



January 21, 2026

To: Property Program Members

From: Gina Dean, CEO

Re: Property Market Update

As we reflect on 2025 and look ahead to 2026, we find ourselves at an important inflection point in the commercial property insurance market. After many years of sustained hard-market conditions, the market environment has shifted meaningfully. Capacity has returned, pricing pressure has eased, and competition among carriers has increased which all serve to provide improved renewals for insureds. Despite the unprecedented Palisades and Eaton wildfires only a year ago in January 2025, we expect that the current market conditions will allow for a rate decrease for the PRISM members at the upcoming renewal. This expectation is contingent upon no market changing events occurring prior to the renewal.

Insurance Market Background

The property insurance market has undergone a significant shift over the past year and has finally softened from the hard cycle that began in 2017. The hard market cycle was due to large hurricane losses, perpetuated by world events and frequent large losses across the industry. In response to a sustained challenging insurance market, PRISM made the strategic decision to retain the primary \$10M of the Program effective 3/31/22 to better manage pricing and coverage. While PRISM provides capacity with superior terms and pricing than the open market in the primary layer, we continue to leverage our size and relationships to negotiate favorable terms on the excess layers. This balance provides the best program possible for members, especially considering carriers' continued concern about climate-related risks in California.

A major concern of carriers is the continued increase in extreme weather events in California, including wildfires, winter storms, and floods. Wildfires have long been a key concern, with Atmospheric Rivers becoming an emerging risk. Between the January 2025 wildfires and extreme rain events in recent years, the escalating risk is being carefully monitored. Thankfully PRISM's design has effectively managed these exposures, but discussion of these risks is expected to be a key part of negotiations for the 2026 renewal.

¹www.safetynational.com

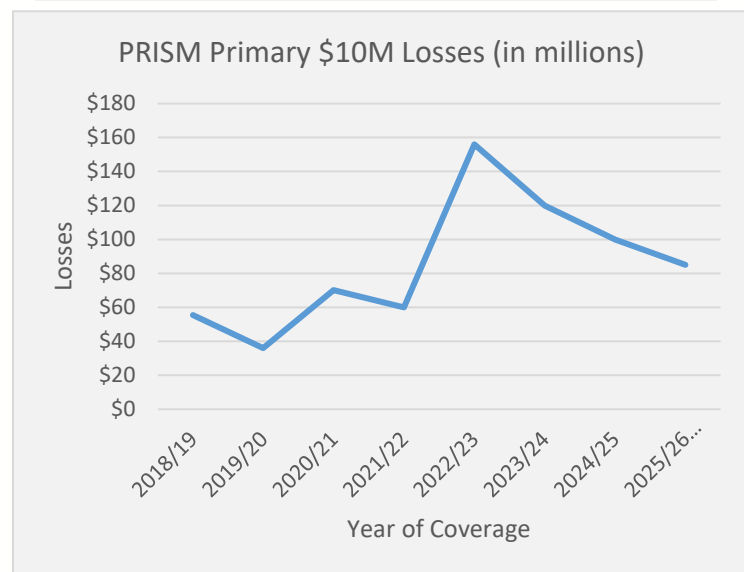
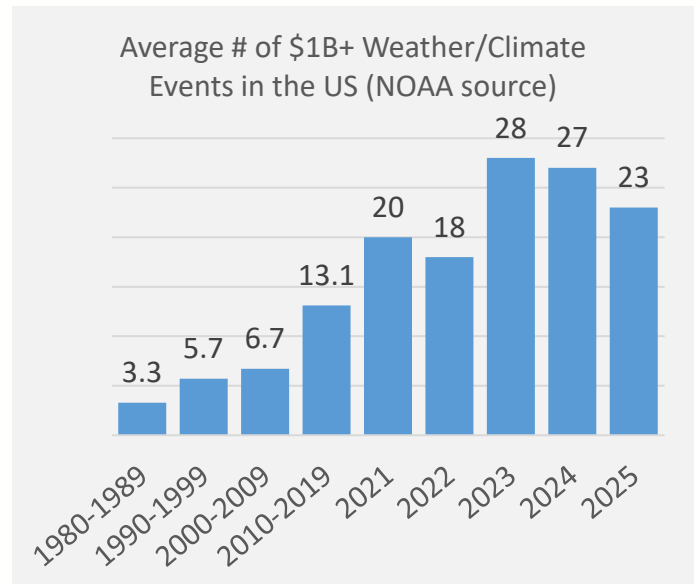
Excess Capacity Renewal

Despite continued severe natural catastrophes at unprecedented levels, the minimal coastal hurricane activity over the last 2 years has resulted in carriers generating profits. This profitability has resulted in improved pricing and a desire to grow, which we have not seen in many years. Though carriers continue to carefully consider the exposure, the favorable insurance market is expected to result in improved pricing and additional capacity for increased limits.

Primary Capacity Renewal

While loss experience for carriers excess of \$25M has been minimal (except for the recent Eaton wildfire loss), the primary \$10M layer has experienced significant loss traffic since self-funding. More frequent claims, severe winter storms, wildfires and inflation are key drivers of this increase. In the 5 years leading up to PRISM self-insuring the primary \$10M, the average annual loss for this layer was \$60M. Since self-insuring the primary \$10M layer the average has nearly doubled.

- 2022/23: \$160M (approximately \$70M of this was due to winter storms)
- 2023/24: \$120M
- 2024/25: \$100M
- 2025/26: \$85M (estimated total based on current losses)

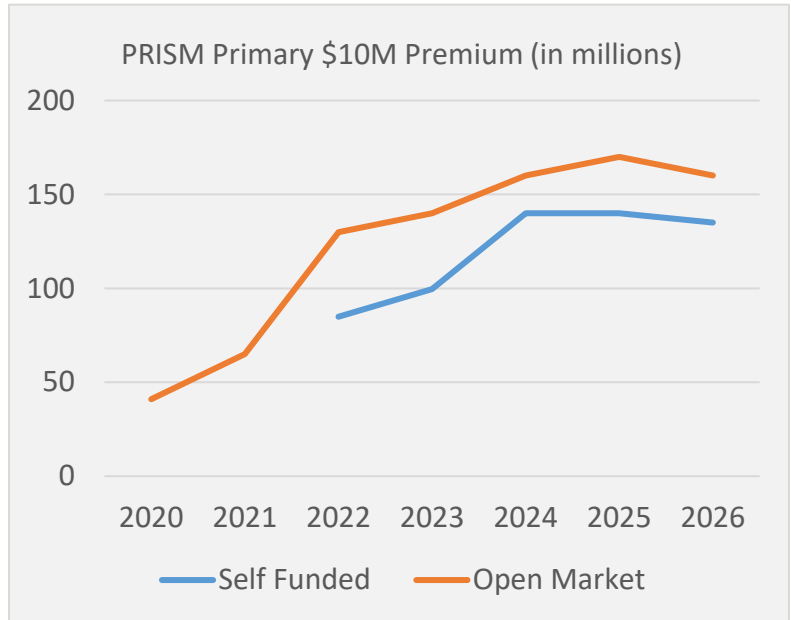


Fortunately, the PRISM exposure to losses in the primary layer is limited by purchase of reinsurance and the exposure is fully funded, meaning there is minimal risk to PRISM surplus. While this on its own would lead to a stable primary renewal, we intend to improve it further by taking advantage of the favorable open market pricing and capacity. To accomplish this, the primary layer design is expected to be modified slightly. This shift will reduce pricing and exposure to PRISM while maintaining stability with self-insurance.

PRISM's retention of the primary layer has shielded members from gaps in coverage, restrictive renewal terms and exorbitant pricing increases. It is estimated that the Program will have saved more than \$150M in premium by self-funding following the upcoming renewal.

In summary, although the PRISM Property Program has had a few difficult years, PRISM's sophistication and robust Net Position has allowed the Program to absorb these significant losses and still remain in a positive funding position. In addition, the Program structure has prevented

negative loss experience to most of the long-term carrier partners which improves the open market pricing. Finally, PRISM provides members the most comprehensive coverage at a more favorable price than members could obtain on their own. PRISM's power is in pooling, and together with the members the Program will be able to work through the challenges resulting from unforeseen events and continue to provide the lowest cost to members for the foreseeable future.



Sincerely,

Gina Dean

