*Affordable Housing Risk Pool Rates and Terms for 2019*

On December 6, 2018, the Affordable Housing Risk Pool (AHRP) Board of Directors approved rates for the upcoming 2019 program year.

2018 claims ended up being much higher than anticipated. Property claims, primarily fire and water damage, led the frequency trend. AHRP suffered a total loss in a northern California wildfire in early November. The impact of that loss was factored into the actuarial calculations for AHRP's $1M self-insured retention (SIR); however, it was not captured in the renewal terms for AHRP's excess property coverage through Munich.

As wildfires continue to escalate in terms of occurrences, size, and costs, reinsurance providers have begun to increase the impact of wildfires on their catastrophe modeling, meaning that AHRP will continue to have market pressures on rates as these incidents continue to happen. As expected, the actuarial analysis determined that AHRP's property rates are requiring increases to keep pace with the frequency and severity trends that are occurring. It was recommended to the Board of Directors that AHRP adopt the actuarial consultant's indicated rates for all lines of coverage. The past practice on rate setting was to "smooth" indications somewhat, relying on surplus to absorb possible negative development of claims. This was done in 2018, which was believed to be an anomaly year. With 2017 and 2018 losses outpacing rates, it was the consensus of the Board of Directors that rates be set on what the expected loss costs are forecasted to be.

There are no new structural changes to AHRP in 2019. AHRP will continue to front the program through the Princeton Excess Surplus Lines Insurance Company (PESLIC) while reinsuring PESLIC for the first $1 million of each property and liability claim. Munich Reinsurance will continue to provide $45M excess of AHRP's retention and $1M primary property purchased from PESLIC for a total of $47M in property coverage. AHRP purchases an additional $1M in general liability coverage above the retention, giving the GL program $2M per occurrence. Optional excess liability limits are available up to $5M over the AHRP GL program SIR of $2M. This optional coverage is provided by Munich and can be purchased in $1M increments up to $10M. The Equipment Breakdown coverage will be renewed with Hartford Steam Boiler for all members at no cost increase.

All members have been placed into the tier assignments for 2019. There were no major swings in any member's tier assignments for 2019, so the form letter you typically receive was not produced this year. If you have any concerns about your tier assignments, please contact Bill Gregory, Executive Director.

The 2019 AHRP rates will increase as follows:

| | |
|---|---|
| Property | + 9.6% |
| General Liability | + 6.4% |

Below is a synopsis of the rates per tier for the various lines of coverage:

| | Property (per 1,000 TIV) | Liability (per Unit) |
|---|---|---|
| Tier 1 | $0.8215 | $ 26.25 |
| Tier 2 | $0.9128 | $ 29.17 |
| Tier 3 | $1.0041 | $ 32.09 |
| Tier 4 | $1.1410 | $ 36.46 |
| Tier 5 | $1.3692 | $ 43.75 |
| Tier 6 | $2.7385 | $ 87.51 |

You can determine the projected costs at your next renewal based on the grids above. The staff at HARRP is available to assist you in your budgeting process and to discuss increasing deductibles, risk control, safety grants, training, the actuarial analysis, etc. In short, any questions you may have or any service we can offer is a phone call away.