Keenan®

2025 State of the (Re)Insurance Market

Northern California ReLiEF

SWACC
Statewide Association of Community Colleges

Southern California ReLiEF Regional Liability Excess Fund

SAFER

Presented by:

John Stephens, CEO Keenan

Agenda

- **SAFER 2024/2025 Programs Overview**
  - Excess Property
  - Excess Liability
  - Cyber Liability
  - Equipment Breakdown
  - Active Assailant
- **Reinsurance Market Environment**
- **SAFER Loss Experience and Renewal Strategy**
- **2025/26 Program Renewal Forecast**

SAFER 2024-2025 Program Structure

Property	Liability	Equipment Breakdown	Cyber	Active Assailant
$500M per Occurrence	$75M per Occurrence	$100M Limit	$12M Aggregate	$3M Aggregate
No Wildfire Deductible or Sublimit	Pure Occurrence, No claims made	$500K AAD for first $100K per occurrence	No Ransom Co-Insurance 2 Year Rate Guarantee	$1M per Event Crisis Management, Counseling Services, Funeral Expenses

SCR/NCR/SWACC

Crime

$5M

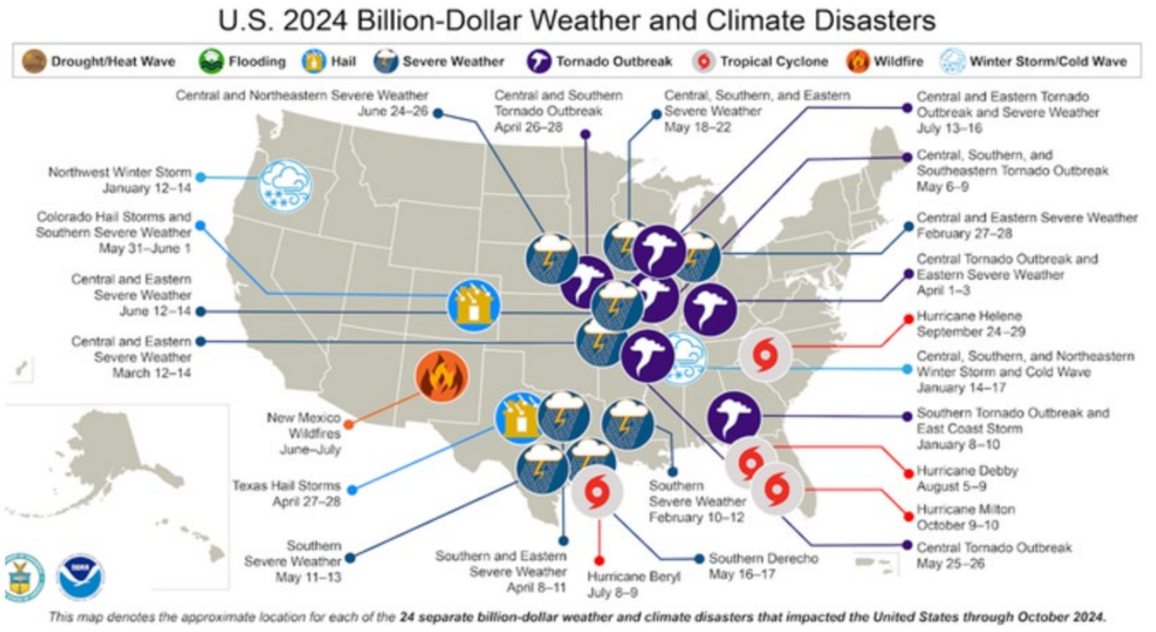
EDP

Limits are reported TIV

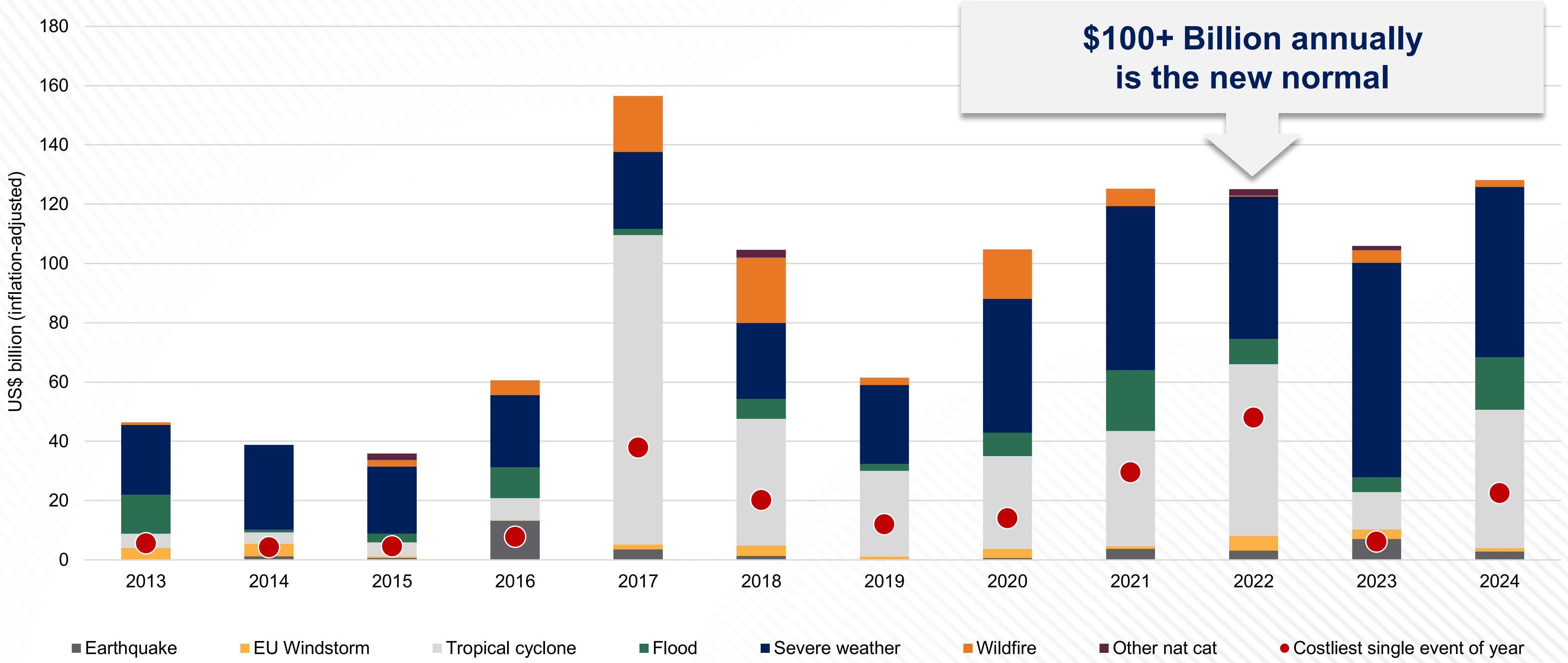
(Re)Insurance Market Environment

2024 Year in Review

- $140 Billion insured losses and **5th consecutive year** and 7 of the past 8 with $100 Billion annual losses
- 24 U.S. weather disasters greater than $1 billion (2nd highest)
- Hurricane Helene and Milton back-to-back disasters in a two-week span
- Governor Newsom eliminated statute of limitations for SAM claims coupled with California's adverse legal environment
- Adverse loss experience development for casualty related lines of coverage
- Social inflation continues to wreak havoc on view of California
- Industry capacity increased nearly 7% primarily though earnings, not new entrants
- SAFER Property Program has lowest losses through 6 months of any program year in recent history
- SAFER Excess Casualty loss development increasing significantly and following industry trends



Volatile Risk Landscape as High Frequency of Natural Catastrophes Pushed Losses Over $100 Billion for the Fifth Consecutive Year



State of the Property Reinsurance Market

Market Influences

Natural Catastrophe

- "Hyperactive" Hurricane forecast
- Volatility in Secondary Peril losses (SCS and Wildfire)
- $48.07B in US Total Insured Losses (July 2024)
  - $44.49B SCS/Winter Storm
  - $2.56B Hurricane
  - $1.02B Wildfire

Insurance Market Expectations

- Competition on Pricing / Terms & Conditions are creeping back in Commercial markets with some new entrants in the space and continued record profits

Financial Market Impact

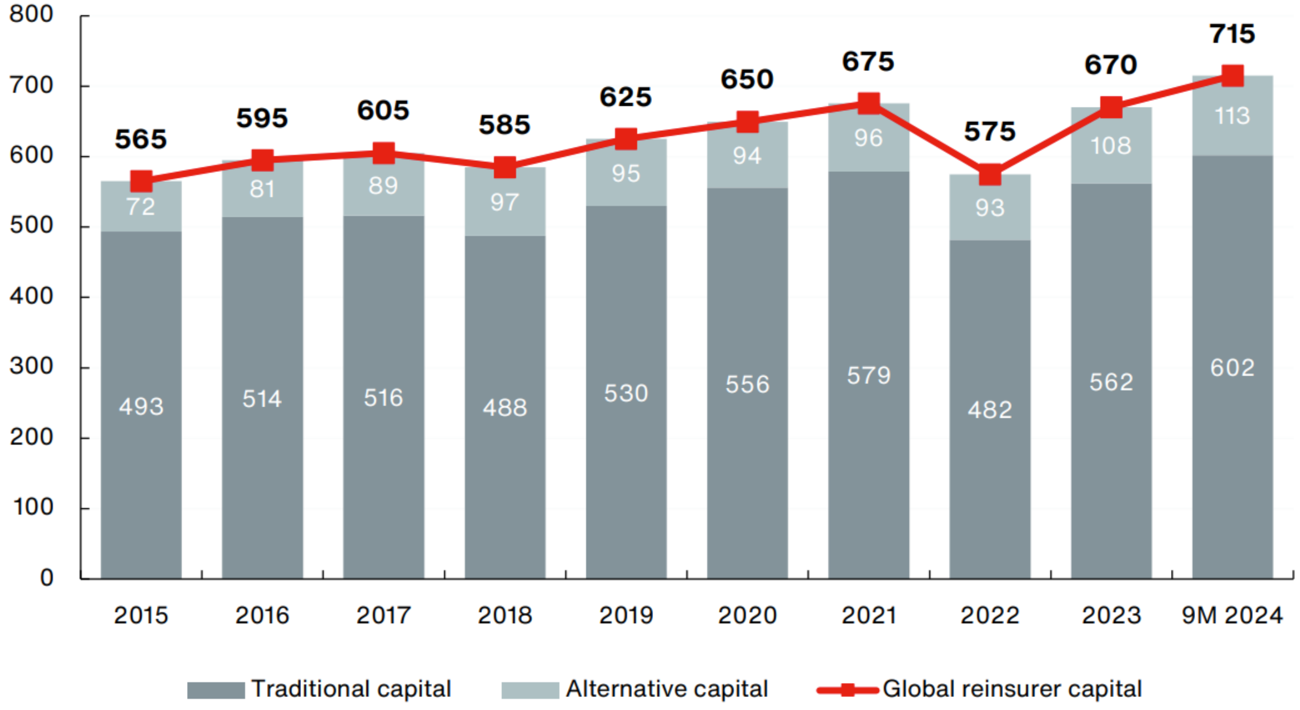
- Geo-political tensions & prominent global elections may lead to market uncertainty
- Interest rates are expected to hold steady or reduce

Property Insurance Expectations

- **Expect rates to come under further downward pressure if 2024 remains loss free:**
  - Some shared and layered placements seeing rate decreases due to replacement of more expensive capacity from 2023
- **Carriers still in healthy position to make long-term underwriting profit on most business in 2024:**
  - Rate adequacy holds
  - Slower inwards business will put pressure on this (especially while existing capacity is seeking growth)
- **Some top executives still see a lot of runway in the E&S market:**
  - Likely to see price softening if there are no major CAT losses
- **Meaningful portion of deals remain challenged with rate increases:**
  - Tied to poor loss performance or challenging CAT exposure
  - Pockets of disruption still exist
    - Mostly related to poor loss experience / challenging risk profiles
  - Risks with more challenging profiles that are seeing more meaningful rate increases include:
    - those in wildfire areas, unfavorable loss history, unaddressed crucial risk control recommendations, high vacancy or locations with poor risk quality

Dedicated (Re)insurance Capital

Exhibit 1: Global Reinsurer Capital (USD billions)



Sources: Company financial statements / Aon's Reinsurance Solutions / Aon Securities Inc.

What We Measure:

- ✓ SAFER Claims Experience
- ✓ Capacity adequacy
- ✓ New entrants into the industry

The Property Market Changed a Week into 2025

"This will be the costliest wildfire in California modern history and also very likely the costliest wildfire in U.S. modern history" Jonathan Porter – Chief Meteorologist

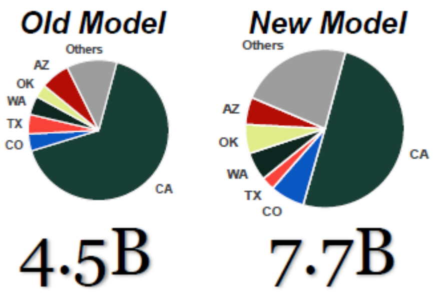
Wildfire Modeling will Place California Risks Under Review

Since its release in 2018, carriers have historically loaded the Verisk US Wildfire model to better align with their experience. A refined broad market view of wildfire risk is expected to emerge this summer, as RMS also updates its HD model.

Major Verisk US Wildfire Model Update Increases View of Risk

01

Loss increases across most lines. CO and OK drive biggest increases outside of CA. Material TX AAL decreases.



02

Commercial lines losses increase the most.

Aggregate PMLs predicted to exhibit nearly uniform changes along the curve.

83%

expected loss from personal lines

03

Drivers of model change:

- Weather and fire behavior relationship, including the impact of climate trends
- Updated interactions of WUI and fire spread with explicit modeling of building-to-building fire spread
- Introduction of smoke loss modeling

04

Since the last model release, many major events were observed:

1. **Camp / Woolsey (CA)**
2. **Marshall Fire (CO)**
3. **Lahaina Fire (HI)**
4. **2020 PNW outbreak**
5. **Glass Fire (CA)**

$45B

in US Property loss since 2018

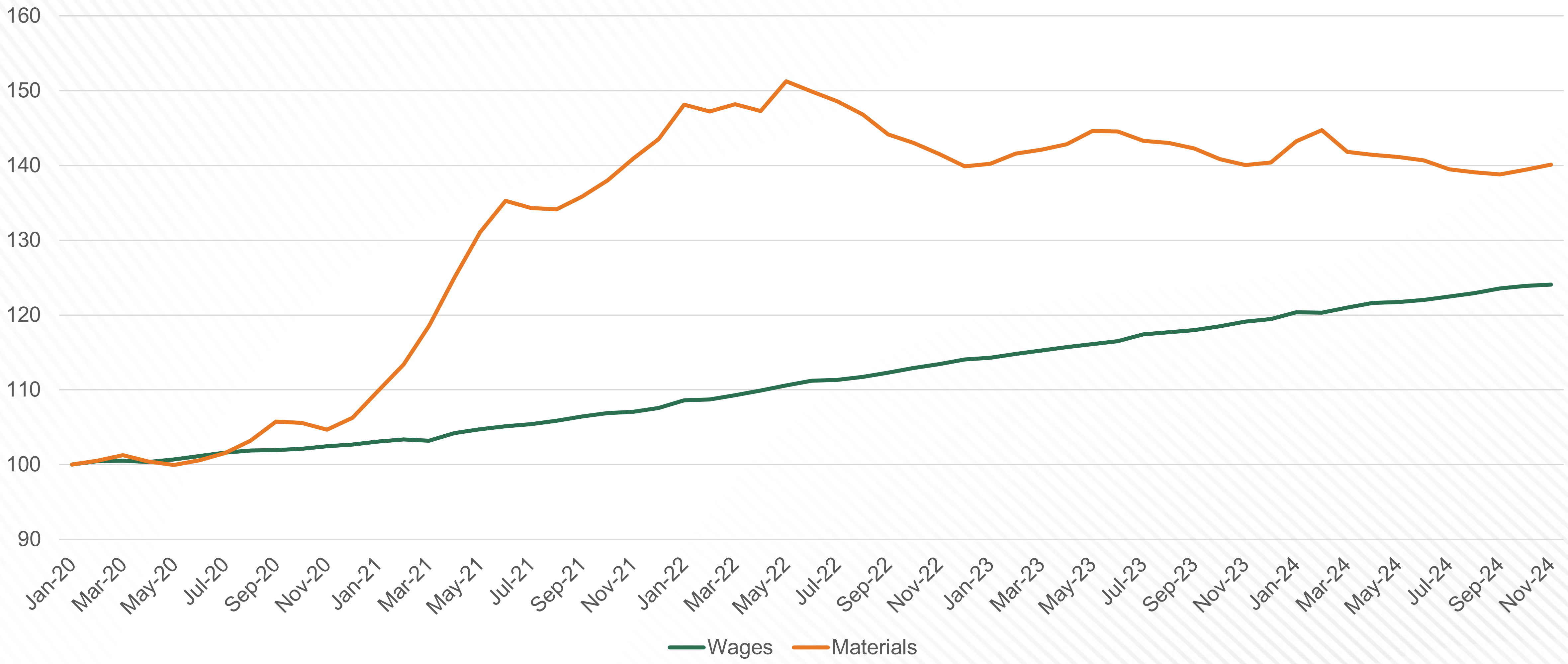
05

This model update is based on Verisk's view of "near present climate conditions" and explicitly considers trends observed in recent wildfire seasons.

Verisk wildfire model calibrated to expected climate conditions of

2027

Wages and Cost of Materials in US Construction Sector Stabilize but Continue to Rise



State of the Casualty Reinsurance Market

Key Drivers

Under reserving

- Earnings reserve movements point to continued concern regarding under reserving in 2013-2019 years, combined with early focus on 2020-2022 years
- Concerns around claims severity and loss cost inflation continue to permeate

Emerging Risks

- Erosion of "Duty of Care"
- Polyfluoroalkyl substances (PFAS)
- Climate Change
- Litigation Funding

Recent Years

- 2020 – initial analysis suggests accident year may not be profitable
- Faster development pattern being observed, resulting in debate over applicable LDF's

Pricing

- Noticeable **rise in premium spend** over last 5 years
- **Pressure seen on pro rata ceding commissions**

Rate

Continues to be a "hot topic"; perception that additional **rate is still required as loses continue to compound and trend factors increase**

Risk Appetite

- **Retention increases** for loss impacted programs
- At 6/1/24, market increased contract-level consistency on both wording and structural variations **reducing non-concurrencies** from the previous cycle, a signal of all parties working toward **balance in a complicated market**

Capacity

- Bifurcated market; reinsurers differentiate clients with whom there is a **long-term partnership**
  - **Tougher renewal cycle** for those clients whose **programs are loss impacted**
- **Compression of limits across the reinsurance tower** over the last 5 years

2024 Renewal Pricing

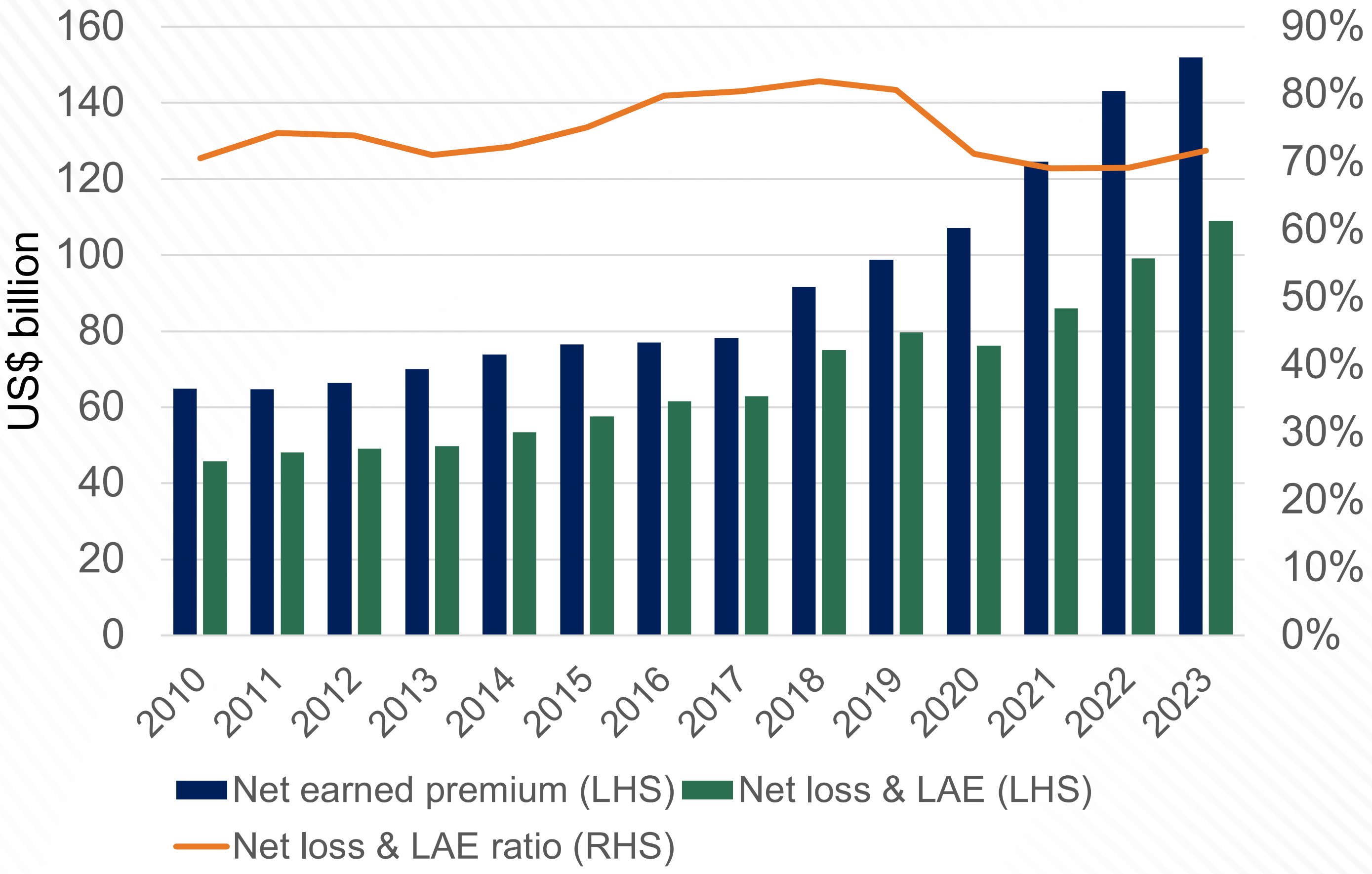
US General Third-Party Liability

XoL – No loss emergence	0 to +10%
XoL – With Loss emergence	+10 to +35%

Keys to Success

- **Comprehensive submission, with high data quality** required
- **In-Person meetings** with reinsurers, where underwriting teams **clearly articulate underwriting and risk management strategies** foster reinsurer trust
- **Early-to-market** strategy ensures adequate time to address reinsurer questions and obtain best terms
- Articulating go-forward **strategy of litigation management**

U.S. Liability Lines Continue to be an Area of Uncertainty



Industry Trend:

In GL, nearly all carriers are seeing adverse development

Net Reserve Movement for General Liability / Auto

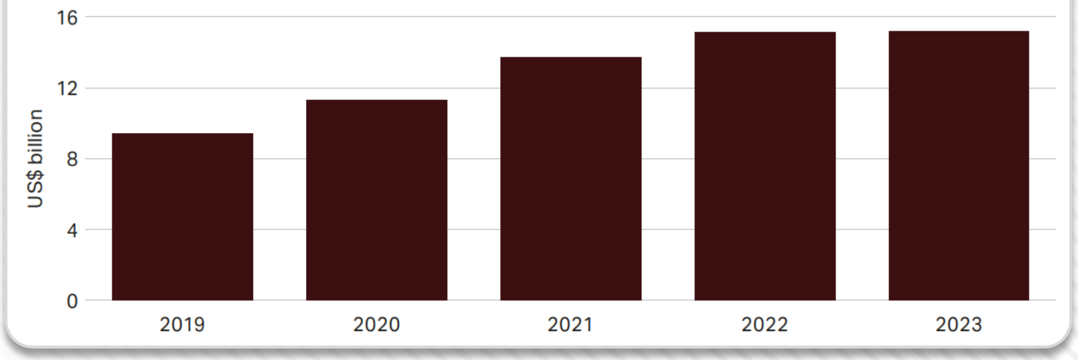
Quarter	Selective	Travelers	Cincinnati	Hartford	Markel	CNA
Q2 '24	↑	↑	↑	↑	↑	
Q1 '24	↑	↑		↑		↑
Q4 '23	↑		↑	↑	↑	↑
Q3 '23	↑	↑		↑		
Q2 '23	↑	↑	↓	↑		
Q1 '23	↓	↑		↑	↓	↑

U.S. Litigation Funders' Assets Under Management Have Increased 62% (2019-2023)

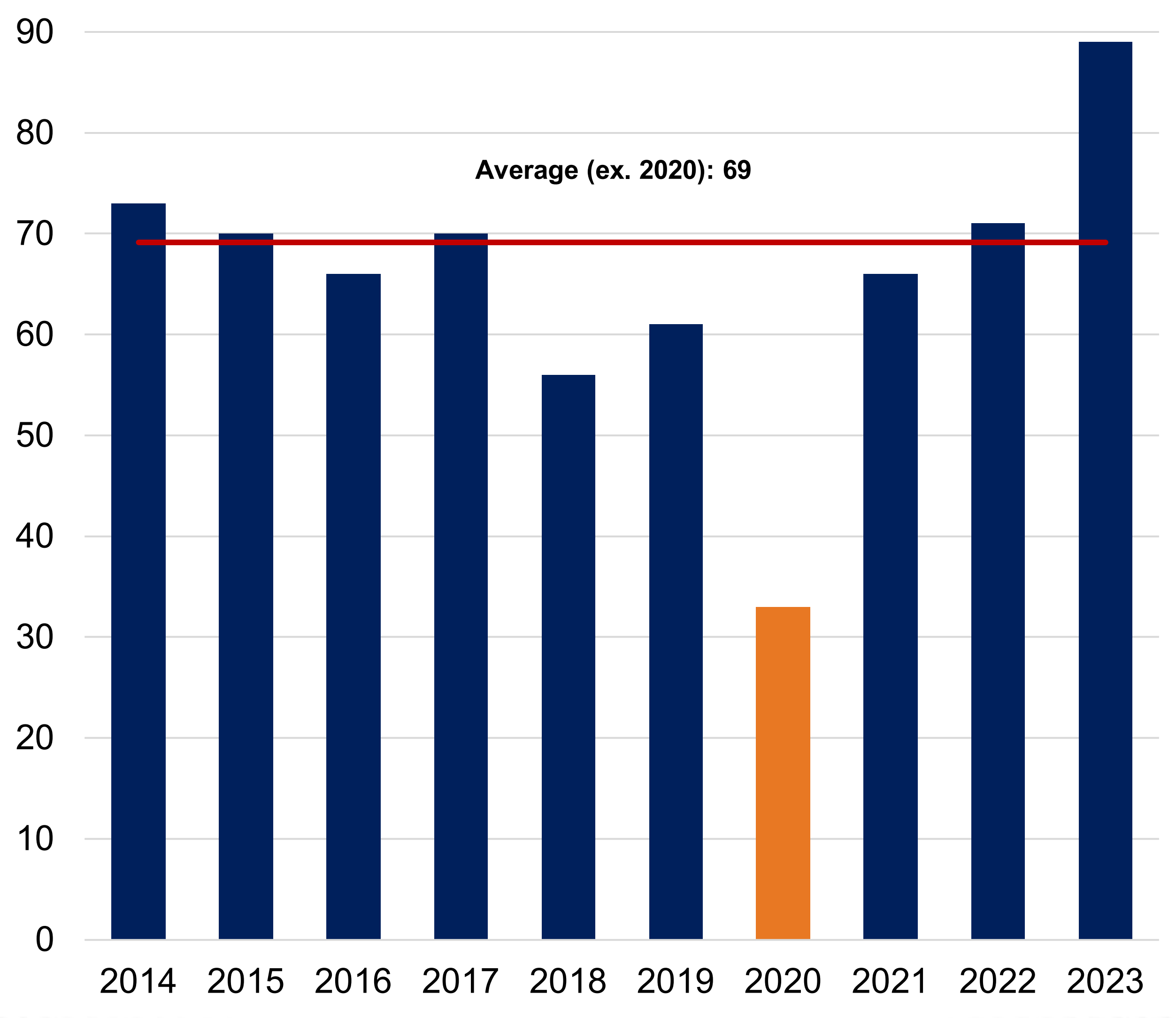
Legal system abuse continues to drive social inflation

- **Third-Party Litigation Funding**: Without any transparency or direct ties to litigated cases, institutional investors and even sovereign nations contribute significant amounts of capital toward litigation suits for the sole intent of making a profit.
- **Plaintiff Attorney Advertising "The Billboard Effect"**: Plaintiff attorneys spend billions of dollars annually on advertising, hinting at a financial windfall for policyholders who retain their services.
- **Increasing Plaintiff Attorney Contingency Fees**: Claimants receive smaller portions of total settlements as attorneys and third-part litigation funders look to profit even more.
- **Eroding Caps on Damages**: Settlements and case damage awards increased 27.5% on average between 2010 and 2019, the U.S. Chamber Institute for Legal Reform determined, due to little or no limit on the amount of damages in the U.S. judicial system.

Figure 26: US litigation funders' assets under management – 2019 to 2023
(Source: Howden, Westfleet Advisers)



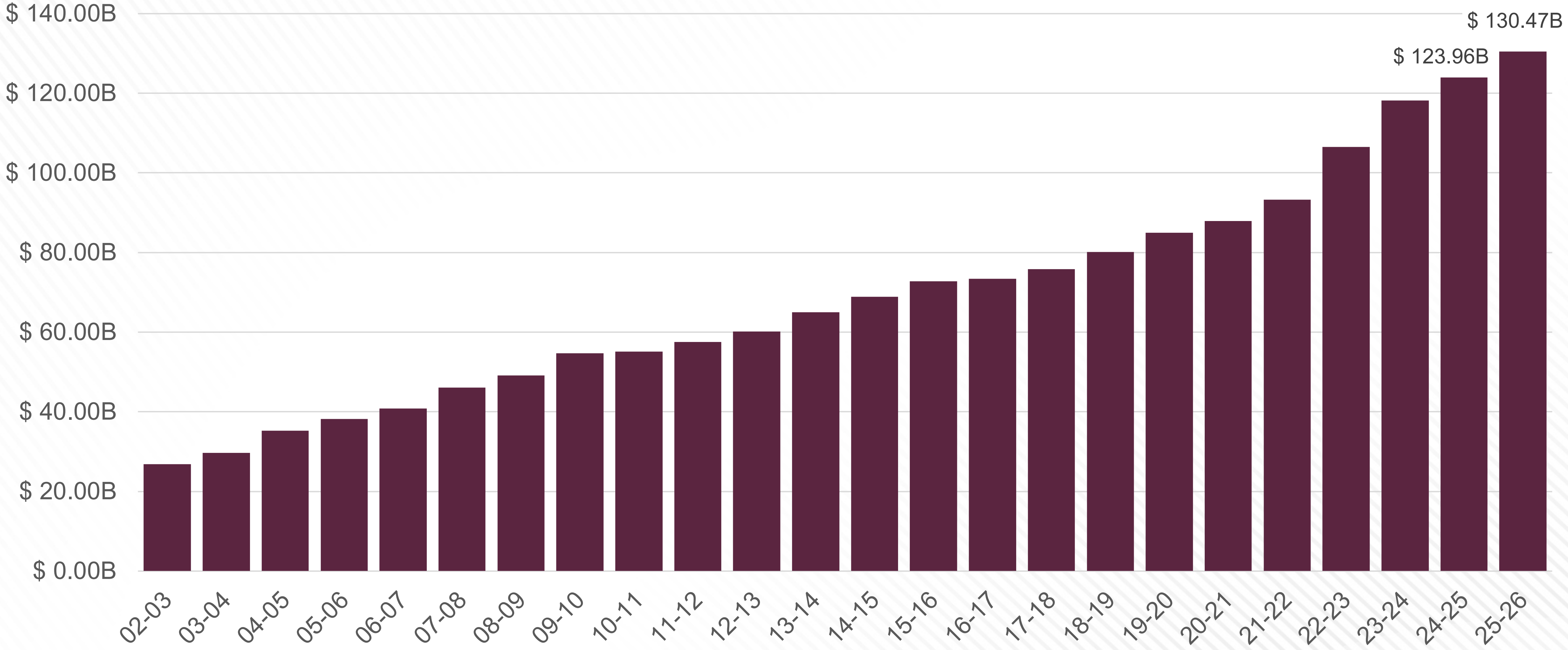
NUCLEAR VERDICTS GREATER THAN $10 MILLION AGAINST U.S. COMPANIES



Number of US verdicts against companies >US$10 million (Source: Howden, Marathon Strategies)

SAFER Excess Property

SAFER is over $130 Billion Total Insured Values (TIV) and over 106,000 structures throughout California



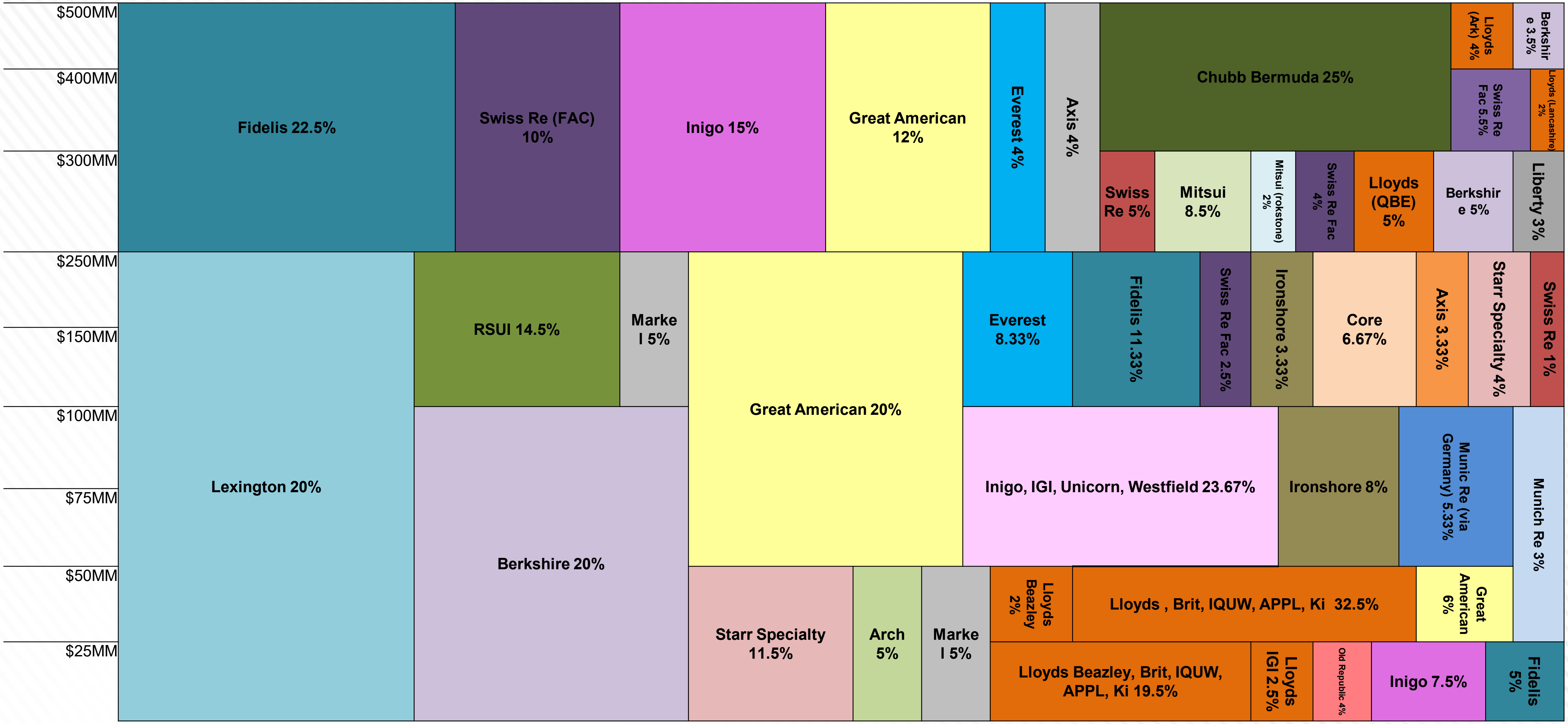
SAFER Excess Property Point-In-Time Comparison

PY	6 Mon	12 Mon	24 Mon	36 Mon	48 Mon
19-20	$8.4M	$10.0M	$10.2M	$10.1M	$9.6M
20-21	$5.4M	$10.8M	$11.0M	$11.4M	$9.8M
21-22	$6.3M	$10.8M	$10.0M	$10.1M	
22-23	$4.4M	**$20.9M**	**$20.5M**		
23-24	$10.0M	$14.0M			
24-25	**$2.2M**				

Highest in the past five years

New primary ($25M xs $250K)

2024-2025 SAFER Property Participants



SAFER Excess Liability

SAFER Excess Liability Program 2024-2025

$1M xs $1M

- Rate guaranteed through June 30, 2025
- $18M aggregate limit (previously $16M)
- $54M three-year term aggregate limit (previously $48M)

$8M xs $2M

- $56M annual aggregate limit inclusive of AAD (previously $36M)

$15M xs $10M

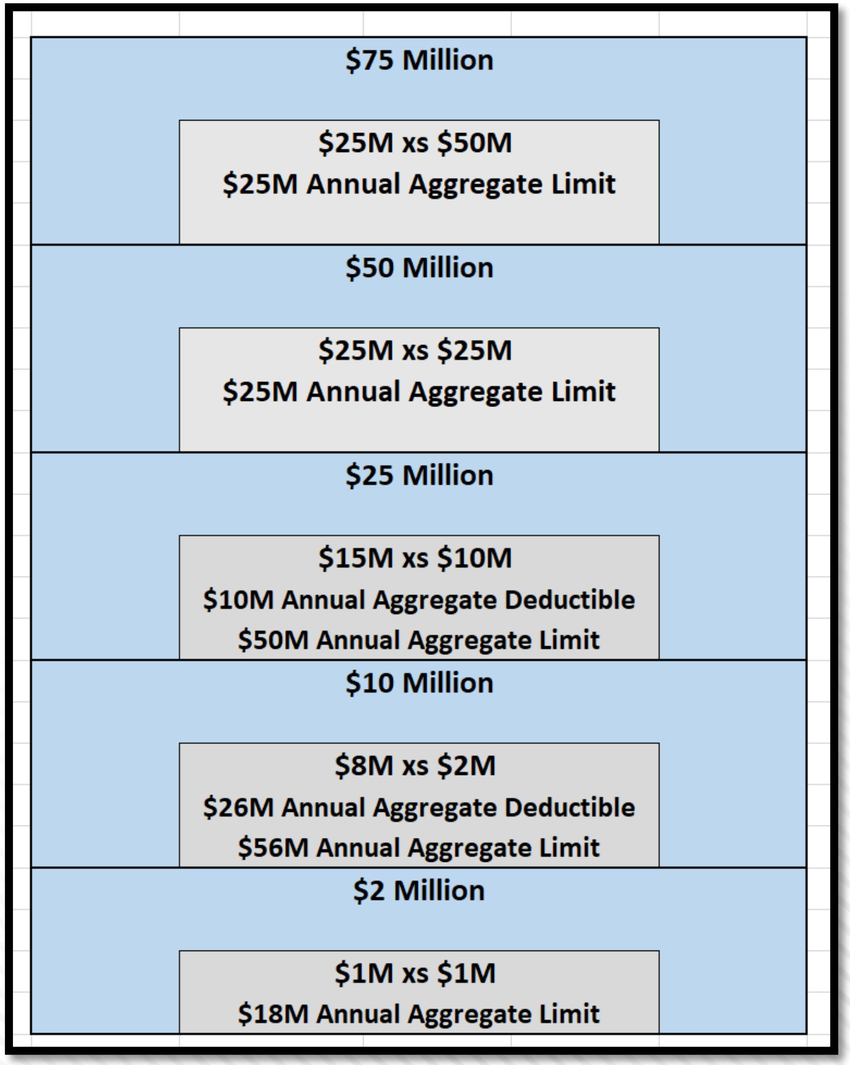
- $50M annual aggregate limit (previously $34.4M)
- SAFER retains investment income of $10M AAD

$25M xs $25M

- $25M aggregate limit

$25M xs $50M

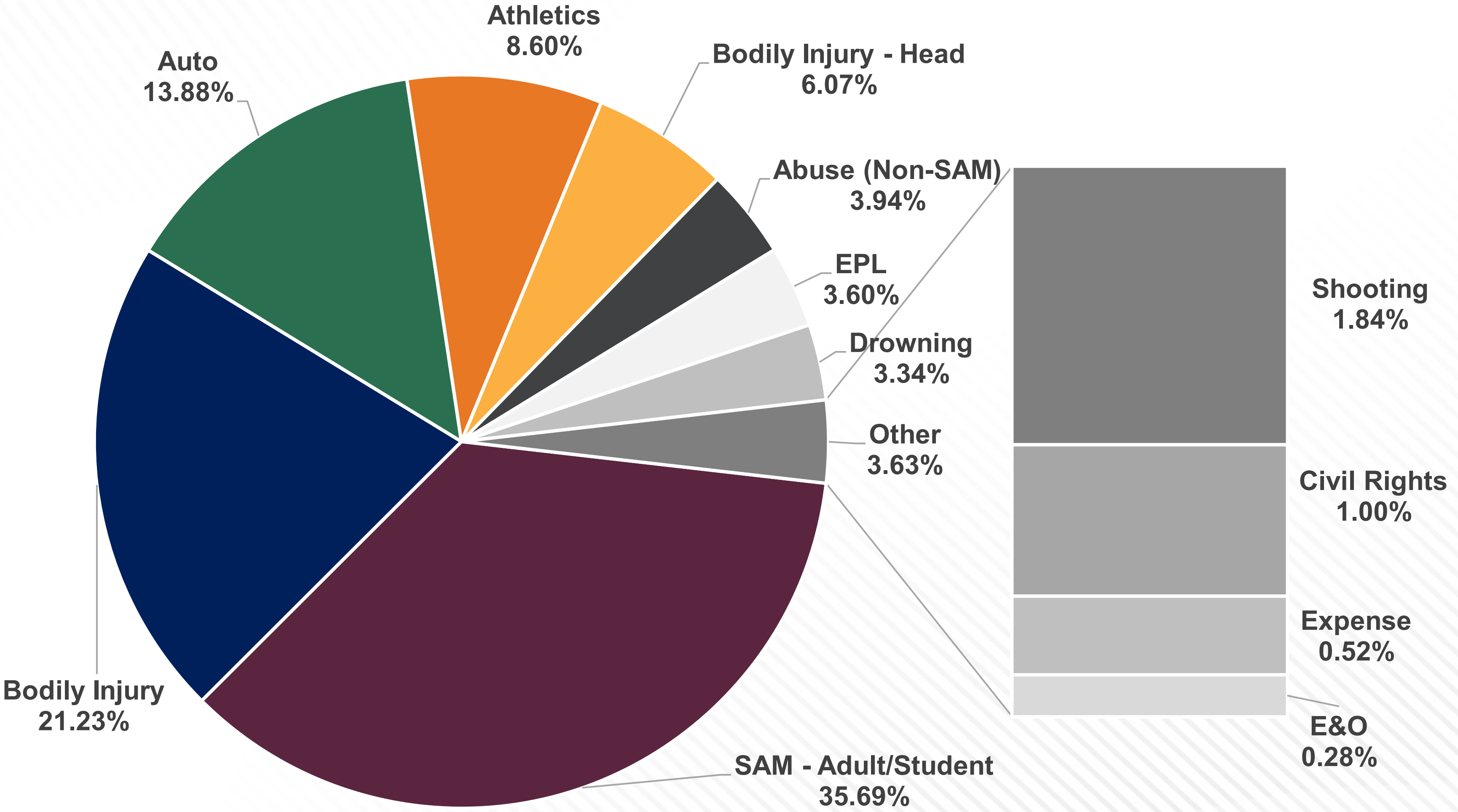
- $25M aggregate limit
- Most diversified layer of reinsurance participation



SAFER Excess Liability Claims by Type

As of 12/31/2024

Type	Tot-Inc
SAM – Adult/Student	$193.9M
Bodily Injury	$115.3M
Auto	$75.4M
Athletics	$46.7M
Bodily Injury - Head	$33.0M
Abuse (Non-SAM)	$21.4M
EPL	$19.6M
Drowning	$18.1M
Shooting	$10.0M
Civil Rights	$5.4M
Expense	$2.8M
E&O	$1.5M

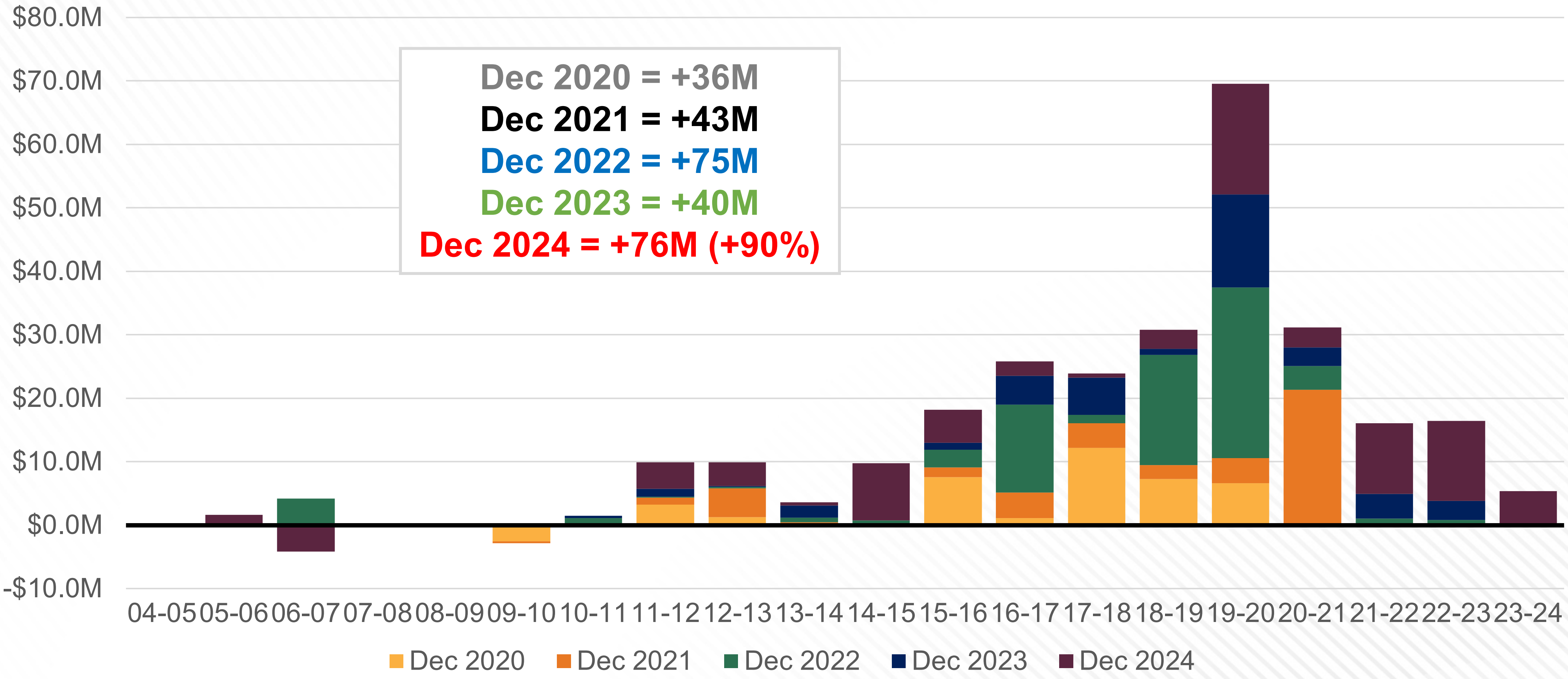


SAFER AB 218 Claims Slowed After the 3 Year Window Expired but Reporting is Steadily Increasing Since September

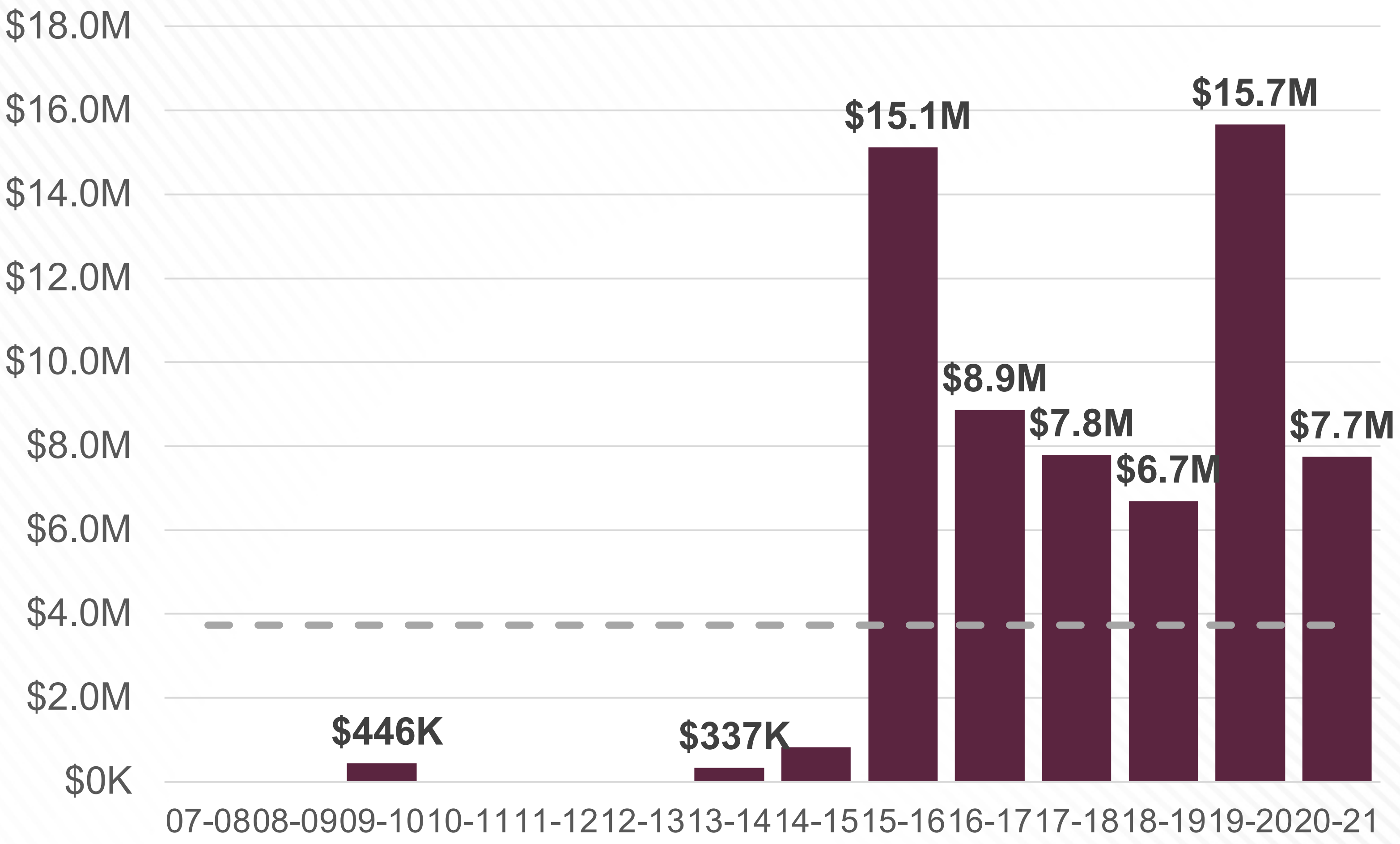
	Prior to 1986	07/01/86 to 06/30/09	01/01/09 to 12/31/19	Grand Total
Total Number of Claims	40	59	28	127
Total Incurred	$893K	$34.94M	$32.49M	$68.32M
SAFER Number of Claims	0	1	9	10
SAFER Total Incurred	$0	$1.6M	$24.38M	$25.98M

127 claims → +10 since 12/31/23 → 30 NCR → 47 SCR → 2 SWACC → 48 Pre-Membership

SAFER Excess Liability Loss Development > $1M



SAFER Excess Liability Loss Development > $10M



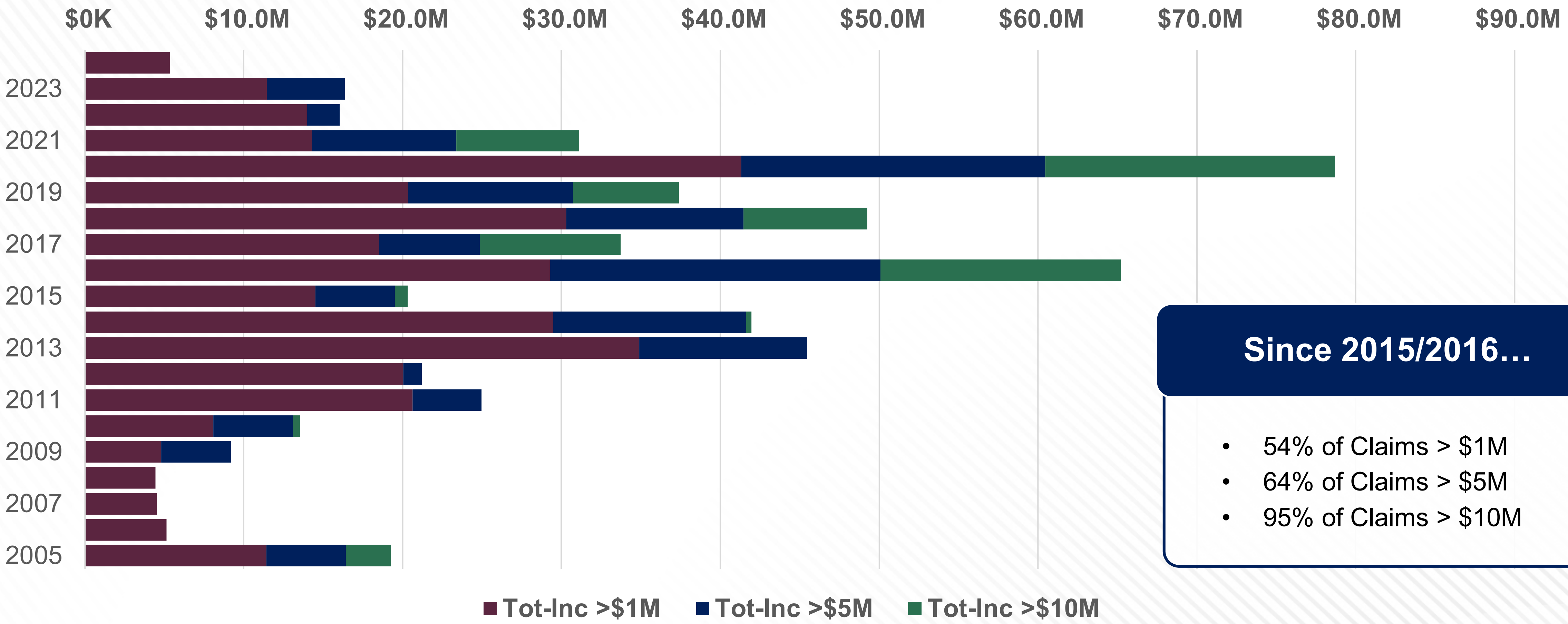
SAFER Losses > $10M

2007 to 2015 $783K

2015 to 2022 $62M (79X)

SAFER Liability Severity Trends > $1M, > $5M, and > $10M

Valued as of 12/31/2024



Since 2015/2016…

- 54% of Claims > $1M
- 64% of Claims > $5M
- 95% of Claims > $10M

SAFER Excess Liability Summary of Total Incurred

Losses > $1 Million

Valuation Date	Total Incurred	# Claims
12.31.15 / 16-17 Renewal	$135M	70
12.31.16 / 17-18 Renewal	$152M	77
12.31.17 / 18-19 Renewal	$199M	89
12.31.18 / 19-20 Renewal	$242M	107
12.31.19 / 20-21 Renewal	$273M	120
12.31.20 / 21-22 Renewal	$309M	130
12.31.21 / 22-23 Renewal	$352M	144
12.31.22 / 23-24 Renewal	$427M	174
12.31.23 / 24-25 Renewal	$467M	177
12.31.24 / 25-26 Renewal	**$543M**	**196**

Claim frequency increased 280%

Total incurred, **most of which is undeveloped,** increased 402%

Highest increase at +$76M

SAFER Liability – Loss Trends

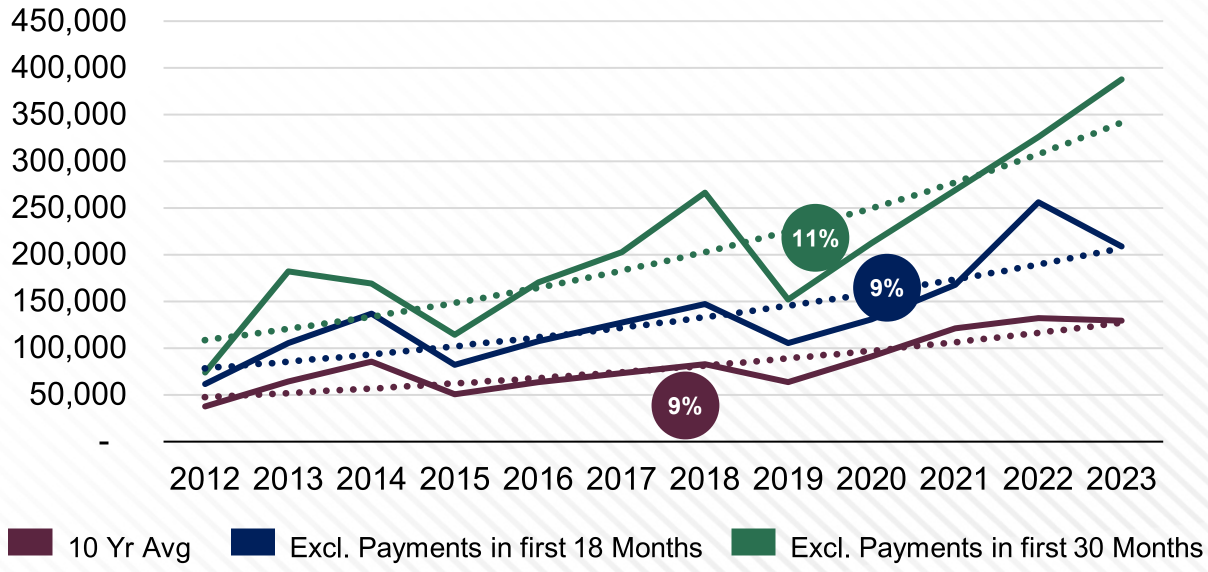
Strengthening of Severity Trend Selection

- **Industry-wide Casualty development continues to increase, driven by heightened levels of social inflation**
- **Analysis of SAFER GL claims by AY showed range of 4.7% to 9.6% (SAFER Losses from Reinsurer's Eyes)**
- **Calendar review of payments on closed claims shows a more elevated range of 7% to 11%**
  - Large Claim movements in excess of expectations driving loss costs in the first $10M
  - Results not dissimilar from trends seen in nationwide GL statistics
- **Frequency Trends for SAFER is significantly higher compared to Nationwide GL**
  - However, T&C can impact nationwide stats, while SAFER claims are true ground up perspective
  - Frequency impacts on industry statistics for 2020 and later could be leveraging severity statistics higher

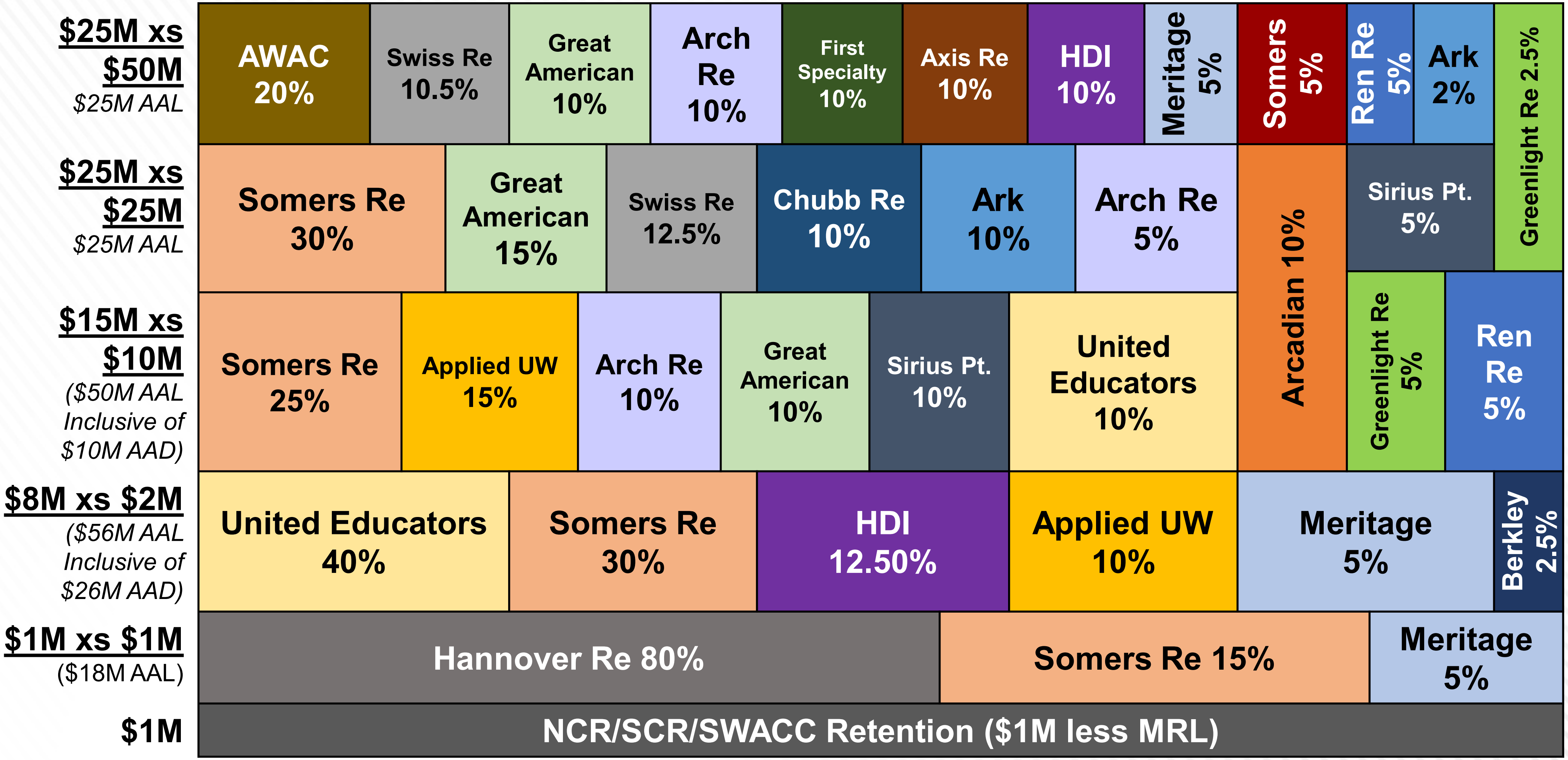
Nationwide GL Severity Trend | Average Paid vs Closed / Year

	All Claims	12 Mth Closed	24 Mth Closed	36 Mth Closed	48-120 Closed
'08-'15	+3.1%	+4.4%	+3.4%	+0.5%	+1.3%
'15-'19	+6.9%	+4.2%	+7.1%	+6.4%	+6.4%
'19-'20	-0.3%	+11.7%	-3.4%	-3.5%	-7.7%
'20-'22	+18.5%	+22.1%	+16.7%	+10.3%	+10.7%

SAFER Payment vs Claims Closed by Calendar Year



2024-2025 SAFER Excess Liability Participants



SAFER Cyber Liability

SAFER Cyber Program 2024-2025

Berkley

$10M Program Aggregate

$5M Single Event Limit

$2M Ransom Limit

No Co-Insurance

$2,000,000 Program AAD

Program Deductibles

K-12 ADA < 9,000: $35,000

K-12 ADA > 9,000: $50,000

CCD: $125,000

Program Enhancements

- $2M Ransom Limit
- No Ransom Co-Insurance
- Eliminated Compliance Restrictions
- Reduced Deductibles
- Increased Member Aggregate Limit
- Single Carrier for Entire Tower
- 2 Year Rate Guarantee

SAFER Cyber Loss History

Incidents and large claims continues to increase against schools

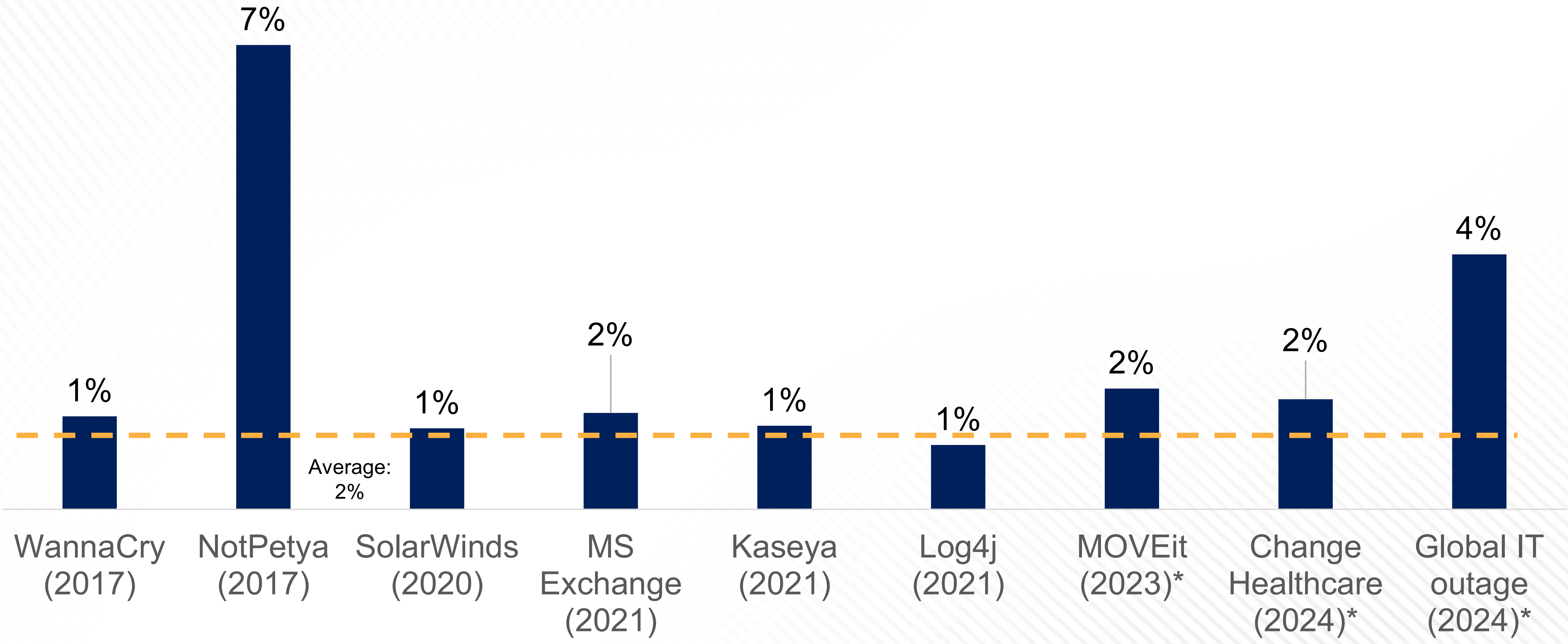
Program Year	Carrier	Incidents	Total Incurred	AAD Remaining	Claim Stratification				
					> 100K	> 250K	> 500K	> 750K	> 1M
2015/16	Brit	20	$148,220		0	0	0	0	0
2016/17	Brit	14	$335,905		3	0	0	0	0
2017/18	Brit	15	$95,850		0	0	0	0	0
2018/19	Brit	17	$105,398		0	0	0	0	0
2019/20	Brit	25	$1,094,798		2	1	1	1	0
2020/21	Chubb	26	$3,174,470		8	5	1	1	1
2021/22	Hamilton	22	$2,905,118		4	3	3	2	0
2022/23	Hamilton/Tokio	17	$2,920,321	$612,879	5	3	2	1	1
2023/24	Hamilton/Tokio	33	$2,692,297	$882,290	10	2	1	0	0
2024/25	Berkley Cyber Risk	14	$1,694,472	$1,831,945	8	1	0	0	0
Total		**203**	**$15,166,850**		**40**	**15**	**8**	**5**	**2**

SAFER Large Loss Summary

Policy Period	Summary of Claim Details	Incurred Costs
2022-2023	Ransomware	1,205,714
2020-2021	Ransomware	1,094,131
2021-2022	Ransomware	902,496
2021-2022	Ransomware	846,536
2019-2020	Ransomware	778,444
2022-2023	Ransomware	701,580
2023-2024	Ransomware	654,979
2021-2022	Ransomware	582,644
2020-2021	Ransomware	389,171
2020-2021	Ransomware	346,554
2020-2021	Ransomware	331,966
2023-2024	Ransomware	325,000
2022-2023	Ransomware	280,812
2020-2021	Ransomware	269,498
2024-2025	Ransomware	254,124

Significant Cyber Events

Insured loss estimates for high-profile cyber events as a percentage of GWP for global cyber market – 2017 to 2024



SAFER Ransom Demands, Payments and Trends 2021-2025

Program Years 2021/22 – 2024/25
- 18 ransomware events with total demands of $19.1 Million and payment made on 6 (33/%) for $3.3M
- Highest demand $3,000,000
- Average demand $1,066,389
- Highest payment $1,475,000
- Average payment $544,775

Ransom Demands have decreased in 2024/25
- Prior to 7/1/24, the average ransom demand was $1,351,230 (High - $3M)
- Since 7/1/24, the average ransom demand is $400,000 (High - $650,000)
- Threat Actors potentially going with lower numbers to induce payment as there is less room to negotiate

Class Action Litigation
- SAFER has had one class action claim which resulted in a favorable outcome

Class Action Claim Against SAFER Member

Ransomware incident with a $1.2M initial demand

- No payment was made and data was posted on the dark web
- Notice was provided to approximately 219,000 individuals

Class Action was filed alleging District failed to properly protect data

- We received a full dismissal with prejudice, based on Gov Code 815.6, which bars actions in tort against a municipal entity absent a statute imposing a mandatory state statute on the agency to protect this specific data. Currently, this mandatory state statute does not exist.

Breach counsel is working to have this decision published and based upon the California Government Code and existing case-law, we feel we have strong arguments to defeat future class action litigation arising out of the Cyber Program.

Systemic Exposure Trends

PowerSchool, a cloud-based software solutions provider, which supports over 60 million students and over 18,000 customers worldwide, offers a full range of services to help school districts operate, including platforms for enrollment, communication, attendance, staff management, learning systems, analytics, and finance.

On December 28, 2024, PowerSchool was impacted by a data extortion.

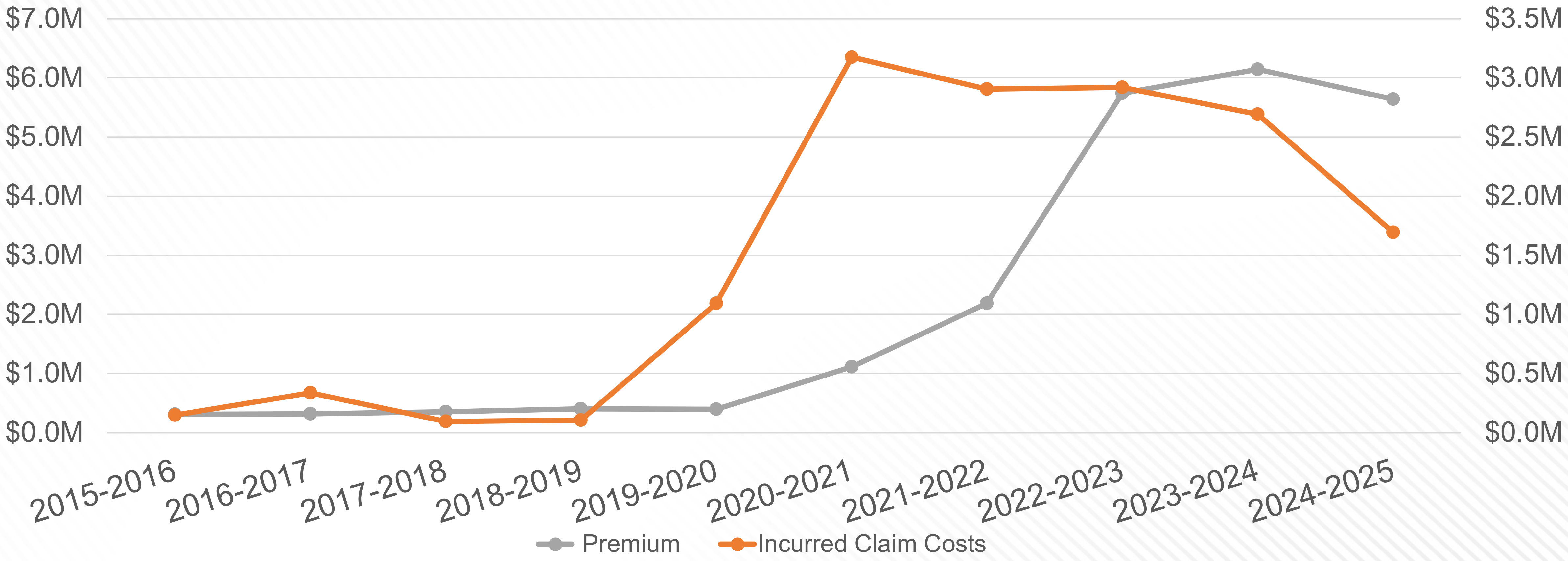
Threat actor obtained access credentials to PowerSchool's customer support portal allowing access certain teacher and student data for each of the school districts they service.

Not every district PowerSchool services was impacted - all impacted districts should now have been notified by PowerSchool.

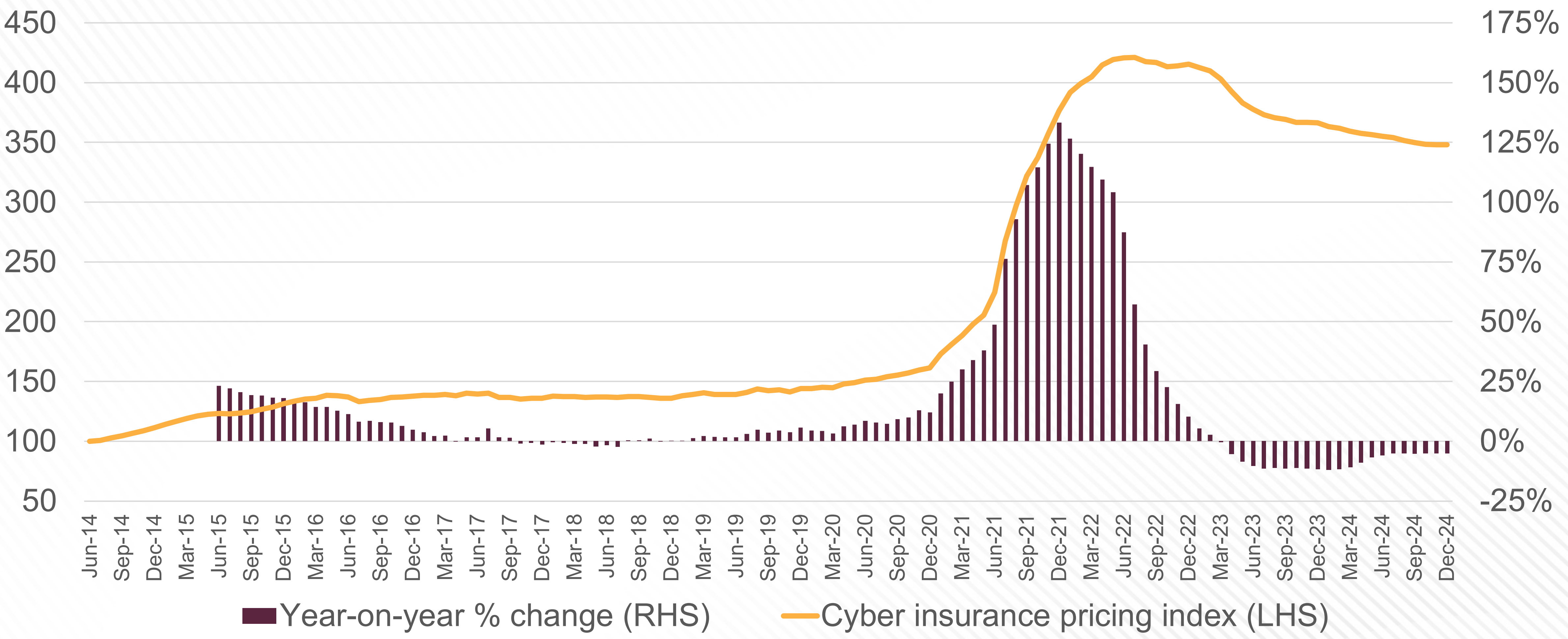
A ransom payment in an unspecified amount was made for data suppression.

Cipriani and Werner has developed a streamlined response for impacted districts to significantly reduce or eliminate legal costs.

SAFER Cyber Claims and Premium Experience

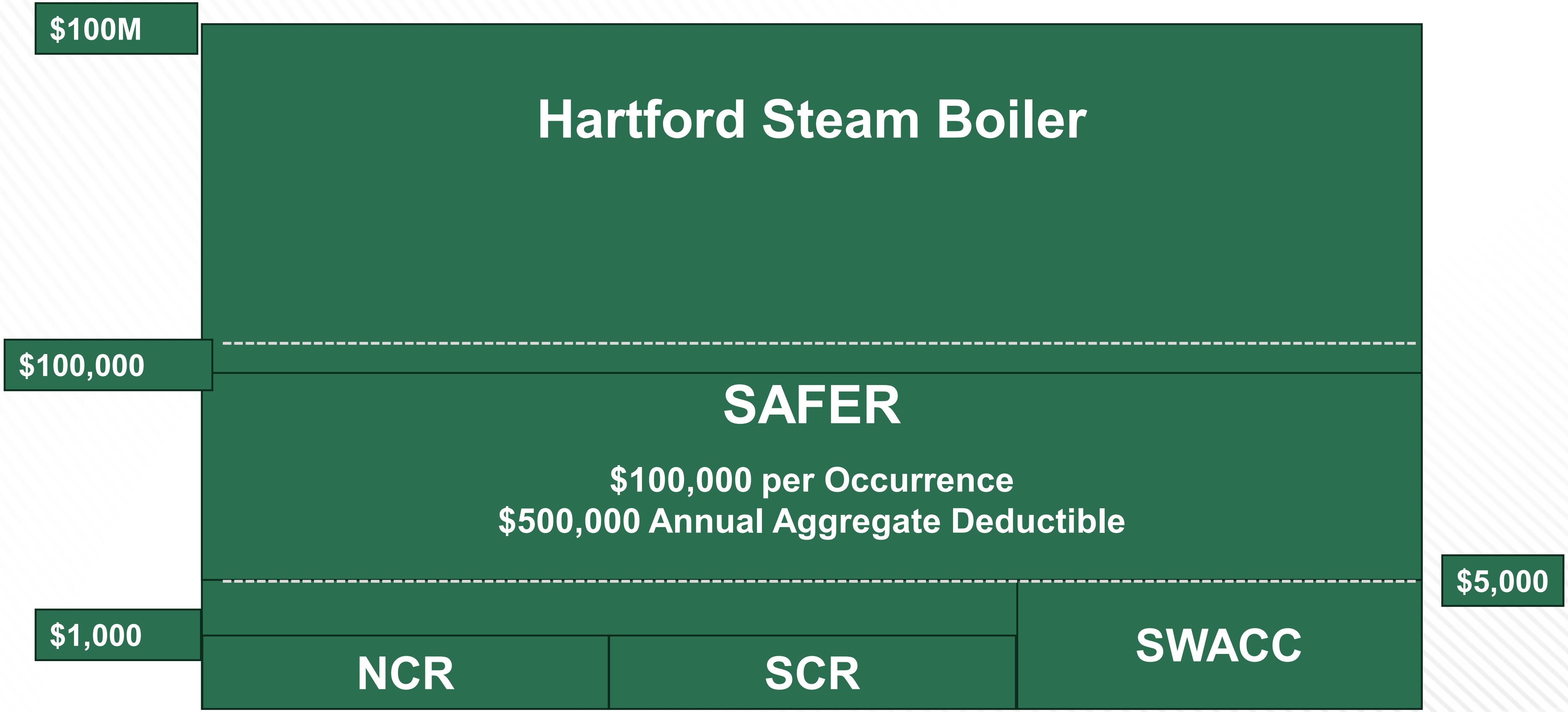


Global Cyber Insurance Pricing Index



SAFER Equipment Breakdown

SAFER Equipment Breakdown Program 2024-2025



SAFER Active Assailant

SAFER Active Assailant Program

SAFER Policy Aggregate	$3,000,000
Per Event	$1,000,000
Crisis Management Services Per Event Annual Aggregate	 $250,000 $1,000,000
Medical Expense Per Person	$25,000
Accidental Death & Dismemberment Per Person	$50,000
Counseling Services Per Person and Immediately Family Per Event Annual Aggregate	 $15,000 $250,000 $1,000,000
Funeral Expenses Per Deceased Person Per Event Annual Aggregate	 $15,000 $250,000 $1,000,000
Deductible	$25,000

Active Assailant Coverage Triggers

When a weapon is brandished or on occurrence of a deadly weapon event

Crisis response services can also be accessed in any circumstance a member feels indicates a deadly weapon event is likely to occur helping prevent violence

No exclusion based on whom the perpetrator is, including gang affiliations, spouses of staff, members of organized crime, etc.

Provides cover for incidents involving a variety of “deadly weapons” including:

- Portable firearm (loaded and unloaded)
- Knife
- Explosive device
- Road vehicle used by an assailant to deliberately cause death or bodily injury
- Syringe
- Corrosive substance
- Medical instrument
- Any other handheld device or instrument which is used to deliberately cause death or bodily injury

Response Network and Services (CrisisRisk)

Crisis Response Assistance

- Counseling, psychological first aid and family assistance and ensuring needs are provided
- Triaging impacts and stakeholder needs
- Managing media obligations
- Conducting open-source intelligence and monitors social and traditional media
- Rapidly accessing attorneys, investigators, counselors, and security services
- Threat of violence assessment
- Determining need for enhanced security

October 14th – SAFER member faced an unimaginable crisis and was in desperate need of assistance due to a fatal shooting incident between district employees. The district contacted Keenan staff at 2am with no real hope of an answer, though was almost immediately contacted and put in contact with CrisisRisk who helped arrange immediate counseling services for the campus community the next day.

For the next week(s), CrisisRisk and Keenan staff were helping mobilize next steps for a very complex matter impacting district staff and the community at large.

While these types of incidents are awful and complex, this is why the Active Assailant response program was put in place and responded exactly as advertised.

Response Network and Services (CrisisRisk)

- October 14th – SAFER member faced an unimaginable crisis due to a fatal shooting incident between district employees. The district contacted Keenan staff at 2am and was almost immediately put in contact with CrisisRisk who helped arrange immediate counseling services for the campus community the next day.
- For the next week(s), CrisisRisk and Keenan staff coordinated a very complex matter impacting district staff and the community at large.

Crisis Response Assistance

- Counseling, psychological first aid and family assistance and ensuring needs are provided
- Triaging impacts and stakeholder needs
- Managing media obligations
- Conducting open-source intelligence and monitors social and traditional media
- Rapidly accessing attorneys, investigators, counselors, and security services
- Threat of violence assessment
- Determining need for enhanced security

These types of incidents are awful, complex and often unimaginable, though this is why the Active Assailant response program was put in place and responded exactly as advertised

SAFER 2025-2026
Renewal Strategy and Forecast

2025 Market Headwinds & Tailwinds

Headwinds	Tailwinds
California Wildfire modeling & concerns	Sufficient supply to meet demand
SAFER's deteriorating Casualty loss experience	Sustained pricing increases (above loss trends)
Reinsurer aversion for California public entity (Social Inflation / SAM)	Anti-cyclical characteristics
Higher risk retentions / AAD's	Easing inflation
Resurgent ransomware attacks	SAFER's structures
Economic and Geopolitical uncertainty impacts on capital	SAFER's (re)insurer diversification

2025 Market Outlook & Forecast Trends

LINE OF COVERAGE	PRICE FORECAST
Commercial property	**CAT-free:** +5% to +15% **CAT-exposed:** +15% to +25%
General liability	**Overall:** +1% to +10%
Commercial auto	**Overall:** +5% to +30%
Workers' compensation	**Overall:** -5% to +2%
Cyber	**Overall:** 0% to +15%
D&O	**Private and nonprofit companies:** 0% to +5% **Public companies:** -10% to +5%
EPL	**Overall:** 0% to +10%

Price forecasts based upon industry report and Zywave survey

While property rates are easing, casualty reinsurance price increases are expected to see double-digit price increases in 2025. Reinsurers are particularly concerned about social inflation, rising litigation and adverse loss development, especially in workers' compensation and commercial auto lines.

Keenan®

2025 State of the (Re)Insurance Market

Northern California ReLiEF

SWACC
Statewide Association of Community Colleges

Southern California ReLiEF
Regional Liability Excess Fund

SAFER

Presented by:

John Stephens, CEO Keenan