

FOR PLANNING AND BUDGETING PURPOSES

Archdiocese of Los Angeles for FY 2019 Property and Casualty Premium Estimates January 12, 2018

Overview:

Based upon estimates of retained losses, captive insurance premiums and observations of market conditions provided by Arthur J. Gallagher, we estimate that overall property and casualty insurance premiums for the Archdiocese will, on average, increase approximately 4.1% beginning FY 2019. The final premium change will depend on the outcome of the actuarial analysis based on December 31, 2017 data being performed currently, the outcome of the July 1, 2018 insurance renewal process and the impact of property appraisals. *Note that individual location premiums will likely change by more or less than the average depending on changes in payroll, property values, operations, and vehicles.*

The overall increase is primarily driven by two factors: higher ALAIC liability claims costs and the expected impact of 2017 catastrophes on excess property premiums. The below does not reflect additional cost for Cyber Liability insurance which is targeted to be in place July 1, 2018.

The following table illustrates estimated average premium changes by insurance coverage:

Coverage	FY 2019 Estimated Percent
Workers' Compensation	1.0%
Property	5.4%
General Liability	5.9%
Automobile	-0.7%
Overall Premium Weighted Average	4.1%

Premium Determination:

The Archdiocese bills its parishes, schools, and other locations for property and casualty insurance program costs, by type of coverage, based on the following formula with percent of total costs in parentheses:

Premium =

- Estimated Retained Loss Costs as determined by an actuary where practical (72.5%)
- + Insurance Premium Costs (21.4%)
- + Internal Risk Management Department Costs including internal crime/fidelity risk management expenses (2.1%)
- + Consultant Costs such as Claims Administration, Actuary, Appraiser, Broker, etc. (3.5%)
- + Other Costs incl. security deposit for workers compensation and outside billing costs (0.5%)

Premium Allocation:

Premiums are allocated to individual operating units based upon loss exposure units including: payroll by job classification for workers' compensation, property values for property, type and scope of operations for general liability, and vehicles for automobile.

Accounting:

Amounts remitted by operating units for insurance are segregated into designated accounts. Over time, any excess amounts in these accounts will be used to stabilize or reduce premiums charged. Similarly, any shortfalls will be made up by increased premiums. The goal is to have sufficient (but not excessive) funds available to pay the costs of each coverage, each year based on stable premiums.

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Anthem EPO	3.0%
Anthem PPO	3.0%
Kaiser	5.0%
Dental	0.0%
Vision	10.0%
Stop Loss	5.0%