

**PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT
(PRISM)**

UNDERWRITING COMMITTEE

MEETING SUMMARY

Web Conference/Telephonic Meeting

Wednesday, January 8, 2025

1:00 p.m.

First Meeting – 2025

Members Present

Andrew Guzman, ACCEL/City of Visalia
Matthew Duarte, CAPRI – Alt.
Zachary Gifford, CSURMA
Scott Schimke, GSRMA
Aaron Holmberg, Inyo County
Beth Lyons, PERMA
Greg Milligan, Santa Barbara County
Jamie Bloom, Sonoma County

Members Absent

David Richards, City of El Cajon
Jay Sloane, Mono County
Lavleen Cheema, El Dorado County – Alt.

Selection of Chair and Vice Chair

Scott Schimke was selected as the Chair, and Aaron Holmberg was selected as the Vice Chair for 2025.

EWC Program

An additional named covered party, the Willow Creek Fire Safe Council, was approved for coverage under Humboldt County.

GL1 Program

A SIR modification request was approved for Santa Barbara County, increasing their SIR to \$2M.

General Business

At the meeting, the Committee spent the majority of the meeting working on the Allocation and Actuarial Methods Project. These concepts are complex and this body of work and set of meetings is intended to be detailed. Staff, at the direction of the Committee, will continue solving for the outlier high severity claims in the ratemaking and the more precise the model, the more financially sound the program will become. A common theme from today's discussion is that the Committee would like staff to continue focusing on creative and sensible solutions to the cost allocation formula as it relates to administrative costs, and also being open minded about changes to the pool layer and ratemaking methods with the ultimate goal of financial strength of the programs. GL1 was the area of focus.

Actuarial presented information about rate making and ensuring that the Increased Limits Factors (ILFs) used in ratemaking are adequate. If rate making and ILFs are wrong, or inaccurate, this can lead to rate instability and rate inadequacy. ILFs are applied to the actuarially determined base rate to account for member self-insured retentions. As part of the actuarial and allocation project work, staff spent time reviewing the ILFs and the model that was previously contemplated back in 2021. There was a body of work related to this specific task of reviewing the old model. The findings indicated that the 2021 model performs well for lower to medium-sized claims, which follows a mixture of 3 lognormal distributions. However, for the higher outlier claims (also known as tail claims) that have emerged in recent years, the model could be further refined to better account for this critical area. There was a distinction made between claims less than \$1M working well with the old model, and claims greater than \$1M not working well within the old model. The outcome of the analysis was to improve the 2021 model to include Leveraging Extreme Value Theory (EVT) designed to model tail behaviors. By combining the 2021 model with this EVT enhancement, PRISM should be more likely to predict the probability of the tail claims. No formal recommendation was made at this meeting.

Future Meetings

The next scheduled meeting will be on **Wednesday, February 5, 2025, at 1:00 p.m.**, to be held **at the PRISM office in Folsom.**