



**REGULAR MEETING OF THE FINANCE COMMITTEE  
OF THE  
INLAND EMPIRE HEALTH PLAN**

**April 14, 2025 - 10:00:00 AM**

If disability-related accommodations are needed to participate in this meeting, please contact Annette Taylor, Secretary to the IEHP Governing Board at (909) 296-3584 during regular business hours of IEHP (M-F 8:00 a.m. – 5:00 p.m.)

**PUBLIC COMMENT AT INLAND EMPIRE HEALTH PLAN FINANCE COMMITTEE MEETINGS:**

The meeting of the Inland Empire Health Plan Finance Committee is open to the public. A member of the public may address the Committee on any item on the agenda and on any matter that is within the Committee's jurisdiction at the time of the meeting when the item listed on the agenda is called. Each speaker should begin by identifying themselves for the record and announce any contributions in excess of \$250.00 made by them or their organization in the past twelve (12) months to any IEHP Finance Committee member as well as the name of the Finance Committee member who received contribution. In order to keep track of speakers and to be able to notify the Committee of any speakers on a particular agenda item, a speaker slip is requested to be completed and provided to the Committee Secretary by the commencement of the public meeting and no later than the time the agenda item has been called so that you may be recognized by the Committee to speak. The Committee may limit the public input on any item, based on the number of people requesting to speak and the business of the Committee.

All public record documents for matters on the open session of this agenda can be viewed at the meeting location listed above, IEHP main offices at 10801 6<sup>th</sup> Street, Suite 120, Rancho Cucamonga, CA 91730 and online at <http://www.iehp.org>.

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**AGENDA**

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- I. Call to Order
- II. Roll Call
- III. Changes to the Agenda
- IV. Public Comments on Matters on the Agenda
- V. POLICY DISCUSSION ITEMS

**CHIEF FINANCIAL OFFICER'S REPORT (Keenan Freeman)**

- 1. Corporate Insurance Policy Overview
- 2. Monthly Financial Overview
- 3. Inland Empire Health Plan Investment Policy
- 4. Finance Committee Bylaws Review
- 5. Covered California Risk Adjustment Overview

AGENDA

- VII. Comments from the Public on Matters not on the Agenda
- VIII. Board Member Comments
- IX. Closed Session – No Business
- X. Adjournment

The next meeting of the IEHP Finance Committee will be held on June 3, 2025 at the Dr. Bradley P. Gilbert Center for Learning and Innovation in Rancho Cucamonga.

**1. Title: Corporate Insurance Policy Overview**

**Presenter:** Jill Vega, Managing Director, Senior Account Executive, Aon  
Rick Fox, Senior Vice President, Management Liability Team, Aon  
Grant Dethlefsen, Vice President, Team Leader Cyber, Aon  
LaShonda Griffin, Senior Property & Casualty Broker, Aon

**Summary:**

The Inland Empire Health Plan (IEHP) Insurance portfolio includes insurance policies that provide adequate insurance coverage for IEHP's risk exposure. IEHP utilizes the brokerage services from two (2) insurance brokers for its insurance needs as shown below.

| Insurance Policy   | Broker                     |
|--|----------------------------|
| Cyber Liability  | Aon Risk Services          |
| Management Liability                                     | Aon Risk Services          |
| Property, Casualty and Difference in Conditions          | Aon Risk Services          |
| Healthcare Facilities General and Professional Liability | Aon Risk Services          |
| Fiduciary Liability                                      | Alliant Insurance Services |
| Workers Compensation/Employer Liability                  | Alliant Insurance Services |
| Crime Liability  | Alliant Insurance Services |

The attached presentation will provide an overview of the policies procured by Aon Risk Services covering Cyber liability, Management liability and Property, Casualty and Difference in Conditions.

**Recommendation:**

That the IEHP Finance Committee receive and file this information as presented.

| Chair Yxstian Gutierrez  | Vice Chair Curt Hagman  | Member Eileen Zorn  |
|--|---|---|
| <input type="checkbox"/> Review<br><input type="checkbox"/> Recommend item be forwarded to Governing Board for (review/approval)<br><input type="checkbox"/> N/A | <input type="checkbox"/> Review<br><input type="checkbox"/> Recommend item be forwarded to Governing Board for: (review/approval)<br><input type="checkbox"/> N/A | <input type="checkbox"/> Review<br><input type="checkbox"/> Recommend item be forwarded to Governing Board for: (review/approval)<br><input type="checkbox"/> N/A |



# Inland Empire Health Plan

## Stewardship Discussion

April 14, 2025

Aon Risk Services West, Inc.  
In California License#0363334  
Proprietary & Confidential



# Contents

Aon Service Team

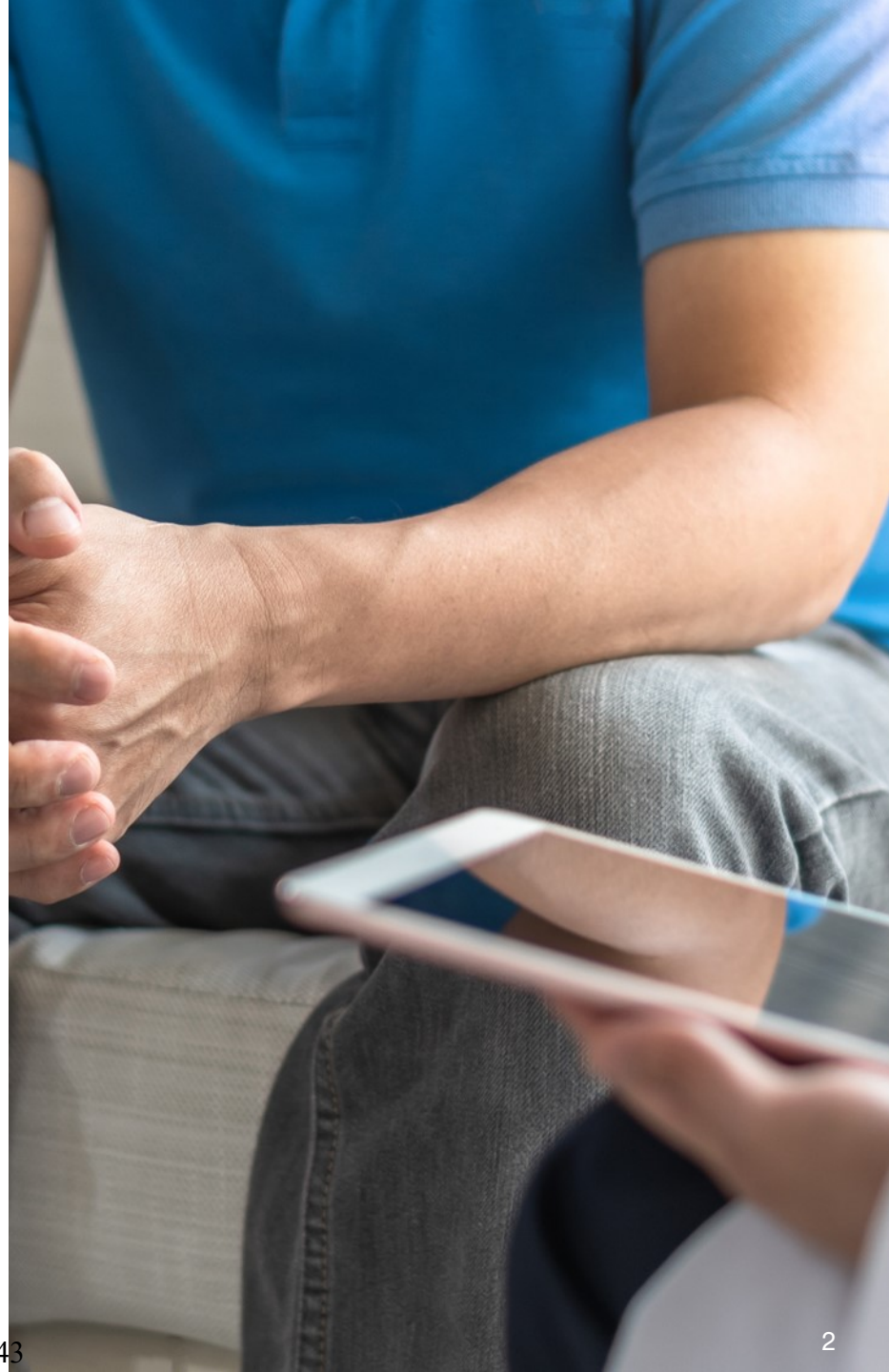
1. Cyber Liability Overview

2. Management Liability (Directors & Officers Liability, Employment Practices Liability, & Managed Care Errors & Omissions Liability) Overview

3. Property, Casualty, & Difference in Conditions Overview

Appendix

*This insurance document is furnished to you as a matter of information for your convenience. It only summarizes the listed policy(ies) and is not intended to reflect all the terms and conditions or exclusions of such policy(ies). Moreover, the information contained in this document reflects coverage as of the date of this summary as shown below of the policy(ies) and does not include subsequent changes. This document is not an insurance policy and does not amend, alter or extend the coverage afforded by the listed policy(ies). The insurance afforded by the listed policy(ies) is subject to all the terms, exclusions and conditions of such policy(ies).*



# Aon Team Chart

| Name             | Location      | Contact Information  | Role  |
|------------------|---------------|--|---|
| Jessica Fields   | San Francisco | (P) 415.238.4961<br>(E) <a href="mailto:jessica.fields@aon.com">jessica.fields@aon.com</a>     | Executive Client Contact<br>EVP, California Market Leader   |
| Jill Vega        | San Francisco | (P) 740.972.5459<br>(E) <a href="mailto:jill.vega@aon.com">jill.vega@aon.com</a>               | Managing Director, Senior Account<br>Executive              |
| Georgio Fasoulis | Los Angeles   | (P) 415.940.8092<br>(E) <a href="mailto:georgio.fasoulis@aon.com">georgio.fasoulis@aon.com</a> | Senior Account Specialist                                   |
| LaShonda Griffin | San Francisco | (P) 415.486.6993<br>(E) <a href="mailto:lashonda.griffin@aon.com">lashonda.griffin@aon.com</a> | Senior Property & Casualty Broker                           |
| Gavin Roberts    | San Francisco | (P) 925.212.2382<br>(E) <a href="mailto:gavin.roberts@aon.com">gavin.roberts@aon.com</a>       | Property & Casualty Broker                                  |
| Rick Fox         | Chicago       | (P) 312 288-6496<br>(E) <a href="mailto:rick.fox@aon.com">rick.fox@aon.com</a>                 | Senior Vice President – Management<br>Liability Team Leader |
| Grant Dethlefsen | Los Angeles   | (P) 224.406.1901<br>(E) <a href="mailto:grant.dethlefsen@aon.com">grant.dethlefsen@aon.com</a> | Vice President – Team Leader Cyber                          |
| Drew Vasquez     | Los Angeles   | (P) 323.403.7908<br>(E) <a href="mailto:drew.vasquez@aon.com">drew.vasquez@aon.com</a>         | Cyber Broker  |



# 1

## Cyber Liability



# Cyber General Overview



# Cyber Insurance

## Coverage Descriptions



### Breach Event Expenses

**Triggered by discovery of a privacy or security incident**

Reimbursement coverage for the insured's costs to respond to a data privacy or security incident. Policy triggers may vary but typically are based upon discovery of such an event, or a statutory obligation to notify consumers of such an event. Covered expenses can include computer forensics expenses, legal expenses, costs for a public relations firm and related advertising to restore your reputation, consumer notification, and consumer credit monitoring services.



### Cyber Extortion

**Triggered by a threat to cause a security failure or privacy breach**

Reimbursement coverage for the insured for expenses incurred in the investigation of a threat and any extortion payments made to prevent or resolve the threat.



### Digital Asset Protection

**Triggered by a network security failure, unless system failure coverage provided**

Reimbursement coverage for the insured for costs incurred to restore, recollect, or recreate intangible, non-physical assets (software or data) that are corrupted, destroyed or deleted due to a network security failure.



### Computer Hardware Replacement

**Triggered by the loss of use of computer hardware/electronic equipment**

Reimbursement coverage for the insured for the replacement of computer hardware that has been rendered useless due to unauthorized reprogramming/ransomware. Coverage is sometimes added as its own insuring agreement but is often triggered in conjunction with another insuring agreement, typically network business interruption or data restoration. As such, coverage may only apply if the computer hardware replacement would mitigate business income loss or help restore data/systems.

This is a summary and is not intended to be an exhaustive analysis of all coverage items, exclusions, terms or conditions relevant to all claims and exposure situations. Please refer to the actual policy(ies) for coverage items

# Cyber Insurance

## Coverage Descriptions



### Network Business Interruption

**Triggered by a network security failure, unless system failure coverage**

**Business Interruption** – Reimbursement coverage for the insured for actual lost net income, as well as associated extra expense, caused by a computer system outage.

- **Security Failure** – Provides coverage for interruption to an insured's business due to an interruption of an insured's computer system due to a malicious attack.
- **System Failure** – Provides coverage for interruption to an insured's business due to an interruption of an insured's computer system due to an unintentional/unplanned outage.
- **Dependent Security Failure** – Provides coverage for an interruption to an insured's business due to the outage of a computer system of a business on which the insured is dependent on caused by a malicious attack. Coverage varies but can include businesses such as information technology providers (cloud providers) or non-information technology providers. Coverage generally only extends to a dependent business where the insured has a contract in place.
- **Dependent System Failure** – Provides coverage for an interruption to an insured's business due to the outage of a computer system of a business on which the insured is dependent on caused by an unintentional/unplanned outage. Coverage varies as described in dependent security failure.

Coverage does not typically apply until after the greater of a waiting period or retention. Reimbursement periods vary greatly, but usually reimburse the insured until the restoration of computer systems (up to 120+ days).



### Reputational Harm

**Triggered by an Adverse Media Event during the Policy Period**

Reimbursement coverage for the insured for actual lost net income as a result of an adverse media report of a network security or privacy incident. Reimbursement period (period of indemnity) varies but often ranges from 30 days to 180 days. A waiting period, usually, from 10 hours to 14 days, may also apply. Coverage may not apply if a computer system outage occurs

This is a summary and is not intended to be an exhaustive analysis of all coverage items, exclusions, terms or conditions relevant to all claims and exposure situations. Please refer to the actual policy(ies) for coverage items

# Cyber Insurance

## Coverage Descriptions



### Cyber-Crime

#### Triggered by theft of money or resources

Reimbursement coverage for the theft of money or resources. Coverage often overlaps significantly with coverage found under a commercial crime policy. Typically only offered at a small sublimit. Cyber-Crime coverage includes social engineering, invoice manipulation, computer fraud, funds transfer fraud, crypto-jacking, and telephone fraud. Coverage names/scope varies and are often intertwined.

- **Social Engineering** – Theft of money due to fraudulent instruction by a person purporting to be authorized to make such instruction (i.e. bad actor pretends to be CFO and instructs accounts payable to wire funds). May contain a condition requiring the insured to call-back or further authenticate the transaction.
- **Invoice Manipulation** – Theft of money due to the use of a computer system to manipulate payment instructions/invoices so that client/customer payments are redirected to a third party.
- **Computer Fraud-Theft** – Theft of money due to the direct or indirect control of an insured's computer system.
- **Funds Transfer Fraud** – Theft of money due to fraudulent instructions to a financial institution to transfer the insured's funds.
- **Crypto-jacking** – Theft of an insured's resources due to the unauthorized access to/use of an insured's computer systems to mine cryptocurrency that results in increased computer hosting costs and/or electricity costs to the insured.
- **Telephone Fraud** – Theft of an insured's resources due to the unauthorized access to/use of an insured's telecom systems that result in increased charges (such as toll call charges).

This is a summary and is not intended to be an exhaustive analysis of all coverage items, exclusions, terms or conditions relevant to all claims and exposure situations. Please refer to the actual policy(ies) for coverage items

# Cyber Insurance

## Coverage Descriptions



### Network Security Liability

Liability coverage for defense costs and damages suffered by others resulting from a failure of computer security, including liability caused by theft or disclosure of confidential information, unauthorized access, unauthorized use, denial of service attack or transmission of a computer virus.



### Privacy Liability

Liability coverage for defense costs and damages suffered by others for any failure to protect personally identifiable or confidential third-party corporate information, whether or not due to a failure of network security. Coverage may include: unintentional violations of the insured's privacy policy, actions of rogue employees, and alleged wrongful collection of confidential information.



### Regulatory Proceedings Liability

Liability coverage for defense costs for proceedings brought by a governmental agency in connection with a failure to protect private information and/or a failure of network security. Includes coverage for fines and penalties to the extent insurable by law. Compensatory damages, i.e. amounts the insured is required by a regulator to deposit into a consumer redress fund, may be covered.



### Payment Card Industry Data Security Standards (PCI-DSS)

Coverage for a monetary assessment (including a contractual fine or penalty) from a Payment Card Association (e.g., MasterCard, Visa, American Express) or bank processing payment card transactions (i.e., an "Acquiring Bank") in connection with an Insured's non-compliance with PCI Data Security Standards.







### Media Liability Coverage

Liability coverage for defense costs and damages suffered by others for content-based injuries such as libel, slander, defamation, copyright infringement, trademark infringement, or invasion of privacy. The scope of covered media is variable and can range from the insured's website only to all content in any medium.

This is a summary and is not intended to be an exhaustive analysis of all coverage items, exclusions, terms or conditions relevant to all claims and exposure situations. Please refer to the actual policy(ies) for coverage items

# Cyber Important Notice

## Claims Made Policies

|  |  |  |  |
|--|--|--|--|
|    |   |    |   |
| <b>Claims Made Policies</b> <p>Cyber Liability policies often are claims made, which means that coverage applies to claims made during the policy period or extended reporting period (if applicable).</p> | <b>Reporting Requirements</b> <p>Cyber Liability policies generally require reporting of claims during the policy period in which they were made. Failure to do so can result in denial of coverage.</p> | <b>Insurer Approval</b> <p>Cyber Liability policies usually require the approval of the insurer(s) prior to selecting breach response vendors or defense counsel, incurring any defense costs, or agreeing to any settlement. Failure to do so can result in denial of coverage.</p> | <b>Note</b> <p>The above comments are general observations. Please refer to your policy for actual terms and conditions.</p> |

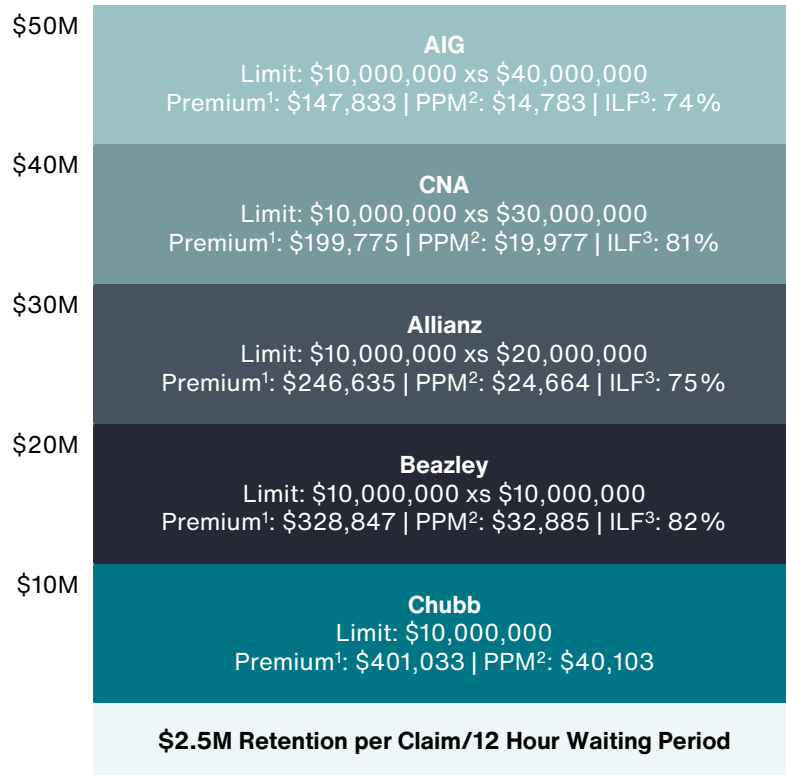
This is a summary and is not intended to be an exhaustive analysis of all coverage items, exclusions, terms or conditions relevant to all claims and exposure situations. Please refer to the actual policy(ies) for coverage items



# IEHP's Cyber Liability Program Overview

# Current Cyber Program Overview

4/1/2025 – 4/1/2026



**Total Limit:** \$50,000,000

**Retention:** Full Prior Acts

**Primary Retroactive Date:** Full Prior Acts , Continuity Date – 4/1/2022

**Coverage:**

**Program Limits**

- Breach Response Cost
- Business Interruption Loss (Security/System Failure)
- **Dependent Business Loss (Security/System Failure)**
- Cyber Extortion Loss
- Data Recovery Loss
- Data & Network Liability
- Regulatory Defense & Penalties
- Payment Card Liabilities & Costs
- Media Liability
- Computer Hardware Replacement
- Reputational Loss

**Program Sub-limits**

- eCrime (Fraudulent Instruction, Funds Transfer Fraud, Telephone Fraud, CryptoJacking) - \$250,000
- Contingent Bodily Injury - \$250,000
- Invoice Manipulation - \$100,000
- Criminal Reward - \$50,000

**\$50M Premium<sup>1</sup>: \$1,324,123**

1. Does not include taxes and fees

2. PPM = Premium per Million

3. ILF = Increased Limit Factor

# 2025 - 2026 Cyber Liability Renewal Executive Summary

## 2025 Renewal Strategy:

- Prioritize removing Beazley's Website Tracking Exclusion which would exclude claims that arose out of the use of a pixel, code, or similar technology on a Website that transmits or redirects, or causes to be transmitted or redirected, information from an individual to a third party
- Re-evaluate additional limits based on loss modeling and garner strategic excess interest through marketing and strong submission
- Utilize the CyQu applications to leverage IEHP's improvements in controls and undergo a focused marketing effort

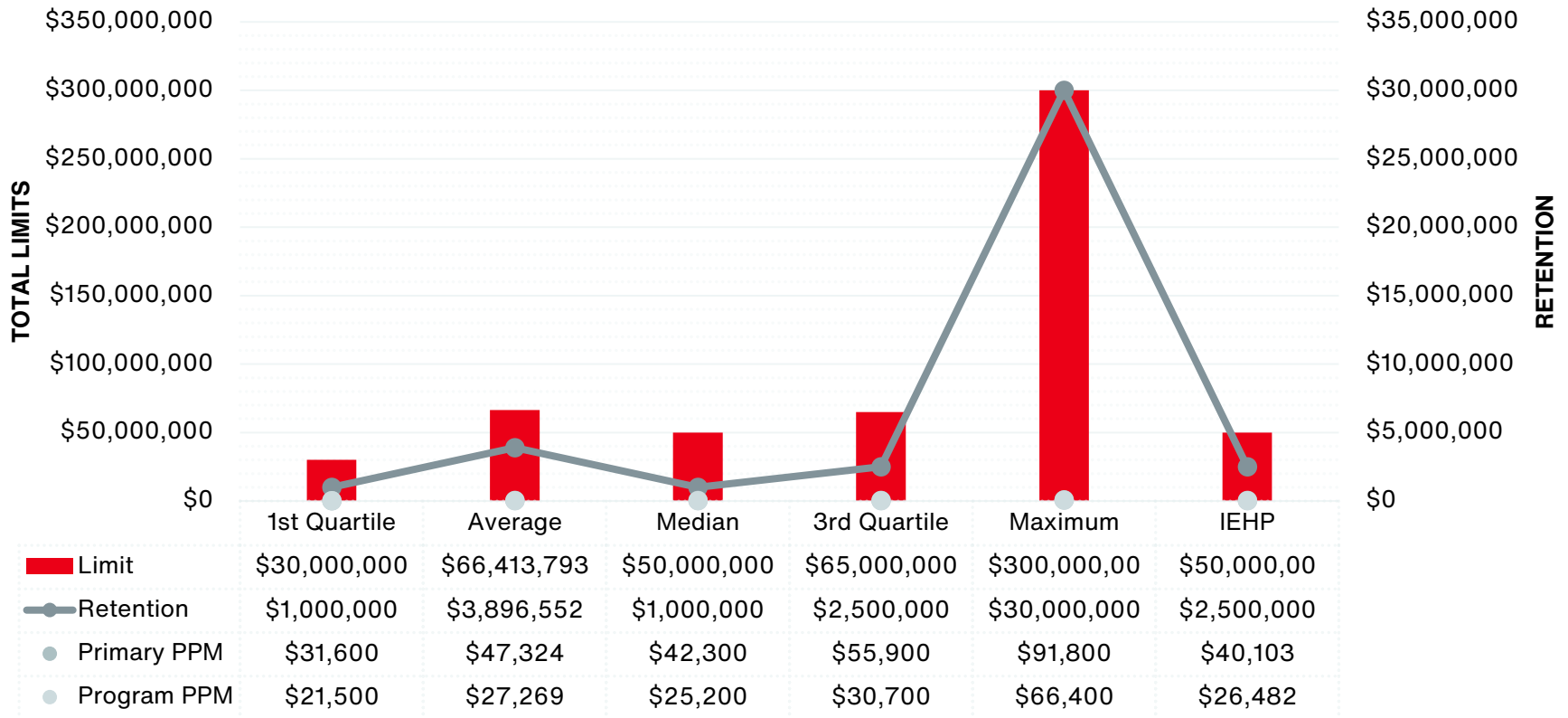
## 2025 Renewal Results:

- Aon underwent a marketing effort for IEHP's primary reaching out to 7 Insurers with Managed Health Care risks experience that do not contain pixel tracking exclusions
- Aon secured quotes or indications from 6 insurers, including Chubb, AIG, Westfield, and AmTrust
- Beazley initially sought a flat premium y-o-y, but after a focused marketing effort followed by negotiation, Aon was able to secure an updated quote:
  - **\$10M xs \$2.5M SIR for \$400,000 in premium (23.81% Decrease / \$125,000 in Savings YOY)**
    - Dependent Business Interruption (Security/ System Failure) was increase from \$5M to full limits
    - Beazley was unable to remove the Website Tracking Exclusion
- The most competitive primary quote option came from Chubb at \$10M xs \$2.5M SIR for **\$401,035 in premium (23.53% Decrease / \$123,965 in Savings YOY)** while also offering increased full limits on Dependent Business Interruption Coverage
- Upon the decision to move forward with Chubb at primary, Aon quickly negotiated expiring \$30M utilizing Beazley and Allianz through \$30M but also secured highly competitive pricing through \$60M – which more closely aligns with loss modeling and benchmarking for IEHP
  - **\$30M Premium: \$997,570 in Premium ( 23.6% Decrease / \$308,368 Less Spend)**
  - **\$60M Premium: \$1,512,977 in Premium ( 16% Increase / \$207,039 additional spend for doubling limits)**
    - **PPM (Price per Million): 42.1% savings off expiring total program to \$25,216**
    - This includes CNA, AIG, and Westfield for additional layers
- Considering the benchmarking and the limit quantification, Aon recommends IEHP consider additional limits
  - IEHP's current limit would be exhausted on a 1 in 23 year catastrophic event at \$30M level, this increases to 1 in 42 year with \$60M
  - IEHP places in the bottom quartile for limit adequacy in both benchmarking and limit quantification
  - IEHP's average total cost of risk (TCOR) in a given year for the 95th percentile and above (the 5% most catastrophic losses) for the current program is \$61.3M

# Cyber Peer Benchmarking Analysis

## Total Limits and Retention

Healthcare | Revenues: \$2B – \$8B | Inland Empire Health Plan Revenue: \$6.7B | Peers: 29

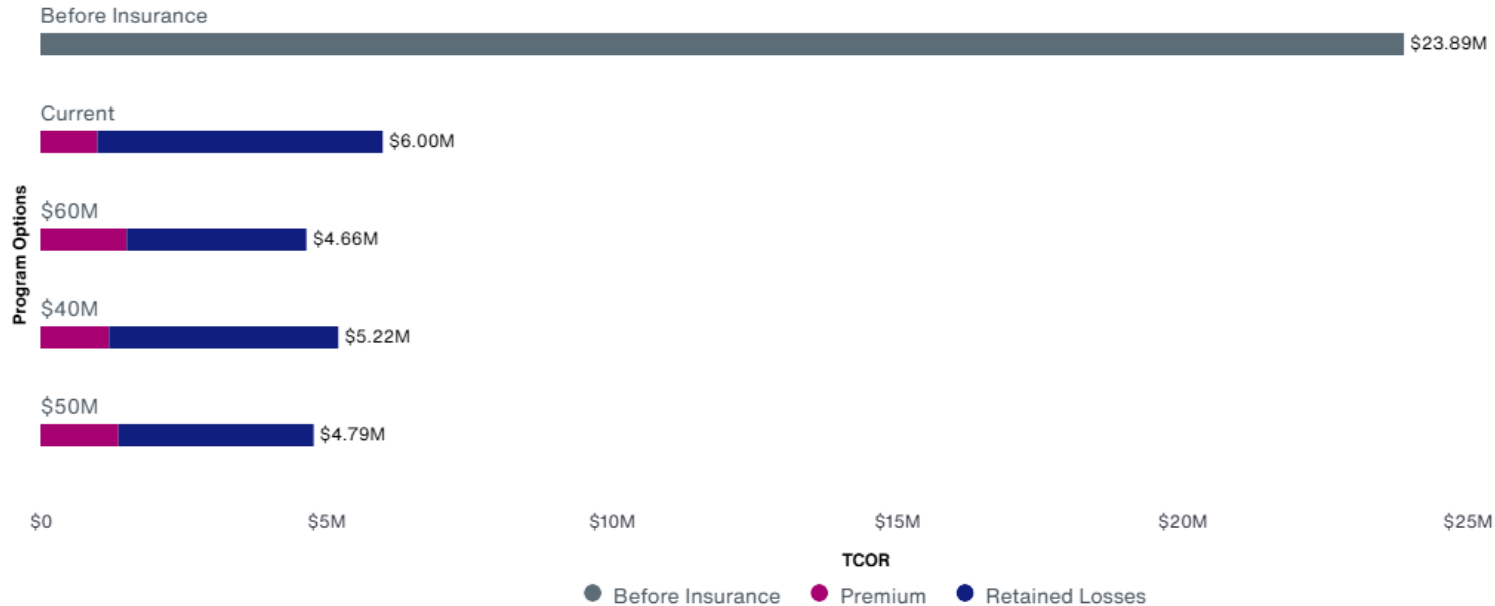


Cyber coverages are highly specialized and broad data sets cannot be easily compiled. Decisions and ability to buy a certain limit/retention may be based on individual company contractual requirements, specialized coverage needs or perception of risk. Coverage and premium may vary significantly for companies of similar revenue size and industry.

# Annual Cost

## Return periods [95th Percentile]

These are the annual costs of each program option at the confidence levels selected. The Annual Cost for the program option “Before Insurance” is the modelled annual cost of risk without the purchase of insurance. The Annual Cost of risk for other program options is the percentile simulated Retained losses + Premium at the confidence percentile selected.





# Cyber Program Comparison

The top-ranked programs are evaluated against the current program option. The Catastrophic Total Cost of Risk (CAT TCOR) and the the Average Total Cost of Risk (TCOR) are key factors to consider

|                          |                              |   |  |  |
|--------------------------|------------------------------|---|--|--|
|                          | Current Program              | \$50M   | \$40M  | \$60M  |
| Program                  | ^                            |   |  |  |
| Limit                    | \$30.0M                      | \$50.0M   | \$40.0M  | \$60.0M  |
| Retention                | \$2.5M                       | \$2.5M  | \$2.5M   | \$2.5M   |
| Premium                  | \$997.6K                     | \$1.4M  | \$1.2M   | \$1.5M   |
| Price Per Million        | \$33.3K                      | \$27.3K   | \$30.1K  | \$25.2K  |
| Average TCOR             | \$4.5M                       | \$4.2M  | \$4.3M   | \$4.0M   |
| Catastrophic TCOR        | \$61.3M                      | \$47.7M   | \$53.9M  | \$42.6M  |
| Limit Adequacy           | 1 in 23 Loss Year            | 1 in 34 Loss Year                                   | 1 in 28 Loss Year  | 1 in 42 Loss Year  |
| Catastrophic Transferred | \$28.0M                      | \$41.6M   | \$35.4M  | \$46.7M  |
| Value Rank               | ^                            |   |  |  |
| Limit Adequacy           | #4                           | #2  | #3   | #1   |
| Catastrophic Transferred | #4                           | #2  | #3   | #1   |
|                          | <a href="#">More Details</a> | <a href="#">More Details</a>   <a href="#">Edit</a> | <a href="#">More Details</a>   <a href="#">Edit</a>   <a href="#">Remove</a> | <a href="#">More Details</a>   <a href="#">Edit</a>   <a href="#">Remove</a> |

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# 2

## Management Liability



# Directors & Officers Liability General Overview

# Directors' and Officers' Liability

## Components of a Policy

### Side A

Direct indemnification of Directors and Officers for any alleged Wrongful Act in their capacity as Directors and Officers of the Named Insured and its Subsidiaries. Not applicable if indemnified or indemnifiable by the Company, coverage then falls under Side B.

### Side B

Corporate reimbursement which pays for or to the Company amounts it is required or permitted to pay as indemnification to the Directors and Officers. Subject to a retention.

### Side C

Entity coverage which indemnifies the Company for claims brought against the Entity itself. Subject to a retention.

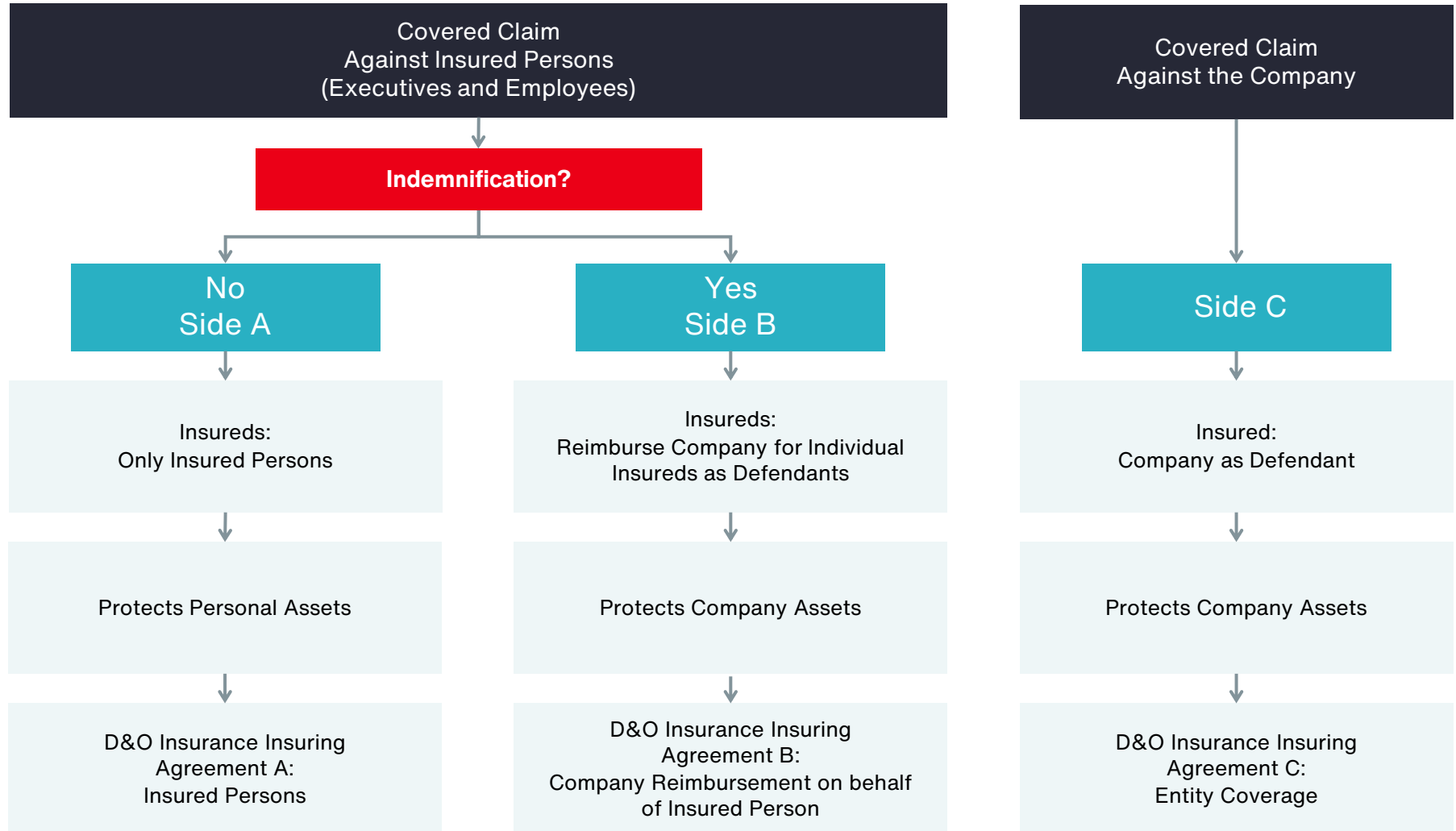
### Retention

The retention applies to the B and C portions of the policy. A single retention applies to all interrelated Claims. For losses where the Company is not required, or is unable, to indemnify the Directors and Officers, no retention applies.

| Policy                                     |   |                                    |
|--|---|------------------------------------|
| Trigger                                    |   |                                    |
| Actions of D&Os that are not indemnifiable | Actions of D&Os that are indemnifiable      | Claims that name the actual entity |
| Pays                                       |   |                                    |
| On behalf of D&Os                          | On behalf of entity to fund indemnification | On behalf of the entity            |
| Retention                                  |   |                                    |
| None                                       | Applies                                     | Applies                            |
| A  | B   | C                                  |

# Directors and Officers Liability

## Coverage Structure – Claim Response





# Policy Language

## Claim Definition & Claim Made and Reported

### Claim

There is often confusion as to what constitutes a Claim and when a matter should be reported to the insurance insurer. Please familiarize yourself with the definition of Claim contained in your policy. Bear in mind, however, that a Claim will typically include:

- A written **demand for monetary damages or non-monetary relief**
- **A civil, criminal, administrative, regulatory or arbitration proceeding commenced by:**
  - Service of a complaint or similar pleading; or
  - Return of an indictment; or
  - Receipt or filing of a notice of charges.

**Note:** This includes Equal Employment Opportunity Commission “EEOC” charges or equivalent state agency administrative charges for Employment Practices Liability Coverage.

### Claims Made and Reported

Coverage within most management liability policies is limited to **Loss from Claims first made against an Insured(s) during the Policy Period and reported to the Insurer before the policy expiration or extended reporting period** (i.e., 30 or 60 days after expiration) if offered.

# Duty to Defend vs. Reimbursement

## Defense Counsel Implications

### Duty to Defend

- Insurer has the right to choose the defense counsel in addition to control of the defense strategy and settlement of the claim.
- Duty to Defend forms typically provide full defense coverage for all allegations in a Claim, if at least one allegation is covered. There is no allocation of Defense Costs.
- Insurers' negotiated panel counsel rates apply to the Claim and the Insured gets the benefit of those preferred rates under the retention.

### Reimbursement

- Insured can select the defense counsel. However, the Insured's choice of counsel is still subject to Insurer approval. Typically consent shall not be "unreasonably withheld."
- Reimbursement forms permit the Insured to allocate Loss, Including Defense Costs, between covered and uncovered parties and covered and uncovered Loss.
- Insurers may impose counsel rate caps or require selection from a panel of approved firms.

### Considerations

- Familiarity of counsel with subject matter (i.e. Securities or Employment Law)
- Claims handling experience
- Control of counsel selection
- Rates, approved rates and rate caps
- Panel Counsel requirement applicable to Reimbursement Forms (Some insurers require selection of counsel from a pre-approved counsel list or counsel must be specifically approved prior to binding).

# Change in Control Provision

Almost all Management Liability policies in the marketplace provide for a Change in Control or Conversion of Coverage provision in which go forward coverage ceases, and the policy converts to automatic Run-off for the remainder of the Policy Period.

## Generally, a Change in Control or Conversion of Coverage can be triggered by the following events:

- The acquisition by another entity, person or group (of entities or people) of more than 50% of the outstanding securities representing the right to elect directors or equivalent positions of the Named Insured.
- The acquisition of all or substantially all of the Named Insured's assets.
- A merger in which the Named Insured is not the surviving entity.

Please note the above mentioned may not include a bankruptcy or liquidation filing, however you should advise your Account Executive or Financial Services Group Broker of any such event.

# Side A Directors and Officers Difference-in- Conditions Insurance

# Side-A Directors and Officers Difference-in-Conditions

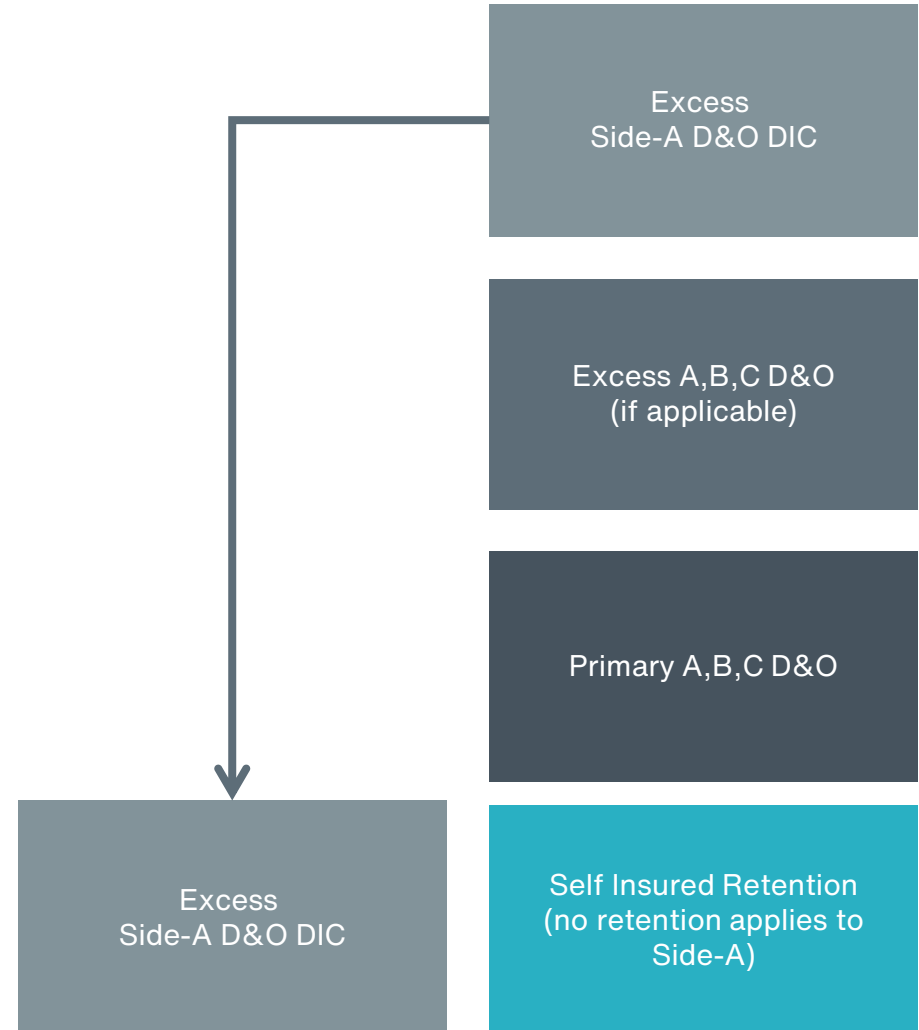
## Overview

### Side A D&O DIC Layer:

A Side A D&O Difference-in-Conditions (DIC) policy insures Individuals only. A Side A DIC policy provides the most comprehensive form of personal asset protection for individuals when they need it the most - when indemnification is not available from their company.

The Side A D&O DIC policy is written on an excess basis over an A, B, C insurance program and provides coverage in two distinct ways:

- Triggered for non-indemnifiable loss when the underlying insurance program is exhausted (Side A D&O)
- Drops down to respond to non-indemnifiable claims when the underlying insurer cannot or will not pay (Side A D&O DIC)





# Side-A Management Liability Coverage

## Overview

A “Side-A” only policy includes coverage for the liability of the Insured Persons which is non-indemnified and/or non-indemnifiable and does not cover any liability of the Company itself. Insured persons are typically Executives: past, present or future elected or appointed directors, officers, management committee members or members of a Board of Managers, and Employees.

The traditional policy providing private entity Directors’ & Officers’ Liability is written with three coverage parts:

- **Coverage A** – Insurer will pay on behalf of the Individual Insured non-indemnifiable loss and expense (usually written with no retention amount).
- **Coverage B** – insurer will pay on behalf of the Company’s liabilities amounts for which it is required to indemnify individuals (normally written with a retention).
- **Coverage C** – insurer will pay on behalf of the Company itself liabilities for which the Company is found liable (normally written with a retention).

A standard Excess Side-A policy would generally follow form with the underlying Coverage A but would recognize the erosion of the limits from any combination of Coverages A, B, and/or C liabilities.

Primary Side-A provides coverage for catastrophic loss against Insured Persons due to the Company’s financial insolvency combined with the depletion of any insurance and the inability of the Company to indemnify those Insured Persons. Side-A is usually non-rescindable for the Insured Persons.

### What is Side-A DIC (Difference-In-Conditions) coverage?

Excess Side-A with DIC is generally broader (with fewer exclusions) than the traditional or underlying D&O Coverage A. Since there are fewer exclusions, the broader DIC coverage will respond as if primary when the underlying D&O policy does not or cannot provide coverage, and there is no other insurance or indemnification available to protect the Individual Insured.

The DIC policy can also provide timely protection to an Individual Insured when the indemnification for defense (and/or loss, settlement or judgment) is disputed or improperly denied.

# Side-A Management Liability Coverage

## Coverage Significance

- **Side A coverage** can protect an Insured Person's personal assets from lawsuits if the Company is financially impaired and unable or unwilling to respond, or if the Company is unable to provide indemnification per state law.
- **The Side A coverage** will provide first dollar protection to the Insured Persons: (i) if the Company becomes insolvent or there is no indemnification; and (ii) no insurance will provide coverage because of (a) an exclusion, (b) exhaustion of limits, (c) insolvency of the underlying insurer, (d) there is no policy.
- **Losses paid under Side C** (Entity) coverage can erode the Management Liability limit leaving the individual Insured Persons with no coverage. Excess Side A coverage fills that potential gap.
- **Excess Side A coverage** can drop down and become Primary for Insured Persons if there is no underlying insurance and/or no indemnification by the Company. Partners and Company managers can be personally liable for Employment Practices, Fiduciary Liability and Professional Liability claims.
- **Excess Side A coverage** can drop down and provide first dollar protection to individuals of a solvent Company if the Company refuses to indemnify an Insured Person, and the underlying insurance denies coverage. This can be due to a government investigation, or Company management decisions.
- **Excess Side A coverage** can also cover Insured Persons who sit on for profit and not-for-profit boards.
- **Excess Side A policies** have limited subrogation rights against Insured Persons.
- **Payments for Insured Persons under the Side A coverage** are not impacted by a Trustee's, Receiver's, or Conservator's control over the entity (Side C) coverage limits in the underlying Management Liability policy.
- **Excess Side A coverage** has limited exclusions and typically cannot be rescinded. The typical exclusions are for fraud or personal profit, and certain claims brought by the Company against an Insured Person, but the policy typically provides a defense. Sometimes there is an exclusion for bodily injury, but the policy typically provides a defense.

# Side-A Directors and Officers Difference-in-Conditions

## Claim Examples

### Insolvency Scenarios (Insured or Insurer)

A bankruptcy trustee filed action against the board of directors and insured executives of an energy company, alleging improper transfer of nearly \$100 million prior to the company's insolvency. The trustee alleged fraud against several of the defendants arising out of their participation in the transfer of the funds and alleged negligence and breach of fiduciary duty against the remaining defendants arising out of their failure to prevent the transfer. Coverage under the Side A D&O policy was triggered given that the company's underlying ABC policy limits were exhausted by numerous legal actions and the organization's inability to indemnify the defendants due to its insolvency.

### Broader Terms & Conditions

A former insured executive of a consulting company was alleged to have engaged in a scheme to defraud and obtain money and property through false and fraudulent conduct, including the issuance of false invoices for professional services rendered. A federal criminal indictment was served against the executive. The claim was submitted to the company's ABC D&O insurer, but coverage was not available under this policy based upon the professional services exclusion in that policy. Given the basis of the denial under the primary policy, coupled with the company's refusal to indemnify the executive, the Side-A policy dropped down to pay the executive's defense costs based on the DIC feature in the form.

### Broader Terms & Conditions

Senior executives at a large nonprofit organization were indicted for their alleged roles in a criminal conspiracy involving the misuse of federal funds. Based on the criminal nature of these allegations, the nonprofit organization refused to indemnify these executives. They organization did not purchase sufficient limits on their primary D&O tower to cover all the legal fees incurred in the defense of the criminal cases.

# Employment Practices Liability General Overview

# Employment Practices Liability

## Legal Trends

Uncertain Economy/  
Increased Lay-offs

1

Recent Supreme  
Court Decisions

2

Equal  
Employment  
Opportunity  
Commission  
(EEOC)

3

Impact of  
Technology

4

ADA Website  
Accessibility –  
Circuit split on  
injury in fact  
versus injury in  
theory

5

- *Muldrow*- Standard Changed to Some Harm Instead of Significant Harm
- *Groff*- Undue Hardship Standard for Religious Accommodation
- *Students for Fair Admissions*- Affirmative Action and DEI Policies

- Increased EEOC charges and filings
- Biden Administration
- Pay Parity

- Focus is on the likelihood of more U.S. states adopting BIPA
- AI in hiring, recruiting and advancement

# Global Employment Landscape

## Worker Protections and Wage & Hour

### Rise of the Foreign, Digital Nomad



- Employers are allowing employees flexibility to work in foreign jurisdictions to attract and retain talent.
- Choice of law is a concern as many countries have more favorable worker protections that will supersede those given in an Employer's working contract arrangement-- paid leave, benefits, health and safety standards, etc.
- New and upcoming requirements for remote/hybrid work in Argentina, Brazil, Columbia, Peru, Mexico, India, Australia, Hungary, Portugal, Norway, Ireland, Italy, Poland, Czech Republic, Netherlands.

### Work-Life Balance



- Expected increase in laws and directives aimed at protecting workers, particularly women, including expanded family leave, unpaid careers' leave, and the right to request flexible working arrangements until a child is 8 years old (EU Work-Life Directive).
- Right to Disconnect Legislation required (some based on headcount) in Belgium, France, Ireland, Italy, Spain, Portugal, Greece, Canada-Ontario, Columbia, Costa Rica.
- Belgium has optional 4-day workweek. Chile is looking to reduce weekly working hours.

### Equality, Harassment, ESG



- Pace of legislation aimed at addressing harassment and bullying accelerated in 2022. To name a few notable changes, New Zealand extended its period to file claims; Denmark allowed new damages and increased penalties; South Africa expanded coverage and protections for victims.
- Continued focus on pay initiatives across countries. France and Spain include onerous penalties for violations.
- New and upcoming pay reporting requirements out of EU, Ireland, Israel, France, Japan, UK.
- "S" or social section of ESG metrics gains international focus. Samples include EU Proposed Directive on Gender Balance on Corporate Boards (approved October 2022); Netherlands quota on female members in leadership positions for large companies; South Africa Employment Equity Act of 1998.
- Shift in focus towards safety and belonging. The UK for instance, is seeing increased claims for belief discrimination (i.e.: veganism, philosophy, etc.) under its Equality Act of 2010 and the European Convention on Human Rights.

### Technology and AI



- With the widespread use of technology and artificial intelligence, countries are worried about bias risk and workforce management as a result of usage.
- EU has EU AI Act which is expected in 2024 or 2025 and will assess substantial penalties for violations.
- UK has a policy paper establishing a pro-innovation approach to the regulation of AI.

### Worker Protections and Wage & Hour

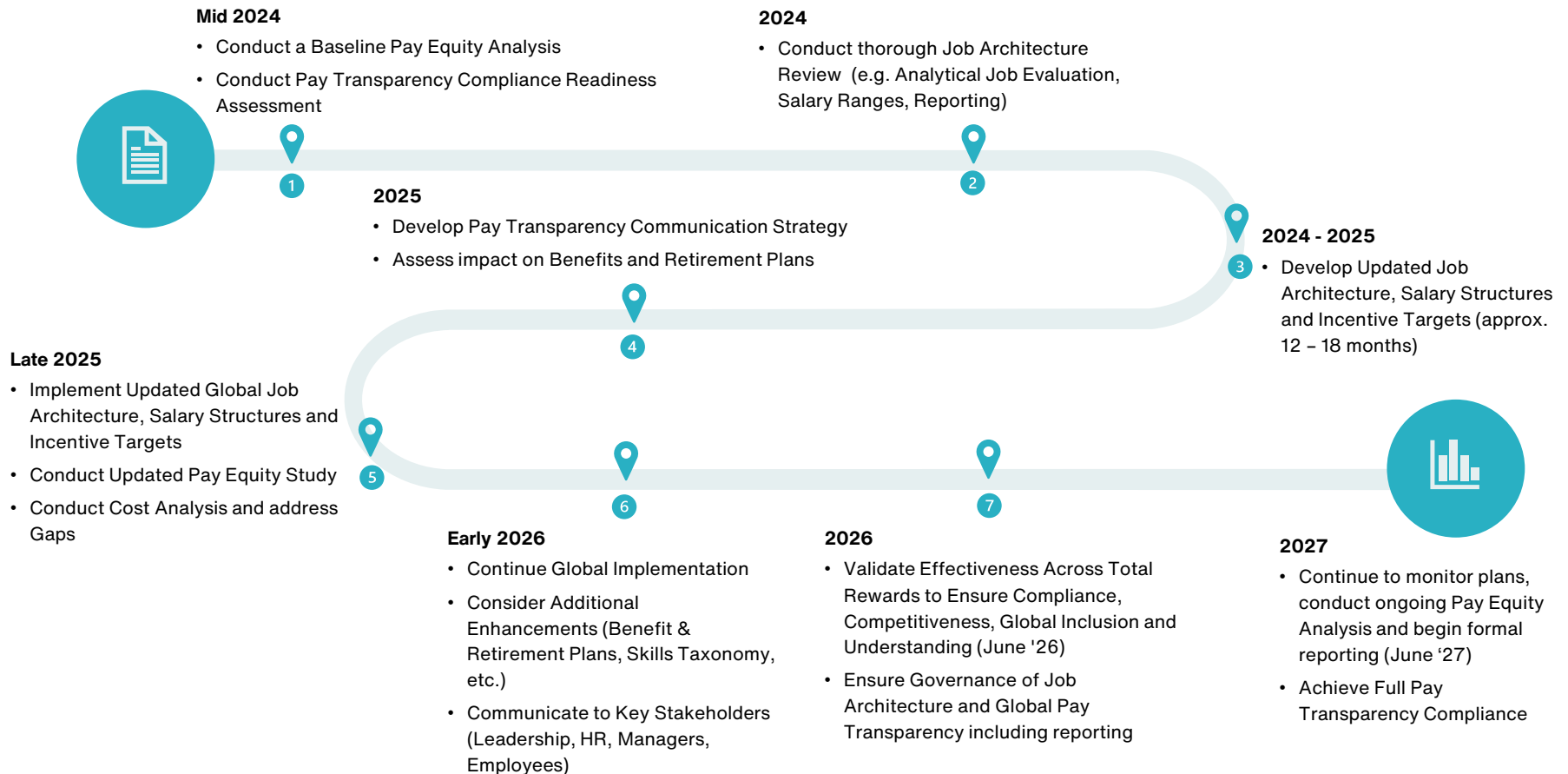


- Increased wage & hour risk internationally considering new, employee-friendly laws.
- A new focus on protections of gig workers in Canada-Ontario.
- Increased minimum wage and overtime allowance laws in EU, Netherlands, Poland, Portugal, Thailand, Peru.
- Reformed rules for engaging contractors and outsourcing in Australia, Peru and Columbia.
- Spain is seeing increased misclassification claims.

# Global Pay Transparency Road Map

This represents a high-level road map for global organizations.

Sequencing, steps, and timeframe are highly dependent on existing framework, resources, and required (evolving) compliance.



# Employment Practices Liability

## Punitive Damages Wrap Policy

### What are Punitive Damages?

- Punitive damages do not directly relate to the plaintiff's injuries but are additional damages awarded to deter future behavior of the defendant. A finding that certain acts were intentional can be a component of whether punitive damages are awarded.
- Punitive damages payments are typically limited to particularly egregious actions such as gross negligence, malicious acts, intentional wrongs, wanton and reckless behavior and statutorily prohibited behavior.
- The nature of the tort has to be beyond simple negligence
- Punitive damages can be awarded under both Federal and State employment statutes, but punitive awards are often heavily capped under Federal statutes whereas State statutes can be virtually unlimited.

### Coverage Restrictions

- Often an EPL policy will provide Most Favorable Venue wording which states that the Insurer will apply the most favorable jurisdiction for purposes of determining whether punitive damages coverage can be provided. **However, in many U.S. states the insurability of punitive damages is unsettled or restricted. This creates a potential gap in insurance coverage. Similarly, even policies that have favorable venue wording for punitive damages seldom apply favorable venue wording to insurability of intentional acts.**

### Why is Insurability of punitive damages such an important issue for Employment Practices Liability (EPL) Insurance?

- Unlike securities litigation in the D&O context for instance, punitive damage awards are fairly common in EPL jury awards and EPL cases may go to trial with some frequency. The vast majority of EPL cases involve allegations of an intentional act (e.g. it is difficult to unintentionally harass or discriminate).
- At least 21 states hold punitive damages as uninsurable to some degree, including the major states of CA, FL, IL, MA, NJ, & NY. Prohibition in some states is based on insurance regulations but in others it is based on common/case law. The theory behind prohibition is often that punitive damages are designed to punish/deter people from undesirable actions, but if you allow the person/company to shift that penalty to an insurance policy, the punishment/deterrence aspect is thwarted. Even more states prohibit the insurability of intentional acts for similar reasons of not wanting to allow insurance to protect intentional wrongdoing.

### Solution: Punitive Damages Wrap Policy

- Called wrap policies because they mirror the limits of the shore policy, punitive damages wrap policies generally provide shared/tied-in limits with the domestic policy rather than additional limits. Payment under one policy erodes both policy limits. Punitive Damage Wrap Policies are typically issued offshore by Bermuda insurers, which are not subject to US insurance laws. In addition, Aon has negotiated wording to include coverage for intentional acts with most punitive wrap carriers. [Please advise your broker if you would like to explore a Punitive Damages Wrap Policy through our corresponding Aon Bermuda brokerage team.](#)



# Employment Practices Liability

## Wage and Hour

### What is Wage & Hour?

- Employer Wage & Hour requirements are dictated by the Fair Labor Standards Act (FLSA) and other state or local statutory laws
- Wage & Hour cases typically allege violations of pay practices (including failure to provide adequate break or mealtime or pay minimum wage or overtime) or misclassification of employees (independent contractors alleging employee status)

### Employment Practices Liability Coverage Often Cannot Address

- Wage & Hour Claims are generally excluded in an Employment Practices Liability policy

### Wage & Hour Claim Examples

- A paper and packaging company settled claims of failure to pay meal and rest breaks, wages and overtime for \$8.5M
- A court in Oregon awarded a class of nurses \$9.5M on their claims of unpaid overtime against their employer. The nurses alleged they were required to study and take tests but were not compensated for their time.
- An oilfield services company settled claims of failure to pay all hours working in violation of the Fair Labor Standards Act (FLSA)
- A group of operators and trainees alleged they were cheated out of wages under a fluctuating work week model

### Wage & Hour Coverage Solution

- Aon offers a proprietary Wage & Hour Policy that provides Wage & Hour defense and indemnity coverage for US employers, even those with under 1,000 employees. This product addresses a serious financial risk faced by employers that has not been addressed by conventional Employment Practices Liability.
- Benefits Include:
  - Choice of Counsel
  - Broad definition of violations
  - Access to Panel Counsel firms
  - Highly rated and experienced carriers
- Key underwriting considerations include:
  - Class of business
  - Headcount (exempt vs. non-exempt)
  - Number of Independent Contractors by state
  - Policies and procedures regarding pay practices and job classifications
  - Claim history

# Employment Practices Liability

## Wage and Hour

| Exposures  | Capacity  | Coverage  | Retentions   | Pricing   |
|--|---|---|--|---|
| <ul style="list-style-type: none"> <li>Claim severity on traditional W&amp;H claims continues to drive conservativeness on new business</li> <li>Clients and prospects should utilize Aon's W&amp;H underwriting discussion outline, updated for emerging trends, when discussing their risk profile on an underwriting call</li> <li>Accounts with heavy independent contractor and CA populations may still find it challenging to place their risk</li> <li>Attention to compliance with CA Supreme Court's FERRA decision (July 2021) – regular rate of pay</li> <li>Compliance to New York Labor Law – weekly pay for manual laborers</li> <li>Additional focus on meal and rest break compliance as well as rounding policies</li> </ul> | <ul style="list-style-type: none"> <li>The leading primary carriers for larger risks are Allied World, Arcadian, Markel, and AXA XL in Bermuda. Chubb BDA is a strong new challenger on blended EPLI/W&amp;H primary capacity.</li> <li>Markel BDA has pulled out of the blended EPL/WH product but will continue to write standalone W&amp;H on a primary or excess basis. AXA XL has updated its appetite on W&amp;H to be for clients with under 100k domestic workers.</li> <li>Argo BDA discontinued its Management Liability book. It will honor all placements through their natural expirations.</li> <li>Allied World is now more actively seeking primary W&amp;H opportunities</li> <li>Insurer capacity is more conservative for volatile industries such as Retail, Logistics, Financial Institutions, and Healthcare</li> </ul> | <ul style="list-style-type: none"> <li>Coverage remains consistent and broad between most primary markets</li> <li>Aon's proprietary Wage and Hour form is the broadest in the marketplace and accepted by all carriers except legacy Argo accounts, which has an Aon Amendatory to provide similar coverage to the Aon Wage and Hour form</li> <li>Markel has further amended their form to be claims reported</li> <li>Expect exclusion if not compliant with CA regular rate of pay regulations</li> </ul> | <ul style="list-style-type: none"> <li>Retention minimums continue to rise toward \$2M-\$2.5M. Accounts with high IC populations and/or CA exposure should expect higher retentions. Certain industries are often seeing retentions of at least \$5 million.</li> <li>On blended programs, carriers may be less amenable to splitting retentions between the W&amp;H and EPL programs, in favor of adjusting both retentions to be that of the higher one considering increasing exposures. However, it is a possibility to have split retentions for CA exposure specifically.</li> </ul> | <ul style="list-style-type: none"> <li>Risk-by-Risk Analysis</li> <li>Carriers continue to push for increases to obtain "adequate rate" considering increased payouts generally. For purchasers without significant headcount growth or claims, pricing continues to average at mid to high single digit increases.</li> <li>Individual risk profiles do matter – be prepared and continue to differentiate your company by addressing compliance efforts and policies and procedures in place to mitigate W&amp;H exposures</li> </ul> |

# IEHP Management Liability Program Overview

# Management Liability Program Overview – D&O/EPL

Policy Period: April 1, 2025 – April 1, 2026

**Total Program Premium: \$678,628 (up 4.7% from prior year)\***

*RSUI*  
\$5M xs \$10M or \$15M  
D&O Side A Only  
**\$54,000**

*AWAC*  
\$5M xs \$5M  
Shared D&O/EPL  
**\$226,500 (56.8% of underlying)**

*Starr*  
Primary \$5M  
Shared D&O/EPL  
**\$398,128**

SIR: \$500K D&O / \$750K EPL /  
\$1M EPL Class Action / \$2M Regulatory

## Key Coverage Items

### Limits

- |                                    |              |
|------------------------------------|--------------|
| • Primary D&O/EPL Limits (shared): | \$5,000,000  |
| • Excess D&O/EPL Limits (shared):  | \$5,000,000  |
| • D&O Side A Limit:                | \$5,000,000  |
| • Employed Lawyer (D&O sublimit):  | \$1,000,000  |
| • Regulatory Claims (defense only) | \$1,000,000  |
| • Total Limits:                    | \$15,000,000 |

### Retentions

- |                               |                               |
|-------------------------------|-------------------------------|
| • D&O Non-indemnifiable Loss: | \$0                           |
| • D&O Indemnifiable Loss:     | \$500,000                     |
| • Anti-trust Claims:          | \$2,500,000 + 50% coinsurance |
| • Regulatory Claims:          | \$2,000,000 + 50% coinsurance |
| • EPL Claims:                 | \$750,000                     |
| • EPL Mass/Class Action:      | \$1,000,000                   |
| • Employed Lawyers:           | \$500,000                     |

\*exclusive of any applicable taxes or fees

- **Premium increase reflects adding IEHP Health Access during 2024 policy period (for no A.P.); Various unresolved/open claims; material / ongoing increases in key ratable metrics (total assets, revenues; employees) and other macro market conditions (continued rate needs for California-domiciled and healthcare-industry risks), and a very limited marketplace for organizations of IEHP's size and risk profile.**

# 2025 Management Liability Executive Summary

## D&O/EPL

During the 2024-2025 policy year, we negotiated adding IEHP Health Access to the policy for NO additional premium. New exposures associated with this new Additional Insured entity were contemplated at the 2025-2026 renewal.

The 2025-2026 renewal reflected only a 4.7% premium increase over expiring, keeping with the incumbent insurers we negotiated coverage to remaining “per expiring” (no changes). This was a great result given IEHP’s ongoing, substantial growth of key ratable factors (i.e. steady growth of revenues, assets, employees, etc.), including a number of open claims and generally poor market conditions and a challenging domicile (California).

In reviewing IEHP’s D&O/EPL limits against similarly situated peers, it was recommended for IEHP to explore some increased limit options for the 2025-2026 policy period. Specifically, we proposed adding an additional \$5m of D&O/EPL coverage (in excess of the existing \$10m, to provide a total of \$15m). We secured an option for this new limit at an additional premium of \$155k – this option/coverage was not elected.

## Managed Care E&O (MCEO)

The Managed Care E&O program was renewed with the incumbent insurers at a 6.1% premium increase over the expiring premium. This increase reflected material corporate growth and deteriorating market conditions. On a more positive note, this final renewal premium (~\$631k) is only \$11k (1.7%) higher than the 2023-2024 premium AND we negotiated meaningful coverage improvements on this year’s renewal. Namely, we increased the regulatory coverage sublimit from \$100k to \$250k and we removed the punitive damages exclusion from all excess insurers (previously, only the primary \$5m insurer covered punitive damages). Overall, a good result.

# Management Liability Program Overview – Managed Care E&O

Policy Period: April 1, 2025 – April 1, 2026

**Total Program Premium: \$631,147 (up 6.1% from prior year)\***

|   |
|---|
| <i>Chatham</i><br>\$5M xs \$15M<br>\$71,443   |
| <i>Liberty / Ironshore</i><br>\$5M xs \$10M<br>\$100,750 + Surplus lines<br>taxes/fees<br>(59.3% of underlying) |
| <i>AWAC</i><br>\$5M xs \$5M<br>\$169,750 (58.6% of underlying)  |
| <i>TDC</i><br>Primary \$5M<br>\$289,204 (up 6.1%)   |
| Retention: \$1M   |

\*exclusive of any applicable taxes or fees

## Key Coverage Items

### Limits

- |                            |                          |
|----------------------------|--------------------------|
| • Total MCE&O Limit:       | \$20,000,000             |
| • Anti-trust Limit:        | \$20,000,000             |
| • Regulatory Matters:      | \$250,000 (Defense only) |
| • HIPAA Fines & Penalties: | \$100,000                |

### Retentions

- |                            |             |
|----------------------------|-------------|
| • Non-mass/class Claim:    | \$1,000,000 |
| • Anti-Trust Claims:       | \$1,000,000 |
| • Mass/Class Action Claim: | \$1,000,000 |

## Notable Coverage Changes for 2025 policy period:

- Increased the regulatory coverage sublimit from \$100k to \$250k
- We removed the punitive damages exclusion from all excess layers (AWAC, Liberty and Chatham policies)
- Definition of "Managed Care Professional Services" has been expanded to include services provided and associated with "Social Determinants of Health".
- All references to natural persons have been amended to be gender neutral, eliminating the pronouns "his or her" and replacing with "such person" or "such individual."
- Biometric Privacy Claim Exclusion Endorsement was integrated into the policy form.
- Liberty clarified intent of cyber exclusion with modified endorsement (IEHP maintains separate Cyber tower of insurance)
- **Premium increase reflects 12% increase in revenue and other macro market conditions**

# Peer Benchmarking Data

Benchmarking data is just one determinant in the process of evaluating limit adequacy. Inland Empire Health Plan should consider internal and external factors including regulatory environment, Board composition, developing case law, financial condition, jurisdiction, M&A activity, industry sector and insurance marketplace.

| Inland Empire Health Plan  | Assets:      | \$3,260,241,411 |                 |         |              |        |         |              |         |                 |         |              |        |          |              |         |
|--|--------------|-----------------|-----------------|---------|--------------|--------|---------|--------------|---------|-----------------|---------|--------------|--------|----------|--------------|---------|
|  | Revenue:     | \$5,277,448,308 |                 |         |              |        |         |              |         |                 |         |              |        |          |              |         |
|  | EE Count:    | 3608            |                 |         |              |        |         |              |         |                 |         |              |        |          |              |         |
|  | Plan Assets: | \$0             |                 |         |              |        |         |              |         |                 |         |              |        |          |              |         |
| Benchmarking Category  |              | Peer Group      | Total Limit     |         |              |        |         |              |         | Base Retention  |         |              |        |          |              |         |
|  |              |                 | Current Program | Minimum | 1st Quartile | Median | Average | 3rd Quartile | Maximum | Current Program | Minimum | 1st Quartile | Median | Average  | 3rd Quartile | Maximum |
| Private   Directors and Officers   PDO   Assets: \$3 Billion to \$6 Billion    |              | 29              | \$15M           | \$1M    | \$10M        | \$20M  | \$26.6M | \$35M        | \$75M   | \$500K          | \$10K   | \$250K       | \$250K | \$389.1K | \$500K       | \$1M    |
|  |              |                 |                 |         |              |        |         |              |         |                 |         |              |        |          |              |         |
| Private   Employment Practices Liability   EPL   Employee count 1,000 to 5,000 |              | 208             | \$10M           | \$1M    | \$5M         | \$5M   | \$6.2M  | \$5M         | \$20M   | \$750K          | \$0     | \$100K       | \$150K | \$239.2K | \$250K       | \$5M    |

Inland Empire Health Plan D&O/EPL limits are shared through the first \$20M. The peer benchmarking reflects separate limits.  
 Director's and Officer's Liability and Employment Practices benchmarked against all *privately-held* organizations, not specifically against all *non-profit* organizations

# 3

## Property, Casualty, and Differences in Conditions





# Property, Casualty, & Differences in Conditions General Overview

# 2025 – 2026 Property & Casualty Coverage Glossary

## **General Liability**

Purpose: Protects businesses from claims related to bodily injury, property damage, and personal injury that arise from their operations.

### Key Coverages:

- **Bodily Injury:** Covers medical expenses, legal fees, and settlements if someone is injured on the business premises or due to business operations.
- **Property Damage:** Covers the costs of repairing or replacing someone else's property that was damaged due to business activities.
- **Personal & Advertising Injury:** Protects against claims such as libel, slander, copyright infringement, or false advertising.
- **Products & Completed Operations:** Covers liability from products sold or completed work that causes harm.

Exclusions: Employee injuries (covered by workers' compensation), professional errors (covered by professional liability), and intentional acts

## **Auto Liability**

Purpose: Provides coverage for vehicles owned, leased, or used by a business in case of accidents.

### Key Coverages:

- **Bodily Injury Liability:** Covers medical expenses, legal fees, and damages if the driver is responsible for injuring others.
- **Property Damage Liability:** Pays for damage to another person's vehicle or property caused by the insured vehicle.
- **Hired & Non-Owned Auto Coverage:** Covers liability when employees use personal or rented vehicles for business purposes.

Exclusions: Damage to the insured's own vehicle (covered under collision/comprehensive insurance), intentional damage, and certain high-risk vehicle uses

## **Umbrella Liability**

Purpose: Provides additional liability coverage beyond the limits of primary policies such as general liability, auto liability, and employer's liability.

### Key Coverages:

- **Excess Coverage:** Kicks in when the underlying policy limits are exhausted.
- **Broader Coverage:** May cover claims that are not included in the underlying policies (depending on policy terms).
- **Legal Defense Costs:** Helps cover attorney fees and court costs beyond primary policy limits.

Exclusions: Does not cover liabilities that are specifically excluded in the underlying policies, such as professional liability or intentional acts.

# 2025 – 2026 Property & Casualty Coverage Glossary

## **Difference In Conditions**

Purpose: Provides coverage for specific perils not covered by standard property insurance policies, typically used to address gaps in coverage.

Key Coverages:

- Catastrophic Perils: Often covers earthquakes, floods, and other natural disasters excluded from standard policies.
- Manuscript Policy: Highly customized to meet the needs of businesses with unique risks.
- Fills Gaps: Addresses coverage limitations in general property policies.

Exclusions: Varies by policy but typically excludes standard perils already covered by primary property insurance.

## **Excess Liability**

Purpose: Provides coverage for large or catastrophic losses that exceed the limits of your primary coverage

Key Coverages:

- Bodily Injury
- Worldwide Coverage
- Underlying Coverages such as Umbrella, General Liability, Auto Liability, Foreign Liability, Employers Liability

Exclusions: Does not cover liabilities that are specifically excluded in the underlying policies, such as professional liability or intentional acts

## **Commercial Property**

Purpose: Provides first-party insurance that indemnifies the owner or user of property for its loss, or the loss of its income-producing ability when the loss or damage is caused by a covered peril, such as fire or explosion.

Key Coverages:

- Building and Personal Property
- Business Income and Extra Expense
- Crime and Inland Marine

Exclusions: Varies by policy but typically liability related risks, vehicles, cyber risks, employee theft

# IEHP Property, Differences in Conditions & Casualty Program Overview

# Property, Difference in Conditions, & Casualty

## Current Program Overview

|             | Indio Property                               |           | Property  | DIC/EQ  | Umbrella/Excess Liability   |                             |  |                     |                                   |
|-------------|--|-----------|---|---|---|-----------------------------|--|---------------------|-----------------------------------|
|             | Indio Property, Flood, EQ<br>TIV \$4,625,000 |           | Chubb<br>Real Property<br>\$159,000,000<br><br>Personal Property<br>\$78,147,980<br><br>Business Income<br>\$9,229,960<br><br>Deductible: | Arrowhead<br>Primary<br><br>Flood<br>\$25M x \$25M<br>EQ<br>\$100,000,000<br><br>Total Ins. Value<br>\$266,540,652<br><br>Deductibles:<br>\$50,000<br>EQSL/EQ<br>\$50,000 Flood<br>\$25,000 All Other | CNA<br><br>Limit: \$15M xs \$25M<br>Premium: \$31,500<br><br>AXA XL<br><br>Limit: \$15M xs \$10M<br>Premium: \$40,000<br><br>Chubb<br><br>Limit: \$10M<br>Premium: \$30,420 |                             |  |                     |                                   |
|             |  |           |   |   | General Liability   | Auto Liability              | Employee Benefits                        | Employers Liability | Healthcare Professional Liability |
|             |  |           |   |   | \$1M Occ/<br>\$2M Agg   | \$1M CSL<br>\$1K Deductible | \$1M Occ/<br>\$2M Agg<br>\$1K Deductible |                     |                                   |
| Insurer:    | GA, Vicko, Steadfast                         | Chubb     | Various   | Chubb   | Chubb   | Chubb                       | Chubb                                    | Chubb               | Chubb                             |
| Premium:    | \$64,597                                     | \$132,582 | \$507,700   | \$88,618  | \$29,886  | Included in GL              | Included in WC                           | \$30,000            |                                   |
| Expiration: | 3/29/25 to 3/29/26                           | 3/29/25   | 3/29/25   | 3/29/25   | 3/29/25   | 3/29/25                     | 3/29/25                                  | 7/01/25             | 9/1/25                            |

Note: Above premiums do not include any taxes and fees.

Note: Above figures are as of inception

# 2025 - 2026 Property, DIC, & Casualty Executive Summary

## 2025 Renewal Strategy:

- In 2024-25, Aon aggressively secured coverage terms and conditions to meet the needs of IEHP's emerging risks. Ultimately, Property, General Liability, Auto, and Umbrella incumbent, Zurich, confirmed increased restrictions for special events coverage, vacant buildings, and solar panels. Leveraging a robust marketing endeavor, Chubb agreed to several of Zurich's restrictions, including solar panels and broadened special events coverage, with a 5% total premium decrease over Zurich's more restrictive renewal terms.
- **Primary Package (Property, Primary Flood Limits up to \$25M, General Liability, Auto, \$10M Umbrella)** – Aon recommended remaining with Chubb following successful marketing the prior year. Chubb's early indication was they would be flat on casualty rates, but a corporate mandate of 5-10% on the property, which is in line with what we are seeing in the market. However, Aon to push to keep rate changes as low as possible, if any.
  - Hole Ave. added December 2024, slightly impacted overall property rate due to flood and fire zones.
- **Excess Liability** – Liberty Mutual (\$15M xs \$10M) and C.N.A. (\$15M xs \$25M) have been long time partners on IEHP's program, pursue renewal terms and market as necessary.
- **Master Difference in Conditions Program** - Arrowhead for IEHP master policy, still remains most competitive and will approach alternative markets if prudent following renewal terms.
- **Property, Earthquake, and Excess Flood** - Coverage for Vacant Building in Indio, CA, added 9/19/2023, with Steadfast, VICKO, & Great American, pursue annual policy as needed.

## 2025 Renewal Results:

- At each renewal, we recommend approaching markets that will address IEHP's key risks such as Security Guards, Mass Vaccination Clinics for Covid-19 and Flu, Vacant Buildings and Narcan Administration, Fitness Instructors, Professional Liability, Special Events, etc. While continuing to push markets to remove any exclusionary language for communicable disease exposures.

# 2025 - 2026 Property, DIC, & Casualty Executive Summary (continued)

## 2025 Renewal Results (Continued):

- **Chubb Primary Package (Incumbent)** – Following unforeseen delays and 4 revised quotes, Chubb quoted as expiring language with a 10% total premium increase for their respective coverage lines. This a great result given the current market conditions for CA exposures along with a 2.5% increase in property values 10% increase in square footage exposure.
  - Also considering new claim filed in February 2025 that Chubb has reserved for \$20k (building façade fell on to parked vehicle)
- **Liberty Mutual Excess Liability \$15M xs \$10M** – Experiencing a rapid firming of the Excess Liability market, Liberty quoted a 24% premium increase along with a Sexual Misconduct Exclusion (covered under separated Healthcare Professional Liability policy). We conducted a full marketing and approached 11 carriers. AXA XL was the most competitive option, removing the Sexual Misconduct Exclusion, with a **premium savings of \$10K** against the expiring premium, \$22k less than Zurich's proposed renewal premium
- **C.N.A \$15M xs \$25M** – Aon negotiated C.N.A. to **4.4% rate decrease** over expiring, well below the average in the firming marketplace.
- **Master Difference in Conditions** – Arrowhead (MGA) cut capacity for CAT Limits at renewal in 2023. Chubb continued to provide primary flood limits of \$25M due to reduced Arrowhead limits. Additional capacity is still not available this year with Arrowhead. Quoted essentially a **flat rate**, total premium increase was 5.8% while values were 5.4% increase overing.
- **Indio Property, Earthquake, & Excess Flood** - Steadfast property/ Great American XS Flood/ VIKCO Earthquake This location remains separate from the Arrowhead Master DIC.
  - Great American increased their rate for flood, and we secured a competitive option with Chubb European via Joe Flood (MGA) through RT Specialty for an **18% rate decrease**.
  - Vicko quoted a **10% rate decrease** for Earthquake
  - We held Steadfast at a **flat renewal premium** for the property

# Property, Difference In Conditions & Casualty

## 2026 Looking Ahead

Continue to aggressively procure coverage terms and conditions to meet the needs of IEHP's emerging risks.

### **Evaluate 2025-26 Incumbent Programs:**

- Chubb Primary + \$10M Lead Umbrella + Primary Flood Limits of \$25M
- AXA XL - \$15M xs \$10M
- C.N.A - \$15M xs \$25M
- Arrowhead (via RT Specialty) – Difference In Conditions
- Steadfast, VIKCO and Great American (via RT Specialty) for the vacant building in Indio, CA. Added midterm on 9/19/23. Includes coverage for Property, Earthquake and Excess Flood

### **Evaluate, Discuss and Approach Markets:**

- Primary Package + \$10M Lead Umbrella Alternate Options: Chubb, Hartford, Travelers, Zurich, C.N.A., Arch, Liberty Mutual
- Excess Liability – AXA XL, C.N.A., Liberty Mutual, AIG, Everest, Arch, Markel, Philadelphia, Crum & Forster
- Master DIC Program - Access RT Specialty or Alternate Wholesale Broker as needed
- Property, Earthquake and Flood – Access RT Specialty for Indio, CA only or Alternate as needed
- Engage key underwriting resources and leverage Aon relationships in the market

### **Aon Resources:**

- Escalate timelines with insurance company leadership and their underwriting teams
- Dual Broking Support
- Evaluate Property and CAT Coverages with Aon's Commercial Risk Property Analyzer



# Questions?

# Appendix

# Cyber & Management Liability

## 2025-26 Renewal Comparison

| Cyber Liability                            | Beazley (\$2.5M Retention)                       | Chubb(\$2.5M Retention)                          |              |
|--|--|--|--------------|
| Limit                                      | \$10,000,000                                     | \$10,000,000                                     | 0.0%         |
| Rate (price per million of limit)          | 52,500   | 40,103   | -23.6%       |
| Premium                                    | \$525,000  | \$401,033  | -23.6%       |
| <b>\$10M Excess \$10M Cyber Liability</b>  | Allianz (\$10M xs \$10M)                         | Beazley (\$10M xs \$10M)                         |              |
| Limit                                      | \$10,000,000                                     | \$10,000,000                                     | 0.0%         |
| Rate (price per million of limit)          | 44,625   | 32,885   | -26.3%       |
| Premium                                    | \$446,250  | \$328,847  | -26.3%       |
| <b>\$10 M Excess \$20M Cyber Liability</b> | CNA (\$10M xs \$20M)                             | Allianz (\$10M xs \$20M)                         |              |
| Limit                                      | \$10,000,000                                     | \$10,000,000                                     | 0.0%         |
| Rate (price per million of limit)          | 33,467   | 24,664   | -26.3%       |
| Premium                                    | \$334,668  | \$246,635  | -26.3%       |
| <b>\$10M Excess \$30M Cyber Liability</b>  |  | CNA (\$10M xs \$30M)                             |              |
| Limit                                      |  | \$10,000,000                                     | n/a          |
| Rate (price per million of limit)          |  | 19,978   |              |
| Premium                                    |  | \$199,775  |              |
| <b>\$10M Excess \$40M Cyber Liability</b>  |  | AIG (10M xs \$40M)                               |              |
| Limit                                      |  | \$10,000,000                                     | n/a          |
| Rate (price per million of limit)          |  | 14,788   |              |
| Premium                                    |  | \$147,883  |              |
| <b>CYBER SUBTOTAL</b>                      | <b>\$1,305,918</b>                               | <b>\$1,324,173</b>                               | <b>1.40%</b> |
| <b>D&amp;O and EPL</b>                     | Starr / AWAC / RSUI(\$500K D&O / \$750K EPL SIR) | Starr / AWAC / RSUI(\$500K D&O / \$750K EPL SIR) |              |
| Directors & Officers                       | \$380,876  | \$398,128  | 4.5%         |
| Employment Practices Liability             | Included   | Included   |              |
| Excess D&O / EPL (\$5M xs \$5M)            | \$217,100  | \$226,500  | 4.3%         |
| Excess D&O Side A (\$5M xs \$10M)          | \$50,000   | \$54,000   | 8.0%         |
| <b>Managed Care E&amp;O</b>                | TDC / AWAC / Ironshore / Chatham (\$1M SIR)      | TDC / AWAC / Ironshore / Chatham (\$1M SIR)      |              |
| Managed Care E&O (\$5M)                    | \$272,431  | \$289,204  | 6.2%         |
| Excess MCE&O (\$5M xs \$5M)                | \$160,000  | \$169,750  | 6.1%         |
| Excess MCE&O (\$5M xs \$10M)               | \$95,000   | \$100,750  | 6.1%         |
| Excess MCE&O (\$5M xs \$15M)               | \$66,998   | \$71,443   | 6.6%         |
| <b>MANAGEMENT LIABILITY SUBTOTAL</b>       | <b>\$1,175,407</b>                               | <b>\$1,309,775</b>                               | <b>11.4%</b> |
| <b>GRAND TOTAL COST</b>                    | <b>\$3,361,471</b>                               | <b>\$3,559,231</b>                               | <b>5.9%</b>  |

# Property & Casualty

## 2025-26 Renewal Comparison

|  | Expiring                 | Renewal                 |
|--|--------------------------|-------------------------|
| <b>Domestic Property</b>                     |                          |                         |
| Exposure (Total Insured Values)              | 252,838,416              | 259,040,652 2.5%        |
| Rate (per \$100 TIV)                         | 0.00046                  | 0.00051 12.1%           |
| Premium                                      | \$115,396                | <b>\$132,582</b> 14.9%  |
| <b>Domestic General Liability</b>            | Chubb                    | Chubb                   |
| Exposure (Square Footage)                    | 747,127                  | 820,754 9.9%            |
| Rate (per Sq. Foot)                          | 0.108                    | 0.108 -0.3%             |
| Premium                                      | \$80,907                 | <b>\$88,618</b> 9.5%    |
| <b>Domestic Auto</b>                         | Chubb                    | Chubb                   |
| Exposure (Autos)                             | 12                       | <b>13</b> 8.3%          |
| Rate (per auto)                              | 2216                     | 2297 3.7%               |
| Premium                                      | \$26,589                 | <b>\$29,866</b> 12.3%   |
| <b>Umbrella</b>                              | Chubb                    | Chubb                   |
| Exposure (Square Footage)                    | 747,127                  | 820,754 9.9%            |
| Rate (per Sq. Foot)                          | 0.038                    | 0.037 -1.3%             |
| Premium                                      | \$28,049                 | <b>\$30,420</b> 8.5%    |
| <b>Excess Liability</b>                      | Liberty (\$15M xs \$10M) | AXA XL (\$15M xs \$10M) |
| Exposure (Square Footage)                    | 747,127                  | 820,754 9.9%            |
| Rate (per Sq. Foot)                          | 0.068                    | 0.049 -27.9%            |
| Premium                                      | \$50,500                 | <b>\$40,000</b> -20.8%  |
| <b>Excess Liability</b>                      | CNA (\$15M xs \$25M)     | CNA (\$15M xs \$25M)    |
| Exposure (Square Footage)                    | 747,127                  | 820,754 9.9%            |
| Rate (per Sq. Foot)                          | 0.040                    | 0.038 -4.4%             |
| Premium                                      | \$30,000                 | <b>31,500</b> 5.0%      |
| <b>Total Property, Casualty &amp; Excess</b> | <b>\$331,441</b>         | <b>\$352,986</b> 6.5%   |

# Property & Casualty

## 2025-26 Renewal Comparison

|   | Expiring                                  | Renewal                                   |             |
|---|---|---|-------------|
| <b>Difference In Conditions (DIC) EQ</b>          | Arrowhead \$100M EQ & \$25M x \$25M Flood | Arrowhead \$100M EQ & \$25M x \$25M Flood |             |
| Exposure (Total Insured Values)                   | 252,838,416                               | 266,540,652                               | 5.4%        |
| Rate (per \$100 TIV)                              | 0.00189845                                | 0.0019048                                 | 0.3%        |
| Premium   | \$480,000                                 | <b>\$507,700</b>                          | 5.8%        |
| <b>Indio Flood (Great American)</b>               | Great American                            | Joe Flood                                 |             |
| Exposure (Total Insured Values)                   | 4,625,000                                 | 4,625,000                                 | 0.0%        |
| Rate (per \$100 TIV)                              | 0.001                                     | 0.001                                     | -18.0%      |
| Premium   | \$5,585                                   | <b>\$4,577</b>                            | -18.0%      |
| <b>Indio EQ (Vicko)</b>                           | Vicko                                     | Vicko                                     |             |
| Exposure (Total Insured Values)                   | 4,625,000                                 | 4,625,000                                 | 0.0%        |
| Rate (per \$100 TIV)                              | 0.007                                     | 0.006                                     | -10.3%      |
| Premium   | \$30,120                                  | <b>\$27,020</b>                           | -10.3%      |
| <b>Indio Property (Steadfast)</b>                 | Steadfast                                 | Steadfast                                 |             |
| Exposure (Total Insured Values)                   | 4,625,000                                 | 4,625,000                                 | 0.0%        |
| Rate (per \$100 TIV)                              | 0.007                                     | 0.007                                     | 0.0%        |
| Premium   | \$33,000                                  | <b>\$33,000</b>                           | 0.0%        |
| <b>Total Difference in Conditions &amp; Indio</b> | <b>\$548,705</b>                          | <b>\$572,297</b>                          | <b>4.3%</b> |
| <b>PROPERTY &amp; CASUALTY SUBTOTAL</b>           | <b>\$880,146</b>                          | <b>\$925,283</b>                          | <b>5.1%</b> |

# Cyber Appendix

# Claims Reporting Roadmap

Chubb

**You are here:** Your firm has suffered a security incident. The clock is now ticking. It's time to do right by your customers, employees, shareholders and others. A quick, effective response will help you to avoid lawsuits and regulatory inquiries.



Immediately gather your internal team and review your incident response plan.



Call the Chubb Breach Hotline at 800-817-2665; then contact the pre-approved expert privacy attorneys to determine legal applicability of actions, to respond to reporting requirements, and to maintain privilege. These lines are monitored seven (7) days a week. Leave a voicemail message. Contact your Aon broker to provide formal notice to Chubb.

A Chubb Claims Specialist will assist with identifying the resources needed to respond to the event and will provide consent as required.



Debrief with Chubb Cyber Claims. Some important things to cover:

- When and how discovered
- Type of event
- Who attacked
- Extent of attack
- Impact on business
- Type of data at risk
- # and location of people potentially impacted
- Ransom demand and threat actor



Consult with your expert privacy attorney on the current situation and begin to determine what next steps are necessary.



- 1 Engage a pre-approved computer forensics firm to determine existence, cause and scope of the breach.
- 2 Engage ransomware response vendor if necessary.
- 3 Determine if a public relations or crisis communication firm is required.
- 4 Consult with experts to determine if notifications are necessary. If so, decide who needs to be notified and utilize a pre-approved vendor.
- 5 After assessing the notification requirements, determine if a call center is required and contact a pre-approved vendor.
- 6 Decide if credit or identity monitoring is necessary. If so, contact the proper credit and identity monitoring firm.
- 7 Consider engaging forensic accountant; set up method to track and document cyber-related expenses.

**Execute your Response Plan.**

Please note that the above flowchart is intended to serve as a high-level guide throughout the claims management process. Please refer to your policy(ies) for more affirmative guidelines regarding claims reporting and the applicability of coverage for said incident. By no means does the above flowchart represent or guarantee the applicability of coverage for each event; coverage determinations are subject to the policy terms and conditions.

# Preferred Vendors & Resources

## Chubb

| Response - Forensics                           |                 |            |
|--|-----------------|------------|
| <b>Stroz Friedberg,</b><br>Aon Cyber Solutions | CyberScout      | RSM        |
| Ankura   | Kivu Consulting | Surefire   |
| Arete  | KPMG            | Tracepoint |
| Charles River Associates                       | Kroll           | Unit 42    |
| CrowdStrike                                    | Mandiant        | Verizon    |

| Loss Mitigation       |              |                        |
|-----------------------|--------------|------------------------|
| Ankura                | Dashlane     | RSM                    |
| BitSight Technologies | NetDiligence | Security Risk Advisors |
| Cofense               | NetSpi       | Sentinel One           |
| CrowdStrike           | Optiv        | Tanium                 |

\*Loss Mitigation vendors are to be used pre-incident for qualified services that Chubb approves for reimbursement based on the terms and conditions of the policy.

| Response Coach    |                       |
|-------------------|-----------------------|
| BakerHostetler    | Mullen Coughlin       |
| Cipriani & Werner | Norton Rose Fulbright |
| Marshall Dennehey |                       |

| Notification |            |
|--------------|------------|
| Dashlane     | Kroll      |
| Epiq         | TransUnion |
| Experian     |            |

| Public Relations |  |
|------------------|--|
| Edelman          |  |

Chubb panel vendor list as of January 9, 2025. For the most up to date list of providers and contact information, please click [Here](#)



# Chubb Cyber Services

## Complimentary Benefits for Policyholders

### Cyber Incident Response Solutions

**Breach Response Plan Builder:** Leverage a pre-written data breach best practices plan that can be customized for your organization and accessed 24/7/365 online or with a convenient mobile app. Free 30-day trial available. Provided by NetDiligence.

**Incident Response Mobile App:** Puts 24/7 incident reporting and response services conveniently at your fingertips. Quickly connect with a Chubb incident response coach, submit photos, notify your agent or broker, and more. Provided in partnership with Spillcenter. Download the app on the App Store or Google Play Store.

### Cyber Vulnerability Management Solutions

**Chubb Cyber Vulnerability Alert System:** Stay informed about system vulnerabilities relevant to you and your organization with biweekly emails containing pertinent information about newly identified vulnerabilities of the software you use. Provided in partnership with SecAlerts.

**External Vulnerability Monitoring:** Monitor cyber risk as a daily measurement of your security performance via a platform that highlights both strengths and potential weaknesses — providing key metrics and giving you visibility into the security of your organization. Provided by BitSight.

### User Security And Awareness Solutions

**Secure Password Manager:** Simplify the process of managing multiple, secure passwords and avoid the dangers of employee negligence and bad password hygiene — which increases the risk of cybercriminals infiltrating your network. Complimentary for up to 100 employees and preferred pricing for additional employees. Provided by Dashlane.

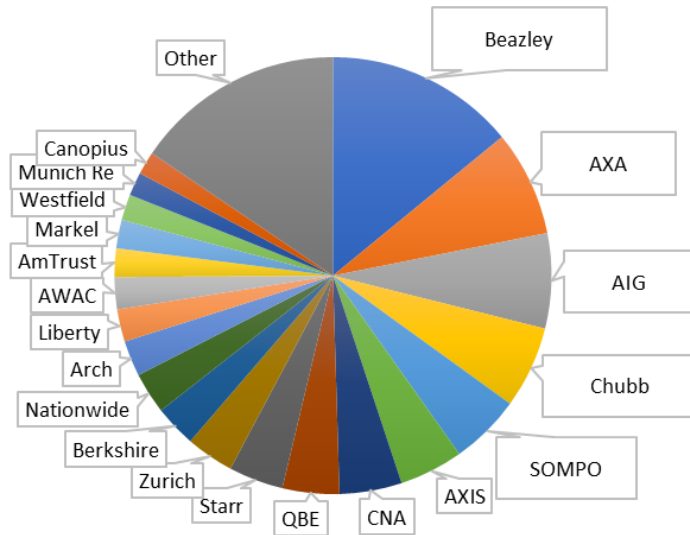
**Security Awareness & Anti-Phishing Training:** Complimentary access to top-tier Security Awareness and Phishing Prevention courses, cyber games, and videos. With additional access to customizable and discounted services, designed to promote secure practices and equip employees with crucial skills to identify, respond to, and avoid the latest cyber threats. Provided by GLS.

**Cyber Risk Resource Library:** Access on a complimentary basis cybersecurity training, alerts, trends, and other risk management tools and resources to help prevent cyber losses. Provided by eRiskHub® from NetDiligence.

Chubb policyholder complimentary services as of January 9, 2024. For the most up to date list of services and contact information, please click [Here](#)

# 2024 Insurer Share of Wallet (Direct Premium)

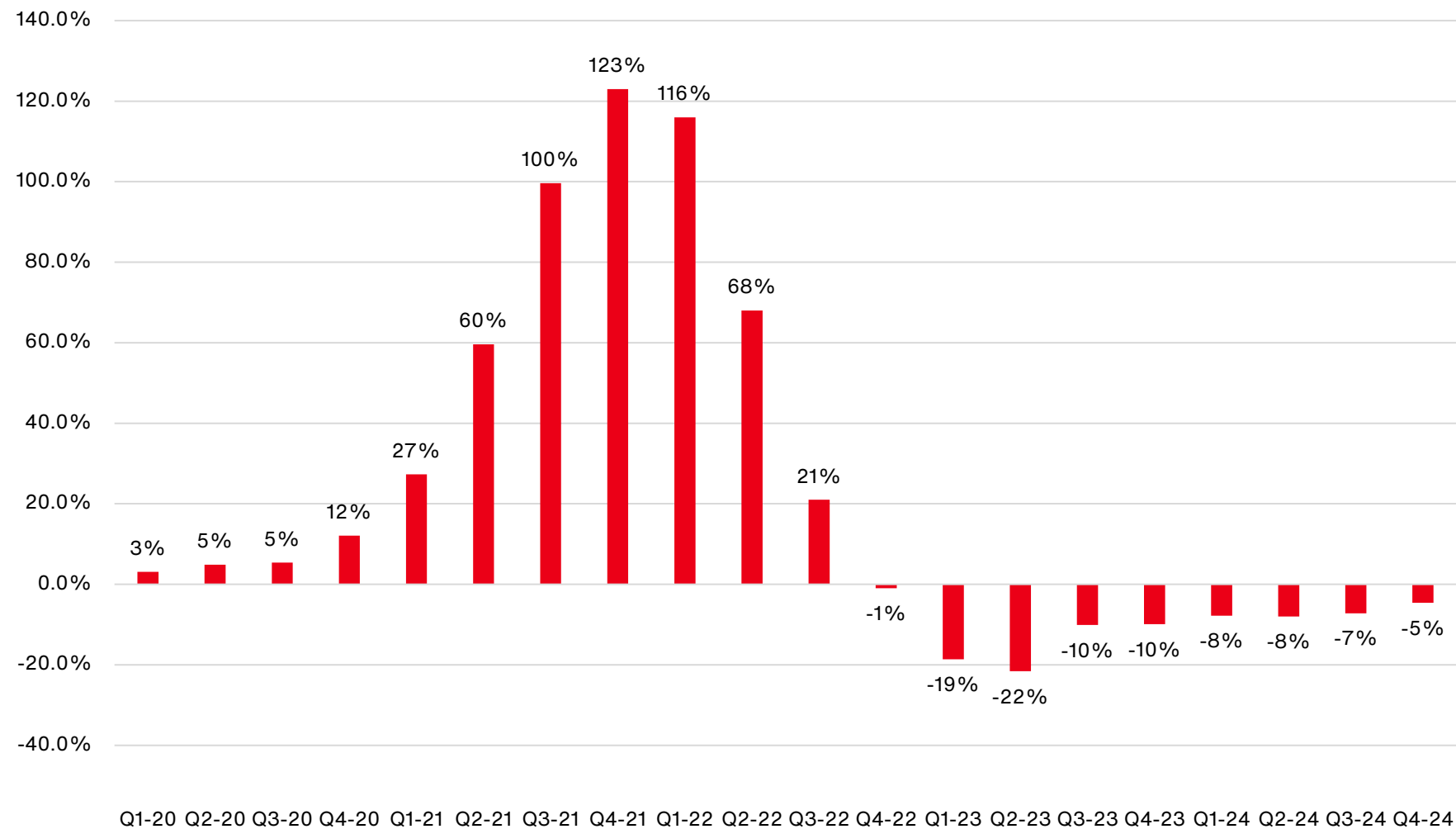
Insurer Market Share



| Insurer                           | Market Share | Market Share Change | Gap To Next Ranking | Gap Change YoY |
|-----------------------------------|--------------|---------------------|---------------------|----------------|
| Beazley Group                     | 14.17%       | -0.13%              |                     |                |
| AXA S.A.                          | 7.87%        | -0.20%              | 6.30%               | 0.07%          |
| American International Group      | 7.09%        | 0.30%               | 0.78%               | -0.50%         |
| Chubb Ltd.                        | 6.11%        | 0.15%               | 0.98%               | 0.15%          |
| SOMPO Holdings, Inc.              | 5.27%        | -0.01%              | 0.85%               | 0.16%          |
| AXIS Capital Holdings Ltd.        | 4.76%        | 0.30%               | 0.50%               | -0.31%         |
| CNA Financial Corporation         | 4.65%        | 0.40%               | 0.11%               | -0.09%         |
| QBE Insurance Group Ltd.          | 4.23%        | 0.29%               | 0.42%               | 0.11%          |
| Starr International Company, Inc. | 4.08%        | -0.03%              | 0.15%               | 0.31%          |
| Zurich Insurance Group Ltd.       | 3.57%        | -0.26%              | 0.51%               | 0.24%          |
| Berkshire Hathaway Inc.           | 3.12%        | -0.05%              | 0.45%               | -0.22%         |
| Nationwide Group                  | 3.09%        | 0.04%               | 0.03%               | -0.09%         |
| Arch Capital Group Ltd.           | 2.66%        | -0.01%              | 0.42%               | 0.06%          |
| Liberty Mutual Group              | 2.42%        | -0.09%              | 0.24%               | 0.08%          |
| AWAC                              | 2.39%        | -0.16%              | 0.03%               | 0.07%          |
| AmTrust Financial Services, Inc.  | 2.14%        | -0.08%              | 0.25%               | -0.07%         |
| Markel Corporation                | 2.12%        | 0.12%               | 0.02%               | -0.20%         |
| Westfield Group                   | 1.94%        | 0.33%               | 0.18%               | -0.21%         |
| Munich Re Group                   | 1.74%        | -0.16%              | 0.19%               | 0.48%          |
| Canopus Group Limited             | 1.71%        | 0.24%               | 0.03%               | -0.39%         |

# 2020–2024 Cyber Premium Changes by Quarter

Average Year-over-Year Change (Same Clients)



# Management Liability Appendix

# Management Liability Claims History

| Coverage                                    | Reported | Open     | Closed   | Paid       |
|---|----------|----------|----------|------------|
| Directors and Officers/Employment Practices | 8        | 5        | 3        | \$0        |
| Managed Care E&O                            | 2        | 1        | 1        | \$0        |
| <b>Total</b>                                | <b>0</b> | <b>0</b> | <b>0</b> | <b>\$0</b> |

## D&O/EPL claim specifics

| Effective Date | Expiration Date | Claim Number        | Claim Feature ID | Claimant Name              | Claim State | Date of Loss | Date Claim Opened | Claim Status |
|----------------|-----------------|---------------------|------------------|----------------------------|-------------|--------------|-------------------|--------------|
| 04/01/2021     | 04/01/2022      | FLSIL0579600        | 001              | Vazquez, Hector            | CA          | 03/03/2022   | 03/08/2022        | Closed       |
| 04/01/2021     | 04/01/2022      | FLSIL0579601        | 001              | Airheart, Amanda           | CA          | 11/22/2021   | 03/08/2022        | Closed       |
| 04/01/2022     | 04/01/2023      | FLSIL0612700        | 001              | Treitel, Peter             | CA          | 10/26/2022   | 11/03/2022        | Closed       |
| 04/01/2022     | 04/01/2023      | FLSIL0624511        | 001              | Montalvo, Roberto          | CA          | 04/11/2022   | 01/19/2023        | Open         |
| 04/01/2022     | 04/01/2023      | FLSIL0628795        | 001              | Cassidy-Dawson, Markeisha  | CA          | 06/24/2022   | 02/14/2023        | Open         |
| 04/01/2023     | 04/01/2024      | FLSIL0677482        | 001              | Guidry, Derrick            | CA          | 09/28/2023   | 11/16/2023        | Open         |
| 04/01/2023     | 04/01/2024      | FLSIL0678849        | 001              | Landenberger, Glenn        | CA          | 11/10/2023   | 11/30/2023        | Open         |
| 04/01/2023     | 04/01/2024      | FLSIL0731736        | 001              | Bolivar-Mercado, Elizabeth | CA          | 02/06/2024   | 07/19/2024        | Open         |
| 04/01/2024     | 04/01/2025      | No Claims Available |                  |                            |             |              |                   |              |

## E&O Claim Specifics

| Policy Year | Claim Number   | Policy Eff Date | Policy Exp Date | Incident Date | Report Date | Coverage             | Closed Date | Indemnity Paid | ALAE Paid | Total Paid |
|-------------|----------------|-----------------|-----------------|---------------|-------------|----------------------|-------------|----------------|-----------|------------|
| 2022        | MCP-0010681-22 | 04/01/22        | 04/01/23        | 06/24/22      | 09/22/22    | Errors and Omissions | N/A         | \$0.00         | \$0.00    | \$0.00     |

Insured Name: Inland Empire Health Plan

Cause of Loss: MC-Unfair business practices

Claimant Name: \*\*\*Confidential\*\*\*

Incident State: CA

Injury Description: Plaintiffs allege race discrimination, unlawful business practices.

Claim Type: Lawsuit- Non Medical

# Healthcare

## Market Update

| Exposures  | Capacity   | Coverage  | Retentions   | Pricing  |
|--|--|---|--|--|
| <ul style="list-style-type: none"> <li>• <b>Antitrust remains a major source of claim activity, due to significant industry consolidation</b></li> <li>• Increase in physician-named employment practices claims have driven significant losses</li> <li>• <b>Diversity, Equity &amp; Inclusion/Social Justice Response</b></li> <li>• AI Implementation, Hiring Tools, and Disclosure</li> <li>• Website Accessibility</li> <li>• DOJ has become more active in pursuing individuals in False Claims Act matters</li> <li>• Cyber events have driven litigation against boards for breach of their fiduciary duty and care</li> <li>• Plaintiffs' bar targeting large health systems as a source for fiduciary excessive fee litigation</li> <li>• Increased Social Engineering activity (crime) across all industries</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Limited primary capacity.</b></li> <li>• Primary limits are being reduced by some leading insurers, but excess capacity remains available.</li> <li>• Tier One / Leading insurers (for large health systems): Beazley, Berkley Healthcare, Berkshire Specialty, Travelers, and TDC Specialty</li> <li>• Tier Two / Excess insurers: Allied World, Chubb, Everest, QBE, Starr, Zurich, Liberty (Ironshore) and Balance Partners</li> <li>• <b>Only a handful of markets maintain a Healthcare focused underwriting group</b></li> </ul> | <ul style="list-style-type: none"> <li>• Healthcare specific coverages still available but with some new/developing restrictions.</li> <li>• Antitrust coverage remains critical priority, and some insurers are now sub-limiting Antitrust and Regulatory coverage with a higher retention and co-insurance clauses.</li> <li>• Side A policies are becoming more important</li> <li>• Cyber Exclusions are being added to D&amp;O policies to carve out "silent cyber" coverage</li> <li>• Many insurers are adding a Sexual Misconduct and Child Abuse Exclusion to all Healthcare clients.</li> </ul> | <ul style="list-style-type: none"> <li>• Insurers are pushing higher retentions in general, in addition to separate retentions for physician employment practices claims and excessive fee fiduciary claims.</li> <li>• <b>Insurers are also applying separate retentions applicable to highly compensated employee claims, EPL class action claims, and D&amp;O provider selection claims.</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Leading insurers in Healthcare are seeking higher rates, prior to factoring in increases in exposures or claim activity.</b></li> <li>• Primary pricing ranges from low single-digit increases to low double-digit increases, and clients with favorable loss experience and stable exposure trends see more advantageous pricing.</li> <li>• Excess program pricing follows the primary trends</li> </ul> |

# Managed Care Errors & Omissions

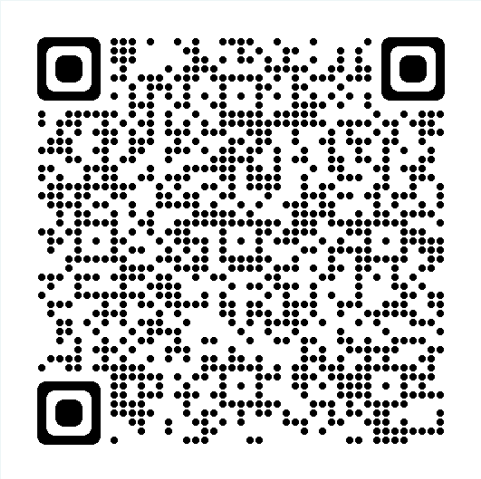
## Healthcare

| Exposures   | Capacity   | Coverage   | Retentions   | Pricing   |
|---|--|--|--|---|
| <ul style="list-style-type: none"> <li>The passing of the Competitive Health Insurance Reform Act (CHIRA) and subsequent repeal of McCarron-Ferguson Act lowers the bar for plaintiffs' attorneys to target health insurers for antitrust violations. <b>The new law also increases regulatory scrutiny from enforcement agencies.</b></li> <li>Increased consolidation in both healthcare and managed care continues to be challenged with the FTC and DOJ targeting vertical integration models for fairness/competitiveness in markets.</li> <li>SPAC capital raises and deSPAC transactions with a large share of SPACs targeting value-based care and managed care companies creates a new underwriting challenge.</li> <li><b>Healthcare reform surrounding reproductive rights (US Supreme Court overturning of Roe vs. Wade) is a continued concern MCE&amp;O carriers and is being carefully monitored.</b></li> </ul> | <ul style="list-style-type: none"> <li><b>The managed care marketplace remains very limited with Allied World, Bowhead, Liberty, TDC Specialty, and Travelers writing primary.</b></li> <li>Most insurers are actively managing down capacity: \$10M layers are now the maximum available, and many are limited to layers of \$5M.</li> <li>Common Excess Insurers: Allied World, Argo, BerkleyHealth, Berkshire Hathaway, CapSpecialty, Coverys, and Bermuda insurers</li> <li><b>QBE and AIG have exited the MCE&amp;O market</b></li> <li>Marketplace dynamics are forcing clients to evaluate the limits they purchase. Many clients are reducing limits with some exiting the market completely.</li> </ul> | <ul style="list-style-type: none"> <li>Insurers are monitoring the balance of their aggregate exposure to avoid overweighting with any one insured or an industry event (Cyber, Antitrust, Opioids).</li> <li><b>Opioid exclusions and Cyber exclusions are mandated by most insurers.</b></li> <li>Enterprise or Association exclusions are being mandated by all insurers on a primary and excess basis on BCBS and Delta programs in response to the 2012 Antitrust claim and aggregate losses across portfolios.</li> <li><b>Some insurers are no longer offering Antitrust coverage.</b></li> </ul> | <ul style="list-style-type: none"> <li><b>Insurers are broadly increasing retentions on Managed Care placements.</b></li> <li>The passing of CHIRA is causing many insurers to alter their approach to Antitrust with retentions for this exposure now at a multiple of the policy retention and mandated coinsurance.</li> <li>Coinurance options are being vetted to drive more capacity options by sharing the risk with a vertical retention.</li> </ul> | <ul style="list-style-type: none"> <li>Pricing is increasing but stabilizing, in the single-digit range.</li> <li><b>With several capacity withdrawals, remaining insurers are demanding more rate to ensure a sustainable market going forward.</b></li> </ul> |

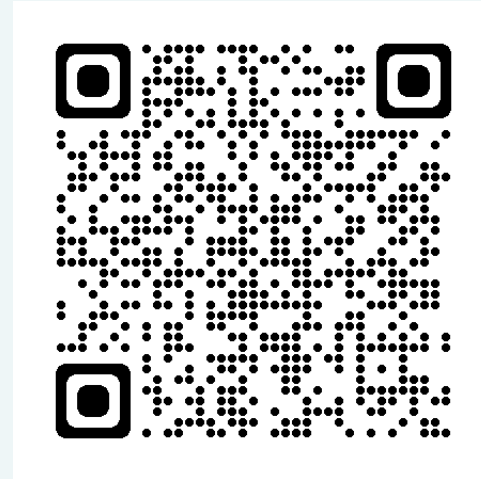
# FSG Quick Insights and FSG Featured Articles

## QR Code

Quick Insights QR Code



Featured Articles QR Code





# Property, Casualty, & DIC Appendix

# Casualty Market Overview Themes: Q4 Results and Q1 Trends



## Pricing

Rate change varied depending on coverage. Automobile and Excess Liability remain the most challenging casualty lines. Workers Compensation remains the most desirable line

- WC is Flat to 5%; Moderate GL rates increases of 1% to 5%; Auto rates 5% to 20% based on make of fleet; Umbrella and Excess Liability continued to see the pressure, with most insureds experiencing 5% to 10% increases. We continue to trade in a "two-tiered" market whereby challenged risk classes, adverse loss experience and / or programs with lower primary attachment points have experienced greater than average rate increases.
- Outlook:** Upward rate pressure in GL, Umbrella/Excess Liability and Auto. WC will hover around Flat to -5%



## Limits

Maintaining limits

- The predominant outcome is to renew the same limit as expiring.
- Outlook:** We expect most insureds to renew as expiring and to see continued buying of additional limits in a limited number of situations (exposure growth, risk specific issues, etc.)



## Retentions

General stability given minimal incentives to change, however, this is not true for accounts with poor loss history and/or challenging exposures

- Most clients maintained deductible/retention levels and umbrella attachment points.
- Outlook:** This trend will continue with the exception of accounts with poor loss history and challenging exposures. These accounts will be under pressure for change.



## Coverage

Enhancements available on a case by case basis. Carriers remain focused on securing greater details associated with critical and emerging risks, including, but not limited to biometric privacy, forever chemicals (e.g., PFAS), Microplastics, wildfire, Abuse & Molestation, Traumatic Brain Injury (TBI), etc.

- Coverage/program design enhancements are available; insurers continue to restrict coverage for established and emerging risks
- Outlook:** Reasonable coverage/program design enhancements continue to be achievable; underwriter scrutiny around emerging risks will continue; more focus will be seen regarding accumulation of limits at risk on a potential single loss scenario. On GL, more attention being paid to the treatment of defense costs. Excess casualty industry loss trends continue to deteriorate. Automobile Liability single plaintiff outcomes continue to increase (\$5MM + average) putting pressure on structure, attachment points and pricing. Carriers anticipate overall growth in excess loss reserves in the 8% to 10% range due to a combination of medical inflation, increased legal costs, and growth in litigation awards and settlements. As such, risk differentiation is more important than ever, including providing a deep understanding to underwriters of safety techniques and technology deployment, as well as lessons learned in prior litigated claims. Carriers are often proactively seeking deeper connectivity with customer internal and external counsel and may provide improved terms where they believe there is strong alignment on approach to litigation.



## Capacity

Primary capacity is at near historic levels. Umbrella/Excess capacity continues to be more than adequate for most classes, but carriers are choosing when to deploy their full limits.

- Most clients can buy adequate Umbrella/ Excess liability limits but pricing or capacity challenges continue for larger towers.
- Outlook:** While there are multiple new market entrants, initial capacity deployed will continue to be less than total advertised. Market consolidation and loss activity trends may continue to impact excess limits as markets manage total capacity deployed on individual risks as well as loss challenged classes.

# Property Market Overview Themes: Q4 Results and Q1 Trends



## Pricing

Property continues trend of rate increases but has continues to moderated. We expect rate to be -5% to 5% in Q1'24

- Average Q4 Property rates are in the single digits and continue moderation. Shared and Layered accounts are even starting to dip in to a negative rate environment fueled by over capacity and competition. Accounts with losses, **heavily CAT exposed especially FL risk or in difficult occupancies continue to see higher average rate changes.**
- **Outlook:** Expect property market conditions continue to improve, supported by insurer growth objectives, lower than expected losses from recent hurricanes, and stable reinsurance market conditions. Recent Wildfire events in CA are still be assessed for market total insured losses; however, for the same reasons as recent Windstorm losses, no significant market dislocation expected from these events. Moving into Q1 2025, we expect rates to further moderate, with many shared & layered programs experiencing negative rates and **single carrier accounts flat to 5%.**



## Limits

Most clients maintaining limits

- Majority of clients continue to purchase the same limits
- **Outlook:** We do not anticipate clients to actively seek to increase limits. Clients should be reviewing their current limits to ensure adequate coverage with inflationary pressures and more complex business interruption scenarios. Adequate limit availability will continue to exist for most accounts.



## Retentions

Clients maintaining the same deductible/retention

- Most insureds are renewing the same deductibles/retentions
- **Outlook:** Retention increase is now more the result of a client controlling costs as opposed to being forced by insurers. The introduction of separate deductibles for secondary perils could develop given the impact secondary perils contributed to global insured losses.



## Coverage

No material change in traditional "all-risk" property coverage. Coverage extensions and Property Valuation are being further scrutinized

- Underwriter pressure on proper valuations will not disappear, but with inflation moderating it should be less of an issue for clients that have addressed their values over the past five years. Supply chain management and contingent business interruption remain at the top of each underwriter's question list
- **Outlook:** We expect terms and conditions will be stable and some increased competition may lead to some improvements for some clients compared to a market last year that had very little flexibility as respects coverage.



## Capacity

Continues to be adequate. More challenging for Nat-Cat

- Pricing and capacity challenges have moderated. We expect this moderation to continue, largely due to increased capacity from reinsurance markets. Clients can continue to expect aggressive efforts on the part of insurers for shared and layered accounts with desirable occupancy classes, nominal CAT and profitable historic loss ratios. **Accounts with poor loss experience and/or Nat-Cat exposures may be challenged in gaining access to adequate capacity**
- **Outlook:** Anticipate a competitive environment on the part of insurers for risks with desirable occupancy classes, nominal CAT and profitable historic loss ratios. Expect reduced capacity on accounts with poor loss ratios. Capacity for Florida Windstorm, Severe Convective Storm and Wildfire may be problematic. **Capacity for California Earthquake continues to be challenging.** Pressure is also being seen with exclusions for Strikes, Riots & Civil Commotion due to treaty restrictions.

# 2025 – 2026 DIC Renewal Highlights

## Rate/Premium/Exposure – RT Specialty Summary

| PERIL  | CARRIER  | 2025 TIV      | LIMIT   | 2025 LAYER RATE | 2025 LAYER PREMIUM |
|--|--|---------------|---|-----------------|--------------------|
| EARTHQUAKE MASTER  | ARROWHEAD- PRIMARY \$25M EQ  | \$266,540,652 | \$100M EQ/25M xs 25M FLOOD                      | \$0.14895       | \$397,000          |
| \$75M xs \$25M EARTHQUAKE & \$25M xs \$25M FLOOD ONLY  | ARROWHEAD- PRIMARY \$25M EQ  | \$266,540,652 | \$75M xs \$25M EQ and \$25M xs \$25M FLOOD ONLY | \$0.4153        | \$110,700          |
| STAND ALONE EQ VIKCO INDIO ONLY  | Starstone Specialty Insurance Company & Fortegra Specialty Insurance Company | \$4,625,000   | \$4,625,000                                     | \$0.58422       | \$27,020           |
| STAND ALONE XS FLOOD CHUBB EUROPEAN INDIO ONLY LIMIT: \$4,625,000/EXCESS OF STEADFAST                | Chubb European Group SE 100% (New Carrier)                                   | \$4,625,000   | \$4,625,000                                     | \$0.09139       | \$4,277            |
| STAND ALONE PROP - STEADFAST ALL RISK- INDIO ONLY. 4,625,000 LT/ 10K DED/50K FLOOD. 1M SUB ON FLOOD. | Steadfast Insurance Company  | \$4,625,000   | \$4,625,000                                     | \$0.71351       | \$33,000           |
| -  | -  | -             | TOTALS FOR PORTFOLIO                            | -               | <u>\$571,947</u>   |

# 2025 – 2026 DIC Renewal Highlights

## Rate/Exposure History

### Arrowhead - \$100M EQ + \$25M Excess Flood

*Note: Does not include Indio, CA. Pricing was cost prohibitive due to increased exposure in Zone E for Earthquake.*

| ARROWHEAD RATE CHANGES:   | LAYER RATE | YEAR | TIV           |
|---|------------|------|---------------|
| Essentially Flat - Values Increased   | \$0.14895  | 2025 | \$266,540,652 |
| 12% Rate increase- AH had to increase ITV for their markets. Same T&C                                 | \$0.18984  | 2024 | \$252,838,416 |
| 20% rate increase. EQ limit remains 100M, Flood limit decreased from 100M to 25M (xs 25M Deductible). | \$0.17047  | 2023 | \$246,377,940 |
| 3% Rate increase  | \$0.14158  | 2022 | \$227,087,599 |
| 4% Rate increase  | \$0.13740  | 2021 | \$225,617,459 |
| Flat  | \$0.13150  | 2020 | \$215,260,533 |
| Flat  | \$0.13154  | 2019 | \$202,980,971 |
| Flat  | \$0.13154  | 2018 | \$192,857,611 |
| 4% Rate decrease  | \$0.13170  | 2017 | \$141,065,992 |
|   | \$0.13658  | 2016 | \$81,037,518  |

# About Aon Appendix

# Aon is in the Business of Better Decisions

Aon exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues provide clients in over 120 countries and sovereignties with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

## 60,000

colleagues around the world

## 120+

countries and sovereignties with Aon clients

## Risk Capital

### Commercial Risk Solutions

Shifts in technology, economics and geopolitics are creating unprecedented volatility. We help clients identify, measure and manage their risk exposure.

## \$115B+

of bound premium placed annually

### Reinsurance Solutions

Businesses, governments and communities need to become more resilient. Our expertise and insight help (re)insurers navigate uncharted territories and create more relevant solutions.

## \$60B

of bound premium placed annually

## Human Capital

### Health Solutions (incl. Talent Solutions)

Health is declining, costs are rising and workers have vastly different needs. Our Health team helps companies improve employee health and wellbeing while managing costs. Our Talent team helps clients build a people strategy to attract and retain the workforce needed today and into the future.

## \$45B+

of bound premium placed annually

### Wealth Solutions

Global business is becoming increasingly difficult to navigate. We help employers, fiduciaries and investment officers optimize results and provide a more secure future for their stakeholders.

## \$4.8T\*

of assets under advisement

Our **3x3 Plan** — with a focus on three commitments over the next three years — is enabling our firm to go further, faster to address client need:

1. **Leveraging Risk Capital and Human Capital** to unlock new integrated solutions across our core business that address emerging client demand.
2. **Embedding the Aon Client Leadership model** across our Enterprise, Large and Middle Market clients to further strengthen and expand our client relationships.
3. **Accelerating our Aon Business Services plan** to set a new standard for service delivery and next generation analytical tools.

Through our 3x3 Plan we will accelerate our Aon United strategy to deliver critical outcomes for clients, colleagues and shareholders.

\* Includes approximately \$55B of captive premium. As of 5/30/2023. Includes non-discretionary assets advised by Aon and its global affiliates which includes retainer clients and clients in which Aon and its global affiliates have performed project services for over the past 12 months. Project clients may not currently engage Aon at the time of the calculation of assets under advisement as the project may have concluded earlier during preceding 12-month period.

# Aon U.S. Commercial Risk Distinctive Value for Clients

At Aon, we understand that no two clients are alike. How an organization responds to financial challenges, competitive pressures and market volatility depends on a unique set of capabilities, resources and business goals. At the same time, our extensive client research and business experience shows that every organization — regardless of size, industry or geography — counts profitability, growth and continuity as critical organizational objectives. Around the globe, the risk environment and insurance marketplace are changing. Climate events, economic uncertainty, and evolving regulatory environments are expanding the amount of risk and making it more challenging to find stable, cost-effective risk management solutions. Every Aon client solution is backed by the full resources, industry experience and technical innovation of the world's leader in insurance broking to provide impactful outcomes for their organization.

| Core Broking Capabilities  | Data & Analytics   | Proprietary Portfolio  | Advisory & Consulting Capabilities  |
|--|--|--|---|
| Unrivalled insights, and risk and broking capabilities, supported by local, regional, and global market presence, to deliver the most valued risk advice and solutions.  | Our fact-based broking strategy is supported by Data & Analytics and drives industry-leading results for clients, providing greater control and efficiency through digital connectivity, and the use of real time analytics for critical decision-making.  | Through the power of our data, we create portfolio solutions, driven by analytics and portfolio underwriting across industry segments, products and geographies.   | Improve and increase client's knowledge of their risk profile by identifying and quantifying the risks they face; by assisting with the selection and implementation of appropriate risk transfer, retention, and mitigation solutions; and by helping ensure operational continuity.   |
| <ul style="list-style-type: none"> <li>• Aon Commercial Risk U.S. Broking Platform</li> <li>• Global Broking Centers (London and Bermuda)</li> <li>• Market Security</li> <li>• Broking Specialty Practices</li> <li>• Industry Practices</li> <li>• Alternative Capital</li> <li>• Thought Leadership</li> <li>• Facultative Reinsurance Solutions</li> <li>• Captives</li> <li>• Global Account Management System</li> </ul> | <ul style="list-style-type: none"> <li>• Broking Analytics (Benchmarking, Market Trends, Insurer Behaviors)</li> <li>• Aon Centre for Innovation and Analytics (Dublin, Singapore, and Krakow)</li> <li>• Aon Sophi (self-service analytics)</li> <li>• Spectrum Analytics</li> <li>• Cyber Quotient Evaluation (CyQu)</li> <li>• Impact on Demand</li> <li>• CAT Modeling</li> <li>• Global Risk Management Survey</li> <li>• Aon Client Exchange (Electronic Policy delivery, invoicing, and certificate requests)</li> <li>• Aon Risk Maturity Index</li> <li>• Risk Financing Decision Platform</li> <li>• LAMBDA (Litigation Analysis, Mitigation &amp; Benchmarking of Defense Attorneys)</li> <li>• Aon Carrier Link</li> </ul> | <ul style="list-style-type: none"> <li>• Aon Client Treaty</li> <li>• Lloyd's Lead Excess Aon Facility</li> <li>• Short Form Policies (London, Bermuda, and U.S.)</li> <li>• Private Non-Profit panel</li> <li>• Cyber/ E&amp;O Panel</li> <li>• Marine Cargo Panel</li> <li>• Environmental Panel</li> <li>• Aviation Unmanned Aircraft Panel</li> <li>• Overwatch</li> <li>• Alpha Terrorism Facility</li> </ul> | <ul style="list-style-type: none"> <li>• Risk Quantification</li> <li>• Solution Assessment &amp; Design</li> <li>• Risk Mitigation &amp; Management</li> <li>• Risk Retention Consulting</li> <li>• Claims Advocacy</li> <li>• Claims Consulting</li> <li>• Business Continuity Management</li> <li>• Property &amp; Casualty Laser</li> </ul> |



# Client Innovation at Global Scale

Integrated Data and AI capabilities that re-imagine the end-to-end client experience

## Aon Innovations Launching in 2025 and Beyond

In Q4'23, Aon announced a \$1Bn investment over the next three years aimed at enhancing our digital capabilities in service of our clients



**Risk Analytics:** Robust set of risk analyzers that enable accurate and efficient data capture and ingestion, analytics, and industry leading risk visualization



**Risk Placement:** Streamline and accelerate the risk placement process with carriers



**Risk Servicing:** Automate servicing capabilities – incl. omni channel client workbench for onboarding, renewals, policy checking and delivery, ad-hoc certificates, invoicing, auto-ID Cards

# Certificate Center

Transforming the certificate request process with an on-demand digital experience and instant certificate generation.

Aon's new certificate generation tool provides an enhanced client experience through a simplified and streamlined process. This experience enables users to immediately generate certificates of insurance (COIs) with endorsements, and search and access existing certificates.

## KEY FEATURES & FUNCTIONS



### Instant Certificate Generation

Generate and access COIs immediately, reducing wait times and increasing efficiency.



### Enhanced Transparency

Added visibility and communication between clients and Aon.



### Accessible Anywhere

Use the tool from any device, anywhere, ensuring flexibility and convenience.



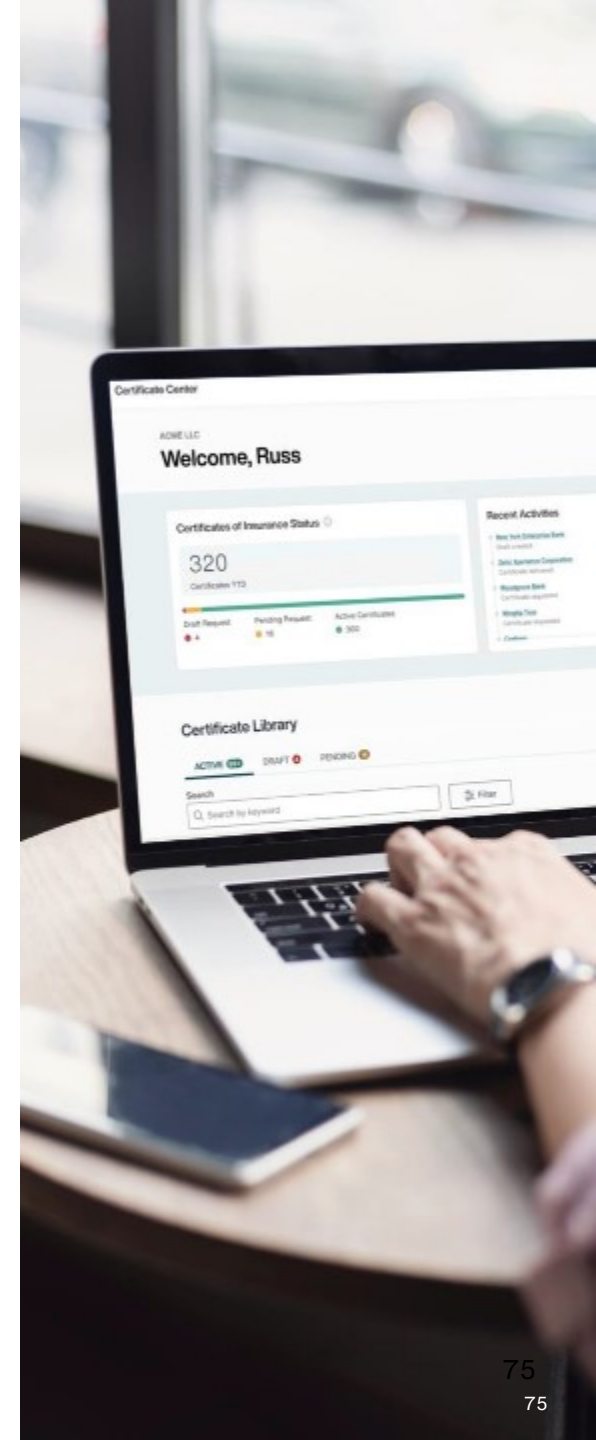
### Real-Time Collaboration

Centralized platform allowing for real-time status updates and issue resolution.

## FOR MORE INFORMATION

Contact your account team or Russ Antrim with any questions.

[russell.antrim@aon.com](mailto:russell.antrim@aon.com)



## About Aon

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues in over 120 countries with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

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[www.aon.com](http://www.aon.com)



**2. Title: Monthly Financial Overview**

**Presenter:** Keenan Freeman, Chief Financial Officer  
Hong Lien, Director, Financial Reporting & Analysis

**Summary:**  
Discussion of the Monthly Financials for period ending February 28, 2025.

**Recommendation:**  
That the IEHP Finance Committee receive and file this information as presented.

| Chair Yxstian Gutierrez   | Vice Chair Curt Hagman   | Member Eileen Zorn   |
|---|--|--|
| <input type="checkbox"/> Review   | <input type="checkbox"/> Review  | <input type="checkbox"/> Review  |
| <input type="checkbox"/> Recommend item be forwarded to Governing Board for (review/approval) | <input type="checkbox"/> Recommend item be forwarded to Governing Board for: (review/approval) | <input type="checkbox"/> Recommend item be forwarded to Governing Board for: (review/approval) |
| <input type="checkbox"/> N/A  | <input type="checkbox"/> N/A   | <input type="checkbox"/> N/A   |

# FINANCE DIVISION

February 2025

**MONTHLY  
FINANCIALS**

**Presented  
April 14, 2025**



# February 2025 Current vs Prior Month: Consolidated

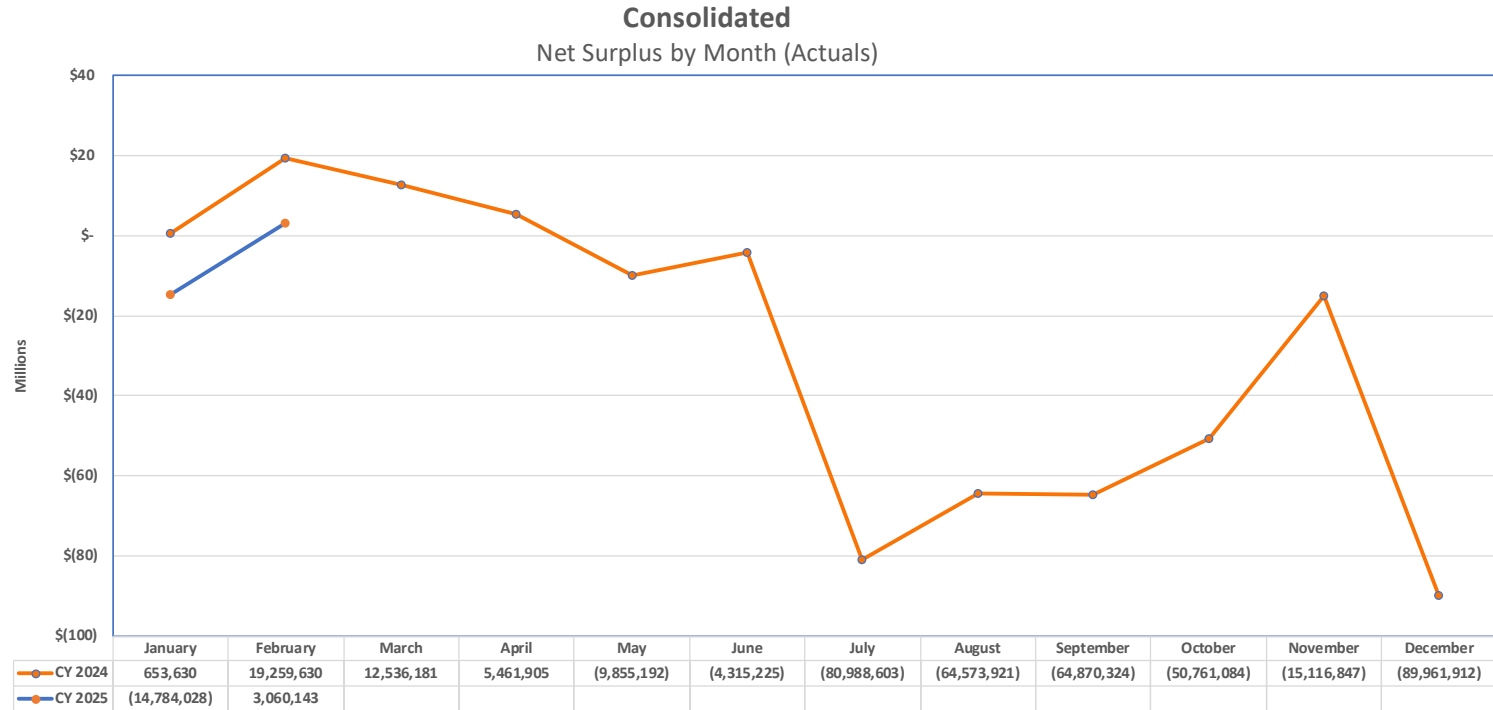
|   | Month-over-Month Comparison |                       |                | Year-to-Date           |
|---|-----------------------------|-----------------------|----------------|------------------------|
|   | February MTD<br>Actual      | January MTD<br>Actual | Variance       | February YTD<br>Actual |
| <b>Total Revenue</b>                        | \$ 703,512,481              | \$ 705,197,522        | \$ (1,685,041) | \$ 1,408,710,003       |
| <b>Total Medical Costs</b>                  | \$ 669,136,136              | \$ 685,564,030        | \$ 16,427,894  | \$ 1,354,700,166       |
| <b>Total Operating Expenses</b>             | \$ 39,854,752               | \$ 44,899,506         | \$ 5,044,754   | \$ 84,754,258          |
| <b>Total Non Operating Income (Expense)</b> | \$ 8,632,202                | \$ 10,507,584         | \$ (1,875,382) | \$ 19,139,786          |
| <b>Non-Medical Expenses</b>                 | \$ 93,652                   | \$ 25,598             | \$ (68,054)    | \$ 119,250             |
| <b>Net Surplus (Deficit)</b>                | \$ 3,060,143                | \$ (14,784,028)       | \$ 17,844,171  | \$ (11,723,885)        |
| <b>Medical Cost Ratio**</b>                 | 95.1%                       | 97.2%                 | (2.1%)         | 96.2%                  |
| <b>Administrative Cost Ratio**</b>          | 5.7%                        | 6.4%                  | (0.7%)         | 6.0%                   |

## Highlights for the Month:

- The favorable medical costs variance compared to prior month is primarily due to favorable Medi-Cal FFS prior paid claims restatements partially offset by CY2024 pharmacy rebate adjustment in the prior month.
- The favorable operating expense variance compared to prior month is primarily due to a decrease in payroll-related expenses.
- The unfavorable non operating income (expense) variance compared to prior month is primarily due to a decrease in interest income.



# Consolidated Net Surplus Year-Over-Year



# Current vs Prior Month: Medi-Cal

|   | Month-over-Month Comparison |                    |                 | Year-to-Date        |
|---|-----------------------------|--------------------|-----------------|---------------------|
|   | February MTD Actual         | January MTD Actual | Variance        | February YTD Actual |
| <b>Total Revenue</b>                        | \$ 599,901,789              | \$ 617,012,700     | \$ (17,110,911) | \$ 1,216,914,489    |
| <b>Total Medical Costs</b>                  | \$ 579,429,619              | \$ 606,164,546     | \$ 26,734,927   | \$ 1,185,594,165    |
| <b>Total Operating Expenses</b>             | \$ 32,843,964               | \$ 39,579,088      | \$ 6,735,124    | \$ 72,423,052       |
| <b>Total Non Operating Income (Expense)</b> | \$ 3,554,083                | \$ 3,613,088       | \$ (59,005)     | \$ 7,167,170        |
| <b>Net Surplus (Deficit)</b>                | \$ (8,817,711)              | \$ (25,117,847)    | \$ 16,300,136   | \$ (33,935,558)     |
| <b>Medical Cost Ratio**</b>                 | 96.6%                       | 98.2%              | (1.7%)          | 97.4%               |
| <b>Administrative Cost Ratio**</b>          | 5.5%                        | 6.4%               | (0.9%)          | 6.0%                |

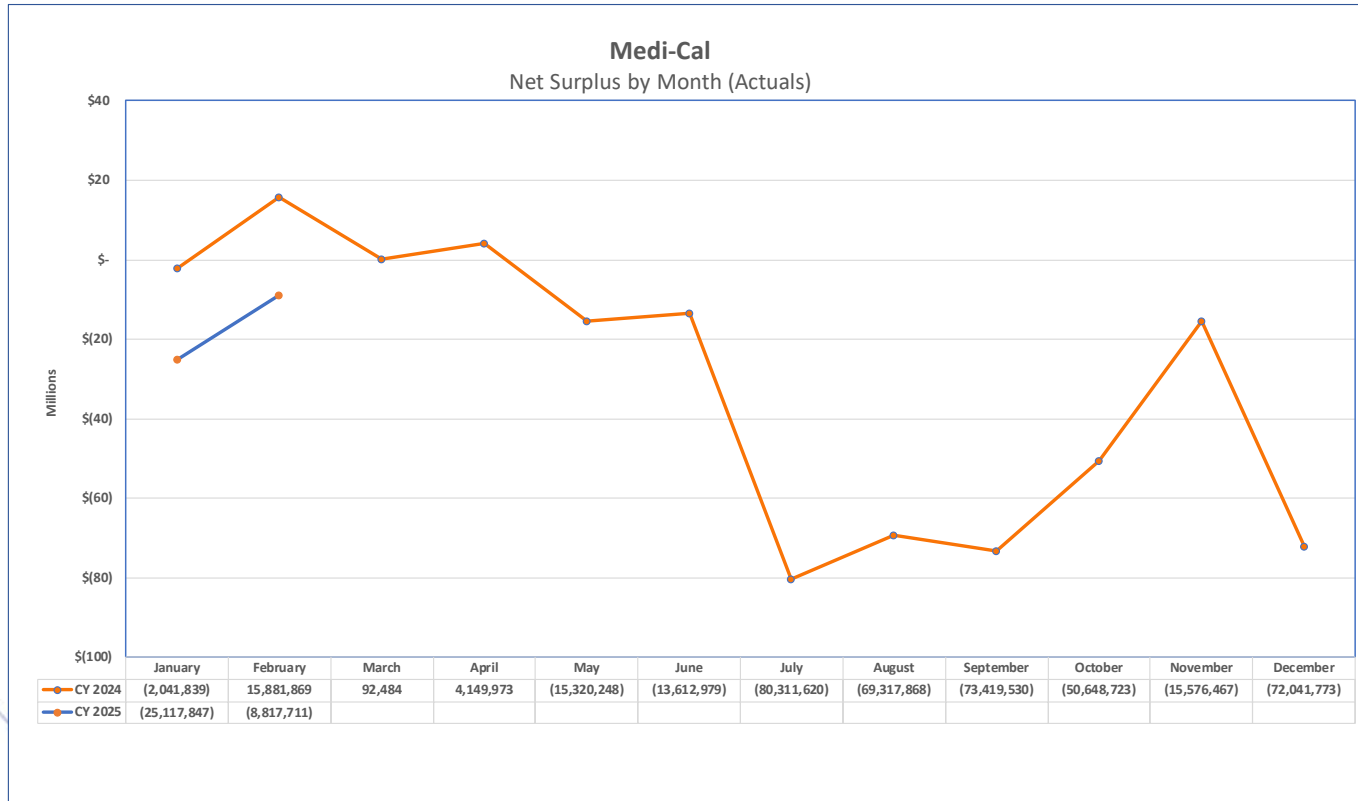
## Highlights for the Month:

- The unfavorable revenue variance compared to prior month is primarily due to CY2025 MOT risk corridor adjustment in the prior month.
- The favorable medical costs variance compared to prior month is primarily due to favorable FFS prior paid claims restatements.
- The favorable operating expense variance compared to prior month is primarily due to a decrease in payroll-related expenses.





# Net Surplus Year-Over-Year: Medi-Cal



## Current vs Prior Month : D-SNP

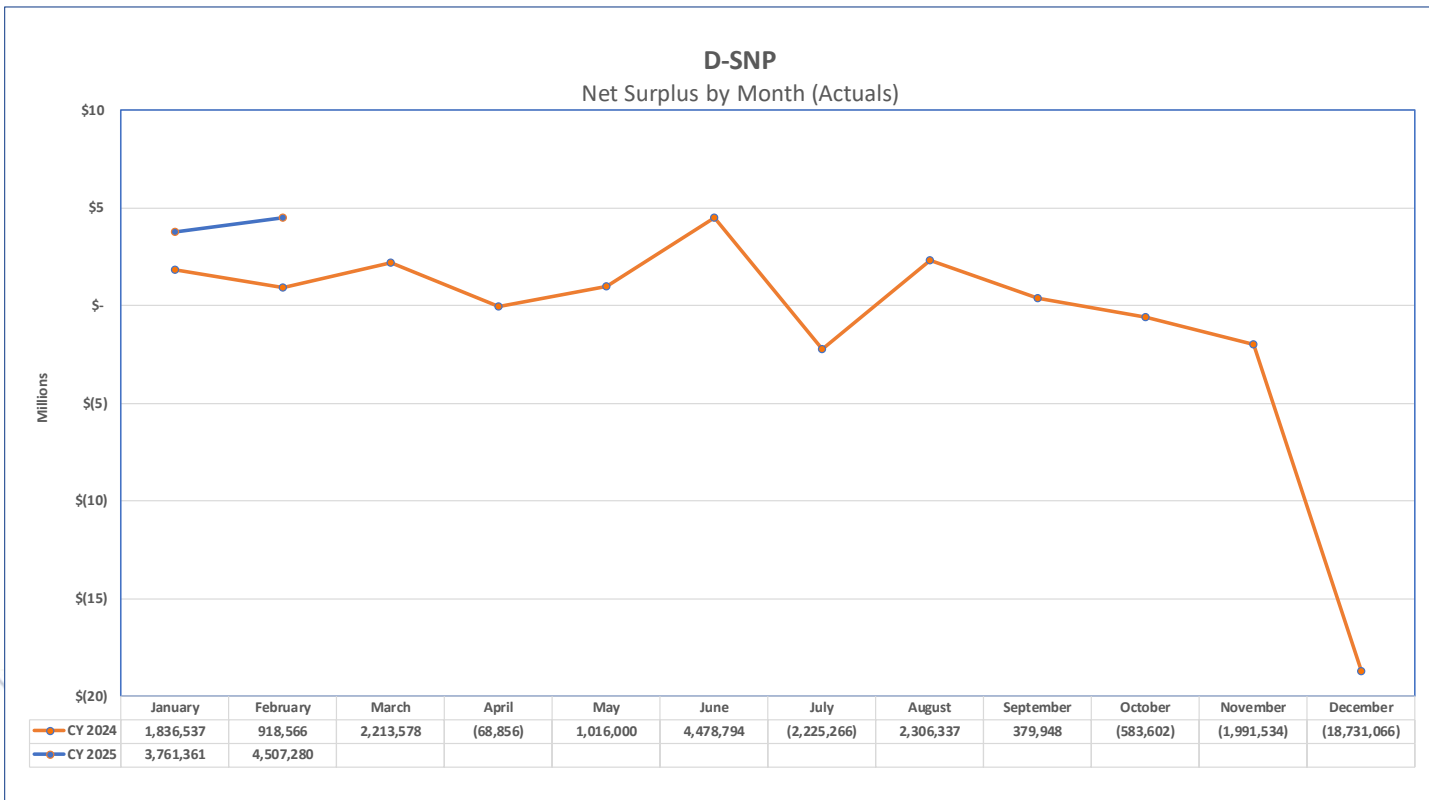
|   | Month-over-Month Comparison |                       |                 | Year-to-Date           |
|---|-----------------------------|-----------------------|-----------------|------------------------|
|   | February MTD<br>Actual      | January MTD<br>Actual | Variance        | February YTD<br>Actual |
| <b>Total Revenue</b>                        | \$ 84,855,959               | \$ 72,278,483         | \$ 12,577,476   | \$ 157,134,442         |
| <b>Total Medical Costs</b>                  | \$ 75,076,032               | \$ 64,714,170         | \$ (10,361,862) | \$ 139,790,202         |
| <b>Total Operating Expenses</b>             | \$ 5,272,647                | \$ 3,802,951          | \$ (1,469,696)  | \$ 9,075,599           |
| <b>Total Non Operating Income (Expense)</b> | \$ -                        | \$ -                  | \$ -            | \$ -                   |
| <b>Net Surplus (Deficit)</b>                | \$ 4,507,280                | \$ 3,761,361          | \$ 745,919      | \$ 8,268,641           |
| <b>Medical Cost Ratio**</b>                 | 88.5%                       | 89.5%                 | (1.1%)          | 89.0%                  |
| <b>Administrative Cost Ratio**</b>          | 6.2%                        | 5.3%                  | 1.0%            | 5.8%                   |

### Highlights for the Month:

- The favorable revenue variance compared to prior month is primarily due to Part D risk sharing related to Manufacturer Discount Program (MDP).
- The unfavorable medical costs variance compared to prior month is primarily due to CY2024 pharmacy rebate adjustment in the prior month.
- The unfavorable operating expense variance compared to prior month is primarily due to an allocation redistribution.



# Net Surplus Year-Over-Year: D-SNP



# Current vs Prior Month : IEHP Covered (CCA)

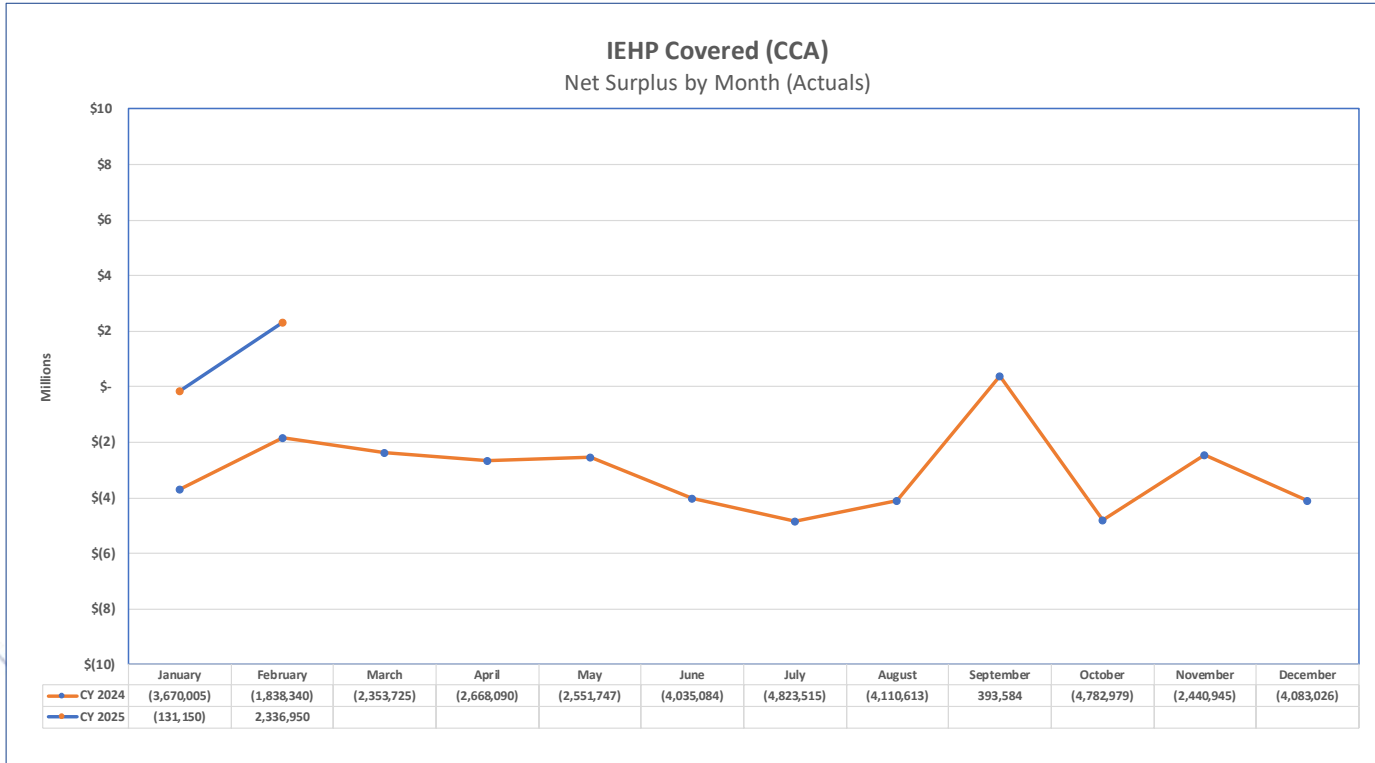
|   | Month-over-Month Comparison |               |              | Year-to-Date  |
|---|-----------------------------|---------------|--------------|---------------|
|   | February MTD                | January MTD   | Variance     | February YTD  |
|   | Actual                      | Actual        |              | Actual        |
| <b>Total Revenue</b>                        | \$ 18,759,805               | \$ 15,906,063 | \$ 2,853,742 | \$ 34,665,868 |
| <b>Total Medical Costs</b>                  | \$ 14,684,698               | \$ 14,519,753 | \$ (164,945) | \$ 29,204,451 |
| <b>Total Operating Expenses</b>             | \$ 1,738,157                | \$ 1,517,460  | \$ (220,697) | \$ 3,255,617  |
| <b>Total Non Operating Income (Expense)</b> | \$ -                        | \$ -          | \$ -         | \$ -          |
| <b>Net Surplus (Deficit)</b>                | \$ 2,336,950                | \$ (131,150)  | \$ 2,468,100 | \$ 2,205,800  |
| <b>Medical Cost Ratio**</b>                 | 78.3%                       | 91.3%         | (13.0%)      | 84.2%         |
| <b>Administrative Cost Ratio**</b>          | 9.3%                        | 9.5%          | (0.3%)       | 9.4%          |

## Highlights for the Month:

- The favorable revenue variance compared to prior month is primarily due to higher CCA Silver member months.



# Net Surplus Year-Over-Year: IEHP Covered (CCA)



# Balance Sheet: Current Month vs Prior Month

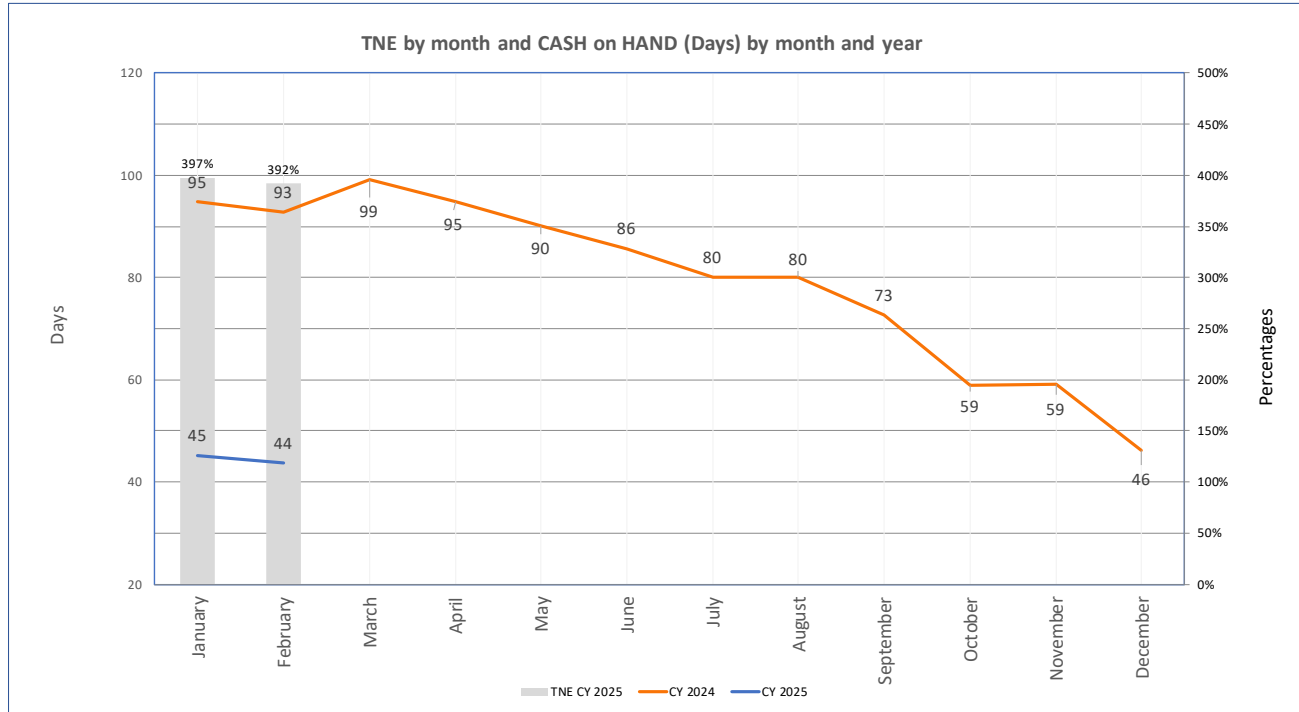
|   | Feb-25                  | Jan-25                  | Variance              |
|---|-------------------------|-------------------------|-----------------------|
| <b><u>Assets and Deferred Outflows</u></b>                    |                         |                         |                       |
| Current Assets  | \$ 2,544,248,361        | \$ 2,426,932,385        | \$ 117,315,976        |
| Other Non Current Assets                                      | \$ 65,105,357           | \$ 62,585,812           | \$ 2,519,545          |
| Capital Assets  | \$ 291,478,833          | \$ 291,051,090          | \$ 427,743            |
| Deferred Outflows of Resources                                | \$ 83,775,639           | \$ 83,775,639           | \$ -                  |
| <b>Total Assets and Deferred Outflows</b>                     | <b>\$ 2,984,608,189</b> | <b>\$ 2,864,344,926</b> | <b>\$ 120,263,264</b> |
| <b><u>Liabilities, Deferred Inflows, and Net Position</u></b> |                         |                         |                       |
| Current Liabilities   | \$ 1,873,691,971        | \$ 1,756,266,738        | \$ 117,425,233        |
| Long-Term Liabilities   | \$ 30,350,254           | \$ 30,552,971           | \$ (202,717)          |
| Deferred Inflows  | \$ 404,299              | \$ 423,693              | \$ (19,394)           |
| Net Position  | \$ 1,080,161,666        | \$ 1,077,101,523        | \$ 3,060,143          |
| <b>Total Liabilities, Deferred Inflows, and Net Position</b>  | <b>\$ 2,984,608,189</b> | <b>\$ 2,864,344,926</b> | <b>\$ 120,263,264</b> |

## Highlights for the Month:

- Increase in Current Assets is primarily due to \$61.5M MCAL revenue adjustment net of payment received driven by DHCS not paying on latest premium rates, \$18.1M MCO tax accrual net of payment received from DHCS, \$17.2M Cash receipts net of payments, \$5.6M due from CMS, \$3.5M interest receivable, and \$3.4M pharmacy rebate receivable.
- Increase in Current Liabilities is primarily due to \$65.8M MCO tax expense accrual, \$22.9M IBNP, \$18.2M capitation accrual for Feb-25 paid in Mar-25.



# TNE and Cash On Hand

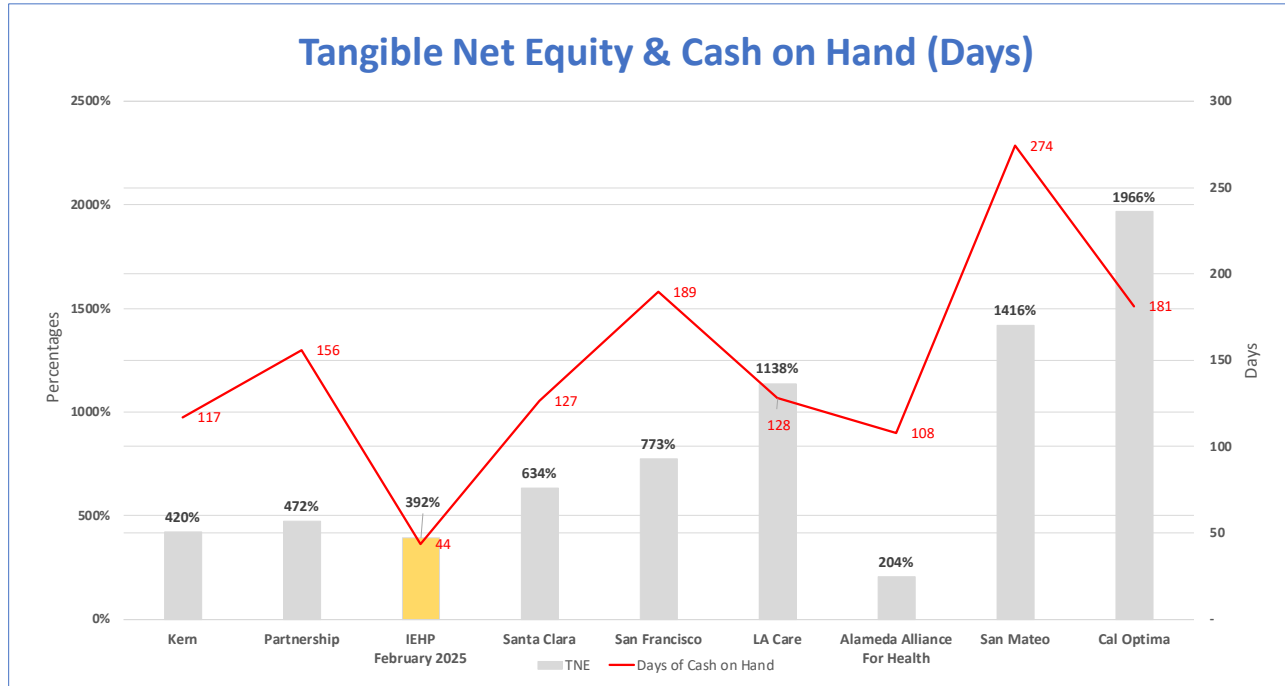


## Highlights for the Month:

Note: Days Cash on Hand calculation excludes pass-thru receipts and payments effective January 2023 and MCO tax effective January 2024.



# IEHP vs Other Local Health Plans



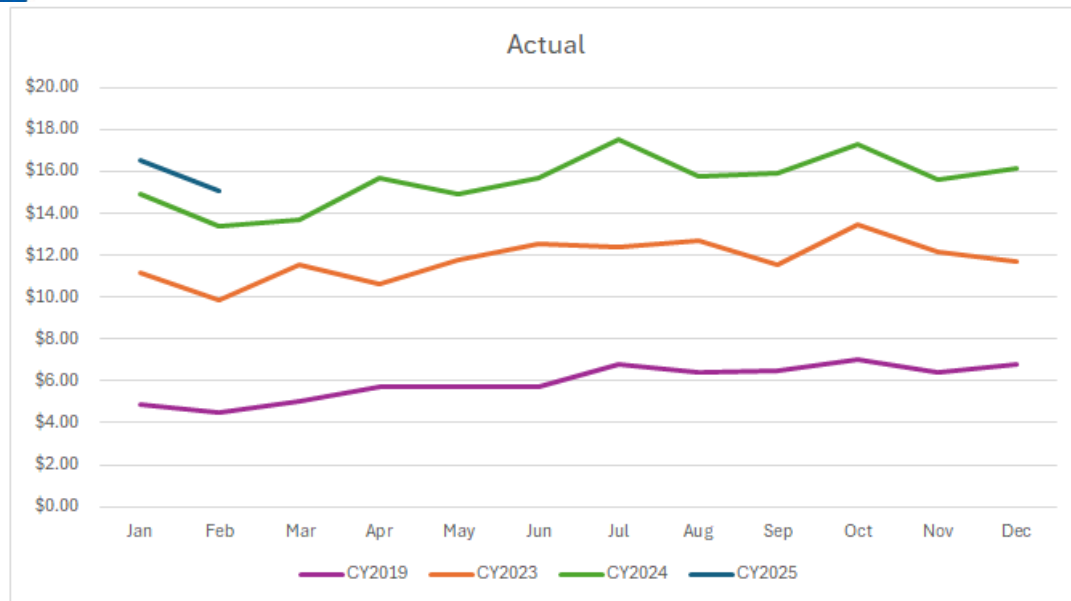
Note 1: As of December 2024 quarterly DMHC filing, unless otherwise noted.

Note 2: IEHP's February 2025 Cash-on-Hand calculation excludes pass-through monies, whereas the calculation for other health plans do not exclude these monies.





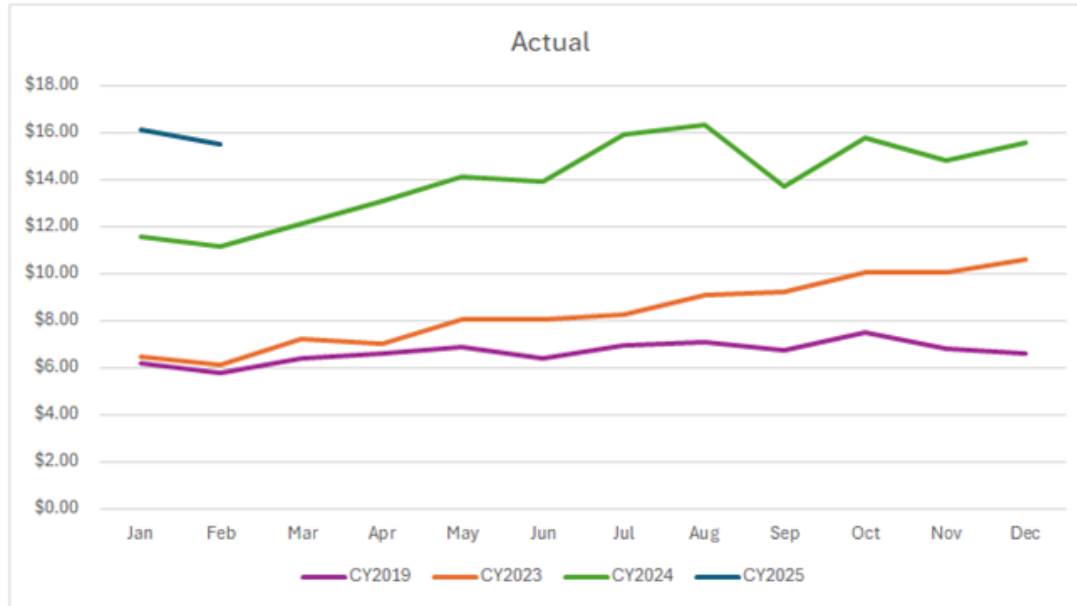
# Behavioral Health Therapy – Autism



| Service Month | Incurred PMPM |         |         | Trends |        |
|---------------|---------------|---------|---------|--------|--------|
|               | CY2023        | CY2024  | CY2025  | CY2024 | CY2025 |
| Jan           | \$11.17       | \$14.95 | \$16.56 | 33.8%  | 10.8%  |
| Feb           | \$9.83        | \$13.39 | \$15.10 | 36.2%  | 12.7%  |
| Mar           | \$11.55       | \$13.70 |         | 18.7%  |        |
| Apr           | \$10.63       | \$15.69 |         | 47.6%  |        |
| May           | \$11.77       | \$14.92 |         | 26.7%  |        |
| Jun           | \$12.56       | \$15.65 |         | 24.6%  |        |
| Jul           | \$12.36       | \$17.50 |         | 41.6%  |        |
| Aug           | \$12.68       | \$15.77 |         | 24.4%  |        |
| Sep           | \$11.57       | \$15.94 |         | 37.7%  |        |
| Oct           | \$13.48       | \$17.30 |         | 28.3%  |        |
| Nov           | \$12.13       | \$15.60 |         | 28.6%  |        |
| Dec           | \$11.73       | \$16.13 |         | 37.5%  |        |



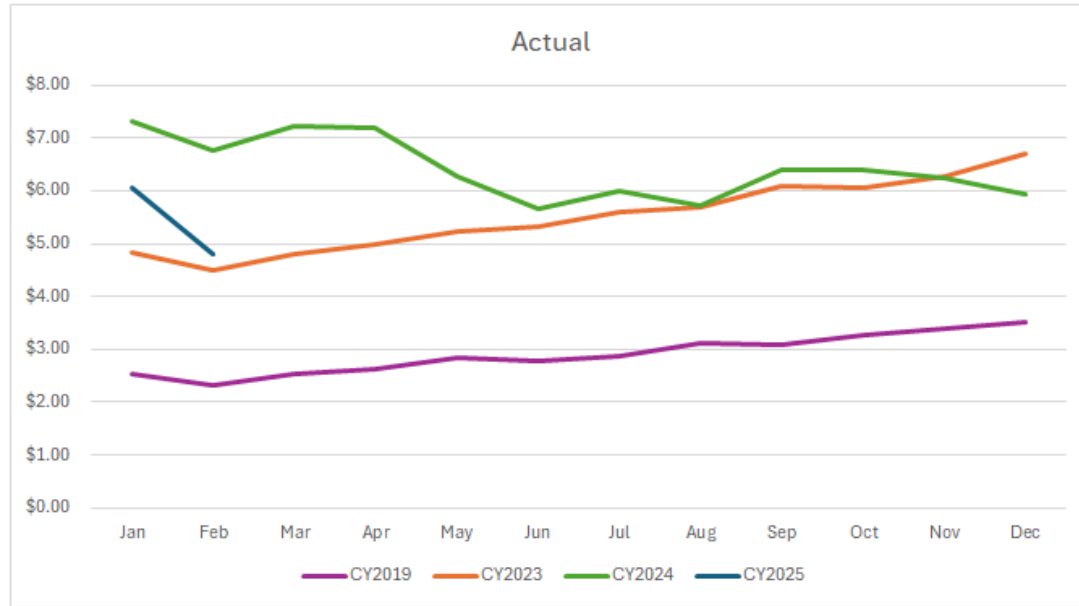
# Transportation



| Service Month | Incurred PMPM |         |         | Trends |        |
|---------------|---------------|---------|---------|--------|--------|
|               | CY2023        | CY2024  | CY2025  | CY2024 | CY2025 |
| Jan           | \$6.48        | \$11.56 | \$16.08 | 78.4%  | 39.2%  |
| Feb           | \$6.09        | \$11.18 | \$15.48 | 83.7%  | 38.4%  |
| Mar           | \$7.23        | \$12.14 |         | 67.7%  |        |
| Apr           | \$7.00        | \$13.10 |         | 87.2%  |        |
| May           | \$8.02        | \$14.14 |         | 76.3%  |        |
| Jun           | \$8.02        | \$13.92 |         | 73.6%  |        |
| Jul           | \$8.27        | \$15.88 |         | 92.1%  |        |
| Aug           | \$9.05        | \$16.35 |         | 80.7%  |        |
| Sep           | \$9.25        | \$13.70 |         | 48.2%  |        |
| Oct           | \$10.05       | \$15.77 |         | 56.9%  |        |
| Nov           | \$10.01       | \$14.82 |         | 48.0%  |        |
| Dec           | \$10.61       | \$15.55 |         | 46.6%  |        |



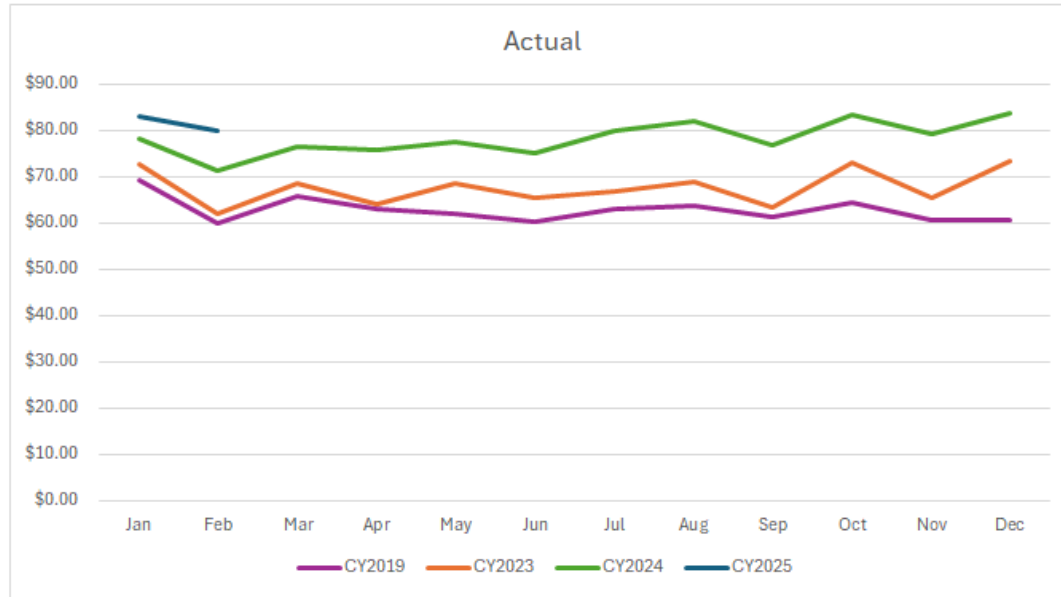
# Home Health



| Service Month | Incurred PMPM |        |        | Trends |        |
|---------------|---------------|--------|--------|--------|--------|
|               | CY2023        | CY2024 | CY2025 | CY2024 | CY2025 |
| Jan           | \$4.84        | \$7.33 | \$6.06 | 51.4%  | -17.3% |
| Feb           | \$4.50        | \$6.77 | \$4.81 | 50.4%  | -28.9% |
| Mar           | \$4.80        | \$7.21 |        | 50.4%  |        |
| Apr           | \$4.99        | \$7.21 |        | 44.4%  |        |
| May           | \$5.23        | \$6.26 |        | 19.7%  |        |
| Jun           | \$5.31        | \$5.66 |        | 6.6%   |        |
| Jul           | \$5.58        | \$5.99 |        | 7.3%   |        |
| Aug           | \$5.68        | \$5.72 |        | 0.7%   |        |
| Sep           | \$6.08        | \$6.39 |        | 5.1%   |        |
| Oct           | \$6.06        | \$6.38 |        | 5.4%   |        |
| Nov           | \$6.27        | \$6.25 |        | -0.2%  |        |
| Dec           | \$6.70        | \$5.93 |        | -11.5% |        |



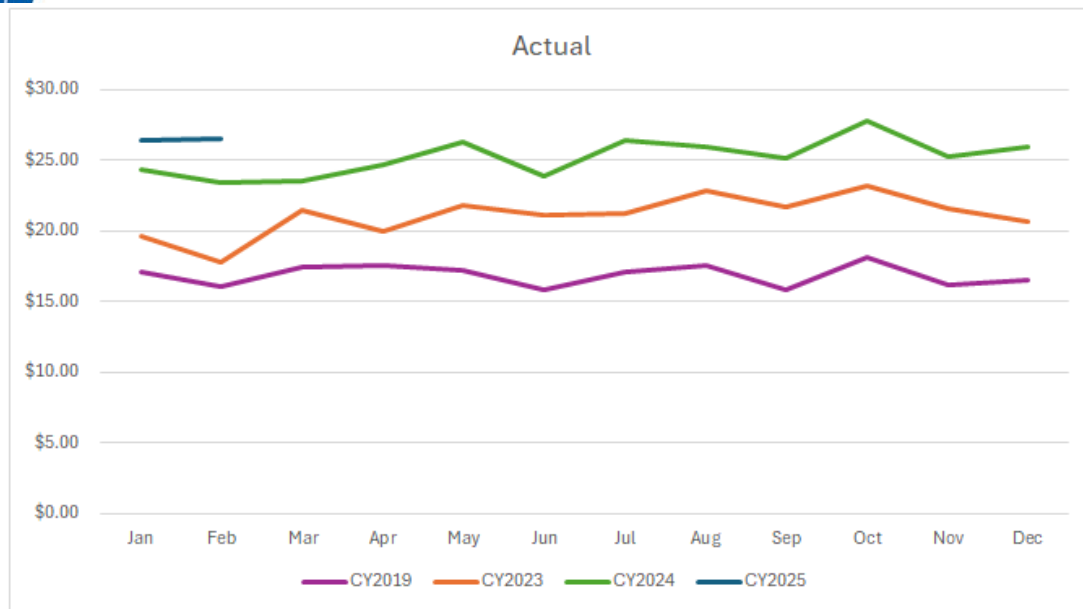
# Inpatient



| Service Month | Incurred PMPM |         |         | Trends |        |
|---------------|---------------|---------|---------|--------|--------|
|               | CY2023        | CY2024  | CY2025  | CY2024 | CY2025 |
| Jan           | \$72.80       | \$78.31 | \$83.04 | 7.6%   | 6.0%   |
| Feb           | \$61.97       | \$71.16 | \$79.83 | 14.8%  | 12.2%  |
| Mar           | \$68.41       | \$76.37 |         | 11.6%  |        |
| Apr           | \$64.14       | \$75.64 |         | 17.9%  |        |
| May           | \$68.62       | \$77.35 |         | 12.7%  |        |
| Jun           | \$65.37       | \$75.08 |         | 14.9%  |        |
| Jul           | \$66.85       | \$80.00 |         | 19.7%  |        |
| Aug           | \$68.83       | \$81.96 |         | 19.1%  |        |
| Sep           | \$63.45       | \$76.70 |         | 20.9%  |        |
| Oct           | \$72.94       | \$83.38 |         | 14.3%  |        |
| Nov           | \$65.24       | \$79.22 |         | 21.4%  |        |
| Dec           | \$73.23       | \$83.85 |         | 14.5%  |        |



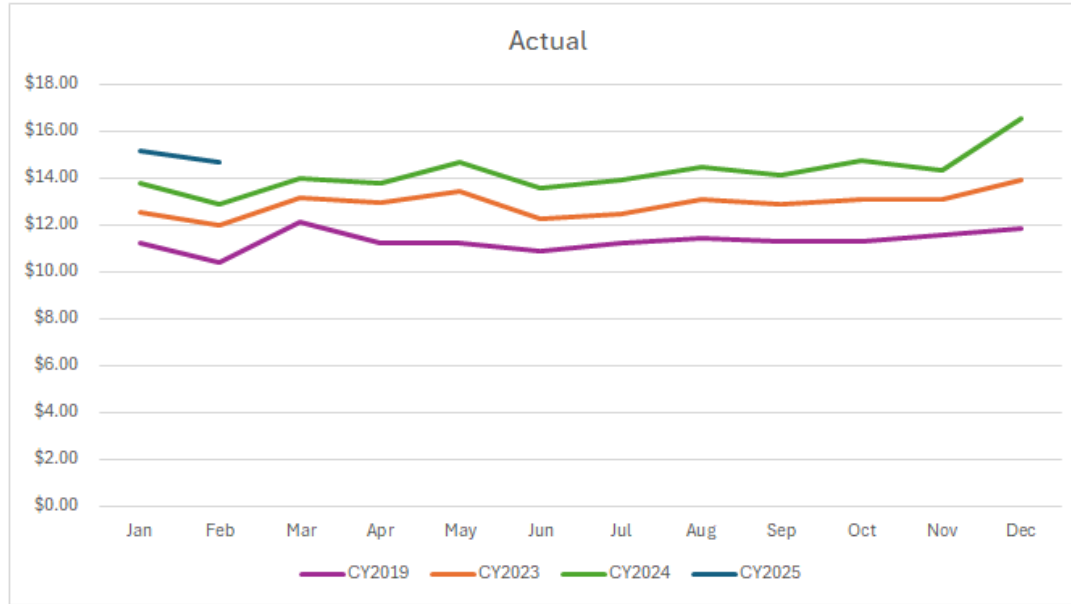
# Outpatient



| Service Month | Incurred PMPM |         |         | Trends |        |
|---------------|---------------|---------|---------|--------|--------|
|               | CY2023        | CY2024  | CY2025  | CY2024 | CY2025 |
| Jan           | \$19.63       | \$24.32 | \$26.47 | 23.9%  | 8.9%   |
| Feb           | \$17.73       | \$23.40 | \$26.50 | 32.0%  | 13.2%  |
| Mar           | \$21.49       | \$23.51 |         | 9.4%   |        |
| Apr           | \$20.02       | \$24.63 |         | 23.1%  |        |
| May           | \$21.77       | \$26.33 |         | 20.9%  |        |
| Jun           | \$21.16       | \$23.88 |         | 12.9%  |        |
| Jul           | \$21.20       | \$26.36 |         | 24.4%  |        |
| Aug           | \$22.79       | \$25.94 |         | 13.8%  |        |
| Sep           | \$21.66       | \$25.15 |         | 16.1%  |        |
| Oct           | \$23.20       | \$27.74 |         | 19.6%  |        |
| Nov           | \$21.52       | \$25.31 |         | 17.6%  |        |
| Dec           | \$20.61       | \$25.90 |         | 25.6%  |        |



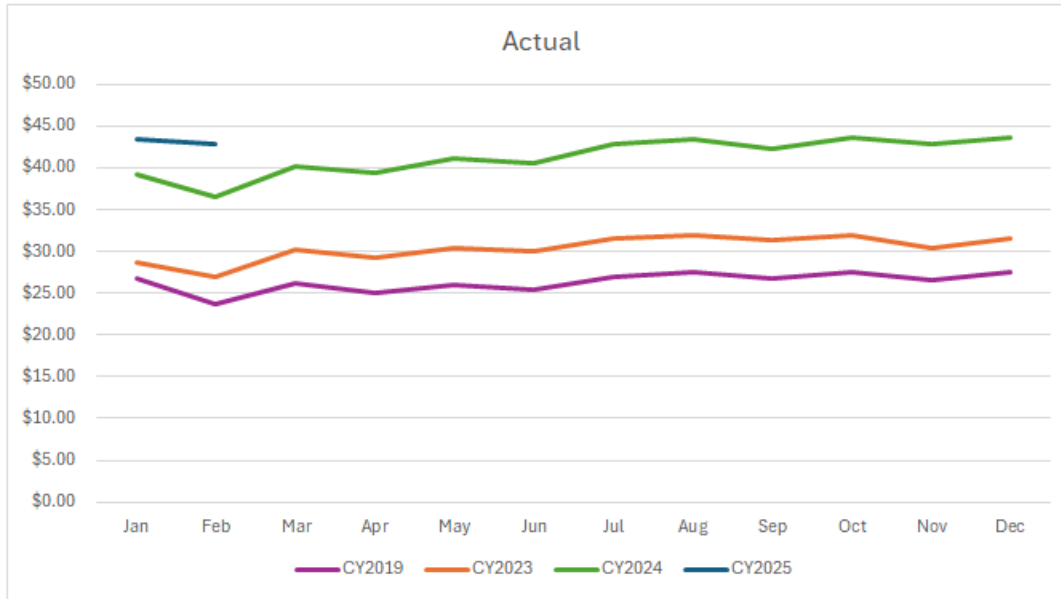
# Emergency Room



| Service Month | Incurred PMPM |         |         | Trends |        |
|---------------|---------------|---------|---------|--------|--------|
|               | CY2023        | CY2024  | CY2025  | CY2024 | CY2025 |
| Jan           | \$12.53       | \$13.79 | \$15.16 | 10.1%  | 9.9%   |
| Feb           | \$11.95       | \$12.89 | \$14.70 | 7.9%   | 14.0%  |
| Mar           | \$13.18       | \$13.98 |         | 6.1%   |        |
| Apr           | \$12.93       | \$13.77 |         | 6.5%   |        |
| May           | \$13.40       | \$14.66 |         | 9.4%   |        |
| Jun           | \$12.29       | \$13.59 |         | 10.6%  |        |
| Jul           | \$12.43       | \$13.93 |         | 12.1%  |        |
| Aug           | \$13.06       | \$14.44 |         | 10.6%  |        |
| Sep           | \$12.85       | \$14.09 |         | 9.7%   |        |
| Oct           | \$13.07       | \$14.72 |         | 12.7%  |        |
| Nov           | \$13.11       | \$14.31 |         | 9.2%   |        |
| Dec           | \$13.92       | \$16.52 |         | 18.6%  |        |



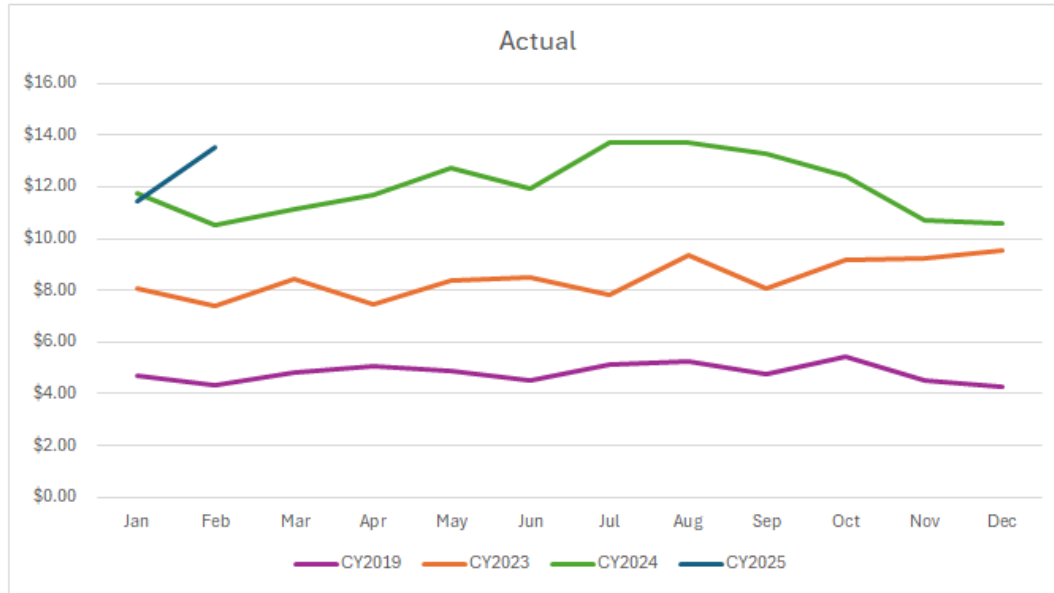
# Long Term Care



| Service Month | Incurred PMPM |         |         | Trends |        |
|---------------|---------------|---------|---------|--------|--------|
|               | CY2023        | CY2024  | CY2025  | CY2024 | CY2025 |
| Jan           | \$28.62       | \$39.28 | \$43.34 | 37.2%  | 10.3%  |
| Feb           | \$27.00       | \$36.52 | \$42.93 | 35.2%  | 17.5%  |
| Mar           | \$30.28       | \$40.14 |         | 32.6%  |        |
| Apr           | \$29.34       | \$39.32 |         | 34.0%  |        |
| May           | \$30.32       | \$41.08 |         | 35.5%  |        |
| Jun           | \$30.03       | \$40.65 |         | 35.4%  |        |
| Jul           | \$31.51       | \$42.93 |         | 36.2%  |        |
| Aug           | \$31.88       | \$43.50 |         | 36.4%  |        |
| Sep           | \$31.38       | \$42.25 |         | 34.6%  |        |
| Oct           | \$31.95       | \$43.56 |         | 36.3%  |        |
| Nov           | \$30.48       | \$42.85 |         | 40.6%  |        |
| Dec           | \$31.53       | \$43.54 |         | 38.1%  |        |



# Other Professional



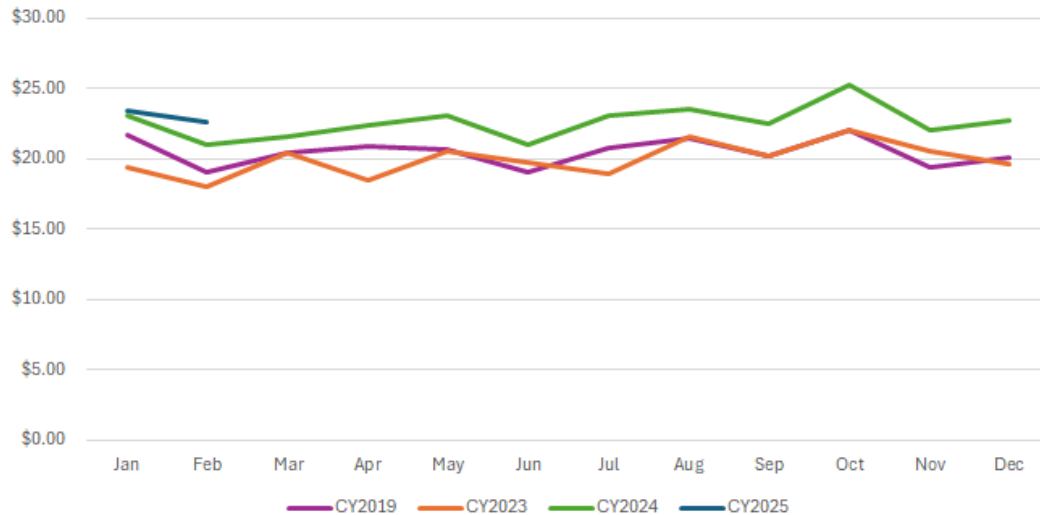
| Service Month | Incurred PMPM |         |         | Trends |        |
|---------------|---------------|---------|---------|--------|--------|
|               | CY2023        | CY2024  | CY2025  | CY2024 | CY2025 |
| Jan           | \$8.06        | \$11.77 | \$11.44 | 46.0%  | -2.8%  |
| Feb           | \$7.39        | \$10.53 | \$13.51 | 42.5%  | 28.3%  |
| Mar           | \$8.46        | \$11.17 |         | 31.9%  |        |
| Apr           | \$7.44        | \$11.71 |         | 57.4%  |        |
| May           | \$8.35        | \$12.72 |         | 52.3%  |        |
| Jun           | \$8.48        | \$11.93 |         | 40.6%  |        |
| Jul           | \$7.80        | \$13.70 |         | 75.8%  |        |
| Aug           | \$9.33        | \$13.70 |         | 46.8%  |        |
| Sep           | \$8.10        | \$13.25 |         | 63.6%  |        |
| Oct           | \$9.20        | \$12.42 |         | 35.0%  |        |
| Nov           | \$9.22        | \$10.72 |         | 16.3%  |        |
| Dec           | \$9.52        | \$10.58 |         | 11.1%  |        |





# Physician Specialty

Actual



| Service Month | Incurred PMPM |         |         | Trends |        |
|---------------|---------------|---------|---------|--------|--------|
|               | CY2023        | CY2024  | CY2025  | CY2024 | CY2025 |
| Jan           | \$19.36       | \$23.06 | \$23.38 | 19.1%  | 1.4%   |
| Feb           | \$18.00       | \$21.01 | \$22.59 | 16.7%  | 7.5%   |
| Mar           | \$20.41       | \$21.55 |         | 5.6%   |        |
| Apr           | \$18.44       | \$22.34 |         | 21.1%  |        |
| May           | \$20.54       | \$23.10 |         | 12.5%  |        |
| Jun           | \$19.74       | \$21.03 |         | 6.5%   |        |
| Jul           | \$18.97       | \$23.08 |         | 21.7%  |        |
| Aug           | \$21.54       | \$23.56 |         | 9.4%   |        |
| Sep           | \$20.15       | \$22.50 |         | 11.6%  |        |
| Oct           | \$21.99       | \$25.29 |         | 15.0%  |        |
| Nov           | \$20.52       | \$22.08 |         | 7.6%   |        |
| Dec           | \$19.61       | \$22.71 |         | 15.8%  |        |



# Acronyms & Definitions

BPO – Business Process Outsourcing  
CalAIM – California Advancing and Innovating Medi-Cal  
CCA – Covered California  
CEPPT – California Employers' Pension Prefunding Trust  
CY– Calendar Year  
DHCS – Department of Health Care Services  
D-SNP – Dual Eligible Special Needs Plan (Medicare and Medi-Cal)  
EPP – Enhanced Payment Program  
FFS – Fee for Service  
G&A – General & Administrative  
IGT – Intergovernmental Transfers  
IT – Information Technology  
LTC – Long Term Care  
MCO – Managed Care Organization  
MCE – Medicaid Coverage Expansion  
MLR – Medical Loss Ratio  
MOT – Major Organ Transplant  
MTD – Month-to-Date  
P4P – Pay for Performance  
SPD – Seniors and Persons with Disabilities  
TRI – Targeted Rate Increases  
YTD – Year-to-date



**3. Title: Inland Empire Health Plan Investment Policy****Presenter/Chief:** Leona Liu, Vice President, Finance**Summary:**

The Inland Empire Health Plan (IEHP) investment policy will serve as the governing document on IEHP's approach and methodology for investing its surplus funds. The investment policy includes portfolio objectives, authorized investments (compliance with Cal Gov Code § 53601), audit requirements, reporting requirements to the Governing Board, Finance Subcommittee responsibilities, and other aspects of investment operations.

**Recommendation:**

That the IEHP Finance Committee recommends to the Governing Board of IEHP to approve and adopt IEHP's investment policy and implement the diversification of IEHP's investments as presented.

| Chair Yxstian Gutierrez  | Vice Chair Curt Hagman   | Member Eileen Zorn   |
|--|--|--|
| <input type="checkbox"/> Review  | <input type="checkbox"/> Review  | <input type="checkbox"/> Review  |
| <input type="checkbox"/> Recommend item be forwarded to Governing Board for approval | <input type="checkbox"/> Recommend item be forwarded to Governing Board for approval | <input type="checkbox"/> Recommend item be forwarded to Governing Board for approval |
| <input type="checkbox"/> N/A   | <input type="checkbox"/> N/A   | <input type="checkbox"/> N/A   |



*We heal and inspire  
the human spirit.*

**Inland Empire Health Plan  
Investment Policy**

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## Investment Policy for Inland Empire Health Plan (IEHP)

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1. **Introduction**
  2. **Scope**
  3. **Fiduciary Responsibility**
  4. **Portfolio Objectives**
  5. **Authority**
  6. **Authorized Investments**
  7. **Staff Authorized to Make Investments**
  8. **Authorized Broker/Dealers**
  9. **Daily Accountability and Control**
  10. **Security Custody & Deliveries**
  11. **Competitive Pricing**
  12. **Maturity Limitations**
  13. **Liquidity**
  14. **Mitigating Market & Credit Risks**
  15. **Portfolio Reports/Auditing**
  16. **Performance Evaluation**
  17. **Investment Oversight Committee**
  18. **Investment Earnings**
  19. **Treasury Operations**
  20. **Policy on Receipt of Honoraria, Gifts, and Gratuities**
  21. **Ethics & Conflicts of Interest**
  22. **Policy Adoption & Amendments**
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## 1. Introduction

The Inland Empire Health Plan (IEHP) Statement of Investment Policy is established to govern the investment of funds in accordance with applicable laws, regulations, and best practices. This policy is reviewed and approved annually by the IEHP Governing Board.

## 2. Scope

This policy applies to all funds managed by IEHP, including operating funds, reserves, and other assets deposited within the IEHP treasury.

## 3. Principal Preservation Focus

IEHP adheres to a focus of principal preservation for all funds invested in the IEHP Portfolio. All investments shall be made with care, skill, prudence, and diligence, focusing on safeguarding principal, maintaining liquidity, and securing a reasonable return.

## 4. Portfolio Objectives

The objectives of this investment policy, in order of priority, are as follows:

- **Safety of Principal:** Protecting the investment principal.
- **Liquidity:** Ensuring sufficient liquidity to meet all cash flow requirements.
- **Return on Investment:** Achieving a reasonable yield consistent with the above objectives.

## 5. Authority

Statutory authority for IEHP's investment and safekeeping functions are found in Cal Gov Code §§ 53600 *et seq.* The authority to manage and execute investment transactions is delegated annually to the Chief Financial Officer (CFO) of IEHP, who may further delegate responsibilities to authorized investment staff.

## 6. Authorized Investments

Investments are limited to those permitted by Cal Gov Code § 53601. IEHP is authorized to invest further for voluntary participants pursuant to Cal Gov Code § 53635.

## 7. Staff Authorized to Make Investments

The CFO, Vice President of Finance, Director of Accounting Services, and Cash Management team members are the only staff members authorized to make investment decisions and transactions on behalf of IEHP. All investment transactions performed by the Cash Management team must be approved by the CFO, Vice President of Finance, and/or Director of Accounting Services.

## 8. Authorized Broker/Dealers

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Transactions shall only be conducted with broker/dealers contracted with IEHP. Broker/dealers must meet IEHP's selection criteria and adhere to strict ethical standards.

## **9. Accountability and Control**

Investment transactions are recorded monthly and reconciled by the Cash Management team. Regular reviews and audits ensure compliance and accuracy in reporting.

## **10. Custody of Investments**

All securities are held by third-party custodians under an agreement that ensures IEHP's ownership and control over the assets. Investments in Government Money Market Funds shall be held directly with the fund custodians and held in IEHP's name. Investments with the Riverside County Treasurer will be part of the County of Riverside Treasurer's Pooled Investment Fund and subject to the County of Riverside's investment policy.

## **11. Competitive Pricing**

IEHP seeks competitive pricing on all transactions through market analysis and comparison to ensure the best possible value whenever possible.

## **12. Maturity Limitations**

No investment will have a maturity exceeding five (5) years from the date of purchase without explicit Board approval. The average maturity of the portfolio will be managed to align with liquidity needs and market conditions.

## **13. Liquidity**

IEHP will maintain a sufficient level of liquidity, ensuring that at least 60% of the portfolio can be converted to cash within one (1) year or less to meet operational needs.

## **14. Mitigating Market & Credit Risks**

Safety of principal is the primary objective of the portfolio. IEHP will minimize risks by adhering to strict credit quality standards and diversification, and active monitoring of market conditions and portfolio performance.

## **15. Portfolio Reports/Auditing**

Quarterly reports on portfolio performance will be provided to the Governing Board. Annual external audits will be conducted to ensure compliance.

## **16. Performance Evaluation**

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Portfolio performance is evaluated regularly against industry benchmarks and peer indices. Adjustments are made to align with policy objectives and market conditions.

## **17. Finance Committee**

The Finance Committee will provide guidance and review the portfolio's performance and compliance with policy.

## **18. Investment Earnings**

Earnings will be recorded monthly among participating funds, if applicable, based on their average daily balance. Cash Management team will record the accrued earnings following IEHP's modified cash/accrual method.

## **19. Investment Costs**

Administrative costs related to investment activities will be deducted from earnings before distribution. These costs are calculated based on actual expenses and approved by the CFO.

## **20. Treasury Operations**

Treasury operations will be managed efficiently to minimize costs and maximize the return on investments.

## **21. Policy Criteria for Agencies Seeking Voluntary Entry**

Agencies wishing to participate in IEHP's investment pool must comply with all relevant laws and submit a formal resolution authorizing participation, subject to IEHP's approval.

## **22. Policy Criteria for Voluntary Participant Withdrawals**

Withdrawal requests must be approved by the CFO, considering the portfolio's liquidity and market conditions. IEHP reserves the right to manage withdrawals to protect the portfolio's stability.

## **23. Policy on Receipt of Honoraria, Gifts, and Gratuities**

IEHP staff and committee members are prohibited from accepting gifts or gratuities from entities involved in the investment process, in accordance with state ethics laws.

## **24. Ethics & Conflicts of Interest**

All staff involved in the investment process must adhere to strict ethical standards and disclose any potential conflicts of interest, filing necessary financial disclosures as required by law.

## **25. Policy Adoption & Amendments**



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This policy will be reviewed annually and amended as necessary by the Governing Board. All amendments must be approved in writing.

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This policy provides a comprehensive framework for managing IEHP's investment portfolio, ensuring the prudent management of funds in alignment with the policy objectives and the regulatory requirements.

DRAFT

# IEHP's Investment Policy

**Presented by: Finance Department**

**Date: April 14<sup>th</sup>, 2025**



# Topics

1. Current investment situation and challenges
2. Overview of IEHP's investment policy
3. Key Benefits of Diversifying with TreasuryCurve Services
4. Diversification Strategy
5. Appendix



# Current Situation and Challenges

- IEHP has been investing in Riverside County Treasurer's Pooled Investment Fund.
- Our average balance for the last 12 months is \$1.5 billion.
- The latest yield is 4.02% (Treasurer-Tax Collector's Pooled Investment Fund January 2025 Report).
- Operational Inefficiencies with manual processing (actual phone calls and PDF forms).
- Lack of transparency in terms of interest earnings.
- Need more flexibility with transferring funds (Current cutoff time is 10am the business day before) versus same day funds transfer.
- Missed opportunities for better returns with similar risks (compliant government investment rules).



# Highlights of IEHP's investment policy

- Focus on principal preservation
- Only investments permitted by Cal Gov Code § 53601
- Allows for IEHP to investment on behalf of other agencies (i.e.: Health Access)
- Requires portfolio performance against industry benchmarks
- Subject to external audits to ensure compliance with investment rules and policies
- Quarterly reporting to the Governing Board on portfolio performance
- Finance Committee will provide guidance and review portfolio performance





# TreasuryCurve<sup>®</sup>

# Optimized Treasury



February 26, 2025

# Best Practices for your Investment Accounts



Accounts held in your name



Ability to change settlement accounts



Accounts segregated from others



Diversified across asset managers



Accounts held directly with the fund



Per limits in your investment policy

Treasury Curve meets the best practices for your Investment Accounts

# IEHP Investment Process Comparison

| Function                   | Current Process  | Treasury Curve   |
|----------------------------|--|--|
| Trading                    | Manual   | Automated  |
| Fund Availability          | Next Day if requested by 10:00 am PT                                       | Same Day prior to fund cutoff (2:00 pm PT)                                     |
| Accrued Interest/ Dividend | Lump Sum Posting   | Provided Daily   |
| Monthly Statements         | Manual Retrieval from System   | Provided the first business day of each month                                  |
| Interest / Dividends Paid  | Paid approximately 3 months after each quarter end                         | Paid the first business day following each month invested                      |
| Costs                      | <b>Admin Costs Charged Quarterly to IEHP but are not disclosed to IEHP</b> | No charges to IEHP (expenses in the fund)                                      |
| Transparency               | Very Limited   | 100% Transparent   |
| Service                    | Errors take a long time to resolve   | Dedicated Service team assigned to IEHP with timely resolution of all requests |



# Yield Comparison on \$500 Million Invested

| Investment Option  | Dec-24    | Nov-24    | Oct-24    | Sep-24    | Aug-24    | Jul-24    | Jun-24    | May-24    | Apr-24    | Mar-24    | Feb-24    | Jan-24    | Total Income |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| Historical Monthly Income at the Average Money Market Fund Yield on \$500 mil                            | 1,977,942 | 1,963,857 | 2,099,955 | 2,120,240 | 2,262,096 | 2,266,489 | 2,184,875 | 2,246,055 | 2,163,113 | 2,228,799 | 2,078,798 | 2,217,855 | 25,810,074   |
| Current Pooled Investment Fund on \$1bn (Not including Admin Costs Charged to IEHP on a quarterly basis) | 1,891,870 | 1,824,426 | 1,878,415 | 1,849,318 | 1,903,899 | 1,896,861 | 1,870,713 | 1,925,763 | 1,856,823 | 1,932,716 | 1,801,558 | 1,918,443 | 22,550,805   |

Treasury Curve Money Market Fund Income - \$25,810,074.45

Current Pooled Investment Fund Income\* - \$22,550,804.70

Difference on \$500 million invested - \$3,259,269.75

\*Current Pooled Investment Fund yields do not include the quarterly administrative costs that are apportioned to IEHP. These costs include the actual cost incurred for: banking services, custodial safekeeping charges, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the TTC's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions. These costs have not been disclosed or provided to IEHP.

\*\*Please see page 10 for our full disclosures.

# Implementation of diversification strategy

- Initial Testing Phase (week 1):
  - Test deposit and transfer process with small amount \$10k
  - Verify same-day fund availability and reporting accuracy
  - Document workflow procedures
- Rollout:
  - Redirect all new DHCS allocations to Treasury Curve investment account
  - Build up reserves to one full month worth of deposits (\$700M)
  - Monitor daily cash flow of ~\$10M (TBD) minimum threshold at US Bank
  - Execute transfers to operating account as needed using same-day and next day transfers
  - Access Riverside Treasury funds only when Treasury Curve balance is insufficient



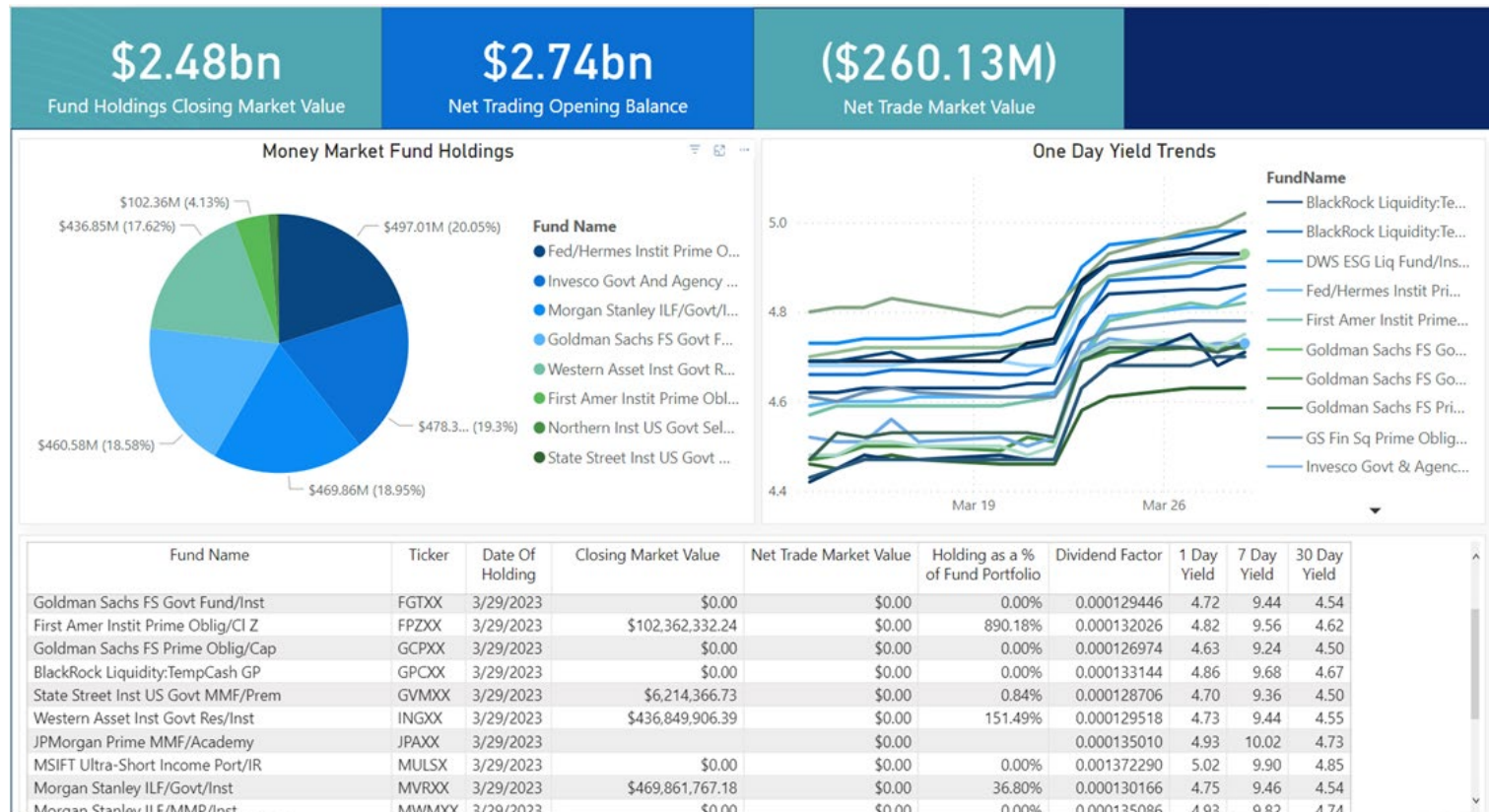
# Questions



# Appendix



# Money Market Fund Portal View



# Government Money Market Monthly Yields

| Fund Name   | Ticker | Dec-24 | Nov-24 | Oct-24 | Sep-24 | Aug-24 | Jul-24 | Jun-24 | May-24 | Apr-24 | Mar-24 | Feb-24 | Jan-24 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Allspring Govt MMF/Select                         | WFFXX  | 4.48   | 4.63   | 4.80   | 5.07   | 5.22   | 5.24   | 5.24   | 5.23   | 5.22   | 5.24   | 5.24   | 5.27   |
| BlackRock Liquidity: FedFund Institutional        | TFDX   | 4.43   | 4.59   | 4.78   | 5.03   | 5.19   | 5.20   | 5.19   | 5.19   | 5.18   | 5.19   | 5.20   | 5.21   |
| Dreyfus Government Cash Management /Institutional | DGCXX  | 4.43   | 4.43   | 4.58   | 4.77   | 5.02   | 5.19   | 5.20   | 5.18   | 5.18   | 5.19   | 5.20   | 5.21   |
| Federated/Hermes Government Oblig Fund/Premier    | GOFXX  | 4.40   | 4.55   | 4.77   | 4.84   | 5.21   | 5.21   | 5.24   | 5.23   | 5.23   | 5.24   | 5.23   | 5.26   |
| Fidelity Inv Government/Institutional             | FRGXX  | 4.46   | 4.60   | 4.77   | 5.00   | 5.19   | 5.22   | 5.22   | 5.22   | 5.21   | 5.22   | 5.23   | 5.24   |
| HSBC US Government MMF/Class I                    | HGIX   | 4.42   | 4.57   | 4.75   | 5.00   | 5.16   | 5.18   | 5.16   | 5.17   | 5.17   | 5.17   | 5.19   | 5.20   |
| Invesco Govt And Agency Port/Institutional        | AGPXX  | 4.49   | 4.62   | 4.79   | 5.04   | 5.18   | 5.21   | 5.22   | 5.22   | 5.22   | 5.23   | 5.23   | 5.24   |
| Morgan Stanley ILF/Government/Institutional       | MVRXX  | 4.49   | 4.63   | 4.79   | 5.04   | 5.19   | 5.21   | 5.21   | 5.21   | 5.21   | 5.21   | 5.21   | 5.21   |
| State Street Inst US Government MMF/Premier       | GVMXX  | 4.49   | 4.65   | 4.86   | 5.11   | 5.24   | 5.25   | 5.25   | 5.24   | 5.24   | 5.25   | 5.27   | 5.28   |
| Western Asset Inst Government Res/Premier         | WACXX  | 4.49   | 4.64   | 4.81   | 5.07   | 5.22   | 5.24   | 5.24   | 5.24   | 5.24   | 5.24   | 5.24   | 5.25   |

|   |     |      |      |      |      |      |      |      |      |      |      |      |      |
|---|-----|------|------|------|------|------|------|------|------|------|------|------|------|
| Current Pooled Investment Fund (Not including Admin Costs Charged to IEHP on a quarterly basis) | N/A | 4.29 | 4.29 | 4.29 | 4.38 | 4.38 | 4.38 | 4.48 | 4.48 | 4.48 | 4.53 | 4.53 | 4.53 |
|---|-----|------|------|------|------|------|------|------|------|------|------|------|------|

\*\*Please see page 14 for our full disclosures.

# Government Money Market Monthly Yields

| Fund Name                                   | Ticker | Dec-24 | Nov-24 | Oct-24 | Sep-24 | Aug-24 | Jul-24 | Jun-24 | May-24 | Apr-24 | Mar-24 | Feb-24 | Jan-24 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Allspring Govt MMF/Select                   | WFFXX  | 4.48   | 4.63   | 4.80   | 5.07   | 5.22   | 5.24   | 5.24   | 5.23   | 5.22   | 5.24   | 5.24   | 5.27   |
| BlackRock Liquidity: FedFund Institutional  | TFDXX  | 4.43   | 4.59   | 4.78   | 5.03   | 5.19   | 5.20   | 5.19   | 5.19   | 5.18   | 5.19   | 5.20   | 5.21   |
| Dreyfus Government Cash Mgmt/Institutional  | DGCXX  | 4.43   | 4.43   | 4.58   | 4.77   | 5.02   | 5.19   | 5.20   | 5.18   | 5.18   | 5.19   | 5.20   | 5.21   |
| Federated/Hermes Government Oblig/Premier   | GOFXX  | 4.40   | 4.55   | 4.77   | 4.84   | 5.21   | 5.21   | 5.24   | 5.23   | 5.23   | 5.24   | 5.23   | 5.26   |
| Fidelity Inv Government/Institutional       | FRGXX  | 4.46   | 4.60   | 4.77   | 5.00   | 5.19   | 5.22   | 5.22   | 5.22   | 5.21   | 5.22   | 5.23   | 5.24   |
| HSBC US Government MMF/Class I              | HGIXX  | 4.42   | 4.57   | 4.75   | 5.00   | 5.16   | 5.18   | 5.16   | 5.17   | 5.17   | 5.17   | 5.19   | 5.20   |
| Invesco Govt And Agency Port/Institutional  | AGPXX  | 4.49   | 4.62   | 4.79   | 5.04   | 5.18   | 5.21   | 5.22   | 5.22   | 5.22   | 5.23   | 5.23   | 5.24   |
| Morgan Stanley ILF/Government/Institutional | MVRXX  | 4.49   | 4.63   | 4.79   | 5.04   | 5.19   | 5.21   | 5.21   | 5.21   | 5.21   | 5.21   | 5.21   | 5.21   |
| State Street Inst US Government MMF/Premier | GVMXX  | 4.49   | 4.65   | 4.86   | 5.11   | 5.24   | 5.25   | 5.25   | 5.24   | 5.24   | 5.25   | 5.27   | 5.28   |
| Western Asset Inst Government Res/Premier   | WACXX  | 4.49   | 4.64   | 4.81   | 5.07   | 5.22   | 5.24   | 5.24   | 5.24   | 5.24   | 5.24   | 5.24   | 5.25   |
| Average Fund Yield for the 10 Funds listed  | N/A    | 4.46   | 4.59   | 4.77   | 5.00   | 5.18   | 5.22   | 5.22   | 5.21   | 5.21   | 5.22   | 5.22   | 5.24   |

|   |     |           |           |           |           |           |           |           |           |           |           |           |           |
|---|-----|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Historical Monthly Income at the Average Fund Yield on \$500 mil. | N/A | 1,977,942 | 1,963,857 | 2,099,955 | 2,120,240 | 2,262,096 | 2,266,489 | 2,184,875 | 2,246,055 | 2,163,113 | 2,228,799 | 2,078,798 | 2,217,855 |
|---|-----|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

\*\*Please see page 14 for our full disclosures.

# Government Money Market Fund Options

| Fund Name                                      | Ticker | Net Expense Ratio | One Day Yield | Seven Day Yield | 30 Day Yield | WAM (days) | Total Portfolio Assets (mm) | S&P Rating | Moody Rating | Fitch Rating | Allocation |
|--|--------|-------------------|---------------|-----------------|--------------|------------|-----------------------------|------------|--------------|--------------|------------|
| Allspring Govt MMF/Select                      | WFFXX  | 0.14              | 4.32          | 4.32            | 4.32         | 45.00      | \$120,794.30                | AAAm       | Aaa-mf       |              | \$100mm    |
| BlackRock Liquidity:FedFund Institutional      | TFDXX  | 0.16              | 4.27          | 4.26            | 4.26         | 39.00      | \$170,136.40                | AAAm       | Aaa-mf       |              | \$100mm    |
| Dreyfus Government Cash Mgmt/Institutional     | DGCXX  | 0.17              | 4.26          | 4.26            | 4.26         | 45.00      | \$138,698.00                | AAAm       | Aaa-mf       | AAA          | \$100mm    |
| Federated/Hermes Government Oblig Fund/Premier | GOFXX  | 0.15              | 4.30          | 4.31            | 4.30         | 42.00      | \$171,826.40                | AAAm       | Aaa-mf       | AAA          | \$100mm    |
| Fidelity Inv Government/Institutional          | FRGXX  | 0.14              | 4.32          | 4.31            | 4.31         | 31.00      | \$218,152.00                | AAAm       | Aaa-mf       |              | \$100mm    |
| HSBC US Government MMF/Class I                 | HGIXX  | 0.13              | 4.31          | 4.31            | 4.31         | 36.00      | \$42,847.90                 | AAAm       | Aaa-mf       | AAAmmf       | \$100mm    |
| Invesco Govt And Agency Port/Institutional     | AGPXX  | 0.16              | 4.31          | 4.33            | 4.32         | 15.00      | \$72,438.20                 | AAAm       | Aaa-mf       | AAAmmf       | \$100mm    |
| Morgan Stanley ILF/Government/Institutional    | MVRXX  | 0.15              | 4.31          | 4.31            | 4.31         | 45.00      | \$186,118.50                | AAAm       | Aaa-mf       | AAAmmf       | \$100mm    |
| State Street Inst US Government MMF/Premier    | GVMXX  | 0.12              | 4.34          | 4.33            | 4.33         | 46.00      | \$176,242.00                | AAAm       | Aaa-mf       | AAAmmf       | \$100mm    |
| Western Asset Inst Government Res/Premier      | WACXX  | 0.14              | 4.32          | 4.32            | 4.32         | 36.00      | \$23,687.70                 | AAAm       | Aaa-mf       | AAAmmf       | \$100mm    |

Total: \$1,000mm

Yield Data as of: 01/31/2025

\*\*Please see page 14 for our full disclosures.



# Disclosure Statement

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Any claims, statements or testimonials may not be representative of the experience of all clients and is no guarantee of future performance or success.

Current Pooled Investment Fund yields do not include the quarterly administrative costs that are apportioned to IEHP. These costs include the actual cost incurred for: banking services, custodial safekeeping charges, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the TTC's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions. These costs have not been disclosed or provided to IEHP. Current Pooled Investment Fund yields provided by IEHP.

**4. Title: Finance Committee Bylaws****Presenter:** Keenan Freeman, Chief Financial Officer**Summary:**

The Finance Committee Bylaws (Bylaws) outline the purpose, structure and responsibilities of the Finance Committee (Committee). These Bylaws will serve as the governing document of and for the Committee.

**Recommendation:**

That the IEHP Finance Committee recommends to the Governing Board of IEHP to approve the Finance Committee Bylaws as presented.

| Chair Yxstian Gutierrez  | Vice Chair Curt Hagman   | Member Eileen Zorn   |
|--|--|--|
| <input type="checkbox"/> Review  | <input type="checkbox"/> Review  | <input type="checkbox"/> Review  |
| <input type="checkbox"/> Recommend item be forwarded to Governing Board for approval | <input type="checkbox"/> Recommend item be forwarded to Governing Board for approval | <input type="checkbox"/> Recommend item be forwarded to Governing Board for approval |
| <input type="checkbox"/> N/A   | <input type="checkbox"/> N/A   | <input type="checkbox"/> N/A   |

Inland Empire Health Plan (IEHP)  
Finance Committee Bylaws of (Finance and Operation Committee)

***Article I: Purpose and Authority***

1.1 The purpose of the Finance Committee (the “Committee”) shall include, but not be limited to assist IEHP Governing Board in its oversight of financial affairs, including financial condition, financial planning, operational and capital budgeting, policies and other significant financial matters. The Finance Committee is the body which makes recommendations to the IEHP Governing Board on all financial decisions.

1.2 The Committee shall have the authority to make recommendations to the Board as outlined in these Bylaws.

1.3 The Committee shall maintain minutes of all its meetings to document its activities and recommendations.

***Article II: Membership***

2.1 The Committee shall consist of at least three (3) members, including the Chair.

2.2 Members shall be appointed by the Board and serve a continual term until replaced or vacated.

2.3 Members may be removed by the Board at any time.

***Article III: Responsibilities and Duties***

3.1 The Committee shall be responsible for, but are not limited to the following:

- **Review Financial Statements:** Review and approve the health plan's financial statements, including income statements, balance sheets, and cash flow statements.
- **Monitor Financial Health:** Ensures that the health plan is financially sound and operating within budget. It may also review financial ratios and key performance indicators (KPIs) to assess the financial performance.
- **Annual Budget:** Review and recommend the annual budget for approval by the full board. This includes revenue projections, expenditure forecasts, and capital expenditures.
- **Monitoring Budgets:** Track spending against the approved budget to ensure resources are used effectively and to prevent budget overruns.
- **Financial Strategy:** Advise the board on long-term financial strategies to ensure the sustainability and growth of the health plan. This could involve strategic investment decisions, expansion plans, or cost management strategies.

- **Capital Investment:** Evaluates major capital expenditures and investments to ensure they align with the health plan's strategic goals.
- **Premium Pricing:** Involved in approving premium pricing strategies, ensuring that the health plan remains competitive while maintaining financial sustainability.
- **Reimbursement and Payment Models:** Review reimbursement rates and payment structures with providers to ensure they are financially sound and aligned with the plan's budget.
- **Financial Policies:** Develop or review financial policies and procedures to ensure effective governance and accountability.
- **Recommendations to Full Board:** Makes recommendations to the full governing board on significant financial decisions.
- **Cost Management:** It looks for opportunities to improve cost efficiency within the health plan, including reviewing administrative costs, medical claims expenses, and/or operational overhead.
- **Financial Risk and Return:** Evaluate the financial risks and returns of investments, any new ventures, or strategic initiatives.

#### ***Article IV: Meetings***

- 4.1 The Committee expects to meet quarterly but no less than one (1) time per year.
- 4.2 Meetings may be called by the Chair or by a majority of the Committee members.
- 4.3 A quorum shall consist of a majority of the Committee members.
- 4.4 In the event that an appointed Committee member by the Board Chair is unable to attend a given Committee meeting, the appointed Committee member may select another IEHP Governing Board member to sit as their proxy in order to maintain quorum.

#### ***Article V: Voting***

- 5.1 Each Committee member shall have one (1) vote.
- 5.2 All decisions shall be made by a majority vote of the Committee members present.

#### ***Article VI: Minutes***

- 6.1 The Committee is expected to submit minutes to the Governing Board at the Governing Board meeting immediately following the Finance Committee meeting.
- 6.2 Minutes shall include details of the Committee's activities and recommendations.

***Article VII: Amendments***

- 7.1 These Bylaws may be amended by a majority vote of the Board.
- 7.2 Amendments shall be effective immediately unless otherwise specified.

***Article VIII: Conflict of Interest***

- 8.1 Committee members should be independent of management and free of any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgement as a committee member.
- 8.2 Committee members shall disclose any conflicts of interest.
- 8.3 Committee members with a conflict of interest shall recuse themselves from voting on related matters.

***Article IX: Indemnification***

- 9.1 The organization shall fully indemnify Committee members permitted by law.

***Article X: Effective Date***

- 10.1 These Bylaws shall be effective as of April 14, 2025.

**5. Title: Covered California Risk Adjustment Overview****Presenter:** Carol Chio, Vice President, Actuarial Services**Summary:**

Commercial risk adjustment exists to balance the Exchange marketplace to reduce the risk of adverse selection for any specific health plan; payments (transfers) move between insurers to stabilize the marketplace.

The attached presentation will provide an overview of the commercial risk adjustment process and the impact to IEHP's Covered California line of business.

**Recommendation:**

That the IEHP Finance Committee receive and file this information as presented.

| Chair Yxstian Gutierrez   | Vice Chair Curt Hagman   | Member Eileen Zorn   |
|---|--|--|
| <input type="checkbox"/> Review   | <input type="checkbox"/> Review  | <input type="checkbox"/> Review  |
| <input type="checkbox"/> Recommend item be forwarded to Governing Board for (review/approval) | <input type="checkbox"/> Recommend item be forwarded to Governing Board for: (review/approval) | <input type="checkbox"/> Recommend item be forwarded to Governing Board for: (review/approval) |
| <input type="checkbox"/> N/A  | <input type="checkbox"/> N/A   | <input type="checkbox"/> N/A   |



## CCA Risk Adjustment Finance Committee Meeting

April 14, 2025

# Commercial Risk Adjustment 101

Commercial risk adjustment exists to balance the Exchange marketplace to reduce the risk of adverse selection for any specific health plan; payments (transfers) move between insurers to stabilize the marketplace

|   |  |
|---|--|
| <b>What is Risk Adjustment in the Commercial Market?</b>  | <b>How Does Risk Adjustment Impact Health Plan Financial Results?</b>  |
| <p>Commercial risk adjustment is a CMS-mandated mechanism aimed at neutralizing the selection risk across insurers within a single Exchange market. This eliminates the incentive for insurers to only enroll healthier, low-cost individuals to the Exchange plan.</p> | <p>The CMS risk adjustment process facilitates transfers between insurers to neutralize the financial risk across the Exchange market; these transfer payments can be quite large based on the size of the health plan’s membership and the average risk score of the membership compared to the state average risk score.</p> |
| <b>Key Note</b>   | <p>IEHP’s market entrant strategy for the Exchange business was to offer the lowest cost silver plan in their service region to automatically capture enrollment for MediCal members who lost coverage during redetermination.</p>   |



# Inland Empire’s Risk Adjustment Responsibilities

IEHP has encountered significant trouble submitting all eligibility and encounters data to the EDGE server prior to the CMS deadline; IT, Finance, Enrollment, and external vendors are coordinating to resolve outstanding issues ahead of the 4/30 deadline

**What is IEHP Responsible For?**

IEHP needs to upload all eligibility (members & corresponding coverage dates) and medical/pharmacy claims (including risk adjustment diagnosis codes) to the CMS EDGE server by April 30, 2025 for Benefit Year 2024. This enables CMS to identify the plan’s risk score, a numerical value identifying the members’ illness burden.

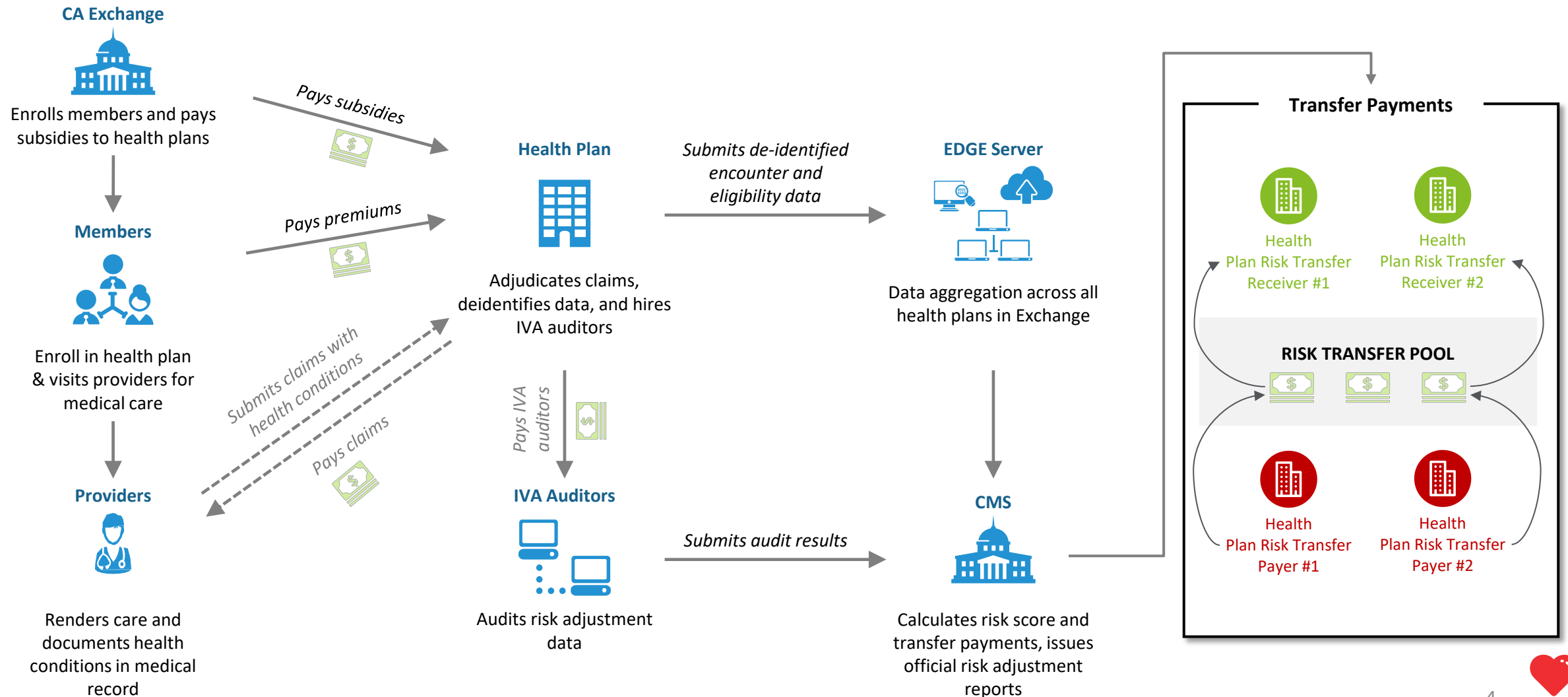
**Why Has the Risk Adjustment Process Been a Challenge?**

IEHP is a new entrant to the Exchange market in 2024, requiring all processes to be stood up and triaged between January 2024 and April 2025. Additionally, CA SB260 (MediCal transitioners auto-enrolling in the Exchange market) has caused a significant amount of churn, particularly for IEHP’s service region.

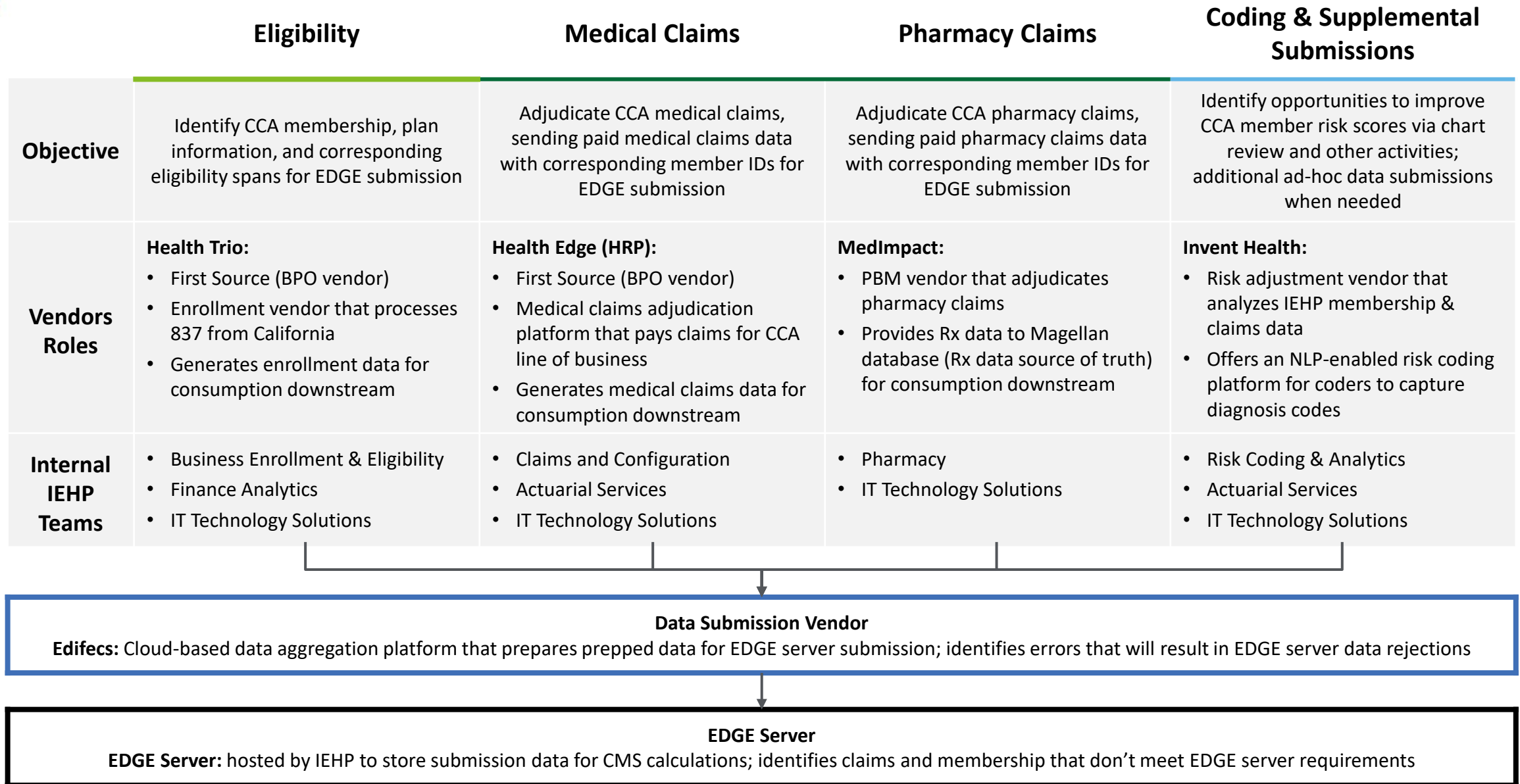
|                 |   |
|-----------------|---|
| <b>Key Note</b> | Low-cost (low risk) enrollees typically join the cheaper Exchange plans; given IEHP’s market positioning, Finance expected a significant payment <i>into</i> the risk transfer pool due to having low risk enrollees and a newer commercial risk adjustment function. |
|-----------------|---|

# Commercial Risk Adjustment Process Overview

The risk adjustment process requires data from stakeholders across the healthcare ecosystem; once data is validated by IVA auditors & CMS, transfer payments are determined between insurers (via transfer pool) to neutralize risk in the Exchange market



# Complexity of EDGE Submission Process / Stakeholders



# Introduction to EDGE Server Submission Complications

## ***EDGE Server Complications***

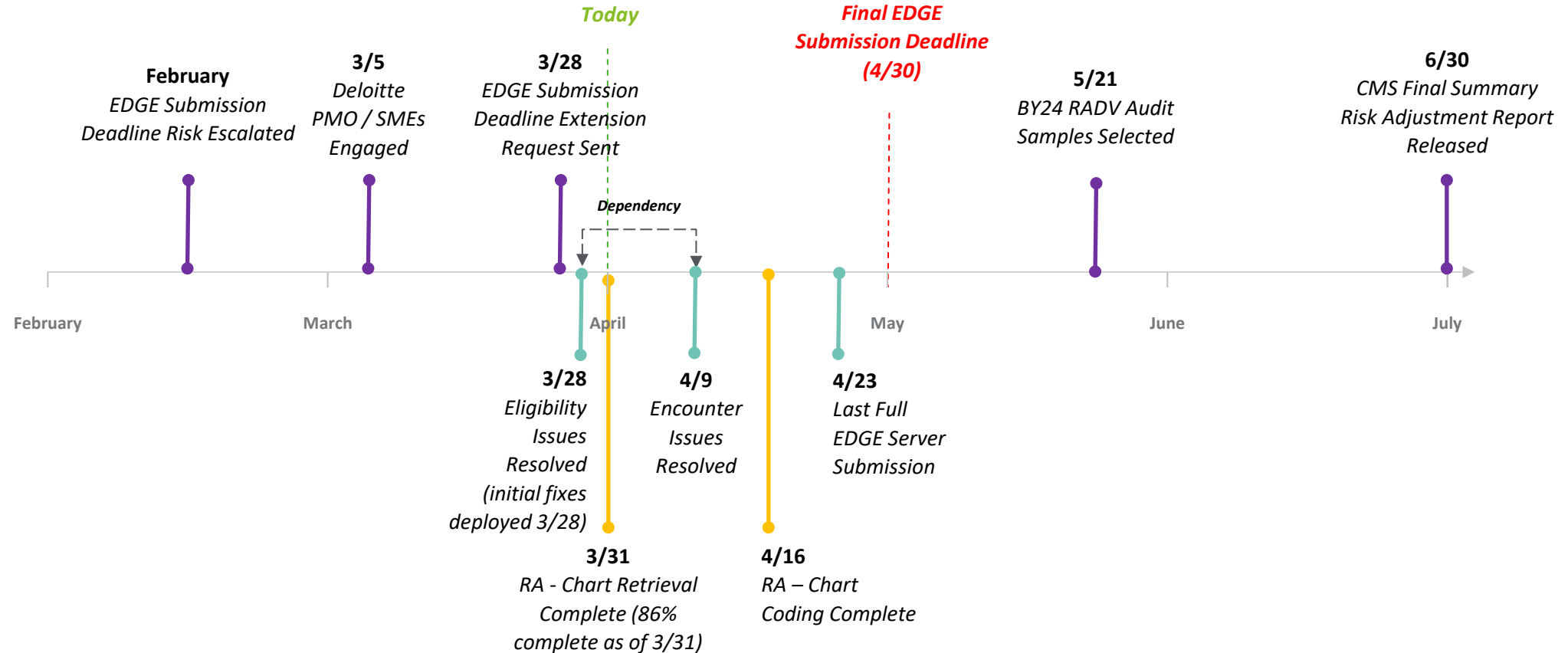
- Commercial risk adjustment is brand new to IEHP with the entry into the CCA market on 1/1/2024
- CMS has imposed a 4/30 submission deadline to upload all member eligibility, medical / pharmacy claims, and supplemental (e.g., chart review & HRA) data to the EDGE server for Benefit Year 2024. This data will be used to calculate the risk adjustment transfer payments for the CCA market, which IEHP has estimated at \$28.4M and included in year-end financial accruals
- IEHP's infrastructure for EDGE server submissions is not yet at a fully mature state
- In late February, IEHP realized there was a chance that the risk adjustment transfer liability might be worse than the year-end estimate
- In March, Deloitte was engaged to support IEHP in their efforts to identify and remediate outstanding data issues

## ***Risk Mitigation Strategies***

- In March, Deloitte was engaged to support IEHP in their efforts to identify and remediate outstanding data issues
- Deloitte provided encounter submission expertise to augment internal knowledge around EDGE server submissions
- Deloitte created a short-term strategy to create maximal impact by the 4/30 EDGE server deadline through:
  - Creating alignment between IT, Finance/Actuarial, Eligibility, and Pharmacy as well as 3rd party vendors (Edifecs, Invent Health, Health Trio, Health Edge) with an organization-wide issues log that guides prioritization across functional areas
  - Instituting a more frequent meeting cadence to share updates and troubleshoot submission challenges across multiple stakeholders
  - Interviewing all relevant stakeholders to identify potential opportunities to improve EDGE server submission and correction efforts
- PMO efforts over the next four weeks will focus on expediting resolution of critical data issues and supplemental tasks



# CMS EDGE Submission Key Milestones



## Timeline Callouts

- IEHP has implemented several Eligibility fixes prior to 3/28; additional fixes are expected to be deployed throughout early April. Buffer between Eligibility Issue due date (3/28) and EDGE Submission Deadline (4/30) was intentionally built to accommodate unforeseen new Eligibility issues that may arise
- 86% of charts have been retrieved by the risk adjustment and quality teams by 3/31; remainder of charts are expected to be retrieved by 4/7. This is not a blocker for the risk adjustment coding team to review all retrieved charts by the 4/16 target completion date



# Inland Empire's Risk Adjustment Transfer Payment Estimate

Year-end accrual for the transfer payment was set at -\$28.4M and assumed that all data used for the year-end accrual calculation would be uploaded successfully to the EDGE server; activities are ongoing to achieve the \$28.4M target

| Line Item                              | In Accrual? | Description & Status   | Status          | Value            |
|--|-------------|--|-----------------|------------------|
| Year-End Transfer Payment Accrual      | Y           | Year-end accrual for CCA transfer payment set by Finance – Actuarial team  | n/a             | <b>-\$28.4M*</b> |
| Health Risk Assessments                | Y           | ~300 HRA's completed during '24Q4; failed claims adjudication and will be submitted through alternate process  | On Track – 4/14 | <b>Included*</b> |
| Interim Billing                        | Y           | Encounters were being submitted to Edifecs without final claim status reported by IEHP; encounter corrections are being finalized for submission during the week of 3/31 | On Track – 4/4  | <b>Included*</b> |
| Orphan Claims                          | Y           | Encounters submitted to EDGE for members lacking valid eligibility status; eligibility corrections are being finalized for Edifecs / EDGE by week of 3/31                | On Track – 4/4  | <b>Included*</b> |
| Cross-Year Claims                      | Y           | Encounters that had a start date in 2024 and end date in 2025; process to split encounter is being discussed week of 3/31  | On Track – 4/23 | <b>Included*</b> |
| Chart Chase and Review                 | Y           | Review of medical records for CCA membership; ongoing effort with Invent Health to add diagnosis codes to increase member risk score                                     | On Track – 4/16 | <b>Included*</b> |
| Members with only Pharmacy Claims      | Y           | Members that only have pharmacy claims while on CCA coverage; this will be partially mitigated through submission of MediCal claims                                      | On Track – 4/23 | <b>Included*</b> |
| Dual Eligibility (MediCal+ CCA) Claims | N           | Encounters paid through MediCal for members with dual coverage for the service date; encounters will be submitted through alternate process                              | On Track – 4/14 | \$2M             |
| Mother/Infant Claim Unbundling         | N           | Encounters for mother / newborn claims that were paired together on one member ID; eligibility and encounters to be fixed by week of 4/21                                | On Track – 4/23 | \$1M             |

*\*line item lift already included in IEHP's year-end transfer payment accrual calculation; activity needs to be completed to achieve expected year-end accrual payment*

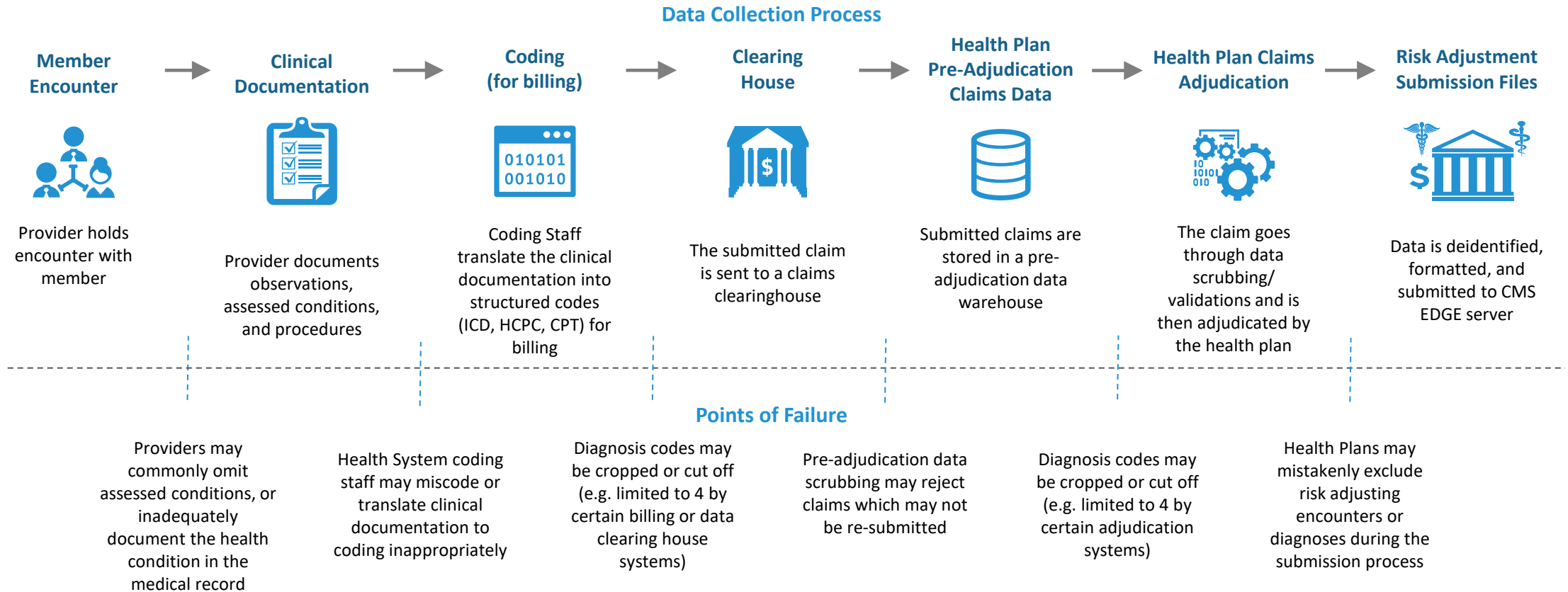
CMS' Interim Estimate projected a -\$31.7M liability; estimates are historically unreliable and use data from January, prior to IEHP mitigation efforts

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# Appendix

# Points of Failure during Data Collection Process

Health plan leadership is responsible for the completeness and accuracy of RA data submitted to CMS through the EDGE server, as submissions are leveraged to calculate risk scores which directly impact revenue



There are many potential points of failure as data exchanges hands that could result in an inaccurately represented population, which has repercussions elsewhere (e.g., care management activities) and can result in higher payment transfers to competitors. Therefore, health plans must develop internal controls to look for exceptions and errors throughout the data collection process.





# Sources of Data for EDGE Risk Adjustment Submissions

Health plans receive risk adjustment data from multiple sources.



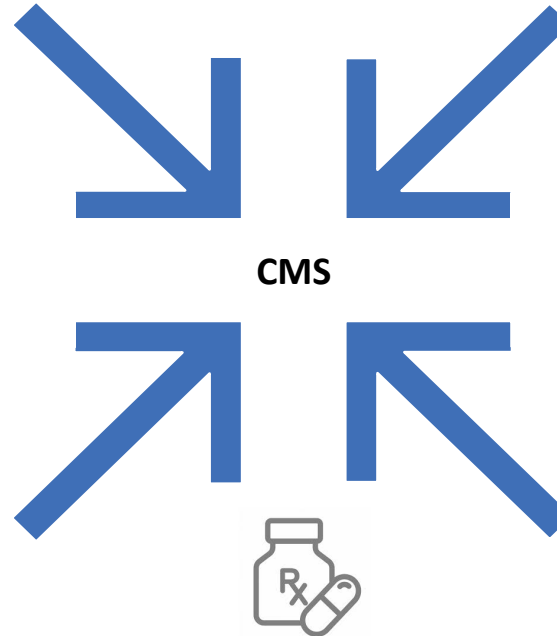
## Provider and Facility Data

Providers send **claims and encounter data** to health plans for reimbursement for medical services provided

- Unless the provider takes on full risk, the payment is based upon CPT codes so providers only include those diagnosis codes that will get the claim paid
- Full risk providers must still submit zero claims and/or encounter data to plans

Many health plans hire vendors to **review hospital records** and collect diagnosis codes not included on claims submitted for reimbursement

- For very sick patients, the number of diagnoses could exceed the limit of 25 on an 837



## Pharmacy Data

- Commercial health plan models are now receiving pharmacy data to complement diagnostic data
- The NCDs are utilized for RxC creation based on diagnoses codes. The NDC mapping then contributes to risk scores



## Health Plan Initiatives

### Retrospective Reviews

- Almost all health plans conduct **chart review** efforts to find additional diagnoses in the progress notes that were not included on claims and encounters
- Health plans also **validate** that the **diagnosis codes submitted** on claims are supported by the medical record and **delete** any that can not be substantiated

### Prospective Assessments

- Health plans encourage **wellness exams** for their members to improve completeness of HCC capture as well as close gaps in care
  - In-home and SNF visits, AWV in doctor's offices, alternate sites



# EDGE Server Submission and Response Files

Health plans need to monitor submission and response files from all vendors involved in EDGE process

## File Generation

Enrollment, pharmacy, medical claims and supplemental diagnosis data are extracted from the health plan's proprietary systems, deidentified, transformed into the necessary data formats, and loaded to the EDGE server. IEHP uses several external vendors to facilitate this process

The EDGE server generates outbound files for health plans and CMS, which documents the results of what was submitted. Health plans receive detail and summary reports while CMS only receives summary reports

Outbound reports are file processing reports generated after inbound files submitted to the EDGE server are processed and verified

Outbound files are available to health plans so they can review and analyze the processing results of the data submitted to the EDGE server

## Types of Reporting Files

There are 4 types of outbound files produced:

- System error reports
- File header reports
- Detail reports
- Summary reports

The system error and file reports are not unique to the type of file submitted

Detail and summary reports are unique for each type of inbound file submitted

## Report Components

Common Outbound Header  
File

Submission Processing  
Status Type

Error Message Type


Record Count Message Type

**Health plans must monitor vendor and EDGE serve response files for data validation and acceptance to ensure the completeness and accuracy of the transfer payment calculations.**



# Deloitte's Engagement Timeline

Deloitte's engagement will last for eight weeks, leading up to the April 30, 2025 EDGE server submission deadline

| Key Activities   | Week 1  | Week 2   | Week 3   | Week 4   | Week 5  | Week 6   | Week 7   | Week 8   | Week 9  |
|--|---------|----------|----------|----------|---------|----------|----------|----------|---|
|  | w/e 3/7 | w/e 3/14 | w/e 3/21 | w/e 3/28 | w/e 4/4 | w/e 4/12 | w/e 4/19 | w/e 4/26 | w/e 5/2   |
| Project Kick-off, establish cadence and reporting expectations           |         |          |          |          |         |          |          |          |   |
| Identify key stakeholders, conduct interviews, review materials provided |         |          |          |          |         |          |          |          |   |
| Evaluate current state and identify gaps against requirements            |         |          |          |          |         |          |          |          |   |
| Develop integrated timeline plan with milestones                         |         |          |          |          |         |          |          |          |   |
| Evaluate chase list and prioritize chart retrieval and review efforts    |         |          |          |          |         |          |          |          |   |
| Communicate progress and coordinate activities across key stakeholders   |         |          |          |          |         |          |          |          |   |
| Manage issue/raid log and conduct status meetings                        |         |          |          |          |         |          |          |          |   |
|  |         |          |          |          |         |          |          |          | <br>4/30/25 deadline |

