



## MEMORANDUM

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DATE: December 15, 2022

TO: AMLJIA Members

FROM: Kevin Smith, Executive Director

RE: 2022 ACFR and Program Update

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The AMLJIA was significantly impacted by the poor performance of the investment market this past year as we lost \$3.25 million. As with most investments, there will be ups and downs. We are in it for the long-haul and try to remember that we picked a strategy of mixed stocks and bonds for a reason. We can't just blindly follow along, but it is closely monitored and the pool is adequately capitalized for the coming years. We expect recovery as the economy improves.

You can read more about your pool's performance in the award-winning Annual Comprehensive Financial Report (ACFR) included with this letter. This is the 27<sup>th</sup> consecutive year that the Government Finance Officers Association of America and Canada has awarded the AMLJIA the Certificate of Excellence in Financial Reporting. We expect this report to follow the pattern.

As public entities build FY24 budgets, you're probably curious about what to expect for pricing next year. Many of you know that pricing is driven by industry experience and investments. Some predictions I see in the forecast include:

### Reinsurance Experience

- The industry suffered through western wildfires as well as Hurricane Ian in 2022. Estimated insured property losses from Ian alone range between \$50 billion to \$100 billion. These poor experiences will likely drive property costs up 10 percent, and inflation will likely drive replacement values up at least 10 percent.
- I expect jury verdicts, litigation, retentions, and restricted coverage to drive to **liability lines** up 5 to 15 percent.
- Although the experience has been pretty tame in the past year, **workers' compensation** (WC) is likely to rise with the cost of labor from flat to 5 percent. Improvements in Alaska's WC environment will help keep this line of coverage in check.
- Cyber coverage will continue to be difficult, but fortunately, the AMLJIA will likely retain coverage for existing members who may need to adopt some multi-factor authentication procedures. Pricing at the reinsurance level is expected to rise 80 to 250 percent, depending on the strength of controls with tighter minimum standards.

Members' best strategy to weather this storm is to sign up for a three year agreement, which will limit their rate increase to under 10 percent. Call Paul Bryner, our underwriter, for details.