4th Floor Assistant Chief Conference Room
Coral Gables, FL 33134

MEMBERS	J 18	F	M	A	M	J	J	A	S	O	N	D	APPOINTED BY
Paul Susz	P												Mayor Vince Lago
Roberto C. Lasa	P												Vice Mayor Rhonda Anderson
Nicolas Cabrera	P												Commissioner Melissa Castro
Marilu Madrigal	E												Commissioner Kirk Menendez
Chris Kelly	E												Commissioner Ariel Fernandez

STAFF:
Raquel Elejabarrieta, Director Labor Relations & Risk Mgt

GUESTS:
Maria Perez, Arthur J. Gallagher*

A = Absent
E = Excused Absence
P = Present
- = No meeting
* = Appeared Via Zoom

PUBLIC GUEST:

RECORDING SECRETARY:
Ericka Sanchez, Administrative Assistant

OPENING:

Director Elejabarrieta opened the meeting. Meeting was called to order at 8:05 am.
In person Quorum was reached. Board attendance was completed. A brief introduction and welcome to all new board members present. As well as City of Coral Gables Insurance Board Team and Arthur J. Gallagher Team participating via Zoom.

MINUTES APPROVAL:

No Meeting minutes for review.

SECRETARY'S REPORT: None

BOARD MEMBERS REPORTS: None

NEW BUSINESS:

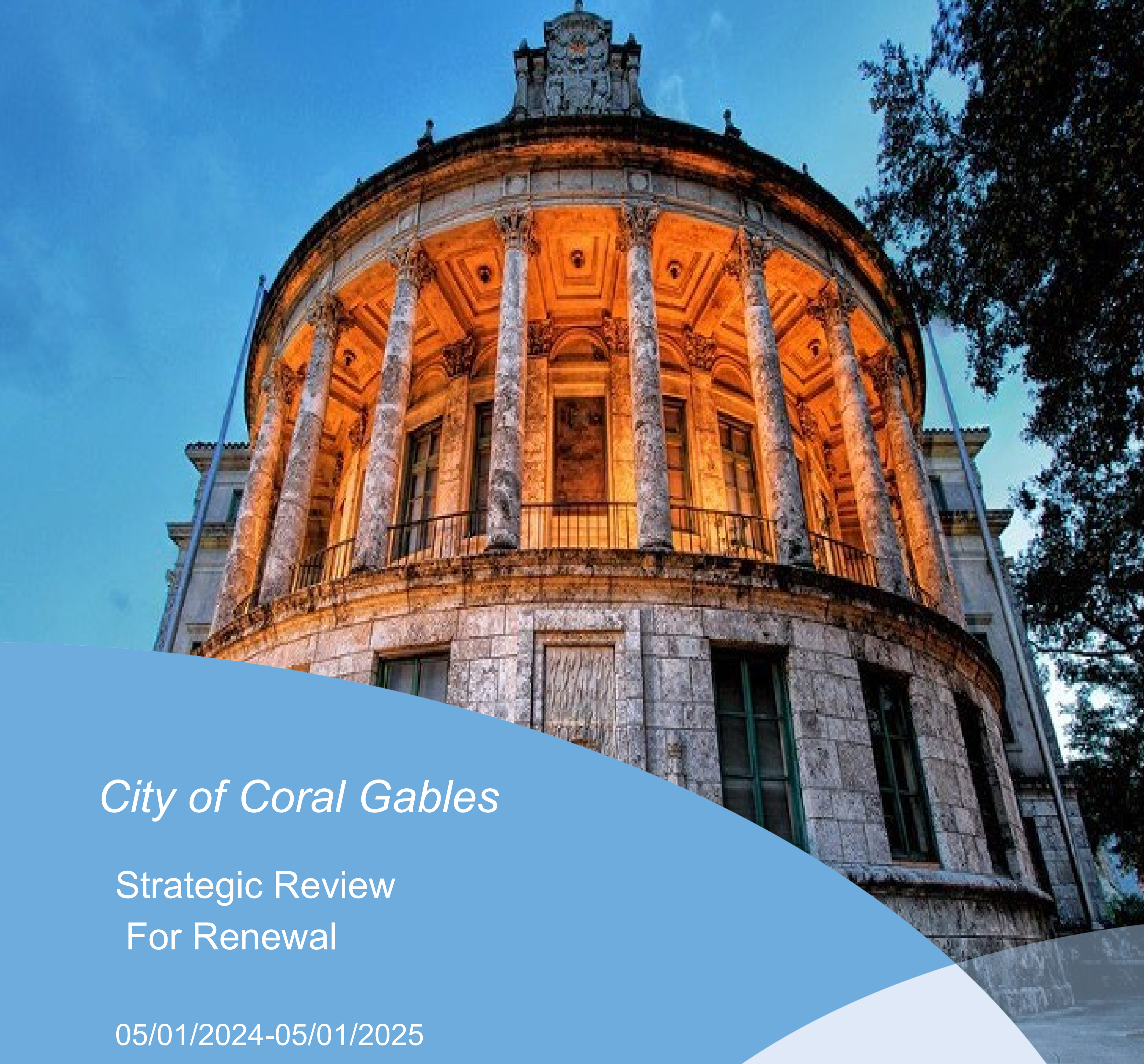
Insurance Renewal – Arthur J. Gallagher

Ms. Perez started the discussion with a general review of the "Strategic Review for Renewal (Exhibit 1)" document. Maria Perez review page 5 (Insurance Premiums/Last Year's Results), Page 13 (City of Coral Gables Core Program / Existing Program Structure), Page 15 (Renewal Time / 2024 City of Coral Gables Property and Casualty Insurance Program Renewal Timeline as of 01/10/2024) in-depth to provide a general overview of the key points that will be discussed this upcoming fiscal year 2023 - 2024. Board chose the new chair for this fiscal year, Paul Susz. The Board suggested a workshop for all members to attend.

OLD BUSINESS: NONE

MEETING ADJORNED:
Motion by: Paul Susz / 2nd Motion: Rob Lasa at 9:01 a.m.

Exhibit 1



City of Coral Gables

Strategic Review For Renewal

05/01/2024-05/01/2025

Arthur J. Gallagher & Co.

Maria Perez | Area Senior Vice President
Maria_Perez@ajg.com | 305.639.3136

Ampy Jimenez | Area Vice President
Ampy_Jimenez@ajg.com | 305.716.3293

November 20, 2023

Gallagher CORE360

Gallagher

Insurance | Risk Management | Consulting

ajg.com

Table of Contents

Overview

Thank you for the opportunity to present this Strategic Review. The purpose of the report and this meeting is to set the stage for your upcoming Property & Casualty renewals. The intent of our **CORE**360® approach is to help you optimize your total cost of risk, thereby improving your profitability, and this discussion is critical to this evaluation.

The report summarizes the key accomplishments from your last renewal (current program) and it examines the current marketplace, our past results and any changes to your organization or risk appetite. It also challenges our past work and suggests future improvements.

We highlight each **CORE**360 cost driver, beginning with Insurance Premiums and ending with Contractual Liability. This will not only organize the document, but also ensure we are deliberate in driving value to each of your six cost drivers which represent your total cost of risk.

This is an interactive process and we look forward to your strategic input to ensure a successful renewal. The results of this strategy will then be summarized in the Executive Summary, which will accompany your renewal proposal. We know that you have a choice and we appreciate your business.

Based on our past risk strategies (Stewardship Scorecard) and results, the current State of the Market and any changes of risk or risk appetite, the overriding goal of this meeting is to answer the following questions:

- What is our go-to-market strategy by line of coverage?
- Do we approach additional markets, and if so, which ones?
- What are our renewal expectations or goals by cost driver?
- What additional tools or resources do we need to implement?

CORE360® Stewardship Scorecard

Your **CORE**360 Stewardship Scorecard has been developed for you to get a quick snapshot of how we've impacted your total cost of risk over time, by monetizing the cost of risk changes by cost driver.

Insurance Premiums

- The overall premium increase was 26% compared to 2022 Policy Year
- Package Premium decreased by 38%. New carrier Berkley
- Property Premium increase by 57% of which 18% is attributed to the property values
- Cyber Liability Premium decreased by 25%

Program Structure

- Workers Compensation and Employers Liability SIR went up from $500K to $1M
- Property:
  - City quota shared 19% of $25M xs $25M Layer
  - Property- All Other Perils deductible increased from $50K to $100K
  - All Other Perils Limit decreased from full TIV to $75M
  - Maximum Cap Deductible of $75M was removed
- Cyber – Deductible decreased from $150K to $50K with new carrier Crum & Forster

Coverage Gaps

- Liability of watercrafts over 50 ft. are excluded arising out of the ownership, maintenance or use, including loading or unloading
- Communicable Disease exclusion remains in effect
- Monopolistic States (Ohio, Wyoming, Washington and North Dakota) are excluded from coverage. Workers Compensation Coverage for these states must be purchased directly from the State Fund

Uninsured & Uninsurable Losses

- Trees and landscaping on city roads are not covered under the property program

Loss Prevention & Claims

- AJG Loss Control will continue to provide Safety and Loss control support per our contract.
- AJG Loss Control services provide 12 days in person loss control/safety training per year at no additional charge. Each day of training may include more than one topic and session.
- AJG Gallagher Safety Training Education Platform (STEP) is available. 10 Modules are included every year at no additional charge.
- Excess Workers Compensation safety and risk management programs available through Arch partner J. J. Keller & Associates

Contractual Liability

- We issued 153 Certificates on your behalf between 5/1/2023 to present

Insurance Premiums

LAST YEAR'S RESULTS

Policy Type	Carrier	2022-2023	2023-2024	Change %	Notes
Package	Berkley	$804,000	$500,000	-38%	New carrier Berkley. No WC/EL
Excess WC	Arch	$172,305	$154,821	-10%	New carrier Arch
Property Primary $50M Named Windstorm an AOP	Various	$1,690,242	$2,779,657	64%	Includes $50M AOP and Named Windstorm. City quota share - 19% of $25M xs $25 Layer
Excess AOP only 25M xs $50M	Intact	$30,000	$25,000	-17%	2023 City purchased up to $50M xs $75M AOP only
Excess AOP only Full TIV xs $75M	Landmark	$65,000	Not Purchased		
Property Subtotal		**$1,785,242**	**$2,804,657**	**57%**	
Boiler and Machinery	Travelers	$10,800	$11,277	4%	
Business Travel	Hartford	$750	$750	0%	2 Year annual installment
ADD Police and Fire	Hartford	$12,864	$12,053	-6%	2 Year annual installment
Bond - Finance Director	Hartford	$1,138	$1,138	0%	
Bond - Golf and Country Club Health Studio	Hartford	$250	$250	0%	
Bond - War Memorial Youth Center Health Studio	Hartford	$250	$250	0%	
Pollution Liability *	Ascot	$23,900	$34,500	44%	New carrier Ascot. 2 Year Pre paid Policy
Crime	Hanover	$11,637	$9,561	6%	
Sports Liability	HDI	Included in Package	Included in Package		
ADD Sports	Zurich	$11,662	$9,410	-19%	
Cyber Liability	Crum & Forster	$79,569	$59,614	-25%	New carrier C&F. Revenue decreased by 16%. Same limits and lower retention ($2M/$2M/$50K SIR)
Terrorism Property & Liability	AJG UK	$20,000	$26,000	30%	TIV is increased by 18%, rate increase is 12%
Deadly Weapon Protection	AJG UK	$5,900	$10,903	85%	
Flood **	Voyager	$9,720	$97,751		Bound/ Includes additional locations. Includes coverage for 23 Locations
Fine Art		Included in Property	Included in Property		TIV is increased by 6%, rate increase 10%
EMPA, FEES & TRIA		$4,500	$2,818	-37%	Equipment Breakdown, Crime. Pollution TRIA, Property
Broker Fee		$90,000	$90,000	0%	
Total Cost of Program		**$3,044,487**	**$3,825,753**	**26%**	

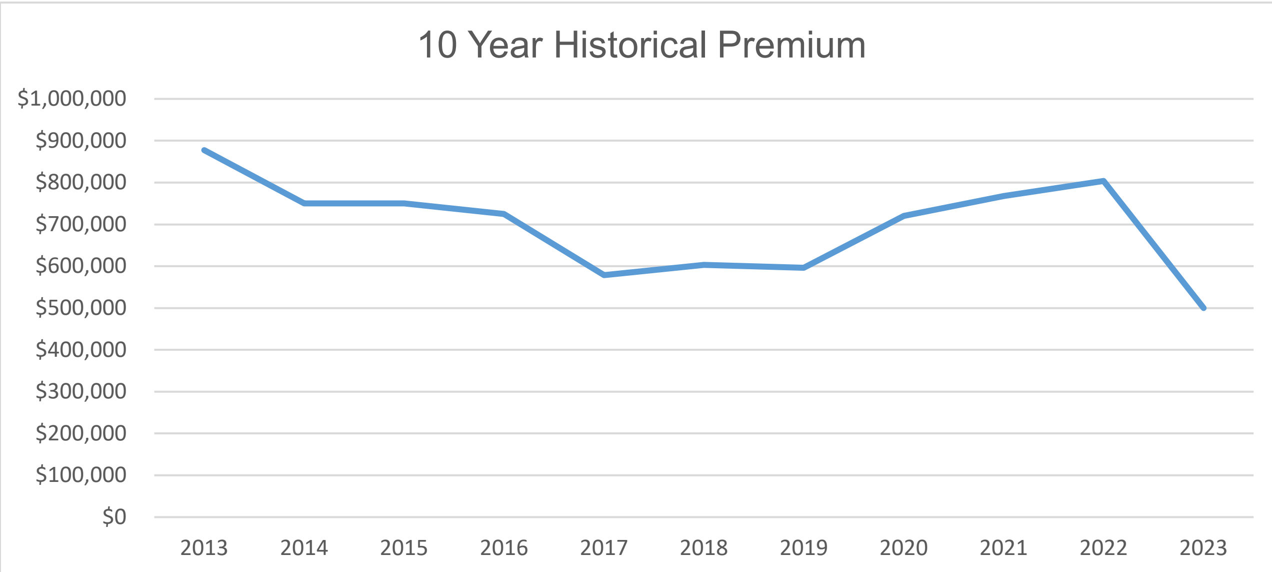
Note: TRIA Purchased on Pollution Policy.

*Pollution – Prepaid for 2 Years

** Flood – 18 Locations – Maximum Building Coverage $1M (not to exceed Stated value on the SOV); 5 Locations- Pump Stations Maximum Coverage $500K (not to exceed Stated value on the SOV).Content Coverage Max for all locations is $500K

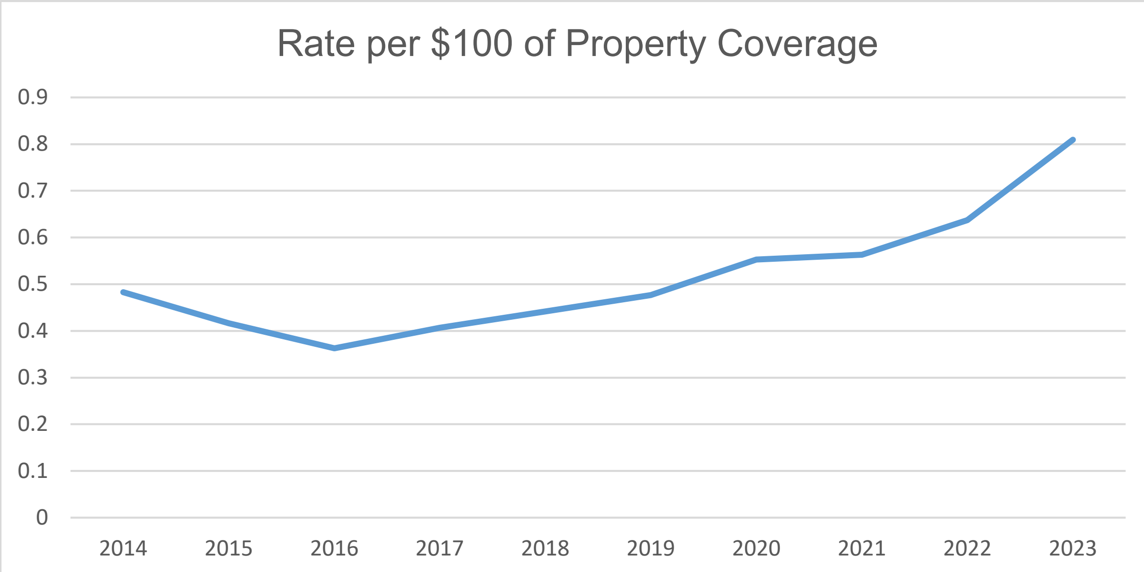
Insurance Premiums

10 YEAR PACKAGE PREMIUM COMPARISON



Policy Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Premium	$877,495	$750,000	$750,000	$725,000	$579,000	$603,000	$596,000	$720,000	$767,500	$804,000	$500,000

HISTORICAL PROPERTY RATE



Policy Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Property Rate	0.4828	0.416	0.3627	0.4065	0.4419	0.4768	0.5527	0.563	0.637	0.809

Program Structure

MAY 1ST 2023 MARKETING RESULTS

Line of Coverage	Carrier	Response
Public Entity Package		
	Ambridge (London)	Quoted
	Genesis	Declined
	Old Republic	Declined
	FMIT	Declined
	Munich Re	Quoted
	Euclid	Declined
	Berkley	Quoted
	Travelers	Declined
	Safety National	Declined
	Egis	Declined
Excess Workers Compensation		
	Safety National	Quoted
	Zurich	Declined
	AXA XL	Declined
	Chubb	Indicated
	US Specialty	Declined
	Midwest	Quoted
	Arch	Quoted
Equipment Breakdown		
	Travelers	Quoted
	Liberty	Not Competitive
	AXA XL	Pending
	HSB	Not Competitive
	C.N.A	Declined
ADD Business Travel		
	Hartford	Quoted
	Hartford	Quoted
Bond		
Finance Director	Hartford	Quoted
Golf and Country Club Health Studio	Hartford	Quoted
War Memorial Youth Center Health Studio	Hartford	Quoted
Pollution Liability		
	AXA XL (Indian Harbor)	Quoted
	Ascot	Quoted
	Beazley	Declined
Crime		
	Travelers	Quoted
	Beazley	Declined
	Chubb	Declined
	Hanover	Quoted
ADD Sports		
	Zurich	Quoted
	Hartford	Declined
Cyber Liability		
	Corvus	Quoted
	XL	Indicated

Line of Coverage	Carrier	Response
	Crum & Forster	Quoted
	Westchester	Declined
	Arch	Declined
	Zurich	Declined
	AIG	Declined
	Starr	Declined
	Coalition	Quoted
	TMHCC	Declined
	Resilience	Declined
	Beazley	Declined
	Aspen	Declined
	Amtrust	Declined
	At Bay	Declined
Terrorism Property & Liability & Deadly Weapon Protection		
	AXA XL	Declined
	Beazley	Quoted
	Hiscox USA	Declined
	Munich Re	Declined
	Ironshore	Declined
	Sompo International	Declined
Flood		
	Voyager	Quoted
Property		
	Aspen	Quoted
	Axis	Declined
	Berkshire	Declined
	C N A	Declined
	C&F	Declined
	Canopius	Declined
	Chronos	Declined
	Core	Quoted
	Everest	Quoted
	FMIT	Declined
	Ironshore / First Specialty	Quoted
	Kemah	Declined
	Lexington	Quoted
	Lloyds of London	Quoted
	Rivington	Declined
	Sompo	Quoted
	SRU	Quoted
	Swiss Re	Declined
	Velocity	Quoted
	Waypoint	Declined
	Westchester	Declined
	Arch	Quoted
	Arrowhead	Declined
	AWAC	Declined
	AXA XL	Quoted
	Beazley	Declined
	Crum & Forster	Declined
	Great American (x-wind)	Declined
	Hallmark	Quoted
	Hudson (x-wind)	Declined

Line of Coverage	Carrier	Response
	Intact	Quoted
	James River	Declined
	Kinsale	Declined
	Markel	Quoted
	Munich Re	Declined
	Navigators	Declined
	Paragon	Declined
	RSUI	Declined
	Starr	Declined
	Westfield	Quoted
	Zurich	Declined
Fine Arts (Standalone)		
	Allianz	Declined
	Chubb	Declined
	StarNet Insurance	Quoted
Electronic Data Processing (Standalone)		
	Chubb	Declined
	CNA	Declined

Program Structure

RENEWAL STRATEGY

Every year we should consider three "go to market" strategies by line of coverage, based on this strategy discussion. These are the three strategies along with possible considerations of each:

1. **Negotiate and renew with the incumbent carrier(s).** This is preferred if we:
   - Believe we can achieve the renewal goals without additional competition
   - Tested this carrier with competitors in the last few years
   - Recently paid a large claim or had a bad loss year and are willing to be fair and competitive at renewal
   - Are happy with the carrier's service
2. **Negotiate with a few carriers, including the incumbent.** This is preferred if:
   - We are trying to consolidate the number of carriers on all your policies
   - We are ready to test the market for a variety of reasons, but keep the competition contained and are confident this short list will be competitive
   - There are not many markets as options, due to the risk
3. **Negotiate with, as many markets as we think are viable.** This is preferred if:
   - The incumbent market is non-renewing or is driving you to move
   - The incumbent has had no competition for more than 10 years
   - There have been significant changes of risk, risk appetite or personnel from Client or carrier

Coverage	Go to Market ("Yes/No")	Coverage	Go to Market ("Yes/No")
Commercial Package (No Property)	**Yes**	Bond - Golf and Country Club Health Studio	**No**
Property	**Yes**	Bond - War Memorial Youth Center Health Studio	**No**
Excess Workers Compensation	**No**	Bond - Finance Director	**No**
Deadly Weapon Protection	**Yes**	Accidental Death & Dismemberment – Sports	**Yes**
Equipment Breakdown	**Yes**	Crime	**Yes**
Flood	**No**		

Exposure Summary

Exposures	2022-2023	2023-2024	% Change
Gross Operating Expenditures	$294,212,528	$246,087,023	-16%
Number of Employees (FT & PT & Seasonal)	1072	1134	6%
Number of Autos	610	577	-5%
Payroll	$78,502,660	$83,013,742	6%
EMTs	Included below	Included below	
Paramedics	139	145	4%
Armed Officers	198	213	8%
Population	50,999	48,375	-5%
TIV	$294,212,528	$346,507,215	18%
Rate per $100	$0.61	$0.81	33%
Drones	5	5	0%
Sports Program number of participants	12,547	13,209	5%

Schedule of Values	2022-2023	2023-2024	% Change
Building	$235,701,640	$287,307,493	24%
Contents	$13,203,706	$14,298,322	8%
Vehicles	$18,842,749	$18,436,967	-2%
Golf Carts	$179,433	$179,433	0%
BI	$5,285,000	$5,285,000	0%
EDP	$14,000,000	$14,000,000	0%
EDP EE	$2,000,000	$2,000,000	0%
Account Receivable	$1,000,000	$1,000,000	0%
Fine Arts	$3,500,000	$3,500,000	0%
Valuable Papers	$500,000	$500,000	0%
Pump Stations	Included	Included	
Fountains	Included	Included	
Seawalls & Docks	$3,395,000 (included above)	$3,904,250 (included above)	15%
Total	$294,212,528	$346,507,215	18%

Existing Program Structure

City of Coral Gables Core Program

Property Including Pumps & Fountains

$50MM Named Windstorm Limit

$25MM xs $50MM All Other Perils Limit

Carrier: Homeland Insurance Company of New York

$25M xs $50M per Occurrence
Perils: All Risk of Direct Physical Loss or Damage Excluding Flood, Earth Movement, and Windstorm or Hail associated with Named Storm
120% Margin Clause

Carriers: Hallmark Specialty Insurance Company; Lloyd's of London; Endurance American Insurance Company; Westfield Specialty Insurance Co; Lexington Insurance Co; Kinsale Insurance Company
2nd Excess Property
$25MM XS $25MM per Occurrence
Perils:
Peril Risk of Direct Physical Loss or Damage Excluding Flood, Earthquake and Equipment Breakdown

15% Quote Share by City of Coral Gables

Blanket, except 105% Margin Clause - Westfield Specialty Ins Co (5% participation)

Carriers: Evanston Insurance Company; Arch Specialty Insurance Company; Ironshore Specialty Insurance Company; Westfield Specialty Insurance Company; Lloyds of London; Lexington Insurance Co; Endurance American Insurance Co
First Excess Layer
$15MM XS of $10MM Per Occurrence
Peril Risk of Direct Physical Loss or Damage Excluding Flood, Earthquake and Equipment Breakdown
Blanket

Carrier: Endurance American Specialty Insurance Company Lloyd's of London; Star Stone Specialty Insurance Company; Lexington Insurance Co.

$10MM in any Occurrence
Primary Property XS Deductible
Perils: All risks of Direct Physical Loss or Damage including Flood and Earth Movement, excluding Boiler and Machinery
Blanket

Deductibles:
-$100,000 per Occurrence All Other Perils
-72 –Hour waiting for Time Element
-$100,000 Earthquake
-Flood $100,000 Excess Maximum NFIP Limit available for Special Flood Hazard Areas for Special Flood Hazard Areas (Prefix A or V)
-5% of Total Insured Values affected at per unit subject to $250,000 per occurrence minimum Flood as a result of Named Windstorm
-5% of the replacement cost value of each unit of insurance as per schedule on file subject to a min deductible of $250,000 per occurrence per occurrence in respect to Named Windstorm and Hail
-$100,000 per occurrence All Other Windstorm of Hail

Property & Liability Terrorism

Carrier: Certain Underwriters at Lloyd's

Property Limit
$100,000,000

Liability Limit
$25,000,000

Deadly Weapon Protection Limit
$1,000,000

Property Deductible
$10,000

Boiler & Machinery

Carrier: Travelers Property Casualty Company

Total Limit
$250,000,000

Deductible
$1,000
4 Hours Waiting Period

Public Entity Liability

Carrier: Gemini Insurance Company

- **General Liability** $4,650,000 per occurrence
  $9,000,000 Annual Aggregate
  Includes: **Law Enforcement Activities** $4,650,000 Each Wrongful Act and $4,650,000 Annual Aggregate
- **Automobile Liability** $4,650,000 per occurrence
- **Public Officials, Employment Practices & Employee Benefits Liability** * $4,650,000 per Claim
  $5,300,000 Annual Aggregate.
  Includes: **Limited Sexual Misconduct Incident Liability*** $4,650,000 Each Claim and Annual Aggregate
- **Crisis Management Expense** $35,000 Each Crisis Event and $35,000 Annual Aggregate

* Claims Made Coverage applies. Refer to policy for applicable Retroactive Date and Limits

SIR
Per Occurrence $350,000

Workers' Compensation

Carrier: Arch Insurance Group

Excess Workers Compensation: Statutory
Employers Liability: $1,000,000 Each Accident / Each Employee for disease or cumulative injury

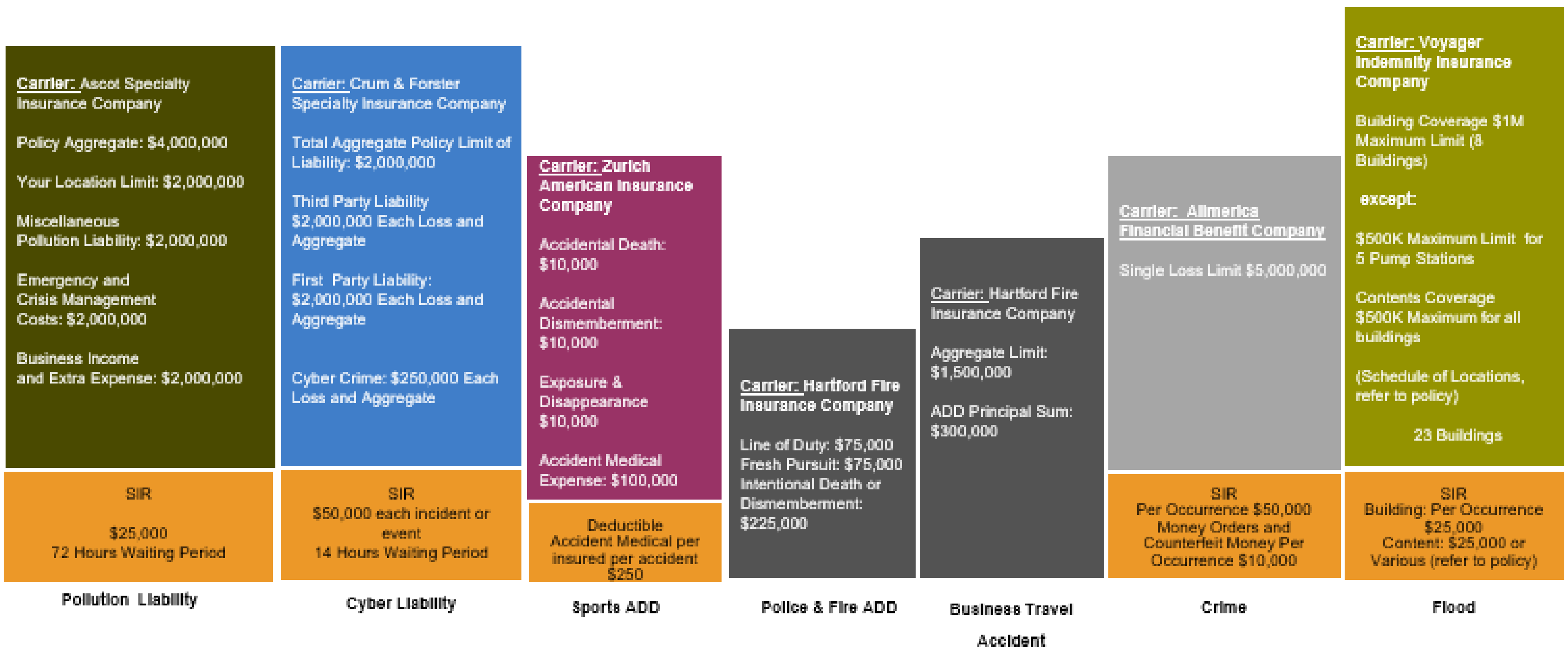
Retention: $1,000,000

SIR
Per Occurrence $1,000,000

Please note that coverages are not drawn to scale and actual policy verbiage should be consulted for coverage terms and conditions

City of Coral Gables

Ancillary Lines



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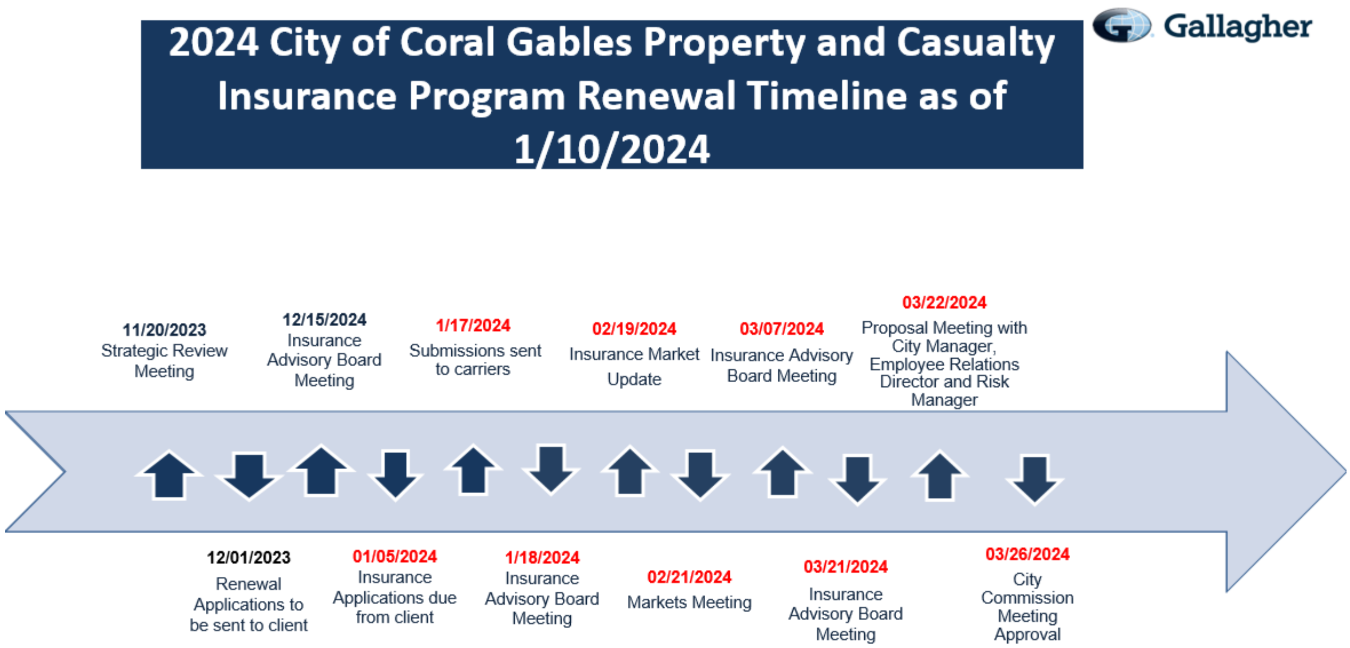
Renewal Timeline



Your Team

Your Gallagher team is a true partner. We have the expertise to understand your business and we're here to service and stay alongside you, every step of the way.

Name/Title	Phone	Email	Role
Primary Service Team			
Maria Perez Area Senior Vice President	(305) 639-3136	Maria_Perez@ajg.com	Producer- Team Leader
Ampy (Cabrera) Jimenez CPIA CISR Elite Area Vice President	(786) 331-1269	Ampy_Jimenez@ajg.com	Producer- Marketing Director
Kathy Hill Area Assistant Vice President	(561) 998-6785	Kathy_Hill@ajg.com	Client Service Manager, Sr.
Bridgette Geist Client Service Manager	(786) 331-6771	Bridget_Geist@ajg.com	Client Service Manager
Tara Morrone Client Service Manager	(561) 995-6706	Tara_Morrone@ajg.com	Flood Specialist
Claims Management			
Scott Clark Claims Advocate Senior, Area Vice President	(561) 998-6815	Scott_Clark@ajg.com	Senior Claims Advocate
Loss Control			
Jim Smith Regional Risk Control Leader	(561) 998-6809	Jim_Smith@ajg.com	Regional Risk Control Leader

Thank You for Your Business

We have enjoyed our partnership and appreciate the continued time, support and confidence you have placed in us as your risk management team. This past year has been successful as evidenced by your scorecard. Your total cost of risk is being impacted favorably and our strategy for this upcoming renewal continues to focus on ways to improve this positive impact on your profitability. Thank you.

We help you face your future with confidence.

That's why we've been here for our clients since 1927. Providing tailored and comprehensive insurance solutions for your business. Developing effective risk management strategies to help reduce your total cost of risk. And delivering consulting services that support the wellbeing of your organization and your people.

Gallagher
Insurance | Risk Management | Consulting

Founded in
1927

$8.4B
Total Adjusted Brokerage & Risk Management revenues (2022)

43,000+
Employees worldwide

1,200+
Offices globally

130+
Countries served

YOUR TRUSTED INSURANCE AND CONSULTING PARTNER.

A world of solutions, all delivered one way — The Gallagher Way.

Casualty/Property	Financial & Retirement Services
Commercial Surety & Bonds	Health & Benefits
Credit & Political Risk	Human Resources & Compensation
Cyber	Management Liability

28+ INDUSTRY PRACTICES

Aerospace	Asia Pacific	Automotive	Construction	Energy	Enterprise Risk Management	Entertainment
Environmental	Equity and M&A	Financial Institutions	Fine Arts	Food & Agriculture	Healthcare	Higher Education
Law Firms	Life Sciences	Manufacturing	Marine	Nonprofit	Public Sector & K-12 Education	PEO & Temporary Staffing
Real Estate & Hospitality	Religious	Restaurant	Risk Management	Senior Living	Technology	Transportation

ETHICS IS IN OUR DNA.

Gallagher has been named one of the World's Most Ethical Companies® — a 13-time honoree.

We believe in always doing what is right for our clients, their communities and their people. It's what we were founded on 95 years ago. And it's why we continue to be recognized year after year.

2023 WORLD'S MOST ETHICAL COMPANIES® ETHISPHERE™
13-TIME HONOREE

GLOBAL LEADER. LOCAL EXPERTISE.

As Gallagher grows, we're not getting bigger. We're getting closer. Closer to our clients and their communities. We bring an unmatched level of experience and industry knowledge, a reputation for doing business the right way and a client-centric worldview that informs every action we take.

Legal Disclaimer

Appendix

From:	Maria Perez
To:	"Ruiz, David"; Elejabarrieta, Raquel
Cc:	Ampy Jimenez; Diana Gogoshvili; Nery Sosa
Subject:	Appraisals and Trending for 2024
Date:	Thursday, October 12, 2023 1:12:12 PM
Attachments:	image001.png

Good afternoon Raquel and David,

I just returned from a property market meeting where the US Construction Cost Indices were discussed. Below please find the history of the trends by year.

US Construction Cost Indices 2016 to 2023

Index	2016	2017	2018	2019	2020	2021	2022	2023
FM Global ($)	1.60%	1.20%	5.20%	0.60%	1.40%	5.00%	22.00%	5.40%
Marshal Swift (SE)	0.50%	3.20%	4.60%	0%	0.70%	11.70%	19.90%	-1.00%
RS Means	0.80%	4%	5.50%	2.20%	2.10%	9.20%	20.70%	-0.90%
SE Avg.	**0.97%**	**2.80%**	**5.10%**	**0.93%**	**1.40%**	**8.63%**	**20.87%**	**1.17%**

Based on the above and the fact that underwriters rely mostly on the FM Global statistics I am suggesting that the City consider increasing the values by 4% for only those locations that have not been appraised in the past 12 months.   It seems that spikes in construction costs are leveling off which is a good thing for all. The decision to increase your values will help us maintain your replacement cost coverage for the next renewal season.

Should you have any additional questions on this matter, please give me a call to discuss.

Sincerely,

PROPERTY

GLOBAL PROPERTY INSURANCE
MARKET UPDATE

Q4 2023

Gallagher SPECIALTY

ABOUT GALLAGHER **SPECIALTY**

Headquartered in London, Gallagher Specialty works with large multinationals and insurance brokers worldwide, providing bespoke programme design, risk placement, and consulting support across a range of industries.

A number of our divisions are market leaders; delivering global solutions for some of the largest and most complex risks that modern businesses and organisations face.

Our strong, well-established relationships in the London and international insurance markets are leveraged every day to obtain the most effective and innovative solutions for our clients.

Our Property division is split into regionally focused teams that work across all industry sectors to provide overseas brokers and clients with the experience, resource, and expertise they need to secure the best possible renewal outcomes within any given market environment.

Expertise. Ethics. Excellence. It's The Gallagher Way.

CONTENTS

INTRODUCTION AND **MARKET OVERVIEW**

The Property insurance market in 2023 has been very challenging for clients, with many receiving their sixth consecutive renewal rate increases and probably their most punitive renewal terms of any of those over the prior five years.

The 1.1.23 and subsequent month's treaty reinsurance renewals significantly impacted all insurers who operate across all territories globally, with those insurers having to endure significant rate increases, and their premiums compounded further with exposures increasing due to valuation/inflation challenges. Notwithstanding this, they have also had to absorb increased retention and more limited overall coverage. This was all as a consequence of many years of unprofitable returns. In basic terms, the costs of capital has increased throughout the chain, and the insurers have had to pass on those costs to their clients in order to be able to continue providing the level of coverage that our mutual client(s) require.

Climate change and more frequent and severe weather events continue to be a discussion point, and during H1, global insured cat half-year losses passed USD50 billion for the first time. However, despite this, we saw Lloyd's posting a positive H1 result, the magnitude of which we have not seen since 2007. All eyes will be on both Lloyd's and other major insurers as to where the full-year results end up at. The major question that we are being asked for 2024 is not surprisingly, what should clients be expecting in 2024?

To provide some early perspective, it is felt that it will require a relatively benign second half of 2023 in terms of property CAT losses in order to produce a very positive underwriting result and thereby demonstrate to capital that the market does know how to underwrite property profitably during this prolonged period of increased weather activity and also taking into account the impact of inflationary pressures being prevalent, whether that is in terms of higher replacement cost valuations, and therefore passing on these increased exposures to reinsurers when purchasing treaty covers' with further upward pressures on both retention and pricing. If we see capital have the confidence in returning to the property marketplace, will there be significant amounts available to positively impact pricing the marketplace? Will insurers be further impacted by treaty reinsurance renewal increases at 1.1.24 in the individual marketplaces (and in those subsequent months)?

These questions will be very much dependent on how the balance of the year performs from both a North Atlantic hurricane and a wildfire perspective and furthermore where looking outside of the US, how individual marketplaces have performed. Not all is clear at this stage, but there is a recognition that client affordability, as always, is a factor at the present time and clients will want to take a look at how we can assist in providing them with creative renewal solutions whether that is in the traditional sense or by way of introducing alternative risk transfer mechanisms such as parametrics and retention risk financing products.
The early indicators in respect of 2024 is that London insurers will be looking to expand their property appetite in terms of capacity and aggregate deployed which is welcome news in this current climate.

We will look to bring some further updates in our next Gallagher Specialty update and we hope that you find this property update to be of interest and would welcome any feedback or questions that you would like to raise.

We look forward to continuing to work with you all in expanding our current trading levels and thank you again for your continued support.

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NORTH AMERICA REGIONAL UPDATE

So far for 2023, we have seen the following

- Critical CAT capacity remains constrained throughout the Insurance/Reinsurance/Retro marketplace.
- Direct and Facultative insurers have maintained strong discipline around pricing and terms and conditions, with demand outstripping supply, particularly on CAT-exposed accounts.
- Rate increases accelerated throughout H1, with many carriers significantly ahead of budget early in the year. Carriers attempted to price themselves out of firm orders to manage catastrophe exposures, often being unsuccessful due to demand/supply imbalance.
- Many carriers significantly reduced average line sizes, particularly on CAT-exposed accounts, resulting in less total CAT limit available for clients.
- Insureds' often took larger retentions in order to attract additional capacity and offset rate increases.
- Business continues to flow from admitted markets to the E&S space, with GWP of circa GBP120 Bn predicted for 2023. E&S GWP makes up 20% of all commercial lines for the first time, according to AM best.
- H1 global losses from natural disasters are estimated at USD53 Bn, with US severe convective storm contributing USD34 Bn to this total. Global catastrophe losses in excess of USD100 Bn per year appear to be the "new normal."
- So-called secondary perils such as winter storm, severe convective storm/hail and wildfires are an increasing challenge for the industry.
- US D&F property carriers generally reported strong H1 results. Lloyd's of London reported H1 combined ratio of 85% with 22% increase in revenue (all classes), with property reporting a combined ratio of 82%.
- Full-year results will be heavily impacted by the US hurricane season, which at the time of writing has been relatively quiet contrasted with recent years.

Looking ahead to 2024

- End-of-year treaty renewals will impact D&F business plans for 2024, with direct writers looking to pass on potential increased reinsurance costs to insureds.
- Rhetoric emanating from the reinsurance markets is that they will continue to push for additional rates to account for current trend of extreme catastrophe losses and strong demand and potentially to increase retentions to match the current rates of inflation.
- Reinsurers are likely to maintain high attachment points, which have supported a return to profitability.
- Significant influxes of catastrophe reinsurance capacity (Traditional/ILS) are not anticipated supporting continued pricing discipline.
- Expectation that D&F carriers will attempt to achieve single-digit to low-double-digit rate increases at a portfolio level. There will be loss-effected accounts that will help push this average up, with clean accounts expected to be at the lower end of the spectrum.
- Industry adoption of RMS V23, with increased modelled output for named Hurricane in Florida and the Gulf coast. Average uplifts of 5%-10%, with certain portfolios subject to 20%–30% uplifts, depending on regions and building characteristics.
- RMS V23 could provide a tailwind for primary insurers/reinsurers trying to push rates further in named Windstorm-exposed regions.

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SOUTH & CENTRAL AMERICA AND CARIBBEAN ISLANDS REGIONAL UPDATE

A month into Q4, it is clear that catastrophe-exposed Latin American and Caribbean (LAC) cedants have continued to experience significant rate increases (of circa 25%) at their treaty renewals, with concerns that the completion of some of those in critical zones within the region was going to be a challenge. Those fears have gradually receded, with renewals having generally been more orderly than those earlier in the year, nonetheless a focus is still on higher retentions, rate adequacy, and more restrictive wordings. The D&F market has largely mirrored these trends.

Furthermore, a combination of inflation, reassessment of risk, and a capacity shortage in some countries have all contributed to rate rises, not to mention the exit of a few Lloyd's insurers from the property cat space and reduced appetite from others. That said, reinsurers appear generally more satisfied with ratings across the region, with the exception perhaps of Mexico and Colombia, where increased appetite from some carriers has limited higher increases. That said, there is little doubt that rates will continue to rise during Q4, albeit at a much steadier pace and depending on account performance. It remains the case that longstanding clients are generally prioritised over new ones, both in terms of capacity deployment and more favourable pricing.

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AUSTRALIA & NEW ZEALAND
REGIONAL UPDATE

With eyes on Australian floods and a focus on earthquake aggregation in Wellington insurers did not expect New Zealand's largest NatCat loss to come from a cyclone (Gabrielle) in the North Island in February, whilst their backs were turned. Estimated at an economic loss of NZD15 Bn and an insured loss of NZD3.5 Bn it was the biggest wind event in a generation.

Add to this the broadening of the definition of an Australian flood, cover for the peril has come into even sharper focus as we progress through 2023.

London has been able to provide viable flood solutions as an alternative to domestic insurers that have either reduced sub-limits, or excluded it.

There have been examples of large clients entering the London market for the first time this year, driven by NatCat needs.

Wellington earthquake capacity is readily available in the London market where we have seen an increase in new client orders' this year.

Our portfolio and expertise in food sector business continues to expand with London's appetite for EPS exposed risks remaining consistent and we are able to achieve obtaining significant limits.

We are continuing to see an influx of new clients being underwritten in the London market through our office as clients look for alternative long-term partnerships.

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ASIA REGIONAL UPDATE

The region has slowed down on the hardening trend of pricing in general and markets' appetite and capacity deployments are "two-tiered" for clean, well managed, and loss-affected, less-risked managed accounts. Catastrophe exposure continues to be a key factor in pricing and capacity, particularly when significant limits are required.

- Despite more orderly reinsurance renewals in mid-year compared to January renewals, markets continue to look for an upward trend in pricing, with catastrophe costs still rising but at a more moderate pace.

- The polarisation for targeted and non-targeted risks deepened as markets competed for well-performing and lower hazardous occupancies, whilst less well-managed and/or natural catastrophe-exposed risks continued to experience a more volatile market environment.

- The gap in premium requirements between local/domestic and international markets also expanded. Time is required to seek alternative solutions and structures, utilising a mixture of local/domestic capacity and international carriers to achieve the best outcome, and deliver the ultimate goals for the assured where a degree of rate cut is often expected.

- Additional factors leading to cost increases are the ongoing concerns related to high interest rates and inflation, which have led to continued scrutiny on the insured values.

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MIDDLE EAST REGIONAL UPDATE

Competition remains prevalent on all major accounts and capacity remains stable. Rate pressure has reduced, but there remains a difference between regional and international markets in this respect.

EUROPE REGIONAL UPDATE

Whilst treaty reinsurance pricing has increased the pressure on renewal pricing during 2023, capacity remains competitive and stable in the region.

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HOW WE CAN HELP

Our large team of placement specialists can assist with the following products/occupancies:

PRODUCTS

- Primary/Excess of Loss/Quota share limits
- Large high excess limits
- Difference in conditions/limits
- Named perils only, i.e., flood, windstorm, etc.
- Deductible buy-downs (CAT/Non-CAT)
- Parametrics
- Retention Risk Financing Products

OCCUPANCIES

- Public Entity
- Higher Ed/Scholastic
- Real Estate and Hospitality
- Manufacturing/Industrial
- Habitational/Multi-family/Single Family Rentals
- Risk Pools
- Food & Agri-business
- Warehousing
- Retail
- Ports and Terminals
- Rail
- Telecoms
- Religious
- Transportation & Logistics
- Life Sciences

LET'S **TALK**

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