



April 29, 2025

APRA Members and Brokers –

As we've shared with you in the past, APRA's property policy will provide broader coverage for members than either the prior APEI or the AMLJIA policies. The APRA property policy will be a "full replacement value" policy. That means the recovery in the event of a loss will not be capped at 125% of the stated value, as they are under APEI's current policy. The APRA policy will also provide fixed deductibles for loss due to earthquake, rather than the (larger) percentage deductible applicable under the current AMLJA policy.

We have been able to obtain 2025-26 reinsurance for this broader coverage at a cost that is less than the combined amount that APEI and AMLJIA are paying for coverage in this 2024-25 policy year. This is what we hoped would happen when AMLJIA and APEI merged, and it will help stabilize rate changes this year and going forward.

One of the requirements inherent in a replacement cost policy is that buildings must be insured to their full replacement value: the amount that would be required to rebuild in the event of a total loss. Having accurate values is key to getting and keeping favorable reinsurance rates.

We know that there are a number of buildings and other structures currently listed on members' property schedules with values that are less than the amount that would be required to rebuild in the event of a total loss. To address this situation, APRA has engaged the firm Young and Associates to perform appraisals and assist in updating our members' property values. A few value increases were included on the schedules that members received in March and others are underway right now. Over this summer and fall, the appraisers will be completing on-site appraisals of many of our members' structures. More will be done in 2026 and 2027.

Updated values included on the schedules sent to members or from appraisals received by APRA prior to May 15, 2025 will be included on the quotes we send out in May for the upcoming policy year (starting July 1, 2025). Appraised values we receive after that date will be applied to members' renewal schedules as of July 1, 2026.

While understanding the need for appraisals, members and brokers have expressed their concern about the impact that increasing valuations may have on the premium contributions they will be expected to pay to APRA. We are aware of the tight budgets that members are facing and understand the concern. The APRA board had a long discussion at its April 25, 2025 meeting about how to address this concern without putting APRA's reinsurance at risk, and agreed on the following:

Ensure our information is correct

If you think that a valuation determined by APRA does not realistically reflect the cost of

replacing a structure in the event of a loss, let us know. It is possible that we have incorrect information about the use, size, or type of construction of a structure and that correcting that information may impact the estimated replacement cost.

“Agreed Amount” endorsement option

If, after any necessary corrections are made, you believe that the appraised value for the building is still too high, your entity may choose to cover the building for an **“Agreed Amount”** instead of full replacement cost. Scheduling a structure for an Agreed Amount means that the maximum that APRA will pay out in the event of a loss is the amount listed on the Agreed Amount endorsement. If the final cost after a loss were to be higher than that amount, the member would be responsible for the additional costs.

While the Agreed Amount endorsement is not appropriate in all situations, it may be a reasonable choice for a member that feels they cannot afford the cost of full replacement cost coverage, and are willing to take the risk if a total loss were to occur. Or, the member may not intend to replace a building if it were destroyed, making full replacement cost coverage unnecessary.

Special provision for some school facilities

There are some school facilities which are required by law (AS 14.03.150) to be insured for their full replacement cost, and the member does not have the option of scheduling them for a lower Agreed Amount. For these facilities only, if an appraisal (including a valuation determined by APRA staff) results in an increase in value of more than 10%, the member may phase in that increase over a 3-year period, taking one-third of the increase each year. Annual trend factors to the valuation will be applied in addition to the 1/3 increments, and the increments will be recalculated if a new appraisal is completed before the 3-year period is up.

The special provision above applies only to “school facilities and equipment”, and not to all buildings owned by a school district. For example, teacher housing is generally not considered a school facility and is not subject to the replacement cost mandate in AS 14.03.150; thus, the 3-year option is not available for these buildings. If a member wants to take advantage of this option to phase-in a value increase, please provide APRA with the DEED facility ID for the building in question (available here: https://education.alaska.gov/doe_rolodex/schoolcalendar/facility).

Please let me know if you have any questions about building valuations or how they are applied.

Sincerely,



Barbara Thurston

Deputy Director – Insurance Services

Alaska Public Risk Alliance

bthurston@alaskarisk.org

(907)-523-9440