

ADMINISTRATIVE POLICY AND PROCEDURE

SUBJECT: PARAMETRIC AGGREGATE EROSION

DATE: June 12, 2025

AMENDED DATE:

REVIEWED DATE: January 6, 2026

STATEMENT

ACCEL purchases insurance policies on behalf of Members, some insurance coverages include aggregate limits which may be eroded by Member claims. ACCEL bound a parametric earthquake policy with shared aggregate limits. The purpose of this policy and procedure is to outline the method for fund distribution in the event of aggregate limit exhaustion or other scenarios that require a sharing of limits between members. Because this policy's coverage trigger is earth shaking as opposed to building damage, ACCEL would know the full amount of the claim recovery shortly after the event.

The parametric policy includes certain maximum amounts that the insurer is liable to pay in the event of a loss. These are known as "Loss Limits" these limits are shared by all Members of ACCEL that participate in this parametric placement. For example, limits could be exhausted in the following situations:

- More than one agency is involved in the same loss event resulting in total payable claims in excess of the aggregate
- A series of unassociated loss events during the policy term involve more than one Member resulting in total payable claims in excess of the aggregate.

PROCEDURE

The following Loss Limit Sharing Formula (LLSF) shall govern recoveries by Member Agencies from the parametric insurance carrier in any case where the total payable claims of affected Member agencies exceed either a per occurrence loss limit or an annual aggregate loss limit specified in the policy such that, in either case, the insurance coverage available is insufficient to pay claims of affected Member Agencies.

In the event ACCEL members exhaust the Loss Limit available, the following Loss Limit Sharing Formula (LLSF) will be applied to each Member's recovery:

$$\frac{\text{Policy Loss Limit}}{\text{Total Amount Owed to All Members}} \times \text{Member Loss Limit} = \text{Member Payable}$$

Example Scenario:

Policy Loss Limit:	\$30,000,000
Member Limit:	\$10,000,000
Triggered Losses:	Member 1: \$10,000,000
	Member 2: \$10,000,000
	Member 3: \$10,000,000
	Member 4: \$10,000,000
	Member 5: \$10,000,000
TOTAL:	\$50,000,000

LLSF Result: $\frac{\$30,000,000}{\$50,000,000} \times \$10,000,000 = \$6,000,000$

In the event that limits must be shared by different members under the parametric earthquake policy, each member's recovery will be reduced by an equal share. For example, if the total limit available for an event is \$10M, and two members individually are entitled to \$7M and \$5M (12M total), their recovery would be reduced to \$5,833,333 and \$4,166,667 respectively by following the LLSF.

In any event where a single Member is to be paid an excess of \$5,000,000 from the policy limits, ACCEL will hold the amount excess of \$5,000,000 in short term funding and will pay the remainder of funds owed to that Member within 30 days of the end of the policy year, in addition to any interest accrued on this amount. The reason for such withholding is to account for the possibility of multiple covered events occurring in a single policy year affecting multiple Members and completely eroding the policy aggregate limits. Applying a \$5,000,000 cap on immediate payouts greatly diminishes the possibility of overpayment to Members

Members can appeal to the Board to request earlier payments of withheld funds in writing. The written request must be received by the Program Administrators at least one week prior to the Board Meeting. The Board will vote and may approve the request.