

Bristol Town Administrator

From: Joe Damiata <jdamiata@vlct.org>
Sent: Tuesday, October 31, 2023 9:14 AM
To: Bristol Town Administrator
Subject: 2024 PACIF Coverage Rate Preview

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Dear VLCT PACIF member,

After five consecutive years of flat or decreasing rates, PACIF rates will increase modestly for 2024. With the PACIF board's prior approval, staff recently filed an overall 1.9 percent gross-net rate increase with the Vermont Department of Financial Regulation (DFR), and we expect approval soon. Gross-net rates can be considered as the rate members pay after underwriting adjustments.

At its October meeting, the board also designated \$1.5 million of member equity (surplus) as credits toward members' 2024 contributions and set aside \$200,000 to fund the 2024 PACIF Grant Program. The credits will show as a line item defraying coverage costs on next month's invoices, and the grants are very helpful in reducing recipients' long-term potential for loss.

The invoices for the 2024 renewal will be mailed out and in your hands on or about December 1. The gross-net rates filed with DFR reflect changes to the following lines of coverage:

- Workers' Compensation: 1.6 percent decrease
- Liability Lines: 2.0 percent increase
- Property Lines: 8.7 percent increase

While workers' compensation is a bright spot, the property rates are rising significantly. This is mostly due to a substantial increase in the cost of property reinsurance, which PACIF uses to manage the fund's exposure to losses above defined thresholds. Similar cost changes are occurring across the entire property reinsurance market because national and international forces including climate change are affecting all carriers.

Beyond rates, exposure changes - particularly to property values - will affect members' property contributions (premiums). For renewals, PACIF applies an inflation factor to existing scheduled property values to keep up with higher reconstruction costs (not to be confused with market value). The higher scheduled value combined with the rate increase will definitely raise property contributions. If our property valuation vendor (HCA Asset Management) visited your municipality in 2023, you may see a significant rise in the scheduled value of some structures, which would further increase the cost of your 2024 property coverage.

Changes in rates and exposures affect each member differently, in part because each of you has a specific claim (loss) experience rating which is factored into your renewal price. Generally, having a better than average loss experience results in lesser increases (or perhaps a decrease), while having a below average loss experience results in larger increases.

In fairness to you, I am sharing this information now to avoid surprises when you receive your PACIF invoice. Our underwriting team is compiling the 2024 renewal information that has been submitted and is beginning to review pricing. If you have not yet sent us your information, please do so soon. Be sure to send your questions about the renewal process to underwriting@vlct.org.

Finally, I thank you for your support of PACIF. Without you, this program would not exist and could not provide members of all sizes with coverage, training, and other programs focused on helping municipal staff and officials perform their public service. We truly are stronger together.

Sincerely,

Joe



Joe Damiata

Director, Risk Management Services

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