



## **NOTICE**

### **MEETING OF THE BOARD OF DIRECTORS OF THE LEAGUE ASSOCIATION OF RISK MANAGEMENT (LARM)**

**Tuesday, February 24, 2026, at 1:30 p.m. CT/12:30 p.m. MT**

PLEASE TAKE NOTICE that on Tuesday, February 24, 2026, at 1:30 p.m. CT/12:30 p.m. MT, the League Association of Risk Management (LARM) will hold a Meeting of the LARM Board of Directors by Virtual Conferencing.

The meeting will be made available by Zoom via Computer, Smart Device or Telephone at <https://larmpool-org.zoom.us/j/81018644217?pwd=uAj1kFRDO79YWJCLB2O5pb9fbMLm0h.1>

or via phone at 833-548-0276. The meeting ID is 810 1864 4217 and the passcode is 630027.

Grand Ballroom B and C at Cornhusker Marriott Hotel, 333 South 13<sup>th</sup> Street, Lincoln, NE, will be open for attendance by the public during the meeting.

An agenda of subjects known at this time is included with this notice, and the agenda shall be kept continually current and readily available for public inspection at the principal office of LARM during normal business hours at Suite 200, 1335 L Street, Lincoln, Nebraska. A notice of this meeting with the agenda and other materials is available at this location with the following links kept continually current on LARM's website – [larmpool.org](http://larmpool.org): an electronic copy of the agenda, all documents being considered at the meeting, and a link to the current version of the Open Meetings Act.

On February 17, 2026, a notice of this meeting with the agenda and other materials was sent to all LARM members and the LARM Board.



# **AGENDA**

## **MEETING OF THE BOARD OF DIRECTORS OF THE LEAGUE ASSOCIATION OF RISK MANAGEMENT (LARM)**

**Tuesday, February 24, 2026 1:30 p.m. CT/12:30 p.m. MT**

### **By Virtual Conferencing**

In accordance with the Open Meetings Act, Chapter 84, Article 14 of the Reissue Revised Statutes of the State of Nebraska 1943, as amended, one copy of all reproducible written materials to be discussed is available to the public at the meeting and at the links below for examination and copying. The LARM Board may pass motions to go into closed session on agenda items pursuant to the requirements of the Open Meetings Act.

Grand Ballroom B and C at Cornhusker Marriott Hotel, 333 South 13th Street, Lincoln, NE, will be open for attendance by the public during the meeting. A notice of this meeting with the agenda and other materials will be available at this location with a copy of the Open Meetings Act posted.

You may also join the meeting by Zoom via Computer, Smart Device or Telephone

<https://larmpool-org.zoom.us/j/81018644217?pwd=uAj1kFRDO79YWJCLB2O5pb9fbMLm0h.1>

or via phone at 833-548-0276. The meeting ID is 810 1864 4217 and the passcode is 630027.

*Officials of LARM members and members of the public may comment on agenda items or listen to the Board Meeting; however, if the Board votes to hold a closed session pursuant to the Open Meetings Act, officials of LARM members and members of the public may not comment or listen during that time.*

**1. Call meeting to order:**

- a.** 1:30 p.m. CT/12:30 p.m. MT – Pat Heath, City Administrator of Gering and Vice-Chair of the LARM Board, will call the meeting to order.
- b.** Roll call.
- c.** Indicate that on February 17, 2026, a notice of this meeting with the agenda and other materials was sent to all LARM members and the LARM Board. A notice of this meeting with the agenda and other materials is available at Suite 200, 1335 L. Street in Lincoln, Nebraska with a copy of the Open Meetings Act posted and also posted with the following links kept continually current: an electronic copy of the agenda and all documents being considered at the meeting, with a link to the current version of the Open Meetings Act on LARM’s website- [larmpool.org](http://larmpool.org).
- d.** Inform the public about the location of the Open Meetings Act which is accessible to members of the public and at [larmpool.org](http://larmpool.org) along with a copy of all reproducible written materials to be discussed at this meeting.
- e.** Pledge of Allegiance to the Flag of the United States of America.
- f.** Public comment on any agenda item(s): Pursuant to the Open Meetings Act, the LARM Board Chair reserves the right to limit comments on agenda items. In accordance with the Open Meetings Act, there is no time limit on comments made by members of the LARM Board of Directors.

**2. Consider a motion to approve the minutes of the December 8, 2025, Meeting of the LARM Board of Directors.**

*See pages 1-4*

**3. Consider a motion to approve the appointment of Stephanie Fisher, City Administrator, City of Waverly, to the LARM Board of Directors due to the vacancy created by LARM Board member Joey Spellerberg, who resigned as Mayor of the City of Fremont to become Nebraska State Treasurer.**

*See pages 5-7*

· Lynn Rex, Administrator, LARM

**4. Consider a motion to elect Pat Heath, City Administrator, City of Gering, as Chair for a one-year term and James Bulkley, Mayor, City of Columbus, as Vice-Chair for a one-year term as required in Article V, Section 1 of LARM’s Bylaws.**

· Lynn Rex, Administrator, LARM

**5. Consider a motion to accept the quarterly update on LARM investments.**

***See pages 8-51***

*· Michael Maloney, Senior Portfolio Manager, US Bank*

**6. Consider a motion to accept a report on the current state of the property reinsurance market.**

*· Justin Swarbrick, Senior Vice-President, Alliant Insurance Services, Inc.*

***See pages 52-70***

**7. Consider a motion to accept the quarterly update on LARM financials.**

***See pages 71-83***

*· Robert Ooms, Director of Finance, Sedgwick*

**8. Consider a motion to extend the LARM/Sedgwick Administrative Services Agreement for a period of five years, which shall commence on April 1, 2026.**

***See pages 84-108***

*· Lynn Rex, Administrator, LARM*

*· Dave Bos, Executive Director, LARM*

*· Andy Finn, Director of Pool Administration, Sedgwick*

**9. Consider a motion to go into closed session to protect the public interest to receive an update regarding open LARM claims and litigation.**

*· Brad Tucker, Claims Manager, Sedgwick*

***10. Public disclosure of release and settlement agreement between Rick Markheim and the City of Gering and the League Association of Risk Management in consideration of payment of the total sum of \$350,000 to provide release and discharge to the City of Gering and the League Association of Risk Management for a liability claim, in compliance with Nebraska Revised Statute 84-713.***

***See pages 109-110***

*· Dave Bos, Executive Director, LARM*

***11. Public disclosure of release and settlement agreement between Andrea Lohr and her minor children and the City of Scottsbluff and the League Association of Risk Management in consideration of payment of the total sum of \$600,000 to provide release and discharge to the City of Scottsbluff and the League***

***Association of Risk Management for a liability claim, in compliance with Nebraska Revised Statute 84-713.***

***See pages 111-115***

*· Dave Bos, Executive Director, LARM*

**12. Discuss the date for the next meeting of the LARM Board of Directors.**

*· Lynn Rex, Administrator, LARM*

*· Dave Bos, Executive Director, LARM*

**13. Consider a motion to adjourn.**



**MINUTES**  
**MEETING OF THE BOARD OF DIRECTORS**  
**OF THE LEAGUE ASSOCIATION OF RISK MANAGEMENT**  
**Monday, December 8, 2025, 10:00 a.m. CT/9:00 a.m. MT**

A Meeting of the League Association of Risk Management (LARM) Board of Directors was held December 8, 2025, at 10:00 a.m. CT /9:00 a.m. MT by Virtual Conferencing. The Joe Hampton Conference Room in the League of Nebraska Municipalities Building, 1335 L Street, in Lincoln, Nebraska, was open for attendance by the public during the meeting.

(AGENDA ITEM #1) **Call meeting to order.** At 10:00 a.m. CT, **LARM Board Vice Chair Pat Heath**, City Administrator, City of Gering, called the meeting to order.

The roll call was read with the following voting Board Members present: **Alec Baillie (Via Zoom)**, Board Member, Loup Central Landfill; **Mayor James Bulkley**, City of Columbus; **Mayor Don Groesser (Via Zoom)**, City of Ralston; **Layne Groseth (Via Zoom)**, Administrator/Utilities Director, City of North Platte; **Pat Heath (Via Zoom)**, Administrator, City of Gering; **Gwenda Horky (Via Zoom)**, Clerk/Treasurer, City of Sargent; **Dana Klabenos (Via Zoom)**, Clerk/Treasurer, City of Neligh; **Sharon Powell**, Board President, Village of Utica; **Mayor Mindy Rump (Via Zoom)**, City of Blair; **Kevin Spencer (Via Zoom)**, City Manager, City of Scottsbluff. Ex-officio (non-voting) Board Member **L. Lynn Rex**, Executive Director of the League of Nebraska Municipalities, and Administrator of LARM was also present.

*At the time of roll call: 4 were absent: **Connie Jo Beck**, Clerk/Deputy Treasurer, City of St. Paul; **Raquel Felzien**, Clerk/Treasurer, City of Franklin; **Chris Rector**, City Administrator, City of Holdrege and **Mark Stracke**, Clerk/Treasurer, Village of Stuart.*

Other participants included: **Cline Williams Law Firm** –Trent Sidders; **Sedgwick (LARM's third party administrator)** – Andrew Finn, Becky Atkinson (Via Zoom), Katie Lameti, Angie Lasceski (Via Zoom) and Robert Ooms (Via Zoom); **LARM** – Dave Bos, Tracy Juranek, Diane Becker, Ethan Nguyen, Fred Wiebelhaus, Kyla Brockevelt, Drew Cook, James Kelley (Via Zoom), John Hobbs (Via Zoom), Clint Simmon (Via Zoom), and Nate Fox (Via Zoom); **League of Nebraska Municipalities** – Shirley Riley and Christy Abraham (Via Zoom) and **US Bank**- Michael Maloney (Via Zoom).

Vice Chair Heath indicated that on December 1, 2025, a notice of the meeting with the agenda and other materials was sent to all LARM members and the LARM Board. Notice of the meeting with the agenda and other materials also was made available for public inspection at 1335 L Street Suite 200, in Lincoln, Nebraska, and posted with the following links kept continually current: an electronic copy of the agenda, all documents being considered at the meeting, with a link to the current version of the Open Meetings Act on LARM's website- [larmpool.org](http://larmpool.org).

Vice Chair Heath stated in accordance with Chapter 84, Article 14 of the Reissue Revised Statutes of the State of Nebraska 1943, as amended, one copy of all reproducible written materials to be discussed was available to the public at this meeting for examination. The Open Meetings Act was posted in the meeting room and was accessible to members of the public. Vice Chair Heath informed the public about the location of the Open Meetings Act posted in the meeting room and stated that the LARM Board may pass motions to go into closed session on any agenda item pursuant to the requirements of the Open Meetings Act.

The Pledge of Allegiance to the Flag of the United States of America was recited.

**(AGENDA ITEM #2) Consider a motion to approve the minutes of the September 24, 2025, meeting of the LARM Board of Directors.** Vice Chair Heath asked if there was any discussion; there was none. Mayor Mindy Rump moved, seconded by Sharon Powell, to approve the minutes of the September 24, 2025, meeting of the LARM Board of Directors. Roll call vote. Ayes: Baillie, Bulkley, Groesser, Groseth, Heath, Horky, Klabenes, Powell, Rump, and Spencer. Nays: None. Abstentions: None. Absent: Beck, Felzien, Rector, and Stracke. **Motion carried: 10 ayes, 0 nays, 0 abstentions, and 4 absent.**

**(AGENDA ITEM #3) Consider a motion to accept the quarterly update on LARM investments.** (Presented by Michael Maloney, Senior Portfolio Manager, US Bank) Vice Chair Heath asked if there was any further discussion. Lynn Rex asked Michael Maloney if he saw any surprises with the portfolio. He said that he didn't see anything surprising and didn't expect to. Mayor James Bulkley moved, seconded by Sharon Powell, to accept the quarterly update on LARM investments. Roll call vote. Ayes: Baillie, Bulkley, Groesser, Groseth, Heath, Horky, Klabenes, Powell, Rump, and Spencer. Nays: None. Abstentions: None. Absent: Beck, Felzien, Rector, and Stracke. **Motion carried: 10 ayes, 0 nays, 0 abstentions, and 4 absent.**

It is noted that Raquel Felzien joined the meeting via zoom at 10:17 a.m.

**(AGENDA ITEM #4) Consider a motion to accept the quarterly update on LARM financials.** (Presented by Robert Ooms, Director of Finance, Sedgwick.) Vice Chair Heath asked if there was any further discussion. Mayor Bulkley asked if, going forward, the financial presentation can include the 3<sup>rd</sup> quarter numbers if they are going to be referenced in the presentation. Mayor James Bulkley moved, seconded by Sharon Powell, to accept the quarterly update on LARM financials. Roll call vote. Ayes: Baillie,



Bulkley, Felzien, Groesser, Groseth, Heath, Horky, Klabenes, Powell, Rump, and Spencer. Nays: None. Abstentions: None. Absent: Beck, Rector, and Stracke. **Motion carried: 11 ayes, 0 nays, 0 abstentions, and 3 absent.**

(AGENDA ITEM #5) **Discuss the date for the next meeting of the LARM Board of Directors.** (Lynn Rex, Administrator, LARM and Dave Bos, Executive Director, LARM) Lynn and Dave stated that the date would be February 24, 2025, during the League of Nebraska Municipalities Mid-Winter Conference.

(AGENDA ITEM #6) **Consider a motion to adjourn.** At 10:31 a.m. Mayor Don Groesser moved, seconded by Mayor Mindy Rump, to adjourn. Roll call vote. Ayes: Baillie, Bulkley, Felzien, Groesser, Groseth, Heath, Horky, Klabenes, Powell, Rump, and Spencer. Nays: None. Abstentions: None. Absent: Beck, Rector and Stracke. **Motion carried: 11 ayes, 0 nays, 0 abstentions, and 3 absent.**

Approved on:

ATTEST:

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**Kyla Brockvelt**  
Executive Administrative Assistant  
League Association of Risk Management

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**L. Lynn Rex**  
*LARM Administrator*  
*Ex-Officio, Non-Voting, LARM Board Member*  
Executive Director of the League of Nebraska Municipalities





## NOTICE

### MEETING OF THE BOARD OF DIRECTORS OF THE LEAGUE ASSOCIATION OF RISK MANAGEMENT (LARM) Monday, December 8, 2025, at 10:00 a.m. CDT/9:00 a.m. MDT

PLEASE TAKE NOTICE that on **Monday, December 8, 2025, at 10:00 a.m. CDT/9:00 a.m. MDT**, the League Association of Risk Management (LARM), will hold a LARM Board of Directors meeting by Virtual Conferencing.

The meeting will be made available by Zoom via Computer, Smart Device or Telephone at

<https://larmpool-org.zoom.us/j/88005064562?pwd=qD3h2wbgykrwJ3aR2AWiQOiCjor65h.1>  
or via phone at 833-548-0282. The Meeting ID is 880 0506 4562 and the passcode is 671237.

The Joe Hampton Conference Room in the League of Nebraska Municipalities Building, 1335 L. Street, in Lincoln, Nebraska, will be open for public attendance during the meeting.

An agenda of subjects known at this time is included with this notice, and the agenda shall be kept continually current and readily available for public inspection at the principal office of LARM during normal business hours at Suite 200, 1335 L Street, Lincoln, Nebraska. A notice of this meeting with the agenda and other materials is available at this location with the following links kept continually current on LARM's website – [larmpool.org](http://larmpool.org): an electronic copy of the agenda, all documents being considered at the meeting, and a link to the current version of the Open Meetings Act.

On December 1, 2025, a notice of this meeting with the agenda and other materials was sent to all LARM members and the LARM Board.

**City of Waverly**  
**City Council Minutes Condensed Version 1-27-2026**

**CALL TO ORDER**

Mayor Abbey Pascoe called the Meeting to order at 6:00 p.m. and led those in attendance in reciting the Pledge of Allegiance. Pascoe acknowledged the Open Meetings Act Poster located on the south wall of the Council Chambers. Mayor Pascoe and Council Members Aaron Delahoyde, David Jespersen, Dave Nielson, and Brook Ruhter-Engelhardt were in attendance. Other City Officials present were City Administrator Stephanie Fisher, City Attorney Mark Fahleson, and City Clerk Megan Frye. Also in attendance were Fire Chief Robin Hoffman, Lancaster County Sheriff Deputy Jason Brownell, and DA Davidson consultant Andy Forney. Notice of the Meeting and Agenda were given to the Mayor and all Members of the City Council prior to the Meeting. Notice of the Meeting was posted at Russ's Market Express, the US Post Office, the City Office and the City website (citywaverly.com).

**ADOPTION OF AGENDA**

Motion to adopt the Agenda as presented. Passed. Unanimous.

**APPROVAL OF CONSENT AGENDA**

Minutes of the January 13, 2026 City Council Meeting  
Consideration of Resolution 26-03 Authorizing the Sale of Municipal Property

Motion to approve the Consent Agenda. Passed. Unanimous.

**PROCLAMATIONS AND PRESENTATIONS**

None.

**PUBLIC HEARINGS**

None.

**SHERIFF'S REPORT**

No report.

**PUBLIC COMMENTS**

None.

**APPROVAL OF MINUTES**

Consent Agenda

**CONSIDERATION OF CLAIMS AND FINANCIAL REPORTS**

**Claims for Payment**

Claims for Payment: January 14th - 27th, 2026		
Group A		
Vendor	Description	Amount
ADP Fee	Payroll Fees	\$ 70.75
ADP Fee	Payroll Fees	\$ 133.57
ADP Payroll	Payroll	\$ 42,926.71
Anderson Auto Group	2019 F-350 repair	\$ 412.12
Aspen Builders, Inc.	Refunds - Permit 240163 & 250068	\$ 1,800.00
Bauer Built	New tires F-150 truck	\$ 782.92
Black Hills Energy	Natural gas	\$ 1,314.91

Blue Cross Blue Shield NE	Health Insurance	\$ 16,939.76
Commers The Water Store	Refund for Permit 260010	\$ 10.00
Dmitry Rybak	Refund - Permit 240129	\$ 865.00
Elliott Equipment Co.	Gutter broom set	\$ 698.73
Frontier	Propane, multi-purpose grease, trash pump repair	\$ 1,010.19
Guardian	Life & Vision Insurance	\$ 645.84
Hawkins, Inc.	Supplies	\$ 845.76
HBE LLP	Keno audit	\$ 7,260.00
Hometown Leasing	FD Copier	\$ 71.48
Interstate Power Systems	Air compressor	\$ 25,700.00
JEO Consulting Group, Inc.	Waverly New Well Siting, ANP 10 <sup>th</sup> Addition, Generator Replacement, Safety Action Plan	\$ 13,192.75
John Hancock USA	Retirement	\$ 3,724.71
LARM	Workers Compensation Audit	\$ 4,036.97
Lincoln Electric System	Electricity	\$ 7,736.90
Matheson Tri-Gas, Inc.	Oxygen bottle rental	\$ 72.55
Menards-Lincoln North	Supplies	\$ 449.36
Nadezhda Koval	Cleaning Service	\$ 452.41
Nebraska Dept Of Revenue	Lottery Tax	\$ 11,297.00
NE Public Health Environ. Lab	Lab Fees	\$ 344.00
NEMSA	Fire/Rescue Membership Fee	\$ 410.00
Oakview Builders	Refund - Permit 240089	\$ 750.00
One Billing Solutions	December 2025 Billing-EMS	\$ 1,811.67
Production Creek Specialty Adv	Employee clothing	\$ 52.00
Quik Dump Refuse	Garbage Service	\$ 452.22
Sapp Bros. Inc. - Lincoln	Oil	\$ 287.00
Shaffer Communications	New portable radios	\$ 17,229.60
S.E.Rural Fire Protection Dist	EMS Calls	\$ 3,500.00
Stryker Sales, LLC	Ankle restraints	\$ 36.00
Sunbelt Rentals, Inc.	Lift rental	\$ 304.50
The Fort	Clothing Allowance	\$ 136.98
U.S. Postmaster	Stamps/Postage	\$ 319.64
Union Bank & Trust Co.	HSA Accounts	\$ 2,750.00
Storage Ninjas - Waverly	Storage for Engine 34 - F.D. debit card purchase	\$ 148.00
Point C	Health Reimbursement Account	\$ 209.23
	<b>Claims Group A Total</b>	<b>\$ 171,191.23</b>

Motion to approve Claims Group A in the amount of \$171,191.23. Passed. Unanimous.  
Keno & Sales Tax Reports provided for information.

## INTRODUCTION OF RESOLUTIONS

Consent Agenda.

## INTRODUCTION OF ORDINANCES

Motion to approve the First Reading of Ordinance 26-01 An Ordinance Authorizing The Issuance Of Public Safety Department Tax Anticipation Bonds, Series 2026, Of The City Of Waverly, Nebraska, Of The Principal Amount Of Not To Exceed Three Million One Hundred Fifty Thousand Dollars (\$3,150,000) Issued For The Purpose Of Paying The Costs Of Constructing A Fire Station In And For The City Pursuant To An Interlocal Agreement With Waverly Suburban Fire Protection District.

Motion to suspend the rules and waive the requirement of three readings and move to Third and Final Reading of Ordinance 26-01. Passed. Unanimous.

Vote to pass on Third and Final Reading Ordinance 26-01. Passed. Unanimous.

### **INTRODUCTION TO BUSINESS AND COMMUNICATIONS**

Motion to approve an agreement with JEO Consulting Group for Schematic Design, Design Development, Construction Documents, and Bidding Services for a New Fire Station in an amount not to exceed \$497,000, of which the City will share the cost 50/50 with the Waverly Suburban Fire District per the terms of the Interlocal Agreement. Passed. Unanimous.

Motion to approve LARM's appointment of Stephanie Fisher to the LARM Board of Directors. Passed. Unanimous.

Motion to approve the bid from Bowman Consulting Group, Ltd for Canongate Road Roadway Design Engineering Services in an amount not to exceed \$65,599.00. Passed. Unanimous.

Motion to approve the bid award to Seargent Drilling for the Test Well Siting Project in an amount not to exceed \$159,024.00 and up to \$36,000.00 for Additional Water Samples as approved by the City Administrator. Passed. Unanimous.

Motion to approve Change Order No. 1 from Sargent Drilling for the Test Well Siting Project. Passed. Unanimous.

Water Data Presentation - Quarter 1 2026. Presentation by City Administrator Fisher.

### **COMMITTEE REPORTS**

The following liaison reports were given: Human Services, Public Works, Public Health, and City Administrator.

### **ADJOURNMENT**

Motion to adjourn at 6:27 p.m. Passed. Unanimous.

These minutes are condensed for the purposes of publication. A complete set is available for public inspection during regular business hours at the City Office.

Megan Frye, City Clerk / Human Resources Assistant

\*\*\*The complete minutes will be posted to the City website after approval at the 2-10-2026 City Council Meeting.



# League Association of Risk Management

February 24, 2025

# Your Team

**Michael T. Maloney**  
Senior Institutional Client Portfolio Manager  
PFM Asset Management  
563.663.2640  
[Michael.Maloney@usbank.com](mailto:Michael.Maloney@usbank.com)

**Corey Reavis**  
Vice President  
Relationship Manager  
U.S. Bank Institutional Trust & Custody  
[Corey.Reavis@usbank.com](mailto:Corey.Reavis@usbank.com)

Sub-advised investment services are provided by PFM Asset Management (“PFMAM”). PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc.

For more information regarding PFMAM’s services please visit [www.pfmam.com](http://www.pfmam.com).

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  - Fixed Income Analysis
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- Page 16 – Market Review & Disclosures



# Portfolio Review

Provided by U.S. Bank

**Selected Period Performance**

## Selected Period Performance

	Market Value	1 Month	3 Months	Year to Date (1 Year)	1 Year	3 Years	5 Years	Inception to Date 11/01/2014
Total Portfolio Gross of Fees	28,562,668	.34	1.10	4.83	4.83	4.76	1.37	1.28
Total Portfolio Net of Fees	28,562,668	.33	1.07	4.70	4.70	4.62	1.23	1.14
Total Fixed Income	12,008,097	.34	1.08	5.01	5.01	4.75	1.24	1.30
BBARC 1-5 Year US Treasury Index		.22	1.15	5.84	5.84	4.50	1.28	1.71
BBARC 1-3 Year US Treasury Index		.33	1.14	5.17	5.17	4.50	1.75	1.68
Total Cash Equivalents	16,554,571	.34	.78	3.99	3.99	4.74	2.98	1.63
FTSE 1 Month Treasury Bill Index		.34	1.02	4.35	4.35	4.95	3.25	1.94
FTSE 6 Month Treasury Bill Index		.35	1.06	4.48	4.48	5.10	3.34	2.07
Pending Cash	0	.00	.00	.00	.00	.00	.00	.00

For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

Investment products and services are:  
NOT A DEPOSIT • NOT FDIC INSURED • MAY LOSE VALUE • NOT BANK GUARANTEED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

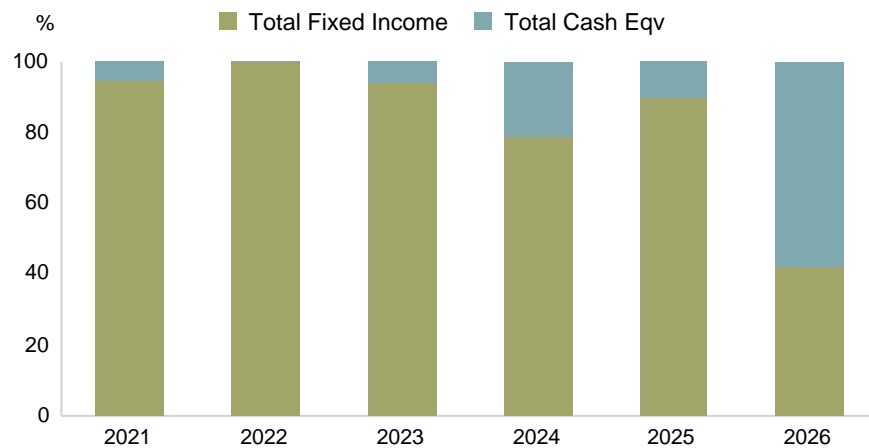


**History of Asset Growth Graphs**

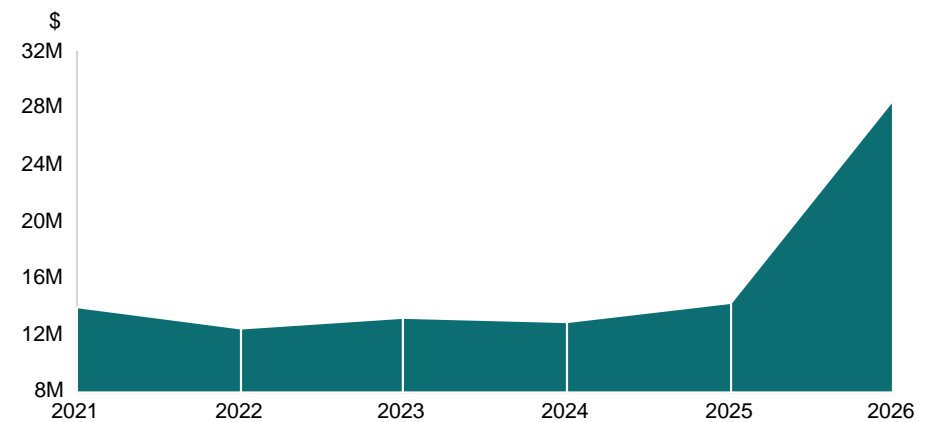
## Annual Portfolio Values

	Consolidated	Oct 2020- Sep 2021	Oct 2021- Sep 2022	Oct 2022- Sep 2023	Oct 2023- Sep 2024	Oct 2024- Sep 2025	Oct 2025- Dec 2025
<b>Beginning Portfolio Value</b>	<b>12,945,684</b>	<b>12,945,684</b>	<b>13,999,890</b>	<b>12,440,653</b>	<b>13,290,957</b>	<b>12,942,481</b>	<b>14,204,037</b>
Contributions	60,000,025	7,900,000	7,500,000	8,000,025	8,500,000	14,000,000	14,100,000
Withdrawals	-46,008,653	-6,822,895	-7,833,096	-7,749,965	-9,918,856	-13,677,439	-6,402
Income Earned	1,649,076	87,451	88,038	278,050	358,818	649,117	187,603
Gain/Loss	-23,464	-110,350	-1,314,179	322,194	711,562	289,877	77,431
<b>Ending Portfolio Value</b>	<b>28,562,668</b>	<b>13,999,890</b>	<b>12,440,653</b>	<b>13,290,957</b>	<b>12,942,481</b>	<b>14,204,037</b>	<b>28,562,668</b>
<b>Total Return</b>	<b>1.34</b>	<b>-.12</b>	<b>-7.28</b>	<b>3.17</b>	<b>6.25</b>	<b>4.47</b>	<b>1.10</b>
Principal	-.22	-.73	-7.73	1.56	4.15	1.53	.49
Income	1.58	.61	.45	1.61	2.10	2.94	.61

## Allocation Over Time



## Ending Market Values Over Time



For performance and rate of return methodologies, as well as other important information, please refer to the Appendix/Disclosures provided.

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Account: XXXXXXXXX9800

Holdings Method: Direct

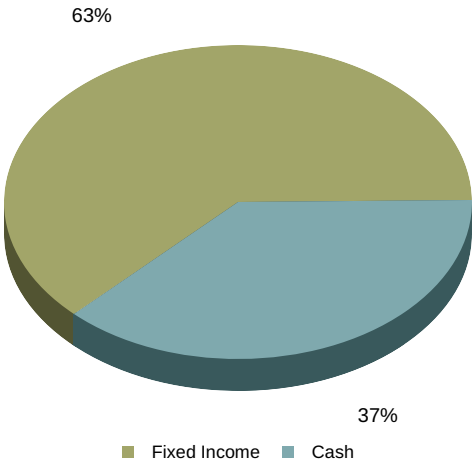
Report Date: 12/31/2025

Portfolio Summary

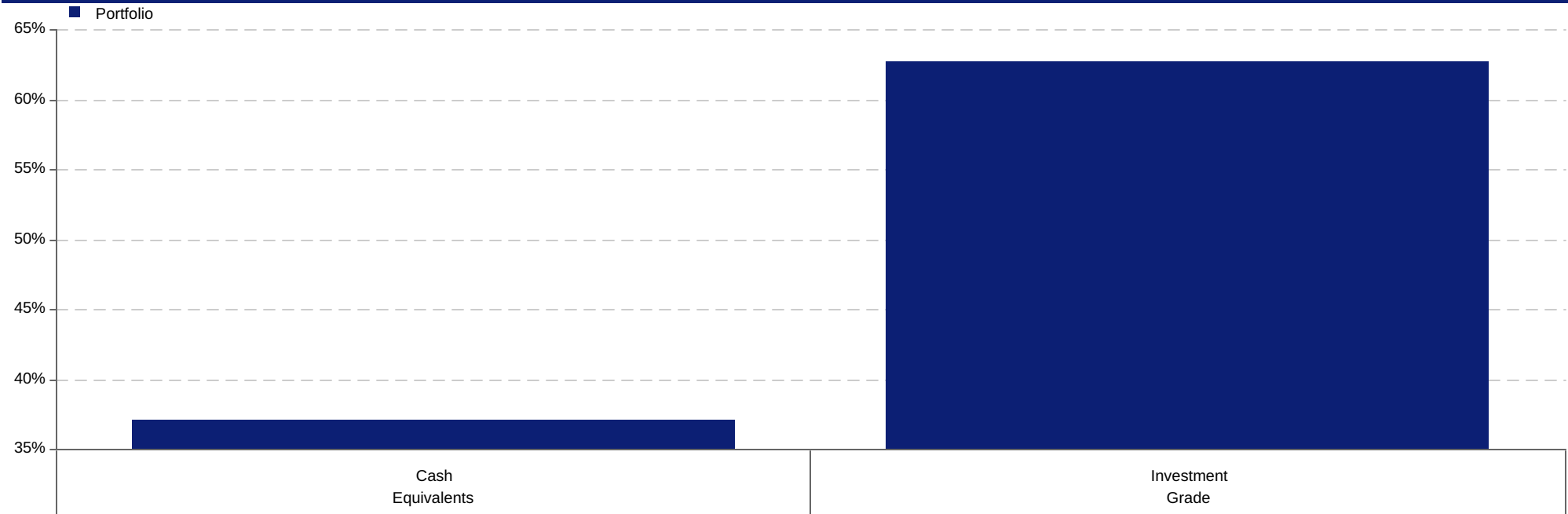
Inv. Objective	All Fixed/Non Taxable
Total Portfolio Value	\$28,438,983
Net Realized Cap Gains YTD	\$262
Annual Income Projected	\$1,036,114
Current Yield	3.64%
Number of Securities	17
Portfolio Mgr.	Michael T. Maloney

Portfolio Asset Allocation

Fixed Income	\$17,852,485	62.77%
Cash	\$10,586,499	37.23%
Invested Total	\$28,438,983	100.00%



Portfolio Model Allocation





Account: XXXXXXXXX9800

Holdings Method: Direct

Report Date: 12/31/2025

Fixed Income Summary

Inv. Objective	All Fixed/Non Taxable
Total Fixed Income Value	\$17,852,485
Current Yield	3.61%
Annual Income Projected	\$646,167
Number of Securities	16
Portfolio Mgr.	Michael T. Maloney

Fixed Income Asset Allocation

Investment Grade	\$17,852,485	100.00%
------------------	--------------	---------

100% ■ Investment Grade

Fixed Income Sector Exposures

Treasury	\$17,354,200	97.00%
US Government	\$498,285	3.00%

■ Treasury ■ US Government

Fixed Income Market Value

Date	Market Value
12/30/2022	8,000,000
12/29/2023	8,500,000
12/31/2024	20,500,000
12/31/2025	18,000,000
Previous Close	18,000,000



Account: XXXXXXXXX9800

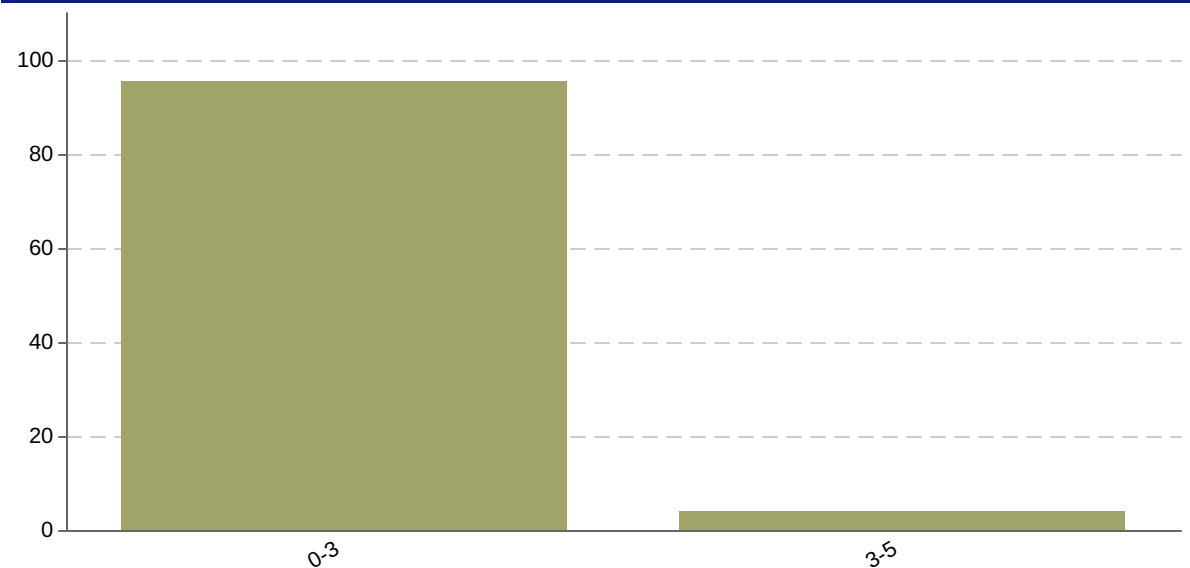
Holdings Method: Direct

Report Date: 12/31/2025

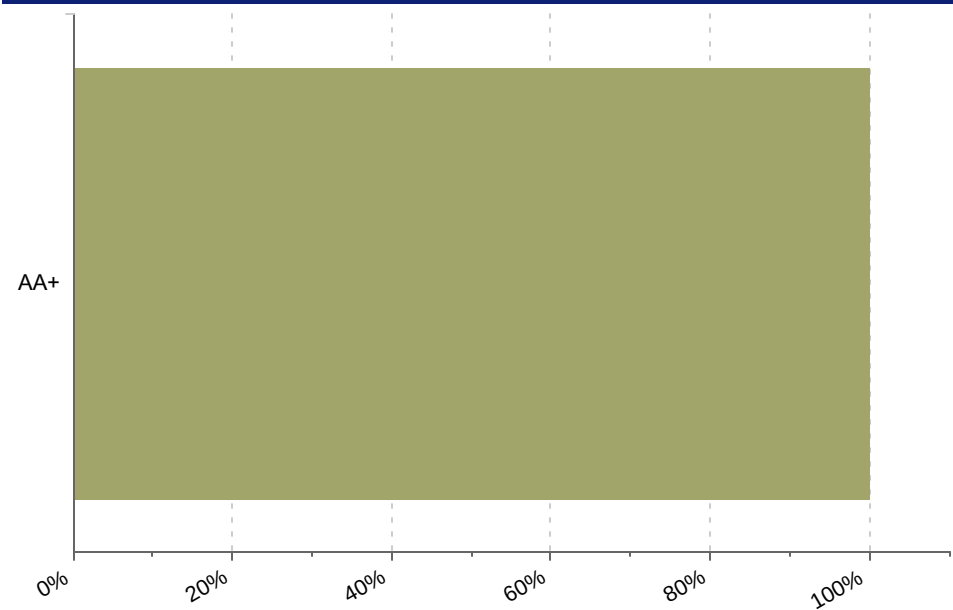
Bond Characteristics

	Portfolio	% Avail
Avg. Coupon (%)	2.44	100
Current Yield (%)	3.61	100
Yield to Maturity (%)	3.52	100
Yield to Worst (%)	3.52	100
Effective Maturity/Avg. Life (Yrs)	1.18	100
Effective Duration (Yrs)	1.12	100
Convexity	.03	100
Credit Quality	AA+	100
Number of Securities	16	100

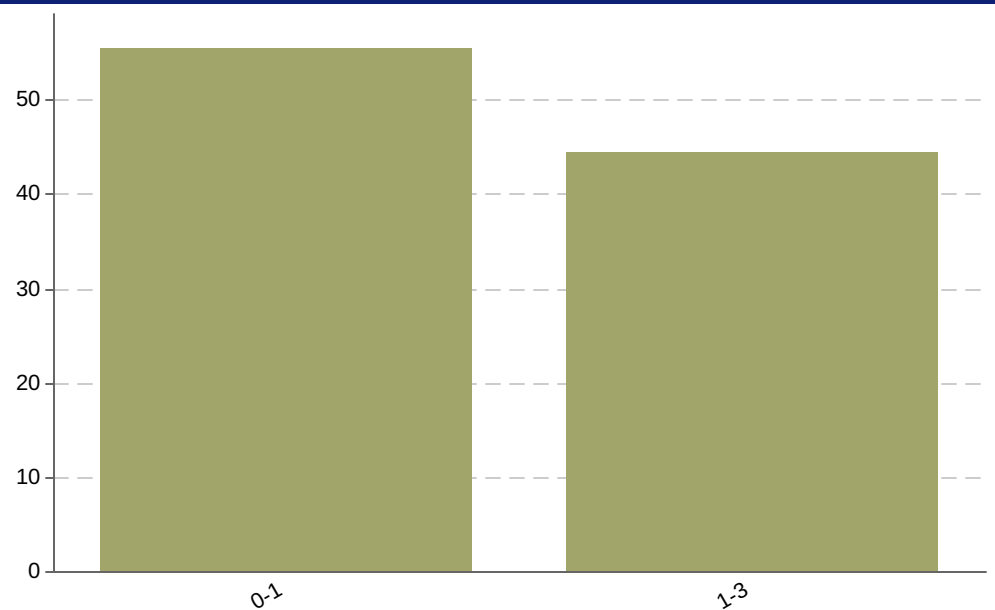
Bond Effective Maturity



Bond Quality Distribution



Bond Duration Distribution





## LEAGUE ASSOC OF RISK MANAGEMENT

## Portfolio Holdings

Account: XXXXXXXXX9800

Holdings Method: Direct

Report Date: 12/31/2025

				Symbol	% of Port.	Shares/ Units	Portfolio Value	Annual Income	Current Yield	Yield to Maturity	Effective Duration	Avg. Quality	Years to Maturity
<b>Total</b>					<b>100.00</b>		<b>28,438,983</b>	<b>1,036,114</b>	<b>3.64</b>	<b>3.72</b>	<b>1.12</b>	<b>AA+</b>	<b>1.18</b>
<b>Cash</b>					<b>37.23</b>		<b>10,586,499</b>	<b>389,947</b>	<b>3.68</b>	<b>4.05</b>	--	--	--
<b>Cash Equivalents</b>					<b>37.23</b>		<b>10,586,499</b>	<b>389,947</b>	<b>3.68</b>	<b>4.05</b>	--	--	--
FIRST AM GOVT OB FD CL X				31846V336	37.23	10,586,499	10,586,499	389,947	3.68	4.05	--	--	--
<b>Fixed Income</b>					<b>62.77</b>		<b>17,852,485</b>	<b>646,167</b>	<b>3.61</b>	<b>3.52</b>	<b>1.12</b>	<b>AA+</b>	<b>1.18</b>
<b>Investment Grade</b>					<b>62.77</b>		<b>17,852,485</b>	<b>646,167</b>	<b>3.61</b>	<b>3.52</b>	<b>1.12</b>	<b>AA+</b>	<b>1.18</b>
Treasury					61.02		17,354,200	643,667	3.70	3.52	1.14	AA+	1.21
U S TREASURY NT	4.625%	3/15/26		91282CGR6	2.64	750,000	751,403	34,688	4.62	3.60	0.20	AA+	0.20
U S TREASURY BILL		4/23/26		912797SM0	20.87	6,000,000	5,934,660	210,455	3.51	3.51	0.30	AA+	0.31
U S TREASURY NT	0.750%	4/30/26		91282CBW0	0.87	250,000	247,708	1,875	0.76	3.54	0.32	AA+	0.33
U S TREASURY NT	4.625%	6/30/26		91282CKY6	2.65	750,000	753,893	34,688	4.60	3.57	0.49	AA+	0.50
U S TREASURY NT	1.125%	10/31/26		91282CDG3	3.45	1,000,000	979,880	11,250	1.15	3.58	0.82	AA+	0.83
U S TREASURY NT	4.125%	10/31/26		91282CLS8	2.65	750,000	753,203	30,938	4.11	3.57	0.81	AA+	0.83
U S TREASURY NT	4.125%	2/15/27		91282CKA8	2.65	750,000	754,920	30,938	4.10	3.51	1.08	AA+	1.13
U S TREASURY NT	4.500%	5/15/27		91282CKR1	3.56	1,000,000	1,013,280	45,000	4.44	3.48	1.32	AA+	1.37
U S TREASURY NT	4.375%	7/15/27		91282CKZ3	2.68	752,000	761,987	32,900	4.32	3.48	1.45	AA+	1.54
U S TREASURY NT	3.875%	11/30/27		91282CFZ9	3.54	1,000,000	1,007,110	38,750	3.85	3.49	1.83	AA+	1.92
U S TREASURY NT	4.000%	2/29/28		91282CGP0	3.55	1,000,000	1,010,430	40,000	3.96	3.49	2.03	AA+	2.16
U S TREASURY NT	4.000%	6/30/28		91282CHK0	3.56	1,000,000	1,011,720	40,000	3.95	3.51	2.36	AA+	2.50
U S TREASURY NT	4.375%	8/31/28		91282CHX2	2.15	600,000	612,678	26,250	4.28	3.53	2.47	AA+	2.67
U S TREASURY NT	3.500%	11/15/28		91282CPK1	3.51	1,000,000	998,910	35,000	3.50	3.54	2.70	AA+	2.88
U S TREASURY NT	4.125%	3/31/29		91282CKG5	2.68	750,000	762,420	30,938	4.06	3.57	3.00	AA+	3.25
US Government					1.75		498,285	2,500	0.50	3.58	0.11	AA+	0.11
F H L B DEB	0.500%	2/10/26		3130AKW51	1.75	500,000	498,285	2,500	0.50	3.58	0.11	AA+	0.11



# Investment Policy

Provided by U.S. Bank

## LEAGUE ASSOCIATION OF RISK MANAGEMENT

### INVESTMENT POLICY

- I. Purpose. The purpose of this document is to establish the investment policy for the League Association of Risk Management, hereafter called LARM, and to provide guidance to the LARM Board, the Investment Committee, the LARM Administrator, and, if utilized, the Investment Manager or Custodian Bank pertaining to investment objectives and guidelines.
- II. Goal. The overall investment goal of LARM is to obtain a high rate of return on its portfolio assets, with a minimal risk, abiding by the appropriate statutes governing the investment of these funds and complying with the responsibility to LARM members.
- III. Priority Listing of Objectives.
  - A. Safety of Principal. Avoidance of financial risk or compromise of the financial integrity of the portfolio.
  - B. Liquidity. Provide sufficient liquidity for the payment of claims and expenses.

This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary and resale markets (dynamic liquidity). A portion of the portfolio may be placed in money market mutual funds which offer same day liquidity for short term funds.
  - C. Earn a High Rate of Return. Earn the highest rate of return with minimal risk. However, return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.
  - D. Diversification of Assets. Diversify assets by both the industry and the issuer in order to avoid undue exposure by any single industry or issuer.
  - E. All investments of LARM shall be in compliance with the Nebraska Insurer's Investment Act at all times.
- IV. Procedure.
  - A. LARM Board. The Board shall:
    1. Review and approve, at least quarterly, all purchases and disposals of investments.

2. Review, at least quarterly, whether all investments have been made in accordance with the Investment Policy.
3. Authorize the Investment Committee, under the general supervision of the LARM Board Chair, to manage the investments of LARM, either independently or through the utilization of the LARM Administrator or an Investment Manager or Custodian Bank.
4. Review the investment policy on an annual basis.

B. Investment Committee. The Investment Committee shall:

1. Receive and review summary reports on the investment portfolio, investment activities, and investment practices in order to determine whether the investment activity is consistent with the Investment Policy.
2. Provide such summary reports at least quarterly to the LARM Board for their review and approval.
3. Review and recommend revision of the Investment Policy to the LARM Board, as appropriate.
4. Review the Investment Manager or Custodian bank's performance and fees at least every 3 years.

C. LARM Administrator. The LARM Administrator shall:

1. Notify the Investment Committee of matters that bear upon the proper investment of the portfolio including pertinent financial, legal, or other information involving the investment of the portfolio and changes in investment objectives.
2. Meet regularly with the Investment Committee to report on progress of the portfolio.

D. Investment Manager or Custodian Bank. If utilized, the Investment Manager or Custodian Bank shall:

1. Meet regularly with the Investment Committee to report on progress of the portfolio.
2. Provide reports monthly to the Investment Committee.
3. Provide information concerning market trends and investment strategies.

V. Investment Guidelines.

A. Regulatory Limitations. The investment guidelines and restrictions as set forth by the Insurers Investment Act (Nebraska Revised Statutes Section 44-5101 et seq.) shall be adhered to at all times by the Board, the Investment Committee, the LARM Administrator, and any Investment Manager or Custodian Bank utilized by the Investment Committee in exercise of their discretion.

B. Prudence. The standard of prudence to be used for managing LARM's investments is the "prudent investor" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of

their own affairs, not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.”

C. General Strategies.

1. The Investment Committee, or an Investment Manager or Custodial Bank, if utilized, shall determine the appropriate allocation of funds among cash, cash equivalents, and investment grade fixed income securities.
2. Capital gains and losses may be realized when, in the judgment of the Investment Committee or its investment manager or custodian bank, if utilized, consistent with the goals, objectives, and guidelines of this policy, such action is in the best interest of the portfolio and will lead to a greater long-term total rate of return.
3. Securities purchased by the Investment Committee, the LARM Administrator, or an Investment Manager or Custodian Bank, if utilized, shall be limited in general maturity parameters as follows:

The maximum maturity of any security at date of purchase shall not exceed 60 months. The purchase of a security with a maturity longer than 60 months shall be approved by the LARM Board at the next quarterly meeting. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as money market funds to ensure appropriate liquidity is maintained to meet ongoing obligations.

Securities shall not be sold prior to maturity with the following exceptions:

A security with declining credit may be sold early to minimize loss of principal.

Liquidity needs of the portfolio require that the security be sold.

A security swap that would adjust the portfolio (quality, yield, or duration) in a manner that would allow it to better fulfill the investment objectives.

Security purchases and sales shall be made, so that at the time of purchase or sale they do not cause, or exacerbate, non-compliance with the LARM portfolio maturity limitations.

4. Investments made by the Investment Committee, the LARM Administrator, or an Investment Manager or Custodian Bank, if utilized, shall be limited according to the following:

<u>Asset Class</u>	<u>Limitation*</u>
Direct obligations of the United States or obligations for which the full faith and credit of the United States is pledged for the payment of all principal and interest	No Limit
Direct obligations of any agency or instrumentality of the United States or obligations for which the full faith and credit of any agency or instrumentality of the United States is pledged for the payment of all principal and interest	25% per issuer
Other investment grade fixed income securities	5% per issuer
Mutual funds investing in the above classes	<u>5% per issuer, not to exceed 25% in total if the fund is only allowed to invest in U.S. government obligations or U.S. agency or instrumentality obligations; and</u>  <u>5% per issuer, not to exceed 10% if invested in other classes.</u>

*\*Limitations apply to the percentage of admitted assets as shown by the most recent financial statement filed with the Nebraska Department of Insurance.*

- VI. Standard of Performance. Consideration shall be given to the extent to which the investment results are consistent with the goals and objectives as set forth in this policy.

Revised 3-23-2007; 12-16-2009; 3-1-2011; 2-26-2018

# Market Review

Provided by Sub-Advisor - PFM Asset Management

# **2026 Capital Market Assumptions and Overview of Economic Fundamentals**

*A Division of U.S. Bancorp Asset Management, Inc.*

*For Institutional Investor or Investment Professional Use Only –*

*This material is not for inspection by, distribution to, or quotation to the general public.*





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Our capital market assumptions (CMAs) are updated each year to quantify how we think different asset classes will perform over the intermediate- (next five years) and long- term (30-year) time periods. These estimates serve as a guide in constructing strategic long-term multi-asset portfolios for our clients to help meet their return objectives and financial liabilities.

Our CMAs include expected return assumptions as well as expected volatility assumptions for each asset class. The return assumptions are the average return expected over the relevant period, while the volatility assumptions provide information about the likely range of possible outcomes. The expected long-term correlations are based on how closely the returns of any two asset classes have moved together historically and are an important input to the process of creating diversified portfolios. There is naturally a higher degree of uncertainty with capital market assumptions over shorter periods of time as asset class returns are driven by cyclical factors and macroeconomic conditions. Over the long term, actual returns are expected to be closer to our CMAs, but we acknowledge that long-term forecasting is not an exact science.

The methodology that we utilize incorporates both quantitative and qualitative factors. Quantitative estimates, such as expected gross domestic product (GDP) growth rates, inflation measures, earnings growth, valuations, the federal funds rate, and the level and shape of the yield curve represent key inputs to our return expectations.

When developing our 2026 CMAs, we reiterate our four major long-term macroeconomic and geopolitical themes from last year:

1. The continuation of U.S. economic leadership,
2. Transformative technology and productivity impact,
3. Demographic trends foreshadowing slower population growth, and
4. Geopolitical shifts changing long-term trends.

Given that these themes are long-term in nature, we do not expect them to change much with each year. As a result, our 2026 long-term themes are closely aligned with the long-term themes we highlighted in 2025.

These four themes represent the qualitative foundation

of our 2026 CMAs and help inform key inputs of economic growth, inflation, and rate assumptions that drove our expected return and volatility assumptions across global asset classes.

Our 2026 CMAs reflect a higher level of long-term interest rates as reflected by our 10-year Treasury yield assumption. We arrive at this higher terminal 10-year rate due to a higher terminal federal funds rate, expectations of marginally higher inflation, and a higher term premium needed to compensate investors concerned about higher deficits. This translates into lower intermediate-term fixed income returns for our 2026 CMAs at a time of lower starting yields compared to 2025, but mostly higher returns over the long-term for the longer-duration asset classes.

Within equities, over the intermediate term, stretched valuations, especially for U.S. equities, are a headwind, while earnings growth is an expected tailwind. For international equities, earnings growth that is expected to recover strongly compared to prior years, and higher dividend yields are positive contributors to expected returns while higher starting valuations are a drag. Over the long term, earnings growth based on underlying GDP growth potential is the main driver of expected returns in both domestic and international markets.

## 2025 in Review and Near-Term Outlook

Like 2024, 2025 turned out to be another year of strong returns across risk assets with double-digit returns across both domestic and international equities. During the year, tariff announcements, the extension of tax cuts, Federal Reserve (Fed) rate cuts, artificial intelligence (AI)-related capital expenditure (capex) spend and growth, and strong corporate earnings served as a backdrop for domestic equity market returns.

Resilient economic growth remained the theme in 2025 as economic growth was supported by continued consumer spending (Exhibit 1). Inflation remained rangebound over this period with the consumer price index (CPI) rising from 2.9% in December 2024 to 3.0% in September 2025 while core CPI (ex-food and energy) was down from 3.3% to 3.0% over this same time. Labor markets weakened over the course of the year with the unemployment rate ticking up to 4.4% in September 2025. The number of new jobs added



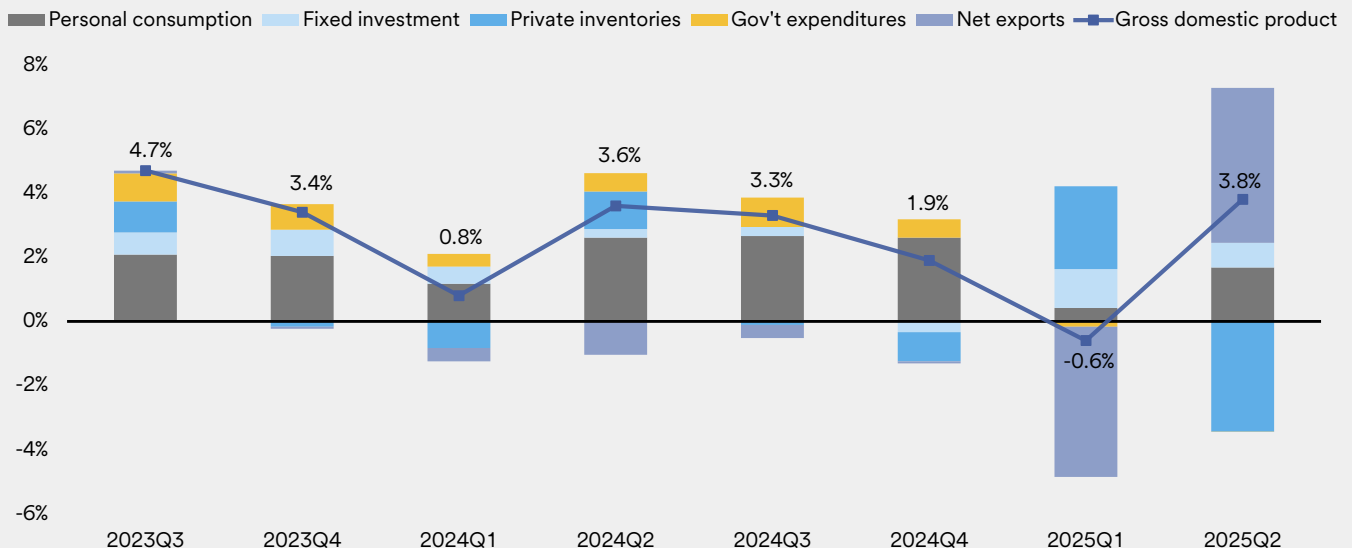
weakened considerably (Exhibit 2), leading the Fed to pivot from its focus on inflationary concerns stemming from tariffs towards softening labor markets, culminating in rate cuts in September and October 2025 with the target federal funds rate set to 3.75% - 4.00% (as of October 31, 2025).

Bond markets continued to react to the possibility of further Fed rate cuts with both the short end and long end of the curve steepening. The 10-year Treasury yield reached its highest point earlier this year at 4.79% and has since been falling as inflation and growth expectations have come down.

Equity markets, especially in the U.S., were rattled by the imposition of tariffs on various trade partners, and this was most evident in the sell-off in the S&P 500 upon the announcement of tariffs against all trading partners on April 2, 2025, also known as “Liberation Day.” After the initial shock, as new trade negotiations were announced and as tariff implementation deadlines were pushed back, recession concerns took a back seat and returns across risk assets rebounded.

As of November 28, 2025, the S&P 500 is up 17.8% year-to-date (YTD) and is supported by strong earnings growth and positive AI sentiment. For S&P 500

**Exhibit 1: U.S. Real GDP Contributors and Detractors**



Source: Bureau of Economic Analysis.

**Exhibit 2: New Jobs Added**

All Employees, total non-farm payrolls S.A. monthly change and 3-month moving average



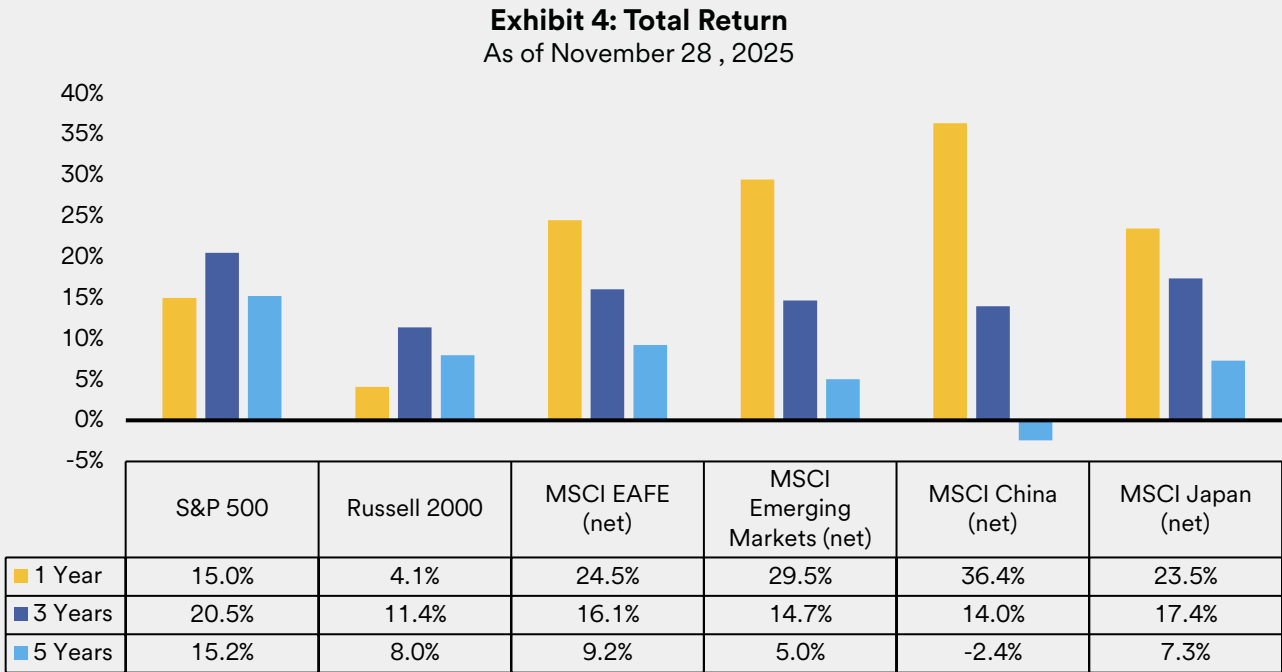
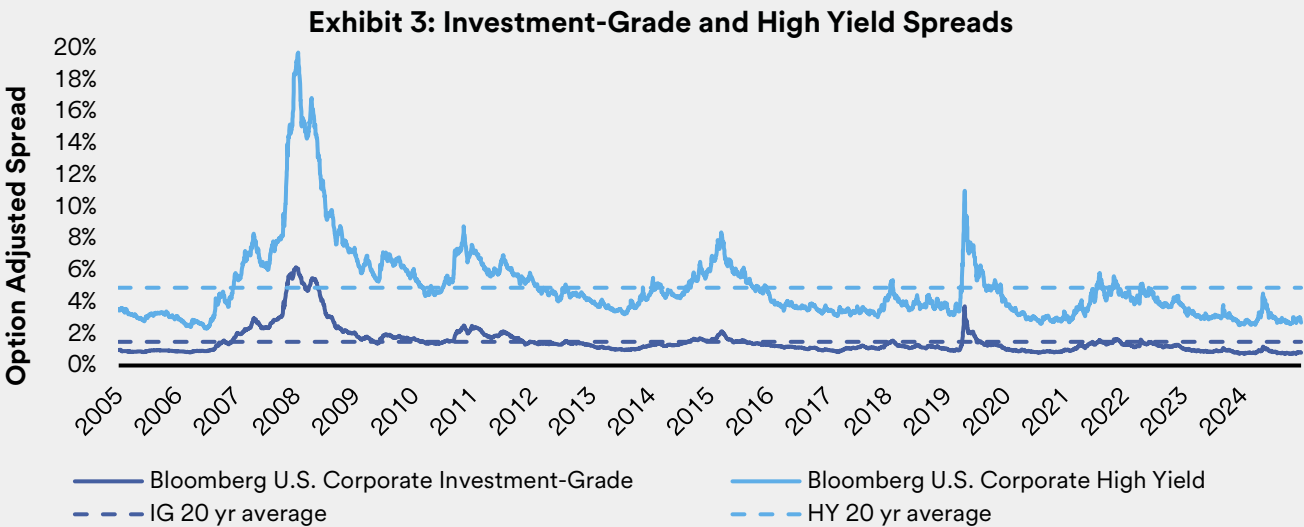
Source: Factset, Bureau of Labor Statistics.



companies, analysts are expecting an earnings growth rate of 11.7% and 13.9% for 2025 and 2026, respectively. Meanwhile, the third quarter of 2025 blended net profit margin of 13.1% marked the highest net profit margin reported by the S&P 500 going back to 2009, as reported by FactSet. With strong corporate fundamentals and issuance backdrop, credit spreads continue to trade close to historical lows (Exhibit 3).

International equities also had a strong performance this year and were supported by a weaker U.S. dollar,

fiscal spending, and improving earnings sentiment. As of November 28, 2025, developed ex-U.S. and emerging market (EM) equities were up 28.5% and 29.7% respectively, a strong rebound after several years of underperforming U.S. equities. EM equity performance was driven by an improvement in Chinese equities, which returned 32.8% on a YTD basis. For context, MSCI China’s 5-year annualized return stood at -2.4%, compared to 5.1% for MSCI EM (Exhibit 4).



Source: Factset.



Looking ahead to 2026, we expect positive economic growth in the U.S. supported by fiscal and monetary policy along with resilient consumption. Tax cut extensions for consumers along with lower mortgage rates will bode well for personal consumption. Tax cut extensions, favorable capex expensing, and increasing deregulation efforts are expected to bode well for business investment and spending as long as the Fed continues to remain accommodative and inflation remains rangebound. Globally, we expect positive economic growth as a result of an improving inflation outlook, accommodative central banks, and easing policy uncertainty.

We are cautious around current elevated valuations across asset classes and will be closely watching for any signs of stress across equity or fixed income markets that could lead to a broader sell-off. Any surge in inflation that could lead to a stagflationary environment along with any possible pullback in consumption are other risks that we are watching closely.

We are mindful of the rapid pace and volume of changes that we have encountered this year and how that has led to elevated policy uncertainty and higher volatility. That said, we believe that a disciplined approach to investing and a long-term focus should help investors meet their return requirements.

## 2026 Capital Market Assumptions: Key Long-Term Structural Themes

We do not expect our long-term themes to change meaningfully each year and our themes in 2026 align closely with our 2025 themes. While we acknowledge that there has been an increase in policy uncertainty that could impact the range of outcomes for these key themes, we continue to rely on them as guideposts for our 2026 CMAs. Our four key themes include a mix of long-term trends that present challenges, opportunities, and differentiated return expectations across global capital markets.

### 1. Continuation of U.S. Economic Leadership

We anticipate U.S. economic and capital markets leadership in the world to continue for the foreseeable future, supported by ongoing capital flows, robust AI investments, bond market stability, and high corporate profit margins relative to other developed economies.

From an economic leadership standpoint, the tariffs imposed earlier in the year and the ensuing trade related uncertainty has cast doubt on U.S.'s continued economic leadership as other countries continue to make trade deals amongst themselves. As the year passed, we have seen trade deals/negotiations being undertaken, which leads us to the conclusion that over the long-term, renegotiated trade deals and increased investment in the U.S. by various multinational companies should bode well for the U.S. economy.

This should help retain the productivity advantage. According to a McKinsey study, over the past 25 years, European economies have developed a productivity gap of 33 percentage points versus the U.S. We believe that the U.S. retains its advantage of higher productivity compared to most other developed economies.<sup>1</sup>

Lastly, the U.S. dollar continues to serve as the global reserve currency, and U.S. Treasury debt continues to be viewed by many investors as the highest quality, most stable financial asset in the world. Despite recent dollar weakening, foreign selling of Treasuries, current elevated fiscal deficits, and the federal debt level, we do not anticipate the dollar's global reserve currency status or perceived high quality debtor status to decline meaningfully in the foreseeable future. Additional factors that support our belief that the U.S. will remain in a position of economic leadership include an economy fueled by innovation, significant accumulated wealth and purchasing power, strong corporate governance and legal structures, energy independence, and military strength. However, changes in immigration policies impacting future labor availability and trade policies that could impact long-term growth could limit this advantage—though the extent is currently unobserved and unknown, leading us to not include this impact on our expectations.

<sup>1</sup> Heimes, Heiko, Ignacio Marcos, Johan Bengtsson, and Ruth Heuss. 2025. "To Unleash Productivity Growth in Europe, Rewire Your Operations." McKinsey & Company. September 18, 2025. <https://www.mckinsey.com/capabilities/operations/our-insights/to-unleash-productivity-growth-in-europe-rewire-your-operations>.



## 2. Transformative Technology and Productivity Impact

Economic productivity growth is very challenging to accurately measure in real time, much less to forecast decades into the future. However, productivity growth represents a key input to overall economic growth potential. We believe transformative technology developments, including AI, carry the potential for an upward structural shift in productivity growth in the decades ahead. While difficult to quantify in its still-early stage of adoption, we believe the U.S. is well-positioned to leverage AI technology in corporate workstreams and economic activity.

We have continued to see an increase in adoption of AI and related productivity tools, with 10% of businesses reporting use of AI to produce goods and services with another 5% expected in the next six months. According to Gartner, worldwide spending on AI is forecasted to reach \$1.5 trillion in 2025 and is expected to top \$2 trillion in 2026.<sup>2</sup>

While all of this might not translate into one-for-one earnings growth, margin expansion, or productivity increases, we believe that the continued lower cost of AI adoption could lead to increased labor productivity and improving corporate profit margins over the intermediate term. In the near term, we are concerned about the extended valuations being placed on seemingly everything AI related but believe that there will be clear winners and losers as automation and AI adoption lead to changes in service and delivery models across organizations.

## 3. Demographic Trends Foreshadowing Slower Population Growth

Global and regional population growth trends are structural in nature and have long-term impacts on economic growth potential, productivity, and the size of the workforce. We have highlighted the slowing population across major economies last year and expect this trend to place a limit on economic growth.

In the U.S., recent immigration policy changes have led to a downward revision of population growth estimates for the next 30 years. The population in prime working years (ages 25 to 54) and the number of people aged 65 or older are expected to slow along with total population. The number of people aged over 65 is expected to account for 27% (currently at 22% in 2025) of the total population in 2054, which has implications for the fiscal debt in the U.S. According to the CBO, social security and Medicare make up 5.2% and 3.1% of GDP in 2025 and are expected to rise to 6.1% and 5.2% of GDP by 2055.

The challenging population and demographic trends the U.S. is expected to face over the next few decades are even more pronounced in some other developed regions of the world, such as Europe and Japan. While hard to quantify and assess today, any productivity increase (caused by an increased adoption of AI) could mean that the structural impact from slowing population growth on future economic growth could be slightly mitigated.

## 4. Geopolitical Shifts Changing Long-Term Trends

We believe that the global economy will become much less interconnected through economic partnerships and trade and will continue to evolve towards a multi-polar economic structure. In the interest of both national security and increasing domestic employment, “reshoring” manufacturing of certain products and goods and developing greater energy independence have become key national and public policy priorities for many governments, including the U.S. Additionally, the use of tariffs/trade and economic leverage as a way to address geopolitical priorities and technological dominance means that we should expect an increase in volatility related to the range of potential economic outcomes as the lines between economic and geopolitical priorities become blurred.

<sup>2</sup> “Gartner Says Worldwide AI Spending Will Total \$1.5 Trillion in 2025.” 2025. Gartner. 2025. <https://www.gartner.com/en/newsroom/press-releases/2025-09-17-gartner-says-worldwide-ai-spending-will-total-1-point-5-trillion-in-2025>.





This, along with the rise of regional economic trade and supply chain arrangements that no longer emphasize the lowest cost provider, will be a theme that continues to play out in the coming decades with likely ramifications for economic growth in certain parts of the world, global trade volumes, and prices of certain goods and products. We have considered these potential longer-term impacts of deglobalization while forming our 2026 capital market assumptions.

## Our Capital Market Assumptions Methodology

The expectations for equity returns are a combination of earnings growth, valuation changes, and dividend/buyback yields. Earnings growth is derived from our expectation for labor and capital growth, total factor productivity (TFP), and inflation. Changes in valuations are important, especially over the intermediate term where starting valuations have a more material bearing on expected returns. Over the long term, starting valuations are less of a driver of expected return. Instead, we incorporate expected long-term GDP growth rates as a base for earnings growth projections which we then adjust to determine the earnings growth that can serve as a proxy for capital appreciation. We then combine it with a yield component (dividend yield plus buyback yield) to determine the long-term return expectations.

Fixed income returns are a function of current yields, expected yield and curve changes over the horizon period, and expected spread changes for corporates and other non-Treasury sectors. We model expected changes in yields for cash based on our view of Federal Reserve policy. We model expected changes in longer-term yields based on our assumptions about cash, inflation, and the historical spread relationships between short- and long-term bonds. For corporate bonds, we model current and expected spread levels. In the case of bank loans and high yield (HY) bonds, we adjust for default rates and expected recovery rates to determine returns over their respective periods.

The creation of our alternative CMAs leverages the work done on both our equity and fixed income CMAs, and then expands it based on the idiosyncratic drivers for each alternative asset class. Factors such as interest

rates, credit spreads, and inflation rates play a part in either the cost of borrowing, creating higher hurdle rates, or the natural rate of return for an asset. Current valuations have more of an impact on private equity and private real estate return expectations and less of an impact on commodities and private debt return expectations.

## Summary of 2026 CMA Assumptions and Inputs

### Economic Growth

- The long-term GDP growth rate is based on total factor productivity growth and the growth of inputs (i.e., capital and labor). Total factor productivity grew at a (faster) rate of 0.9% in the current 2019-2024 cycle compared to 0.6% growth in the previous business cycle (2007-2019) that included the great financial crisis. Given the recent improvements in productivity data, we expect total factor productivity to grow at 0.7% (a conservative estimate based on the average of the last two cycles) and inputs, including labor and capital, to grow at 1.6%, which was the average observed in the last cycle (2007-2019).
- Total long-term nominal growth in the U.S. is expected to be 4.7%, which includes productivity growth of 0.7%, input growth of 1.6%, and a long-term inflation estimate of 2.4%. The long-term real GDP growth rate is expected to be 2.3%.
- Outside the U.S., we expect developed international economies to grow at a nominal rate of 2.7% and emerging market economies to grow at a nominal rate of 6.4%.

### Inflation

- Intermediate-term inflation expectations are 2.3%, while long-term inflation expectations are 2.4%. We expect inflation in the intermediate term to be slightly higher than the 2.1% we assumed last year due to the impact of evolving global trade policies. Our long-term inflation estimates are slightly higher than the Fed's inflation target of 2% due to expectations for growing fiscal deficits and a higher debt-to-GDP ratio.





## Rates

- We model for a 25 basis point (bps) rate cut in December 2025, followed by a rate cut in 2026 and 2027, which would lead to a terminal fed funds rate of 3.00%-3.25%. We are closely aligning our forecasts with the Fed's dot plot from its September 2025 meeting.
- The 20-year average spread between the 10-year and 3-month Treasuries is at +1.22%, while the current spread is at 0.22%. We assume that future spreads will be higher due to higher expected inflation and higher deficits (i.e., higher term premium), leading to a 4.34% terminal 10-year rate. We expect 10-year rates to slowly rise from the current level of 4.10% over the next few years.
- The spread between the 2-year Treasury note and 3-month bill is currently negative, but the 20-year average is +0.23%. We assume that the spread will equal the historical average by the end of 2027, leading to a terminal 2-year rate of 3.36%. The current rate is 3.55%.
- The average spread of core bonds to the U.S. Treasury curve is currently below its long-term average. We expect this spread to widen to levels consistent with the long-term average by the end of 2028.

## Credit Markets

- **High yield:** Recent default rates have been lower, while the recovery rates have also been lower due to an evolving industry mix. We assume a default rate of 2.0% and 2.5% over the intermediate and long terms, respectively, and a recovery rate of 35% and 50%, respectively. Our default rate assumptions are slightly lower than last year while the recovery rates are somewhat worse than our assumptions last year. This reflects the current composition of the HY benchmark that is higher quality leading to lower default rates but lower recovery in cases of a default. We also expect spreads to widen from the near historical lows to the 33rd percentile of historical observations by the end of 2028.
- **Bank loans:** Bank loan benchmarks are reflecting lower credit quality compared to high yield

benchmarks at this time. We assume a higher default rate in the next five years (including distressed exchanges) as credit quality has deteriorated. Meanwhile, the industry mix has also changed and leans more towards service-oriented companies, which also leads to lower recovery rates than what was assumed in the past. We assume a default rate of 3.5% over both the intermediate and long terms, and a recovery rate of 50% and 56%, respectively. We also expect spreads to widen from the current levels to the 33rd percentile of historical observations by the end of 2028.

## Long-Term Equity Market Drivers

Long-term drivers of returns include earnings growth, the dividend yield, and the buyback yield.

	Long-Term Earnings Growth	Total Yield	Total Return
U.S. Large-Cap	5.0%	2.2%	7.2%
U.S. Small-Cap	6.5%	1.5%	8.0%
Developed ex-U.S.	3.2%	4.0%	7.2%
Emerging Markets	5.2%	2.6%	7.8%

## Intermediate-Term Equity Market Drivers

- **U.S. Equities:** Starting valuations are higher across U.S. equity markets. We expect the forward price-to-earnings ratio (PE) to revert to five-year averages for small caps and seven-year averages for large caps, which would result in a headwind to intermediate-term returns. Earnings growth is expected to be in the 10-12% range over the next two years due to the resilient economic growth backdrop and lower corporate tax rates. Thereafter, earnings growth reverts closer to the 10-year average. As a result, earnings growth is expected to contribute to the majority of the return expectations over the intermediate term.



- **International Equities:** Within international equities, given the run up this year, forward PEs look expensive relative to the recent five-year averages. We expect a higher starting point to be a headwind while improving earnings growth sentiment to be a tailwind. Like in the case of domestic equities, earnings growth expectations drive the intermediate-term performance higher while higher dividend yields are also additive to the performance expectations.

### Changes to 2026 Capital Market Assumptions

Large year-to-year changes in our long-term CMAs are infrequent because structural themes are slower changing and long-term in nature. Where changes are observed, they tend to be in our intermediate-term CMAs and they are driven by shorter-term earnings growth, starting yields, inflation and rate forecasts, as well as current asset class valuation. We will highlight key changes in each broad asset class in this section.

Intermediate-term equity return expectations were reduced for U.S. large caps and improved for U.S. small caps and international equities. Lower U.S. large cap returns are a result of valuation headwinds stemming from the high returns observed in the recent three years and the corresponding run up in valuations. International developed equity return was 7.1% for 2025 due to lower growth expectations which have

been revised upwards to 7.7% for 2026 as a result of improving earnings sentiment and improving return to shareholders. Similarly, emerging markets went from 7.4% to 8.0%. These changes reflect improving earnings expectations in economic regions such as Europe, Japan, and China. Our long-term return expectation for small caps is 8.0% in 2026 and is slightly improved due to higher expected nominal earnings growth in the future.

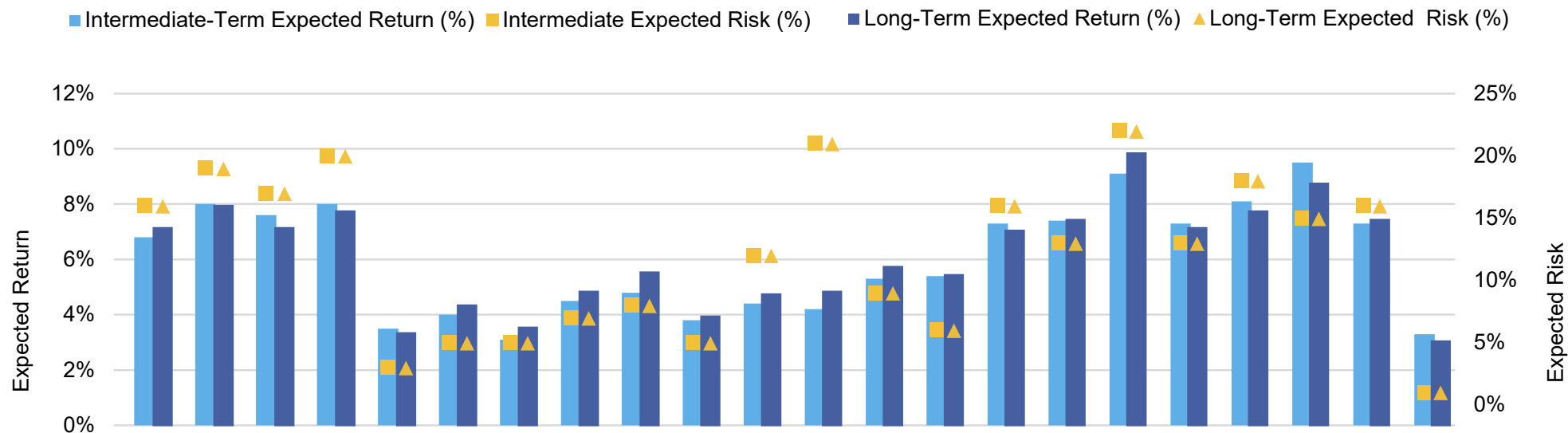
Fixed income return expectations are lower this year as a result of lower starting yields. Over the intermediate term, expected returns for core bonds declined from 4.4% in 2025 to 4.0% in 2026. The intermediate-term return for high yield and bank loans declined to 5.1% and 5.4%, respectively, in 2026. The changes are a result of tighter starting credit spreads that we expect to widen from the historical lows. Our 2026 long-term returns across fixed income asset classes are lower than in 2025 as well due to lower starting yields.

Within listed real assets, our intermediate- and long-term CMAs are slightly better across both listed real estate and listed infrastructure due to lower borrowing costs compared to 2025 along with continued growth expectations and attractive fundamentals. Similar improvement in expectations is also seen across alternatives.

**For more information, please contact your relationship manager.**



## Long- and Intermediate-Term Capital Market Assumptions



### Intermediate-Term Annualized Assumptions (Over the Next 5 Years)

Expected Return (%)	6.8	8.0	7.6	8.0	3.5	4.0	3.1	4.5	4.8	3.8	4.4	4.2	5.3	5.4	7.3	7.4	9.1	7.3	8.1	9.6	7.3	3.3
Expected Risk (%)	16	19	17	20	3.0	5.0	5.0	7.0	8.0	5.0	12	21	9.0	6.0	16	13	22	13	18	15	16	1.0

### Long-Term Annualized Assumptions (Over the Next 30 Years)

Expected Return (%)	7.2	8.0	7.2	7.8	3.4	4.4	3.6	4.9	5.6	4.0	4.8	4.9	5.8	5.5	7.1	7.5	9.9	7.2	7.8	8.8	7.5	3.1
Expected Risk (%)	16	19	17	20	3.0	5.0	5.0	7.0	8.0	5.0	12	21	9.0	6.0	16	13	22	13	18	15	16	1.0



### Asset Class Correlation Assumptions

	U.S. Large Cap Equity	U.S. Small-Cap	Int'l Developed Equity	EM Equity	Short Bonds	Core Bonds	Global Core	Intermediate IG Corp	Long IG Corp	Broad Treasury	Long Treasury	STRIPS	High Yield	Bank Loans	REITs	Listed Infrastructure	Private Equity	Private Debt	Private Real Estate	Private Infrastructure	Hedge Funds	Cash
U.S. Large Cap Equity	1																					
U.S. Small-Cap	0.9	1																				
Int'l Developed Equity	0.8	0.8	1																			
EM Equity	0.7	0.7	0.8	1																		
Short Bonds	0.2	0.2	0.1	0.1	1																	
Core Bonds	0.1	0.1	0.2	0.2	0.5	1																
Global Core	0.2	0.2	0.3	0.3	0.4	0.7	1															
Intermediate IG Corp	0.3	0.3	0.2	0.2	0.7	0.9	0.9	1														
Long IG Corp	0.3	0.3	0.2	0.2	0.7	0.9	0.9	0.9	1													
Broad Treasury	-0.3	-0.3	-0.2	-0.2	0.8	0.9	0.9	0.6	0.9	1												
Long Treasury	-0.3	-0.3	-0.2	-0.2	0.6	0.8	0.9	0.5	0.9	0.9	1											
STRIPS	-0.3	-0.3	-0.2	-0.2	0.4	0.6	0.7	0.4	0.9	0.9	0.9	1										
High Yield	0.7	0.7	0.5	0.5	0.3	0.4	0.4	0.7	0.4	-0.1	-0.1	-0.1	1									
Bank Loans	0.4	0.4	0.3	0.3	0.4	0.1	0.3	0.5	0.3	-0.3	-0.3	-0.3	0.7	1								
REITs	0.6	0.7	0.7	0.6	0.2	0.3	0.3	0.3	0.3	-0.1	-0.1	-0.1	0.5	0.4	1							
Listed Infrastructure	0.7	0.7	0.7	0.6	0.2	0.3	0.6	0.6	0.5	-0.1	-0.1	-0.1	0.6	0.5	0.7	1						
Private Equity	0.7	0.7	0.6	0.6	0.2	0.3	0.3	0.3	0.3	0.1	0.1	0.1	0.5	0.2	0.4	0.4	1					
Private Debt	0.6	0.6	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.8	0.7	0.4	0.4	0.5	1				
Private Real Estate	0.4	0.4	0.3	0.3	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.4	0.2	0.8	0.6	0.4	0.4	1			
Private Infrastructure	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.3	0.2	0.4	0.7	0.4	0.3	0.5	1		
Hedge Funds	0.6	0.6	0.5	0.5	0.3	0.4	0.4	0.4	0.3	-0.2	-0.2	-0.2	0.4	0.4	0.4	0.4	0.5	0.4	0.3	0.3	1	
Cash	0.1	0.1	0.1	0.1	0.5	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1



### Important Disclosures

We developed our assumptions by examining the economic fundamentals of each asset class. Our CMAs include expected returns, expected risks (measured as the standard deviation of returns), and correlations among a wide variety of asset classes. We derive our CMAs based on our projections for economic growth, inflation, interest rates, corporate profit growth and margins, and other fundamental economic and market conditions. All statements as to what will or may happen under certain circumstances are based on assumptions. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results.

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# Important disclosures, definitions of terms and index descriptions

Provided by U.S. Bank

If you have questions regarding this information or wish to receive definitions of any additional terms or indexes used in this report, please contact your team.

# Important disclosures (page 1 of 4)

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Equal Housing Lender. Credit products are offered by U.S. Bank National Association and subject to normal credit approval. Deposit products offered by U.S. Bank National Association. Member FDIC.

For use in one-on-one meetings/presentations.

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Performance reports included may show performance results gross of fees and expenses. If fees and expenses were included, the performance would be lower. If you have any questions, please speak with your relationship manager for additional information.

Based on our strategic approach to creating diversified portfolios, guidelines are in place concerning the construction of portfolios and how investments should be allocated to specific asset classes based on client goals, objectives and tolerance for risk. Not all recommended asset classes will be suitable for every portfolio. **Diversification and asset allocation do not guarantee returns or protect against losses.**

# Important disclosures (page 2 of 4)

**Equity securities** are subject to stock market fluctuations that occur in response to economic and business developments. **Stocks of small-capitalization companies** involve substantial risk. These stocks historically have experienced greater price volatility than stocks of larger companies and may be expected to do so in the future. **Stocks of mid-capitalization companies** can be expected to be slightly less volatile than those of small-capitalization companies, but still involve substantial risk and may be subject to more abrupt or erratic movements than large-capitalization companies. The value of **large-capitalization stocks** will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions. **Growth investments** focus on stocks of companies whose earnings/profitability are accelerating in the short term or have grown consistently over the long term. Such investments may provide minimal dividends, which could otherwise cushion stock prices in a market decline. Stock value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments. **Value investments** focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that their intrinsic values may never be realized by the market, or such stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

**International investing** involves special risks, including foreign taxation, currency risks, risks associated with possible differences in financial standards and other risks associated with future political and economic developments. Investing in **emerging markets** may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility.

Investments in **real estate securities** can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risks related to renting properties (such as rental defaults). There are special risks associated with an investment in **commodities**, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

Investments in **fixed income securities** are subject to various risks, including changes in interest rates, credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Investment in fixed income securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term securities. Investments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in **high yield bonds** offer the potential for high current income and attractive total return, but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a bond issuer's ability to make principal and interest payments.



# Important disclosures (page 3 of 4)

The **municipal bond** market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issues of municipal securities. Interest rate increases can cause the price of a bond to decrease. Income on municipal bonds is free from federal taxes, but may be subject to the federal alternative minimum tax (AMT), state and local taxes.

**Treasury Inflation-Protected Securities (TIPS)** offer a lower return compared to other similar investments and the principal value may increase or decrease with the rate of inflation. Gains in principal are taxable in that year, even though not paid out until maturity.

Non-financial **specialty assets**, such as real estate, farm, ranch and timber properties, oil, gas and mineral interests or closely-held business interests are complex and involve unique risks specific to each asset type, including the total loss of value. Special risk considerations may include natural events or disasters, complex tax considerations and lack of liquidity. Specialty assets may not be suitable for all investors.

**Alternative investments** very often use speculative investment and trading strategies. There is no guarantee that the investment program will be successful. Alternative investments are designed only for investors who are able to tolerate the full loss of an investment. These products are not suitable for every investor even if the investor does meet the financial requirements. It is important to consult with your investment professional to determine how these investments might fit your asset allocation, risk profile and tax situation. **Hedge funds** are speculative and involve a high degree of risk. An investment in a hedge fund involves a substantially more complicated set of risk factors than traditional investments in stocks or bonds, including the risks of using derivatives, leverage and short sales, which can magnify potential losses or gains. Restrictions exist on the ability to redeem or transfer interests in a fund. **Exchange-traded funds (ETFs)** are baskets of securities that are traded on an exchange like individual stocks at negotiated prices and are not individually redeemable. ETFs are designed to generally track a market index and shares may trade at a premium or a discount to the net asset value of the underlying securities. **Private equity** investments provide investors and funds the potential to invest directly into private companies or participate in buyouts of public companies that result in a delisting of the public equity. Investors considering an investment in private equity must be fully aware that these investments are illiquid by nature, typically represent a long-term binding commitment and are not readily marketable. The valuation procedures for these holdings are often subjective in nature. **Private debt** investments may be either direct or indirect and are subject to significant risks, including the possibility of default, limited liquidity and the infrequent availability of independent credit ratings for private companies. **Structured products** are subject to market risk and/or principal loss if sold prior to maturity or if the issuer defaults on the security. Investors should request and review copies of Structured Products Pricing Supplements and Prospectuses prior to approving or directing an investment in these securities.

# Important disclosures (page 4 of 4)

**Mutual fund investing** involves risk and principal loss is possible. Investing in certain funds involves special risks, such as those related to investments in small- and mid-capitalization stocks, foreign, debt and high-yield securities and funds that focus their investments in a particular industry. Please refer to the fund prospectus for additional details pertaining to these risks. An investment in **money market funds** is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although these funds seek to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in these funds.

**Holdings of First American Funds:** U.S. Bancorp Asset Management, Inc. is a registered investment advisor and subsidiary of U.S. Bank National Association. U.S. Bank National Association is a separate entity and wholly owned subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, performance or services of U.S. Bancorp Asset Management. U.S. Bancorp Asset Management, Inc. serves as an investment advisor to First American Funds. **Holdings of Nuveen mutual funds:** Firststar Capital Corporation (Firststar Capital), an affiliate of U.S. Bancorp, holds a less-than-10 percent ownership interest in Windy City Investments Holdings, LLC which was formerly the parent of Windy City Investment Inc. and the indirect parent of Nuveen Fund Advisors, LLC which is the investment advisor to the Nuveen Mutual Funds. On October 1, 2014, Windy City Investments, Inc. was sold to Teachers Insurance and Annuity Association of America. As a result of the sale, U.S. Bancorp no longer has an indirect ownership interest in Nuveen Fund Advisors, LLC. Depending on the outcome of certain factors, Firststar Capital might in the future receive an earn-out payment in respect of its interest in Windy City Investment Holdings, LLC, under the terms of the sale. **Non-proprietary mutual funds:** U.S. Bank may enter into agreements with other non-proprietary mutual funds or their service providers whereby U.S. Bank provides shareholder services and/or sub-transfer agency, custodial and other administrative support services and receives compensation for these services. Compensation received by U.S. Bank directly or indirectly from mutual funds does not increase fund fees and expenses beyond what is disclosed in the fund prospectuses. For more information, review the fund prospectus.

# Definitions of report and statement terms (page 1 of 5)

**Accredited Investor:** Private placement securities generally require that investors be accredited due to the additional risks and speculative nature of the securities. For natural persons, the criteria is met by a net worth of more than \$1 million (excluding primary residence) or an income of more than \$200,000 individually (\$300,000 jointly) for the two most recent years and a reasonable expectation for the same in the current year. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least \$5 million in assets. See full definition in Rule 501 of Regulation D under the Securities Act of 1933.

**Alpha:** A measure of risk-adjusted performance. A statistic measuring that portion of a stock, fund or composite's total return attributable to specific or non-market risk. Alpha measures non-market return and indicates how much value has been added or lost. A positive Alpha indicates the fund or composite has performed better than its Beta would predict (i.e., the manager has added value above the benchmark). A negative Alpha indicates a fund or composite has underperformed given the composite's Beta.

**Alternative Investments:** As used by U.S. Bank, an investment considered to be outside of the traditional asset classes of long-only stocks, bonds and cash. Examples of alternative investments include hedge funds, private equity, options and financial derivatives.

**Annualized Excess Return:** Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided annualize only periods greater than one year.

**Annualized or Annual Rate of Return:** Represents the average annual change in the value of an investment over the periods indicated.

**Batting Average:** Shows how consistently the portfolio return met or beat the market.

**Beta:** A measure of your portfolio's risk relative to a benchmark. A portfolio with a beta of 1.5, for example, would be expected to return roughly 1.5 times the benchmark's return. A high Beta indicates a riskier portfolio.

**Bond Credit Rating:** A grade given to bonds by a private independent rating service that indicates their credit quality. Ratings are the opinion of Standard & Poor's or other agencies as noted and not the opinion of U.S. Bank.

**Consumer Price Index (CPI):** A measure of the average change in prices over time in a market basket of goods and services and is one of the most frequently used statistics for identifying periods of inflation and deflation.

**Convexity to Stated Maturity:** A measure of the curvature in the relationship between bond prices and bond yields that demonstrates how the duration of a bond changes as the interest rate changes. Convexity is used as a risk-management tool and helps to measure and manage the amount of market risk to which a portfolio of bonds is exposed. This version of convexity measures the rate change in duration of a bond as the yield to (stated) maturity changes.

# Definitions of report and statement terms (page 2 of 5)

**Cost basis/book value:** The original value of an asset at the time it was acquired. This is normally the purchase price or appraised value at the time of acquisition. This data is for information purposes only.

**Cumulative Excess Return:** Shows the difference between the annualized linked returns of a portfolio and the model benchmark. Performance reports provided use unannualized returns in periods up to one year, but annualized returns for periods exceeding one year.

**Downside Capture:** The downside capture ratio reflects how a portfolio compares to a benchmark during periods when the benchmark is down. A downside capture ratio of 0.80 (or 80 percent) means the portfolio has historically declined only 80 percent as much as the benchmark during down markets.

**Downside Deviation:** The deviation of returns that fall below a minimum acceptable return (MAR). Although the numerator includes only returns below the MAR, the denominator includes all returns in the performance period. This risk statistic is similar to the downside standard deviation except the sum is restricted to returns less than the MAR instead of the mean.

**Downside Standard Deviation:** The deviation of returns that fall below the mean return. Although the numerator includes only returns below the mean, the denominator includes all returns in the performance period. This risk statistic is similar to the downside deviation except the sum is restricted to returns less than the mean instead of the minimum acceptable return (MAR).

**Effective Maturity:** The date of a bond's most likely redemption, given current market conditions, taking into consideration the optional and mandatory calls, the optional, mandatory and recurring puts, and the stated maturity.

**Estimated annual income:** The amount of income a particular asset is anticipated to earn over the period indicated. The shares multiplied by the annual income rate.

**Gain/loss calculation:** If an asset was sold, the difference between the proceeds received from the sale compared to the cost of acquiring the asset. If the value of the proceeds is the higher of the two numbers, then a gain was realized. If the value of the proceeds is the lower of the two numbers, a loss was incurred. This data is for information purposes only.

**Information Ratio:** The information ratio compares the average excess return of the portfolio over its associated benchmark divided by the tracking error.

**M-Squared:** The hypothetical return of the portfolio after its risk has been adjusted to match a benchmark.

# Definitions of report and statement terms (page 3 of 5)

**Market Value:** Publicly traded assets are valued using market quotations or valuation methods from financial industry services believed by us to be reliable. Assets, that are not publicly traded, may be reflected at values from other external sources or special valuations prepared by us. Assets for which a current value is not available may be reflected as not valued, at par value, or at a nominal value. Values shown do not necessarily reflect prices at which assets could have been bought or sold. Values are updated based on internal policy and may be updated less frequently than statement generation.

**Market Value Over Time:** Many factors can impact the portfolio value over time, such as contributions to the account, distributions from the account, the investment of dividends and interest, the deduction of fees and expenses, and market performance.

**Modified Duration to Effective Maturity:** A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration takes into consideration a “horizon date/price” that is, given current conditions, the most likely redemption date/price using the set of calls/puts, as well as stated maturity.

**Modified Duration to Stated Maturity:** A formula that expresses the measurable change in the value of a security in response to a change in interest rates. This version of Modified Duration uses stated maturity as the “horizon date/price” and ignores any potential call/put/pre-refunding, even if they are mandatory.

**Price/Earnings Ratio (P/E):** The P/E ratio of a company is calculated by dividing the price of the company’s stock by its trailing 12-month earnings per share. A high P/E usually indicates that the market is paying a premium for current earnings because it believes in the firm’s ability to grow its earnings. A low P/E indicates the market has less confidence that the company’s earnings will increase. Within a portfolio, P/E is the weighted average of the price/earnings ratios of the stocks in the portfolio.

**Qualified Purchaser:** Some private placement securities require that investors be Qualified Purchasers in addition to being Accredited Investors. For natural persons, the criteria is generally met when the client (individually or jointly) owns at least \$5 million in investments. For other entities, such as corporations, partnerships, trusts and employee benefit plans, the criteria is met with at least \$25 million in investments though there are other eligibility tests that may apply. See full definition in Section 2(a)(51) of the Investment Company Act of 1940.

**R-Squared:** Measures the portion of the risk in your portfolio that can be attributed to the risk in the benchmark.

**Realized and Unrealized Gains/Losses:** Are calculated for individual tax lots based on the records we have available. Some data may be incomplete or differ from what you are required to report on your tax return. Some data used in these calculations may have been obtained from outside sources and cannot be verified by U.S. Bank. The data is intended for informational purposes only and should not be used for tax reporting purposes. Please consult with your tax or legal advisor for questions concerning your personal tax or financial situation.

# Definitions of report and statement terms (page 4 of 5)

**Residual Risk:** The amount of risk specific to the assets in a portfolio distinct from the market, represented by a benchmark.

**Return:** An indication of the past performance of your portfolio.

**Sharpe Ratio:** Measures of risk-adjusted return that calculates the return per unit of risk, where risk is the Standard Deviation of your portfolio. A high Sharpe ratio indicates that the portfolio is benefiting from taking risk.

**Sortino Ratio:** Intended to differentiate between good and bad volatility. Similar to the Sharpe ratio, except it uses downside deviation for the denominator instead of standard deviation, the use of which doesn't discriminate between up and down volatility.

**Spread:** The difference between the yields of two bonds with differing credit ratings (most often, a corporate bond with a certain amount of risk is compared to a standard traditionally lower risk Treasury bond). The bond spread will show the additional yield that could be earned from a bond which has a higher risk.

**Standard Deviation:** A measure of the volatility and risk of your portfolio. A low standard deviation indicates a portfolio with less volatile returns and therefore less inherent risk.

**Time-weighted Return:** The method used to calculate performance. Time-weighted return calculates period by period returns that negates the effect of external cash flows. Returns for periods of greater than one year are reported as an annualized (annual) rate of return. Returns of less than one year are reported on a cumulative return basis. Cumulative return is the aggregate amount an investment has gained or lost over time, independent of the period involved.

**Tracking Error:** A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark. This is often in the context of a hedge or mutual fund that did not work as effectively as intended, creating an unexpected profit or loss instead.

**Traditional Investments:** As used by U.S. Bank, an investment made in equity, fixed income or cash securities, mutual funds or exchange-traded funds (ETFs) where the investor buys at a price with the goal that the investment will go up in value.

**Top 10 Holdings:** The 10 assets with the highest market values in the account.

**Total Portfolio Gross of Fees:** Represents all assets included in the calculation of the portfolio, before the deduction of trust and asset management fees, and is inclusive of all applicable third-party security fees and expenses. Details of those fees and expenses are provided in the security's prospectus or offering documents.

# Definitions of report and statement terms (page 5 of 5)

**Total Return:** The rate of return that includes the realized and unrealized gains and losses plus income for the measurement period.

**Treynor Ratio:** Measures the performance of a sector relative to risk by dividing the return of the sector in excess of the risk-free return by the sector's Beta. The higher the Treynor ratio, the better the return relative to risk.

**Turnover Percent:** Indicates how frequently asset are bought and sold within a portfolio.

**Turnover Ratio:** The percentage of a mutual fund's or other investment vehicle's holdings that have been "turned over" or replaced with other holdings in a given year.

**Unrealized gain (loss)** — The difference between the current market value (at the end of the statement period) and the cost to acquire the asset. If the current market value is higher than the cost, a gain is reflected. If the current market value is lower than the cost paid, a loss is reflected. This data is for information purposes only.

**Upside Capture:** The upside capture ratio reflects how a portfolio compares to the selected model benchmark during periods when the benchmark is up. An upside capture ratio of 1.15 (or 115 percent) means the portfolio has historically beat the benchmark by 15 percent during up markets.

**Yield:** The annual rate of return on an investment, expressed as a percentage. For bonds, it is the coupon rate divided by the market price. For stocks, it is the annual dividend divided by the market price.



# Frequently used indexes (page 1 of 5)

**Bloomberg Barclays 1-3 year U.S. Treasury Index:** Measures the performance of the U.S. government bond market and includes public obligations of the U.S. Treasury with a maturity between one year and up to (but not including) three years.

**Bloomberg Barclays 1-5 year U.S. Treasury Index:** Includes all publicly issued, U.S. Treasury securities that have a remaining maturity of greater than or equal to one year and less than five years, are rated investment grade and have \$250 million or more of outstanding face value.

**The Bloomberg Barclays 1-5 year Municipal Index:** Measures the performance of municipal bonds with time to maturity of more than one year and less than five years.

**Bloomberg Barclays 7-year Municipal Index:** Includes municipal bonds with a minimum credit rating of Baa that have been issued as part of a transaction of at least \$50 million, have a maturity value of at least \$5 million and a maturity range of four to six years.

**Bloomberg Barclays Global Aggregate Index ex-U.S. Index:** Measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

**Bloomberg Barclays Global Treasury ex-U.S. Index:** Includes government bonds issued by investment-grade countries outside the United States, in local currencies, that have a remaining maturity of one year or more and are rated investment grade.

**Bloomberg Barclays High Yield Municipal Bond Index:** An unmanaged index made up of bonds that are non-investment grade, unrated or below Ba1 bonds.

**Bloomberg Barclays Intermediate Aggregate Index:** Consists of one- to 10-year governments, one- to 10-year corporate bonds, all mortgages and all asset-backed securities within the Aggregate Index.

**Bloomberg Barclays Mortgage-Backed Securities Index:** Covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid adjustable-rate mortgages) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

**Bloomberg Barclays U.S. Aggregate Bond Index:** Measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and commercial mortgage-backed securities.

**Bloomberg Barclays U.S. Corporate Bond Index:** Measures the investment grade, fixed-rate, taxable corporate bond market and includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.



# Frequently used indexes (page 2 of 5)

**Bloomberg Barclays U.S. Corporate High Yield Bond Index:** Measures the U.S. dollar denominated, high yield, fixed-rate corporate bond market.

**Bloomberg Barclays U.S. Municipal Bond Index:** Measures the investment grade, U.S. dollar-denominated, fixed tax-exempt bond market. The index includes state and local general obligation, revenue, insured and pre-refunded bonds.

**Bloomberg Barclays U.S. Treasury Index:** Measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.

**Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index:** An unmanaged index includes all publicly issued, U.S. TIPS that have at least one year remaining to maturity, are rated investment grade, and have \$250 million or more of outstanding face value.

**Cambridge U.S. Private Equity Index:** This index is based on returns data compiled for U.S. private equity funds (including buyout, growth equity and mezzanine funds) that represent the majority of institutional capital raised by private equity partnerships formed since 1986. Returns may be delayed by up to six months. Quarterly performance is prorated based on the cube root for the months of the quarter.

**Citigroup 3-Month Treasury Bills:** An unmanaged index and represents monthly return equivalents of yield averages of the last three-month Treasury Bill issues.

**Citigroup 6-Month Treasury Bills:** An unmanaged index and represents monthly return equivalents of yield averages of the last six-month Treasury Bill issues.

**Credit Suisse Leverage Loan Index:** Represents tradable, senior-secured, U.S. dollar-denominated non-investment grade loans.

**Dow Jones Industrial Average (DJIA):** The price-weighted average of 30 significant U.S. stocks traded on the New York Stock Exchange and NASDAQ. The DJIA is the oldest and single most watched index in the world.

**Dow Jones Select REIT Index:** Measures the performance of publicly traded REITs and REIT-like securities in the U.S. and is a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

**HFRI Indices:** The Hedge Fund Research, Inc. (HFRI) indexes are a series of benchmarks designed to reflect hedge fund industry performance by constructing composites of constituent funds, as reported by the hedge fund managers listed within the HFR Database.

# Frequently used indexes (page 3 of 5)

**HFR Equity Hedge Total Index:** Uses the HFR (Hedge Fund Research) database and consists only of equity hedge funds with a minimum of \$50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

**HFR Relative Value Fixed Income Corporate Index:** Uses the HFR (Hedge Fund Research) database and consists of only relative value fixed income corporate funds with a minimum of \$50 million assets under management or a 12-month track record and that reported assets in U.S. dollars.

**ICE BofAML 1-3 Year Corporate Index:** Tracks U.S. dollar-denominated investment grade public debt issued in the U.S. bond market with maturities of one to three years.

**ICE BofAML 1-5 Year Corporate and Government Index:** Tracks the performance of short-term U.S. investment grade government and corporate securities with maturities between one and five years.

**ICE BofAML U.S. 7-10 Year Index:** Tracks the performance of U.S. dollar denominated investment grade rated corporate debt publicly issued in the U.S. domestic market and includes all securities with a remaining term to maturity of greater than or equal to seven years and less than 10 years.

**ICE BofAML Global Broad Market Index:** Tracks the performance of investment grade public debt issued in the major domestic and Eurobond markets, including global bonds.

**ICE BofAML U.S. High Yield Master II Index:** Commonly used benchmark index for high yield corporate bonds and measures the broad high yield market.

**J.P. Morgan Emerging Markets Bond Index Global (EMBI Global):** Tracks total returns for traded external debt instruments in the emerging markets.

**London Interbank Offered Rate (LIBOR) 3-months:** The interest rate offered by a specific group of London banks for U.S. dollar deposits with a three-month maturity.

**London Interbank Offered Rate (LIBOR) 9-months:** The interest rate offered by a specific group of London banks for U.S. dollar deposits with a nine-month maturity.

**MSCI All Country World Index (ACWI):** Designed to measure the equity market performance of developed and emerging markets.

# Frequently used indexes (page 4 of 5)

**Russell 2000 Value Index:** Measures companies in the Russell 2000 Index having lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

**Russell 3000 Index:** Measures the performance of the 3,000 largest U.S. securities based on total market capitalization.

**Russell Midcap Index:** Measures the 800 smallest companies in the Russell 3000 Index.

**Russell Midcap Growth Index:** Measures companies in the Russell Midcap Index having higher price-to-book ratios and higher forecasted growth values.

**Russell Midcap Value Index:** Measures companies in the Russell Midcap Index having lower price-to-book ratios and lower forecasted growth values.

**MSCI All Country World ex-U.S. Index (ACWI, excluding United States):** Tracks the performance of stocks representing developed and emerging markets around the world that collectively comprise most foreign stock markets. U.S. stocks are excluded from the index.

**MSCI EAFE Index:** Includes approximately 1,000 companies representing the stock markets of 21 countries in Europe, Australasia and the Far East.

**MSCI Emerging Markets (EM) Index:** Designed to measure equity market performance in global emerging markets.

**MSCI World Index:** Tracks equity market performance of developed markets through individual country indices.

**NAREIT Index:** Includes REITs (Real Estate Investment Trusts) listed on the New York Stock Exchange, NASDAQ and American Stock Exchange.

**NASDAQ Composite Index:** A market capitalization-weighted average of roughly 5,000 stocks that are electronically traded in the NASDAQ market.

**NCREIF Property Index (NPI):** Measures the investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

**Russell 1000 Index:** Measures the performance of the 1,000 largest companies in the Russell 3000 Index and is representative of the U.S. large capitalization securities market.

# Frequently used indexes (page 5 of 5)

**Russell 1000 Growth Index:** Measures companies in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

**Russell 1000 Value Index:** Measures companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. It includes the largest 1,000 firms in the Russell 3000 Index.

**Russell 2000 Index:** Measures the performance of the 2,000 smallest companies in the Russell 3000 Index and is representative of the U.S. small capitalization securities market.

**Russell 2000 Growth Index:** Measures companies in the Russell 2000 Index having higher price-to-book ratios and higher forecasted growth values. and is representative of U.S. securities exhibiting growth characteristics. The Russell 2000 Index includes the 2,000 firms from the Russell 3000 Index with the smallest market capitalizations.

**S&P 500 Index:** Consists of 500 widely traded stocks that are considered to represent the performance of the U.S. stock market.

**S&P Global ex-U.S. Property Index:** Measures the investable universe of publicly traded property companies domiciled in developed and emerging markets excluding the United States. The companies included are engaged in real estate related activities such as property ownership, management, development, rental and investment.

**S&P GSCI:** A composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

**S&P/Case-Shiller Home Price Indexes:** A group of indexes that track changes in home prices throughout the United States. Case-Shiller produces indexes representing certain metropolitan statistical areas (MSA) as well as a national index.

**Swiss Re Global Cat Bond Total Return Index:** Tracks the aggregate performance of all U.S. dollar-denominated euros and Japanese yen-denominated catastrophe bonds, capturing all ratings, perils and triggers.

**U.S. Dollar Index:** Indicates the general international value of the U.S. dollar by averaging the exchange rates between the U.S. dollar and six major world currencies.

**Wilshire 5000 Index:** Composed of more than 6,700 publicly-traded U.S. companies and is designed to track the overall performance of the American stock markets.



## LARM Market Update / Renewal Strategy and Expectations

Presented by: Justin Swarbrick

**2/24/2026**

Alliant Insurance Services  
[www.alliant.com](http://www.alliant.com)

(THIS INFORMATION HAS BEEN CONSOLIDATED FROM VARIOUS INDUSTRY SOURCES)







## Agenda

1. Global Market Overview
2. LARM Property Program
3. Renewal Strategy
4. Renewal Expectations
5. Renewal Timeline



## Global Market Overview

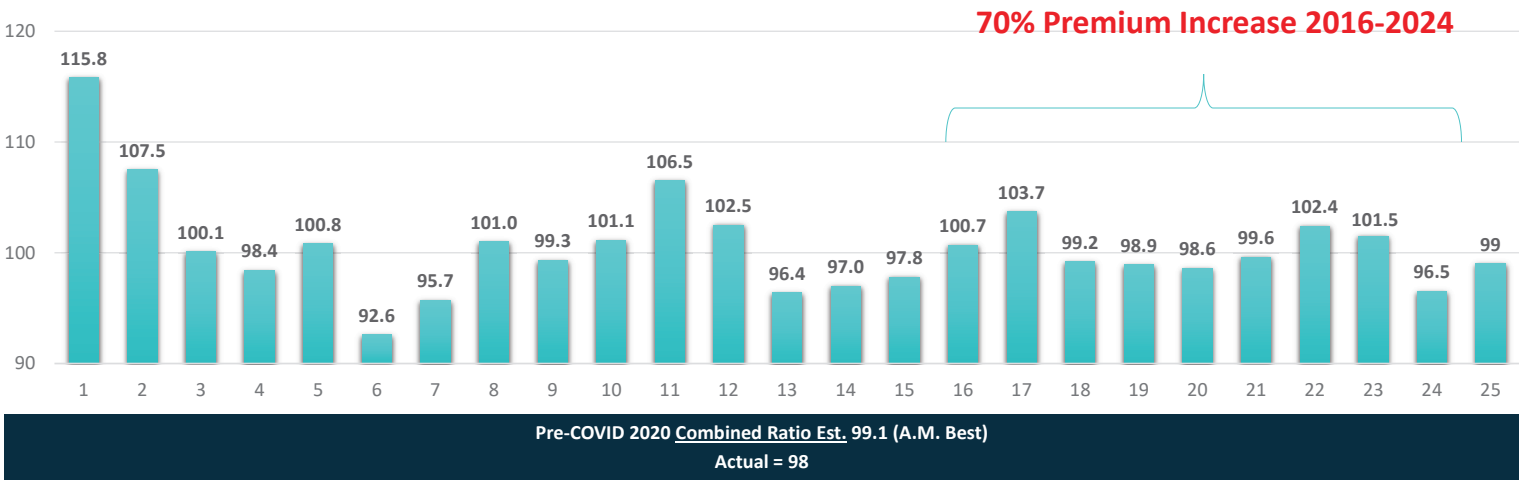
 **Alliant**

## Global Market Update

- Back-to-back profitable years for the industry
- Investment income on the rise
- Record profits
- Global reinsurance market - STABLE (except for liability)
- Outlook: Property and Liability experiencing opposite market cybers
  - *Property – Soft*
  - *Liability – Firm*

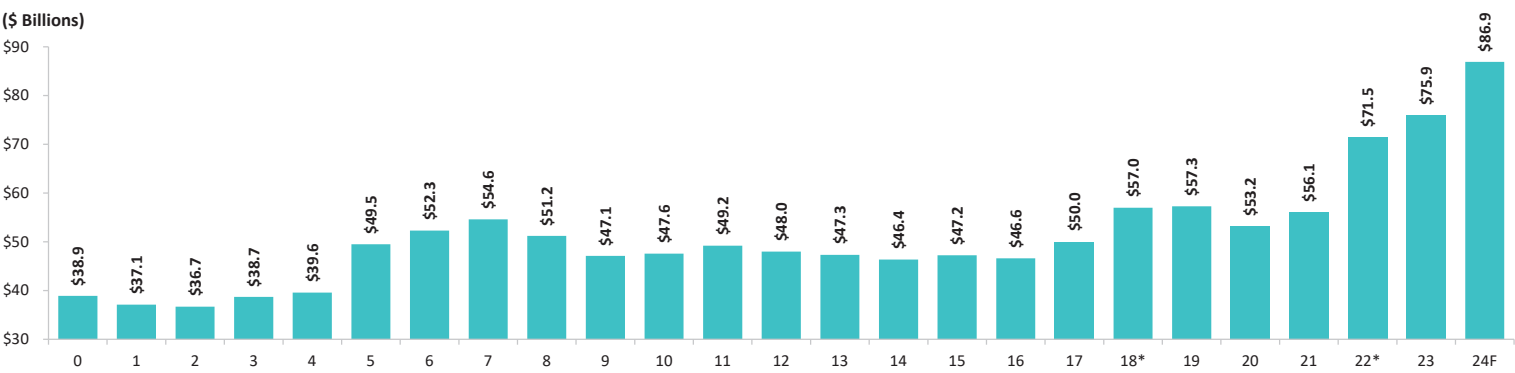


# P/C Insurance Industry Combined Ratio, 2001–2025



\*\*Excludes Mortgage & Financial Guaranty Insurers 2008–2014.  
Sources: A.M. Best, ISO (2014–2024F).

# Property/Casualty Insurance Industry Investment Income: 2000–2024



Due to persistently low interest rates, investment income remained below pre-crisis levels for a decade. Lower interest rates during COVID drove investment income down once again. Fed rate hikes in 2022-23 are reversing this trend.

\* 2018-19 figures are distorted by provisions of the TCJA of 2017. Increase reflects such items as dividends from foreign subsidiaries.  
\*\*2022 figure includes a \$10.8B intercompany distribution by a large reinsurer that flowed through NII.  
1 Investment gains consist primarily of interest and stock dividends. Sources: A.M. Best Review & Preview (March 2024); ISO; University of South Carolina, Center for Risk and Uncertainty Management.



## **Property Market Update**

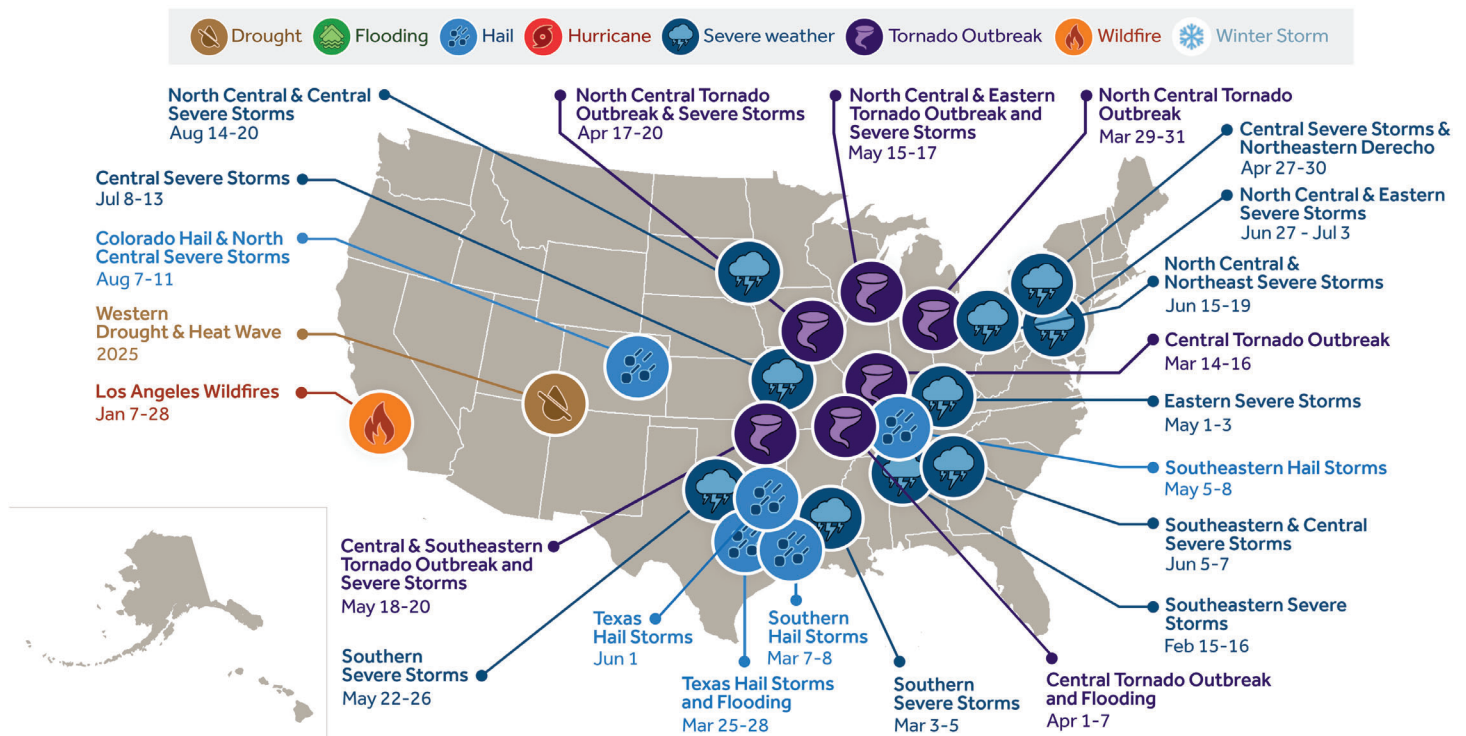
### **Property**

- Severe convective storm accounted for nearly 80% of losses in 2025
- No major hurricanes
- Significant “capacity” available for public entities

### **Property Coverage Items – Industry Trends**

- Cosmetic Damage Exclusions / Sub-limits
- Percentage Deductibles for Wind / Hail (Typically 2% or 3%)
- Public Adjustor Exclusions

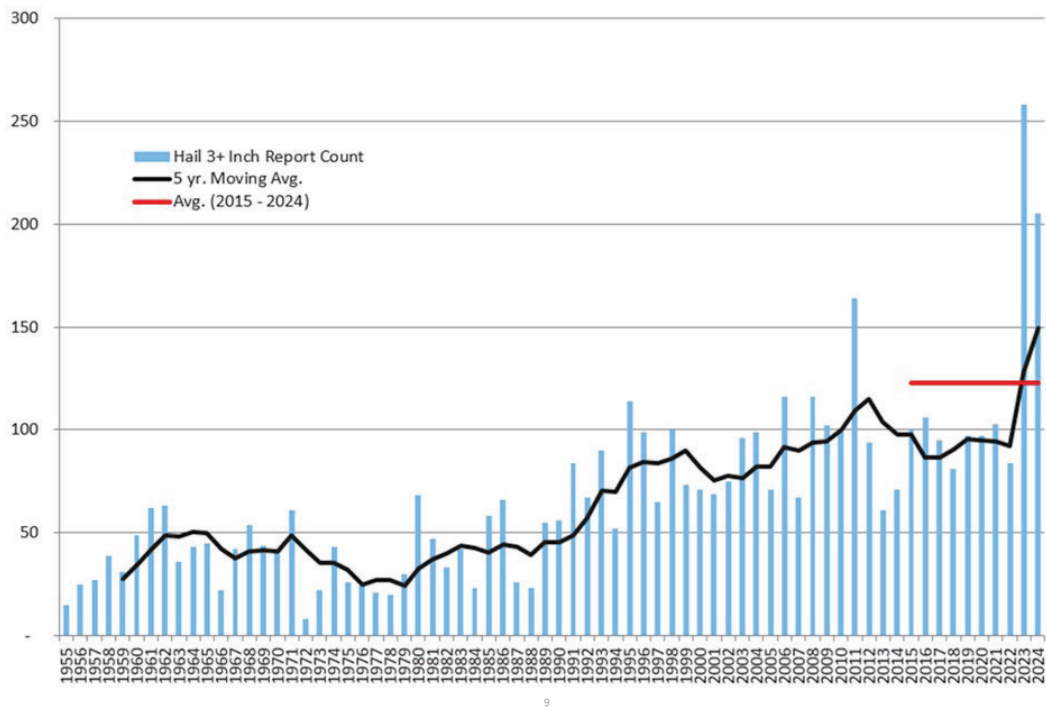
## U.S. 2025 Billion-Dollar Weather & Climate Disasters



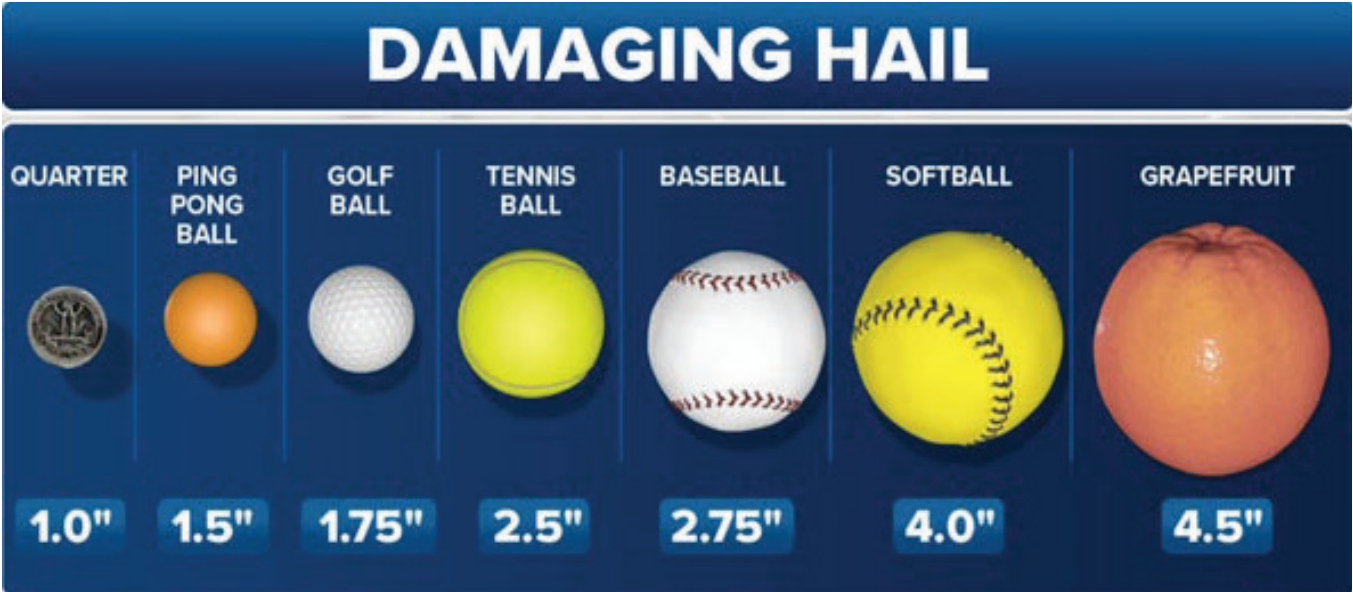
This map shows the approximate location for each of the 23 separate billion-dollar weather and climate disasters that impacted the United States from January-December of 2025.

CLIMATE CENTRAL

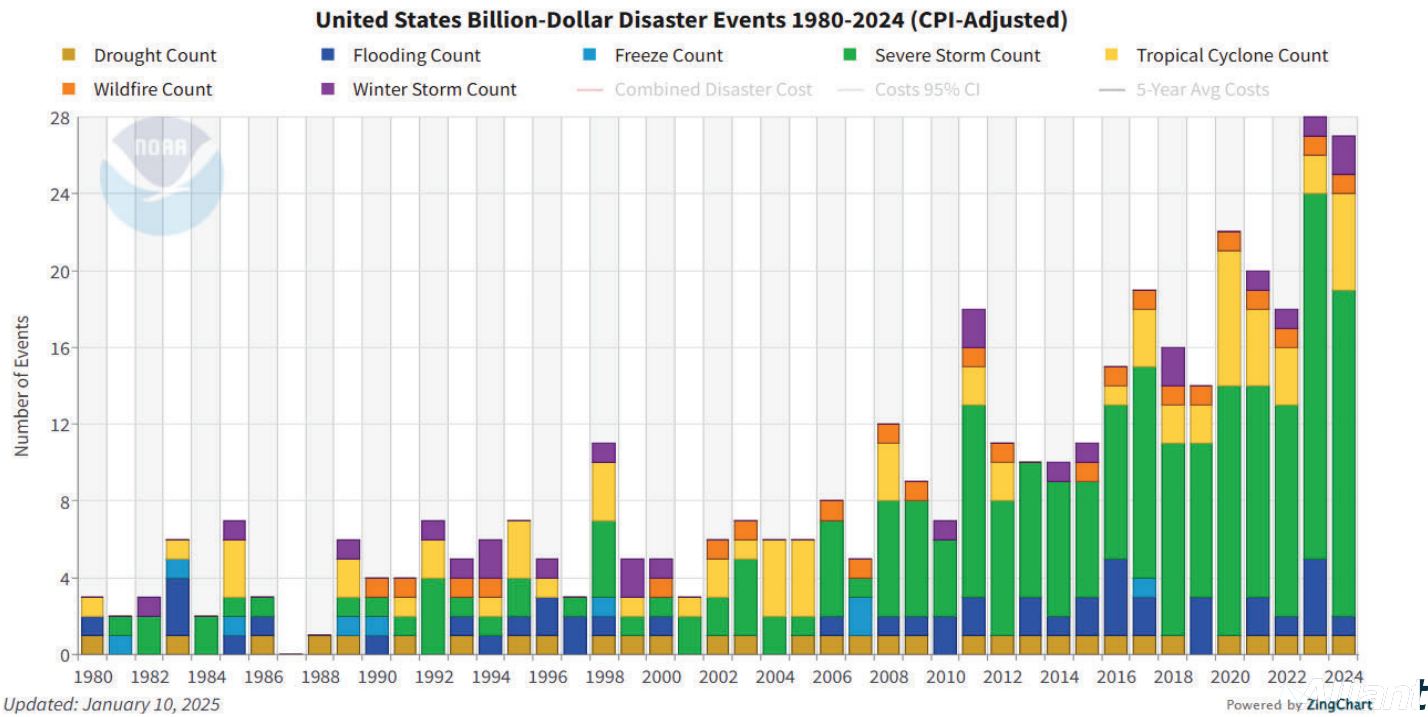
### Three Inch Hail Reports and Trend



Damaging Hail Size



# US Billion-Dollar Weather and Climate Disaster Events, Economic Costs, by Type, 1980 – 2024\* (CPI-Adjusted)



## **Liability Market Update**

### **Liability**

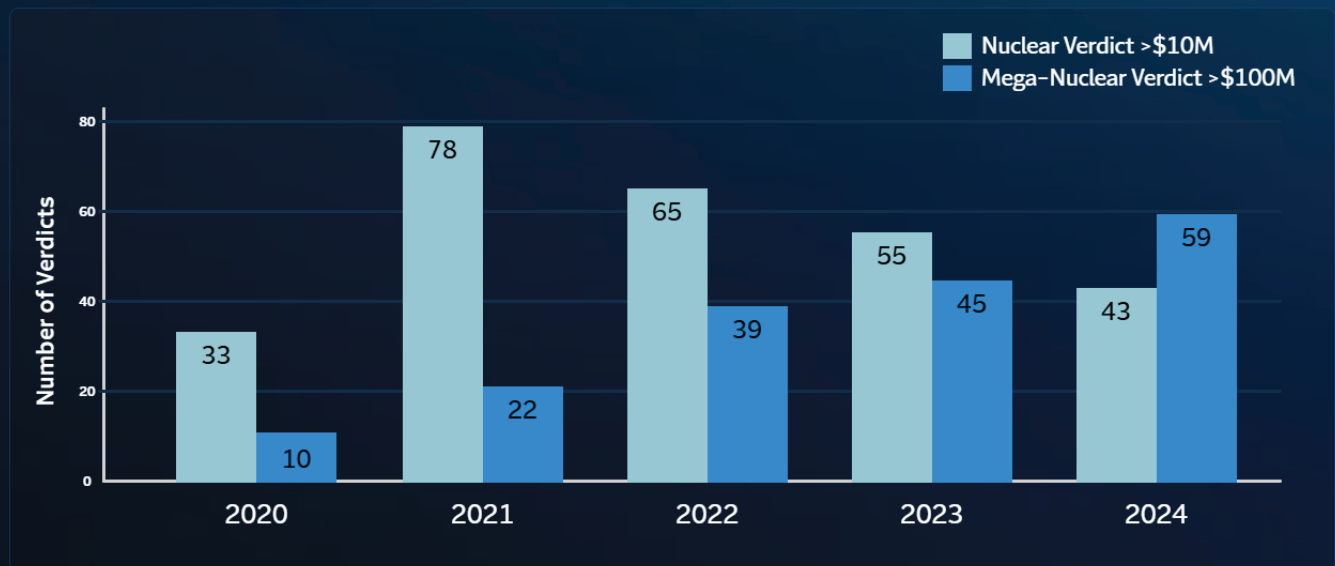
- Nuclear and mega verdicts
- Sophisticated attorney tactics and third-party litigation financing
- Desensitization to large verdicts
- Evolving jury attitudes

### **Public Entity Liability**

- Law enforcement
- Civil rights
- Sexual abuse and molestation
- Erosion of tort caps and immunity
- Aging infrastructure
- Staffing shortages
- Cyber related claims (ransomware, deep fakes, systemic events, AI)



## Nuclear and Mega-Nuclear Verdict Frequency | 2020-2024



[https://www.travelers.com/resources/business-topics/top-100-verdicts/survive-a-multi-million-verdict?utm\\_campaign=shareaholic&utm\\_medium=linkedin&utm\\_source=socialnetwork](https://www.travelers.com/resources/business-topics/top-100-verdicts/survive-a-multi-million-verdict?utm_campaign=shareaholic&utm_medium=linkedin&utm_source=socialnetwork)<sup>13</sup>





## Renewal Strategy 2026



# LARM Property Program – Renewal Strategy

- Exploring options for the upcoming July 1, 2026, property reinsurance renewal
- Attempting to take advantage of the “soft” market and restructure the program
- Ideally, we can move the effective date to October 1 to align with member renewal dates

## Current

APIP Provides Excess Coverage Up to \$250 Million
NLC Provides Coverage Up to \$3 Million
\$250,000 All Risk / \$500,000 Wind and Hail Deductible (\$1,000,000 Annual Aggregate Deductible)

## Renewal

Bermuda Reinsurer				Bermuda Reinsurer			
London Reinsurer	Domestic Reinsurer	London Reinsurer	Domestic Reinsurer				
Domestic Reinsurer		London Reinsurer	Domestic Reinsurer	London Reinsurer	Domestic Reinsurer	London Reinsurer	
			London Reinsurer	Domestic Reinsurer	Domestic Reinsurer		
London Reinsurer		Domestic Reinsurer	London Reinsurer	Domestic Reinsurer			
		Domestic Reinsurer	Domestic Reinsurer	Domestic Reinsurer			
London Reinsurer		Domestic Reinsurer	Domestic Reinsurer	London Reinsurer	Domestic Reinsurer		
Retention Amount							

15

## **Strategies and Expectations by Line of Coverage**

### **Cyber and Pollution Liability – 7/1/26**

- Market program for options
- Flat to 10% premium increases

### **Casualty – 10/1/26**

- Renew with NLC Mutual unless there is a reason to market the program
- 5 to 15% rate increase

### **Excess Work Comp – 10/1/26**

- Continue Relationship with MWCC
- Flat to 10% rate increase



## Renewal Timeline



# July Renewal Timeline

Activity	Timeframe
Renewal Strategy Discussion	January
Send Submission to the Marketplace	March
Underwriter Meetings and Negotiations	March and April
Renewal Proposal	May 1
Bind Renewal Coverage	May Board Meeting



Questions





# LARM

## Financial Review

Robert Ooms, Director of Finance, Sedgwick Pooling

February 24, 2026



# Balance Sheet

	September 30, 2025	December 31, 2025
<b><u>Assets</u></b>		
Cash on deposit	\$ 3,938,023	\$ 14,207,544
Short-term investments	0	5,889,056
Cash	3,938,023	20,096,600
Long-term investments	12,594,263	11,854,376
Premiums receivable	22,548,121	255,055
Interest receivable	91,271	132,355
Reinsurance recoverable on paid losses	3,116,437	4,112,247
<b>Total assets</b>	<b>42,288,115</b>	<b>36,450,633</b>
<b><u>Liabilities and Surplus</u></b>		
Loss reserves	5,155,380	\$ 5,914,665
Loss adjustment expenses	2,448,963	2,274,111
Unearned premium	24,157,366	16,853,265
Taxes payable	189,544	244,328
Other liabilities	385,944	952,060
Funds held under reinsurance treaties	25,000	25,000
<b>Total liabilities</b>	<b>32,362,197</b>	<b>26,263,429</b>
<b>Surplus</b>	<b>9,925,918</b>	<b>10,187,204</b>
<b>Total liabilities and surplus</b>	<b>\$ 42,288,115</b>	<b>\$ 36,450,633</b>

# Budget to Actual

	F2026 Budget	Actual Oct-Dec 2025
<b>Revenue:</b>		
Premiums earned, direct	\$ 25,797,000	\$ 6,621,712
Premiums earned, transferred by excess	<u>(8,757,000)</u>	<u>(2,222,071)</u>
Net premiums	17,040,000	4,399,641
Investment income	400,000	193,269
Miscellaneous income	30,000	574
Total revenues	<u>17,470,000</u>	<u>4,593,484</u>
<b>Expenses:</b>		
Losses incurred, direct	11,804,000	2,308,294
Losses incurred, transferred by excess	<u>(3,936,000)</u>	<u>(673,865)</u>
Net losses	9,346,000	1,634,429
Loss expenses incurred	1,478,000	53,012
Other underwriting expense incurred	<u>5,568,000</u>	<u>3,245,816</u>
Total expenses	<u>14,914,000</u>	<u>4,933,257</u>
Net income - statutory basis	<u>\$ 2,556,000</u>	<u>\$ (339,773)</u>

# Change in Surplus

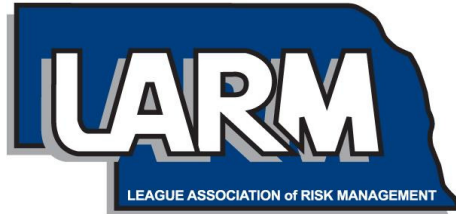
	September 30, 2025	December 31, 2025
Surplus, beginning of period	\$ 9,308,434	\$ 9,925,918
Net income - statutory basis	2,384,082	(339,773)
Unrealized capital gain	158,336	0
Change in non-admitted assets	(1,924,934)	601,059
<b>Surplus, end of period</b>	<b>\$ 9,925,918</b>	<b>\$ 10,187,204</b>

# Cash Flow

	September 30, 2025	December 31, 2025
Premiums collected, net of excess insurance	\$ 16,236,034	\$ 19,388,606
Loss and loss adjustment expenses paid	(7,067,630)	(1,497,759)
Underwriting expense paid	<u>(5,481,102)</u>	<u>(2,624,916)</u>
Cash from underwriting	3,687,302	15,265,931
Investment Income	685,999	152,185
Other Income/(Expense)	16,133	575
Net cash from operations	4,389,434	15,418,691
Transfer out:		
Other applications	<u>(4,022,165)</u>	<u>739,886</u>
Net change in cash and short-term investments	<u>367,269</u>	<u>16,158,577</u>
Cash and short term investments, beginning of period	<u>3,570,754</u>	<u>3,938,023</u>
Cash and short term investments, end of period	<u>\$ 3,938,023</u>	<u>\$ 20,096,600</u>

# Claim Development

	September 30, 2025	December 31, 2025
Unpaid claims and claims adjustment expenses at the beginning of period:	\$ 8,453,370	\$ 7,604,343
Incurred claims and claims adjustment expenses:		
Provision for insured events of current policy year	7,578,557	1,734,687
Increase/(decrease) in provision in insured events of prior policy year	<u>300,096</u>	<u>(47,246)</u>
Total incurred claims and claims adjustment expense	7,878,653	1,687,441
Payments:		
Claims and claims adjustment expenses attributable		
to insured events of the current policy year	3,541,328	103,651
Claims and claims adjustment expenses attributable		
to insured events of prior policy year	<u>5,186,352</u>	<u>1,000,357</u>
Total payments	<u>8,727,680</u>	<u>1,103,008</u>
Unpaid claims at end of period	<u>\$ 7,604,343</u>	<u>\$ 8,188,776</u>



**LEAGUE ASSOCIATION OF RISK MANAGEMENT  
FINANCIAL STATEMENTS  
FOR THE PERIODS ENDED December 31, 2025 AND 2024  
(Unaudited)  
AND THE YEAR ENDED SEPTEMBER 30, 2025  
(Audited)**

# LEAGUE ASSOCIATION OF RISK MANAGEMENT

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### Financial Reports & Supplemental Information

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Statement of Income	2
Statement of Changes in Surplus	3
Statement of Cash Flows	4
Reconciliation of Unpaid Claim Liabilities	5

# League Association of Risk Management

## Balance Sheet - Statutory Basis

December 31, 2025 and 2024

	<u>Assets</u>		
	<b>December 31 2025 (Unaudited)</b>	<b>December 31 2024 (Unaudited)</b>	<b>September 30 2025 (Audited)</b>
Cash:			
Cash on deposit	\$ 14,207,544	6,499,012	\$ 3,938,023
Short-term investments	5,889,056	2,935,048	-
Total cash	20,096,600	9,434,060	3,938,023
Long-term investments	11,854,376	17,844,102	12,594,263
Premiums receivable	255,055	344,668	22,548,121
Interest receivable	132,355	106,188	91,271
Reinsurance recoverable on paid losses	4,112,247	2,923,535	3,116,437
Total assets	<u>\$ 36,450,633</u>	<u>30,652,553</u>	<u>\$ 42,288,115</u>
	<u>Liabilities and Surplus</u>		
Loss reserves	\$ 5,914,665	4,580,563	\$ 5,155,380
Loss adjustment expenses	2,274,111	1,760,588	2,448,963
Unearned premium	16,853,265	13,223,517	24,157,366
Taxes payable	244,328	191,760	189,544
Other liabilities	952,060	408,906	385,944
Funds held under reinsurance treaties	25,000	25,000	25,000
Total liabilities	26,263,429	20,190,334	32,362,197
Surplus	10,187,204	10,462,219	9,925,918
Total liabilities and surplus	<u>\$ 36,450,633</u>	<u>30,652,553</u>	<u>\$ 42,288,115</u>



**League Association of Risk Management**  
**Statements of Income - Statutory Basis**  
**For the Periods Ended December 31, 2025 and 2024**  
**and the Year Ended September 30, 2025**

	<b>Three Months Ended</b>		<b>Year Ended</b>
	<b>December 31</b>	<b>December 31</b>	<b>September 30</b>
	<b>2025</b>	<b>2024</b>	<b>2025</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Revenue:</b>			
Premiums earned, direct	\$ 6,621,712	5,244,727	\$ 22,546,459
Premiums earned, transferred by excess	(2,222,071)	(2,115,746)	(7,895,641)
Net premiums	4,399,641	3,128,981	14,650,818
Investment income	193,269	124,038	550,359
Miscellaneous income	574	556	16,133
Total revenues	4,593,484	3,253,575	15,217,310
<b>Expenses:</b>			
Losses incurred, direct	2,308,294	66,383	15,751,728
Losses incurred, transferred by excess	(673,865)	(233,072)	(9,450,437)
Net losses	1,634,429	(166,689)	6,301,291
Loss expenses incurred	53,012	(55,122)	1,577,362
Other underwriting expense incurred	3,245,816	2,321,597	4,954,575
Total expenses	4,933,257	2,099,786	12,833,228
Net income - statutory basis	\$ (339,773)	1,153,789	\$ 2,384,082

**League Association of Risk Management**  
**Statement of Changes in Surplus - Statutory Basis**  
**For the Periods Ended December 31, 2025 and 2024**  
**and the Year Ended September 30, 2025**

	<b>Three Months Ended</b>		<b>Year Ended</b>
	<b>December 31</b>	<b>December 31</b>	<b>September 30</b>
	<b>2025</b>	<b>2024</b>	<b>2025</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Surplus, beginning of period	\$ 9,925,918	9,308,430	\$ 9,308,434
Net income - statutory basis	(339,773)	1,153,789	2,384,082
Unrealized capital gain	-	-	158,336
Change in non-admitted assets	601,059	-	(1,924,934)
Surplus, end of period	<u>\$ 10,187,204</u>	<u>10,462,219</u>	<u>\$ 9,925,918</u>

**League Association of Risk Management**  
**Statement of Cash Flows - Statutory Basis**  
**For the Periods Ended December 31, 2025 and 2024**  
**and the Year Ended September 30, 2025**

	<b>Three Months Ended</b>		<b>Year Ended</b>
	<b>December 31</b>	<b>December 31</b>	<b>September 30</b>
	<b>2025</b>	<b>2024</b>	<b>2025</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Premiums collected, net of excess insurance	\$ 19,388,606	15,983,801	\$ 16,236,034
Loss and loss adjustment expenses paid	(1,497,759)	(37,458)	(7,067,630)
Underwriting expense paid	(2,624,916)	(2,822,946)	(5,481,102)
Cash from underwriting	15,265,931	13,123,397	3,687,302
Investment Income	152,185	86,424	685,999
Other Income/(Expense)	575	556	16,133
Net cash from operations	15,418,691	13,210,377	4,389,434
Transfer in:			
Other sources	-	(7,347,071)	-
Transfer out:			
Other applications	739,886	-	(4,022,165)
Net change in cash and short-term investments	16,158,577	5,863,306	367,269
Cash and short term investments, beginning of period	3,938,023	3,570,754	3,570,754
Cash and short term investments, end of period	\$ 20,096,600	9,434,060	\$ 3,938,023

**League Association of Risk Management**  
**Reconciliation of Unpaid Claim Liabilities**  
**For the Periods Ended December 31, 2025 and 2024**  
**and the Year Ended September 30, 2025**

	<b>Three Months Ended</b>		<b>Year Ended</b>
	<b>December 31</b>	<b>December 31</b>	<b>September 30</b>
	<b>2025</b>	<b>2024</b>	<b>2025</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Unpaid claims and claims adjustment expenses at the beginning of period	\$ 7,604,343	8,453,374	\$ 8,453,370
Incurring claims and claims adjustment expenses:			
Provision for insured events of current policy year	1,734,687	994,070	7,578,557
Increase/(decrease) in provision in insured events of prior policy year	(47,246)	669,348	300,096
Total incurred claims and claims adjustment expense	1,687,441	1,663,418	7,878,653
Payments:			
Claims and claims adjustment expenses attributable to insured events of the current policy year	102,651	69,359	3,541,328
Claims and claims adjustment expenses attributable to insured events of prior policy year	1,000,357	3,706,282	5,186,352
Total payments	1,103,008	3,775,641	8,727,680
Unpaid claims at end of period	\$ 8,188,776	6,341,151	\$ 7,604,343

## SERVICE AGREEMENT FOR POOL ADMINISTRATION

This Service Agreement for Pool Administration (this “Agreement”) is made and entered into this first day of April 2026, by and between the League Association of Risk Management ("LARM") and Sedgwick Claims Management Services, Inc. (“Sedgwick”), an Illinois corporation.

### RECITALS

1. LARM desires that Sedgwick provide certain pool administration services.
2. Sedgwick is willing to provide such services on the terms and conditions hereinafter stated.
3. LARM was formed pursuant to the Agreement for the Establishment and Operation of the League Association of Risk Management under the Intergovernmental Risk Management Cooperation Act and the Interlocal Cooperation Act of the State of Nebraska, (the “Interlocal Agreement”).
4. Pursuant to the Interlocal Agreement, the Administrator of LARM is the then current Executive Director of the League of Nebraska Municipalities (the “League”).
5. Pursuant to the Interlocal Agreement, applicable Nebraska law, and the Bylaws of LARM, the Administrator is responsible for the administration of LARM.
6. Pursuant to LARM's Bylaws, the Executive Director of LARM ("Executive Director"), in consultation with the Administrator and subject to the approval of the Administrator, is responsible for the management of LARM and has been authorized by LARM to select Sedgwick to provide claims management services for LARM.
7. Sedgwick is an Illinois corporation that, among other things, provides consulting, administration, and claims management services to clients.
8. Pursuant to the Interlocal Agreement, applicable Nebraska law, and the Bylaws of LARM, the Administrator has determined that this Agreement with Sedgwick for pool management services should be executed.
9. LARM self-insures its claims administration program for General Liability, Automobile Liability, Automobile Physical Damage, Public Officials Liability, Property and Inland Marine, Law Enforcement Liability, Employment Practices Liability, and Workers Compensation risks and desires to have Sedgwick provide the specific services set forth in Exhibit A & B below in connection with LARM's self-insured program.
10. Sedgwick will continue to provide Casualty, Property, and Workers Compensation claims services to LARM.

NOW THEREFORE, the parties agree as follows:

### AGREEMENT

1. I. APPOINTMENT OF SEDGWICK

- A. **Appointment.** LARM appoints Sedgwick as the consultant to LARM for the purposes set forth herein and Sedgwick accepts such appointment and agrees to perform the services set forth herein.
- B. **Subcontractors.** Sedgwick shall have authority to engage such subcontractors, as necessary or desirable to assist in the performance of Sedgwick's duties hereunder, subject to the Executive Director's prior approval; provided, however, the engagement of subcontractors in connection with Medicare reporting and medical cost containment and management services shall not require the Executive Director's prior approval. The LARM Board of Directors ("Board") shall approve all final selections of contractors, auditor, actuary, independent appraiser, reinsurer and independent legal counsel and the Executive Director shall relay the Board's approval of same to Sedgwick.

2. **Services to Be Performed by Sedgwick:**

- a. Sedgwick shall provide LARM with the services set forth on Exhibits A and B (the "Services"). Sedgwick, when mutually agreed by LARM and Sedgwick, may perform additional services. Payment for said additional services shall be as mutually agreed.

3. **Obligations of LARM:** LARM shall:

- b. Require member entities to provide any information required by Sedgwick to perform the duties pursuant to this Agreement;
- c. Require member entities to be truthful with Sedgwick, cooperate with Sedgwick's staff, cooperate in the conduct of LARM's programs, and keep Sedgwick informed of any developments which could impact the operations of LARM;

4. **Discontinuance of Operations:**

Should LARM discontinue its business for any reason, all fees then due to Sedgwick shall be paid immediately. Sedgwick shall have no further obligation to continue to provide the services called for in this Agreement, and, at Sedgwick's option, this Agreement shall be considered terminated as of the date LARM ceases operations or is subject to a bankruptcy or receivership filing, either voluntarily or involuntarily.

5. **Covered Jurisdiction:**

This Agreement shall cover the Services for LARM in the following jurisdiction: State of Nebraska.

6. **Payments:**

- a. **Base Compensation.** For all services to be provided by Sedgwick under this Agreement, (except for those additional services specifically listed in Exhibit B), LARM shall pay Sedgwick a monthly fee of \$68,000 on the first of each month beginning on April 1, 2026, for the first year of service. For the second year and each successive year thereafter, the fees from the previous year shall be increased by the percentage change in the Consumer

Price Index (based upon CPI-U, Midwest Region, all items) ("CPI Adjustment") or 3%, whichever is lower.

- b. New Business Compensation.** LARM shall pay Sedgwick 5% of the first year's total annual premium of each new member added to the pool on a semi-annual basis; half of which shall be paid within thirty (30) calendar days on or after October 1st, and half of which shall be paid within thirty (30) calendar days on or after April 1st.
- c. Growth Compensation.** If, as of April 1 of any year during the term, LARM has 17 members more than it did on April 1 of the preceding year, then, beginning October 1 of such year, LARM shall pay Sedgwick an additional \$833 per month. For the second year and each successive year thereafter, the fees from the previous year shall be increased by the percentage change in the Consumer Price Index (based upon CPI-U, Midwest Region, all items) ("CPI Adjustment") or 3%, whichever is lower.
- d. Equitable Adjustment due to Change in Scope of Services.** This Agreement contemplates that the standards applicable to this Agreement are those in effect on the date of this Agreement, whether such standards are set forth externally in statutes, regulations, rules, orders, case law, or internally in LARM's policies and procedures and the directives of the Executive Director. If the external standards change and/or LARM desires a change to the internal standards resulting in a change to the scope of services contemplated herein, the parties agree to negotiate in good faith an adjustment to the fees due herein ("Equitable Adjustment"). If the parties cannot agree to an Equitable Adjustment, then the then-current fees and services shall prevail.
- e. Additional Services; Fees.** In the event that additional services, including, but not limited to underwriting, claims, or additional marketing or sales services or extra work not covered by this Agreement are desired, such services will be billed on a time and materials basis at the hourly rates which may be listed on Exhibit B, or if not stated, the parties will decide on an agreed upon flat rate basis. The hourly rates shown on Exhibit B may be increased by Sedgwick with advance written notice to LARM. Prior to commencing any additional services or extra work, Sedgwick shall prepare a task order describing the scope of work and the costs for the extra services. LARM shall have no obligation to pay for extra services performed by Sedgwick unless approved by the Executive Director.

**7. Term of Agreement and Termination:**

- d.** The term of this Agreement shall be for the period commencing on April 1, 2026, and ending on March 31, 2031.
- e.** This Agreement may be terminated by either party at any time, provided that at least one hundred and eighty (180) days prior written notice of the effective date of termination is given to the other party.
- f.** In the event of termination, Sedgwick shall deliver to LARM, or its designated recipient, all files, reports, documents, and other work performed by Sedgwick under this Agreement, whether in written or electronic form, and upon receipt thereof, LARM shall pay Sedgwick, pursuant to the terms of this Agreement, for services performed and authorized reimbursable expenses incurred to the date of termination. Sedgwick shall refund to LARM all compensation previously paid to Sedgwick but unearned as of the date of termination.

**8. Property Rights:**

- g. All records relating to the operations, administration, activities, and finances of LARM shall at all times be and remain the property of LARM. At the termination of this Agreement, all such materials shall be returned to LARM. Sedgwick may, at its sole cost and expense, make and maintain copies of any LARM records (but not including confidential or privileged records such as but not limited to claims legal files) for Sedgwick's use and retention both during and after the termination of this Agreement. The copies may be made on paper, computer disk, or any other format or media deemed desirable by Sedgwick.
- h. All data, information, documents, books and records, processes (such as but not limited to experience modifications and other calculations and procedures used in reports and/or in presentations to LARM by Sedgwick), equipment, software (in source and object code form), and other materials supplied or purchased by LARM from vendors outside this Agreement, relating to, or for use in, the provision of the Services to LARM, and all intellectual property rights therein, will be and remain the sole property of LARM.

**9. Professional Advice:**

LARM acknowledges that Sedgwick has been engaged to provide certain professional services and that it is not the intent of the parties that Sedgwick assume any insurance risk. Sedgwick shall not act as an insurer for LARM, and this Agreement shall not be construed as an insurance policy; it being understood that Sedgwick is in no event financially responsible for payment or satisfaction of LARM's claims, lawsuits, or any form of cause of action against LARM from Sedgwick funds.

Sedgwick has made no promise or guarantee to LARM about the outcome of LARM's matters, and nothing in this Agreement shall be construed as such a promise or guarantee.

**10. Indemnification:**

- i. Sedgwick shall be fully responsible for exercising reasonable care at all times in the performance of its obligations hereunder. However, if Sedgwick is named as a party to any litigation or proceeding, or is the subject of any claim or demand because of its actions on behalf of LARM, LARM agrees to indemnify, defend, and hold Sedgwick, its officers, directors, employees and agents harmless from any and all losses, damages, costs, judgments and expenses (including reasonable attorney's fees and costs) with respect to any such litigation, proceeding, claim or demand, unless and until a finding is entered to the effect that Sedgwick failed to exercise such reasonable care in the performance of its obligations hereunder. Sedgwick agrees to indemnify, hold harmless and defend LARM, its directors, officers, employees and agents from and against any and all liabilities, loss or damage that they may suffer as a result of any claim, demand, cost or judgment against them arising out of the negligence or willful misconduct of Sedgwick in connection with its performance under this Agreement, provided that such acts or omissions do not arise out of or relate to oral or written instructions, procedures or forms supplied by LARM or to LARM's internal management or adjustment of its claims. Each party



agrees to keep the other fully informed of any matter for which it is defending, holding harmless or indemnifying the other party. Each party reserves the right to appoint its own counsel, at its own expense, regarding any matter defended hereunder and to approve any settlements of same.

- j. Notwithstanding anything to the contrary contained in the above paragraph, it is understood and agreed that if LARM, directly or through a subcontractor or vendor of LARM's choosing ("LARM Subcontractor"), retains administration of a claim or performs any services for a claim Sedgwick administers, or if LARM otherwise directs the administration of a claim, LARM will indemnify, defend, and hold Sedgwick, its officers, directors, employees and agents harmless from the losses, damages, costs, judgments and expenses (including reasonable attorney's fees and costs) as a result of any litigation or proceeding, fines, penalties, revocation of license, or any other state regulatory investigation or action arising against Sedgwick related to the acts or omissions of LARM or the LARM Subcontractor.
- k. The parties agree that in no event shall Sedgwick's liability under this Agreement exceed the service fees paid to Sedgwick for the twelve (12) months immediately prior to the event from which the claim or matter arises. The parties agree that in no event shall Sedgwick be liable for any loss or damage to revenues, profits or goodwill or other special, indirect, incidental or consequential damages of any kind resulting from its performance or failure to perform under this agreement or resulting from the furnishing, performance, use or loss of use of any software, system, site, or deliverable provided to LARM hereunder, including without limitation any interruption of business, even if Sedgwick has been advised of the possibility of such loss or damage.
- l. Notwithstanding the foregoing, an indemnifying party will not settle a claim without the indemnified party's written consent, unless such settlement results in (i) a full release of all parties, (ii) no liability to the indemnified party or future obligation of the indemnified party, and (iii) no admission of wrongdoing by LARM or Sedgwick.
- m. The provisions of this section shall survive the expiration or termination of the Agreement.

**11. Network Security/Confidentiality:**

- n. If LARM's access to the data management system requires a network connection (the "Network Connection") between LARM's network and Sedgwick's network, Sedgwick and LARM shall take reasonable and customary precautions to prevent unauthorized access to or use of the Network Connection through their respective networks. The parties agree, however, that each party is responsible for the security of its own network. Neither party shall be liable to the other for unauthorized access to the Network Connection, so long as the accused party shall have taken reasonable and customary precautions to prevent such unauthorized access.
- o. Whether or not marked as such, and without regard to the media in which such records are stored, "Confidential Information" shall mean:
  - i. Any business or technical information pertaining to the parties herein or to

third parties, which is furnished, disclosed or made available by one party to the other, including, without limitation, specifications, prototypes, software, marketing plans, financial data, and personnel statistics; and

- ii. Medical records, reports, and information, as well as any other non-medical records, reports or information pertaining to claimants under the Program.
- p. Each party agrees to protect Confidential Information received hereunder with the same degree of care that such party exercises with its own confidential information (but in no event less than reasonable care) and to limit access and disclosure of Confidential Information only to their employees, agents and contractors who have a “need to know,” and who agree to maintain confidentiality in accordance with this section. Notwithstanding the foregoing, LARM agrees to permit Sedgwick to compile and disseminate aggregate, identified information for auditing, compliance, internal assessments, process improvement and related analytics, benchmarking purposes or forward to a data collection facility data for data handled pursuant to this Agreement, provided that such facility agrees in writing to keep LARM’s data confidential. Further, Sedgwick shall be entitled, without violation of this section and without the prior consent of LARM, to retain pool or claims administration information and to forward pool and claims administration information to government agencies to the extent required by law for the proper performance of the services set forth herein.
- q. The parties acknowledge and agree that LARM is subject to the Open Meetings Act and the public records statutes of the State of Nebraska (the “Acts”). Accordingly, to the extent the terms of either of such Acts (as currently in existence or as amended) imposes a duty or obligation on LARM that conflicts with the confidentiality provisions hereof, LARM shall not be in violation of this Agreement for its compliance with the requirements of such Acts.
- A. The provisions of this section shall survive the expiration or termination of the Agreement.

**12. Notices:**

Any notice required to be given under this Agreement shall be sent by certified or registered mail, postage prepaid, to General Counsel - Americas, Sedgwick Claims Management Services, Inc., 8125 Sedgwick Way, Memphis, TN 38125, in the case of Sedgwick, and to LARM Administrator, Executive Director of the League of Nebraska Municipalities, 1335 L Street, Lincoln, NE 68508, with a copy to the Executive Director of LARM, 1335 L Street, Suite 200, Lincoln, NE 68508, in the case of LARM.

**13. Assignment:**

LARM may not assign its rights or obligations under this Agreement. Sedgwick may assign or subcontract part of the services required hereunder and may at its discretion delegate to a subsidiary or affiliate such of its duties as it deems appropriate, provided that such subcontracting or delegation shall not relieve Sedgwick of any of its obligations hereunder.

**14. Entire Agreement and Modification or Amendment:**

This Agreement and its attached exhibits and schedules represent the full and final understanding of the parties with respect to the subject matter described herein and supersedes any and all prior agreements or understandings, written or oral, express, or implied. This Agreement may be modified or amended only by a written statement signed by both parties.

**15. Applicable Law:**

The terms and conditions of this Agreement shall be governed by the laws of the State of Nebraska without regard to conflicts of law principles. If any dispute or claim arises hereunder that the parties are not able to resolve amicably, the parties agree and stipulate that such litigation shall be resolved in the State of Nebraska, and the parties irrevocably submit to the exclusive venue and jurisdiction of such court for the purpose of any such action or proceeding. In the event of a dispute between the parties resulting in litigation, the prevailing party may, in addition to any other relief obtained, recover its court costs and reasonable attorney's fees.

**16. Force Majeure:**

Neither party shall be liable to the other party or be deemed to have breached this Agreement for any failure or delay in the performance of all or any portion of its obligations under this Agreement if such failure or delay is due to any contingency beyond its reasonable control (a "Force Majeure"). Without limiting the generality of the foregoing, such contingency includes, but is not limited to, acts of God, fires, floods, pandemics, storms, earthquakes, riots, boycotts, strikes, lock-outs, acts of terror, wars and war operations, restraints of government, power or communication line failure or other circumstance beyond such party's reasonable control, or by reason of the bankruptcy, receivership or other insolvency proceeding of any bank or other financial institution where funds to pay losses and allocated loss adjustment expenses are held, or by reason of a judgment, ruling or order of any court or agency of competent jurisdiction or change of law or regulation subsequent to the execution of this Agreement. Both parties are obligated to provide reasonable back-up capability to avoid the potential interruptions described above. If a Force Majeure occurs, the party delayed or unable to perform shall give immediate notice to the other party. LARM acknowledges that the foregoing provision does not apply to LARM's obligation to make timely payment of any fees due Sedgwick, and that Sedgwick shall be entitled to all remedies set forth in this Agreement and those allowed by law for LARM's failure to timely pay such fees.

**17. Headings:**

Headings herein are for convenience of reference only and shall not be considered in any interpretation of this Agreement.

**18. Relationship of Parties; Expenses:**

Nothing contained in this Agreement shall be deemed to create a partnership or joint venture between the parties hereto; the only relationship among the parties shall be that of independent parties to a contract. Except as expressly set forth herein, each party shall bear all expenses it may incur in connection with the execution, delivery, and performance of this Agreement.

**19. Waiver of Breach:**

Failure of either party hereto to require the performance by the other party hereto of any obligation under this Agreement shall not affect its right subsequently to require performance of that or any other obligation. Any waiver by any party hereto of any breach of any provision of this Agreement shall not be construed as a continuing waiver of any such provision or a waiver of any succeeding breach or modification of any other right under this Agreement.

**20. Equitable Adjustment:**

This Agreement contemplates that the standards applicable to this Agreement are those in effect on the date of this Agreement, whether such standards are set forth in statutes, regulations, rules, orders, case law or otherwise. In the event of a change in a service standard, Sedgwick shall be entitled to an equitable adjustment in its compensation if such change increases Sedgwick's cost of providing the services under this Agreement or reduces its profitability. Such equitable adjustment shall be determined in accordance with the provisions set forth in Article 7 above.

**21. Authorization**

LARM authorizes Sedgwick to pay LARM expenses from a LARM account funded with LARM funds and maintained by Sedgwick on behalf of LARM. LARM expenses include, but are not limited to, the following:

1. Admitted or settled claims or losses on membership risk sharing losses;
2. Claims settlement expenses;
3. All loss adjusting expenses, including without limitation, the cost of investigation, adjustment, litigation, and legal counsel related to membership risk sharing losses, including the costs of medical cost containment and management services set forth in the Claims contract, attached as Exhibit B;
4. Payment of insurance premiums on ceded reinsurance;
5. Payment of any policies obtained on behalf of LARM/Board;
6. Taxes, license expenses, and other governmental fees incurred by or on behalf of LARM;
7. Fees and costs of LARM's financial advisor, consultants, actuaries, accountants, attorneys, and other advisors and service providers, including the fees due Sedgwick pursuant to this Agreement;
8. Expenses incurred pursuant to LARM's indemnification obligations set forth in Article 11 above;
9. Reimbursement of Board member expenses pursuant to LARM's reimbursement policy;
10. Bank charges associated with the LARM account maintained by Sedgwick (any interest earned on such account belongs to LARM); and
11. Any expense directly related to the performance of Sedgwick's duties pursuant to this Agreement or otherwise authorized by LARM.

Under no circumstance shall Sedgwick be obligated to advance its own funds to pay obligations of LARM.

**22. Insurance Requirements:**

- r. Sedgwick, at its expense, shall at all times maintain in full force and effect workers' compensation insurance covering all employees of Sedgwick in an amount required by the laws of the State of Nebraska or the applicable state where the employee is

working for Sedgwick, if such amount is different.. Sedgwick hereby declares that said employees are the employees of Sedgwick and at no time shall said employees be held to be in the employ of LARM. Sedgwick shall hold LARM harmless against any liability which it may incur toward said employees for the payment of workers' compensation benefits.

- s. Sedgwick, at its expense, shall maintain automobile liability insurance in an amount not less than \$1 million per occurrence.
- t. Sedgwick, at its expense, shall maintain at all times general premises liability insurance with limits of \$1 million per occurrence to cover bodily injury and property damage which may be incurred on the premises of Sedgwick's offices.
- u. Sedgwick, at its expense, shall maintain errors and omissions insurance in an amount of \$2,000,000 per claim to cover Sedgwick and Sedgwick's employees who have been designated as officers of LARM, and other staff while they are carrying out the provisions of this Agreement and otherwise acting within the course and scope of their duties to LARM.
- v. Sedgwick, at its expense, shall maintain Fidelity/Crime coverage in an amount of \$2,000,000 per occurrence.
- w. Sedgwick shall maintain Certificates of Insurance in LARM's files evidencing the insurance coverage provided herein.
- x. Sedgwick shall provide to LARM evidence of crime coverage in the amount of \$10 million dollars covering employee dishonesty and Sedgwick's responsibility to LARM for custody and entrustment of LARM funds.
- y. Sedgwick shall provide to LARM evidence of Errors and Omissions coverage in the amount of \$10 million for Sedgwick's responsibility to LARM for custody and entrustment of LARM funds.

**23. Conflict of Interest:**

Sedgwick hereby certifies, to the best of its knowledge, that it has no conflict of interest in carrying out the provisions of this Agreement. Should any conflict, apparent or real, occur in the future, all parties to this Agreement shall be so notified immediately.

**24. Services Non-Exclusive**

**A. Exclusivity.** The services provided by Sedgwick pursuant to this Agreement are not exclusive and the parties agree that Sedgwick and its affiliates are free to engage in other activities and render services to others, including other local government risk pools and self-insurance groups; provided, however, that Sedgwick shall not during the term hereof, without the prior written consent of LARM, act as the administrator or third-party administrator of another pool that directly competes with LARM in the State of Nebraska.

**B. Noncompete.** Sedgwick expressly agrees, covenants, and warrants that during the term of this Agreement, and for a period of 18 months after the termination or expiration of this Agreement, it will not offer to provide or provide any service, similar to any provided by or through LARM,

whether for its own account or as agent, employee, contractor, subcontractor, or other representative of another person, to any municipality in the State of Nebraska, which is a member of LARM or which is eligible for membership in LARM or which is a member of the League at the time of termination of this Agreement, unless written permission is first obtained from LARM or the League's Board of Directors. In order for Sedgwick to operate any other government associated pool serving municipalities in the State of Nebraska, Sedgwick must first obtain prior written approval from LARM and the League.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and date first above written.

**League Association of Risk Management**

**Sedgwick Claims Management Services, Inc.**

\_\_\_\_\_  
L. Lynn Rex, LARM Administrator

\_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Approved as to Form:

\_\_\_\_\_  
Dave Bos, LARM Executive Director

Dated: \_\_\_\_\_

## EXHIBIT A

### Services

The duties listed in this section include activities which Sedgwick staff members and subcontractors are qualified to perform for LARM.

- A. General.** Sedgwick shall conduct the business of LARM within the scope of this Agreement, at the direction of the Executive Director (or LARM Administrator) and in accordance with, in all material respects, and any applicable Federal, State, or local laws and regulations.
- B. Business Plan.** At the request of the Executive Director, Sedgwick shall work with the Executive Director and/or designee, within a reasonable time, to develop a “LARM Business Plan.” The LARM Business Plan will define LARM's annual goals and objectives along with each party's authority, responsibility, accountability, and timeline(s).
- C. Specific Services Provided.** Sedgwick shall act as LARM's Consultant to perform the following services and activities on behalf of LARM.

#### 1. Financial Services

- a. Payments.** Sedgwick shall pay premiums for ceded reinsurance or risk sharing agreements; and collect any return premiums or commissions in respect of the same.
- b. Legal Action.** Sedgwick shall, with prior written Board approval, institute legal action to collect sums due to LARM.
- c. Records.** Sedgwick shall maintain and monitor accounts and records relating to accounting and reinsurance activities in keeping with customary industry and Nebraska Department of Insurance (“DOI”) standards and house data relating to claim and underwriting activities.
- d. Statements.** Sedgwick shall prepare quarterly, semiannual, and annual financial statements regarding LARM's financial position, performance, and changes in financial position.
- e. Reports.** Sedgwick shall prepare official reports, statements and applications of LARM required by the DOI except for quarterly and annual financial statements and actuarial reports, which shall be prepared by independent auditors and actuaries hired directly by LARM.
- f. Financial Services.** Sedgwick shall track all LARM expense disbursements and deposits; facilitate and process all reinsurance settlements; conduct monthly general ledger accounting functions; track and issue 1099s; develop surplus and operating ratios with the Executive Director and track said ratios; develop requested *pro formas*; prepare and provide necessary data to auditor of financial statements; and with respect to the foregoing, advise the Executive Director upon request and prepare and provide information to the Executive Director and/or designee in a mutually agreeable format and schedule. Sedgwick is not LARM's investment advisor and the services performed by Sedgwick shall not be considered investment or investment advisory services.
- g. Approval.** With the exception of claim payments, payment of any amount over \$10,000 must be



approved by the Executive Director in advance.

- h. Actuarial Selection** At the request of the Executive Director, Sedgwick shall assist with the selection of an actuary; Sedgwick shall work with selected independent advisors, actuaries, or experts in establishing reserves for: reported losses and loss adjustment expenses, loss development, incurred but not reported losses, and related loss adjustment expenses; and provide to the Executive Director preliminary comments on the findings of the annual actuarial report.
- i. Data Analysis.** Sedgwick shall extract and reconcile transactional loss data from the claims system; import data into triangulation and reserving software packages; review actuary's selections with actuary; and assist the Executive Director in preparing budgets using actuarial data.

## **2. Underwriting Services**

- a. Proposals.** Sedgwick shall review submissions, proposals, and applications for risk sharing participation and negotiate, underwrite, bind, sign, and accept the same. Sedgwick shall negotiate for, execute, and deliver risk sharing certificates, including modifications, addenda, endorsements, renewals, and cancellations thereof and terms of security, therefore.
- b. Underwriting.** Sedgwick shall underwrite all LARM prospective and existing members' coverage and benefits including establishing the scope, nature, and limits of risk sharing participation and establishing charges and fees for the same; and accept and reject applications for risk sharing participation.
- c. Underwriting Guidelines.** At the written request of the Executive Director and/or designee, Sedgwick shall update the underwriting manual containing rating guidelines and the underwriting authority and role of Sedgwick and LARM staff. Sedgwick shall obtain prior written approval from the Executive Director for any underwriting/rating deviations from the manual.
- d. Notices.** Sedgwick shall issue and receive notices of cancellation pursuant to the Interlocal Agreement and coverage certificates and otherwise exercise any right granted to LARM therein.
- e. Management Services; Additional Underwriting Services.** Sedgwick shall make general recommendations regarding LARM's policy forms; train LARM staff on underwriting guidelines and policy forms; train LARM staff on use of Sedgwick's underwriting/policy holder system, track reinsurance exposure data; assist with underwriting inquiries and requests, including DOI requests; and prepare and provide information to the Executive Director and/or designee in a mutually agreeable format and schedule. At the request of the Executive Director, Sedgwick will provide additional underwriting services, such as a reviewing, updating, or rewriting LARM's policy forms, at the fee set forth on the Fee Schedule attached as Exhibit B ("Fee Schedule") and incorporated herein by this reference. Sedgwick grants LARM staff permission, in accordance with the terms of this Agreement, to use the Sedgwick propriety data systems ("Systems") including without limitation, Clarity, Juris, and Via One (or any successor to such Systems as are applicable during the term of this

Agreement). LARM acknowledges and agrees that only registered users shall use the Systems and that the permission granted herein is revocable in Sedgwick's reasonable discretion if LARM fails to use the Systems in accordance with the terms of this Agreement or is necessary to protect the Systems. Sedgwick agrees to provide LARM with notice of any proposed revocation of access to the Systems hereunder. Such notice shall include information relating to the time period of the proposed revocation along with notice of any actions required to restore LARM's access to the Systems. Use of the Systems by LARM is not a right that is capable of being assigned or transferred to any other party and that any such assignment or transfer is null, void, and a material breach of this Agreement. LARM acknowledges and agrees that nothing in this Agreement or any other document grants ownership rights in the Systems to any party or any other rights of any kind whatsoever with respect to the Systems to any other party including without limitation the right to possess, reproduce, decompile, reverse engineer, or in any other way appropriate all or any party of the Systems.

- f. Access.** LARM acknowledges and agrees that users shall use the Systems exclusively for LARM business.
- g. Renewal Quotations.** Member renewal quotations shall be developed and finalized by Sedgwick and submitted to the Executive Director no later than 60 calendar days after Executive Director and Board approval of renewal rates for property, casualty, and workers' compensation insurance.
- h. Underwriting Files.** At its option and expense, LARM staff may download and/or print from the Systems any information it deems desirable or necessary to include in its hardcopy underwriting files, should LARM staff desire to maintain the same. Sedgwick shall have no obligation to create or maintain hardcopy underwriting files.

### **3. Marketing and Sales Services**

- a. Marketing.** At the written request of the Executive Director, Sedgwick shall provide marketing services including the following: provide recommendations on the overall marketing operation and assist with implementing recommendations; assist the Executive Director in the recruitment, hiring, and training of LARM marketing staff; provide technical training on coverage documents; assist the Executive Director and/or designee in developing a detailed marketing plan and marketing materials identifying potential prospects. At the written request of the Executive Director, Sedgwick shall assist with the implementation and periodic updating of the marketing plan; assist with preparing presentations for specific members and prospective members; and assist with preparing coverage comparisons for specific members and prospective members.
- b. Sales.** At the written request of the Executive Director, Sedgwick shall assist in sales services including, attending and presenting at meetings with existing and prospective members; and attend, prepare and make presentations at, and/or operate the booth at, LARM and industry conferences.

### **4. Claim Services**

Sedgwick will provide claim services as set forth in the Agreement for Administration of Claims Services, attached as Exhibit B and incorporated herein by this reference.

## **5. Reinsurance Services**

At the written request of the Executive Director, Sedgwick shall provide the following services: provide reinsurance services including, coordinate and consult as requested by the Executive Director or designee on the design, placement, including timely notice and updates and management of reinsurance, excess insurance coverage, or other risk financing programs; develop related underwriting submissions; market reinsurance and excess coverage, negotiate and place reinsurance and excess coverage after approval by the Board; and provide insurance coverage consultation and analysis. The Board shall approve the selection of the reinsurers or excess insurers.

## **6. Program Management Services**

- a. Support.** At the written request of the Executive Director, Sedgwick shall provide program support services including, attend board meetings; assist with preparation of board manual reports; assist with strategic planning and development of business plans; assist with the selection of, and contracting with, other services providers; supervise contracts and pay contractual obligations to service providers with LARM funds; and assist with the development of operational policies and protocols.
- b. Board Meeting Materials.** Within 60 days of the scheduled board meeting, the Executive Director shall provide Sedgwick with a list of the standard reports that Sedgwick shall prepare for each Board meeting. Sedgwick shall provide such standard reports to LARM at least seven (7) days prior to the scheduled Board meeting so that the reports may be included in the Board packets. Notwithstanding the foregoing, Sedgwick will also endeavor to timely provide LARM with any additional information or materials reasonably requested by the Executive Director for each Board meeting.

## **7. Additional Services Upon Request; Retrocession of Work**

- a. Exclusions.** The following activities shall be under the total control of LARM and the Executive Director, at the direction of the Administrator:
  - 1. Development and preparation of the LARM annual operating budget;
  - 2. Preparation and development of Board meeting agenda(s); and
  - 3. Preparation and management of strategic and other planning activities of LARM.

The Executive Director shall be responsible for any public records requests directed to LARM. Sedgwick may be asked to participate in any or all of these activities by the Board or the Executive Director. The Executive Director shall be the primary contact with the DOI. Sedgwick shall only contact the DOI with prior written approval from the Executive Director.

## **8. Services Outside of Agreement**

Except to the extent set forth above, the following are not duties of Sedgwick. However, Sedgwick will assist with carrying out these duties at the request of the Executive Director. Compensation for such additional duties, if applicable, will be determined in accordance with the provisions of Article 7.

4. Marketing

5. Sales

6. Strategic Planning

7. Loss Control Management

8. Membership Policy Holder Services

## **9. Retrocession**

Upon 90 days written notice from the Executive Director to Sedgwick, Sedgwick agrees to meet and negotiate with the Executive Director on retroceding to LARM any distinct portion of the services to be provided by Sedgwick to LARM under this Agreement, and Sedgwick and LARM shall at the same time negotiate an equitable reduction in the base compensation to be paid to Sedgwick under Article 7 hereof. Such retrocession of work and the revised compensation figure shall be reduced to an addendum to this Agreement which shall be signed by both the parties hereto. In the event that the parties cannot agree upon an acceptable retrocession of services and equitable reduction in base compensation, either party may terminate this Agreement as provided in Article 9 hereof.

## **10. ADDITIONAL INSTRUMENTS, INFORMATION AND COMMUNICATIONS**

- A. Documents.** LARM shall promptly execute (or cause to be executed by the appropriate party and deliver such powers, authorizations, and other documents and take any and all other actions reasonably necessary or required by Sedgwick to carry out its duties and exercise the grant of authority conferred herein. Additionally, LARM agrees to promptly provide any information necessary for Sedgwick to comply with its obligations set forth herein and to otherwise fully cooperate with Sedgwick as it carries out its duties.
- B. Communication.** LARM shall promptly forward (or cause to be promptly forwarded) to Sedgwick any communication concerning LARM business of which Sedgwick should have knowledge in order to perform its duties herein. Sedgwick agrees to notify the LARM Executive Director of any item of significance it becomes aware of concerning the operations of LARM within the scope of services provided by Sedgwick.
- C. Communication with Board.** Sedgwick shall not entertain or lobby the League and/or LARM Board members. Sedgwick may contact LARM Board members for normal pool servicing activities associated within the scope of their authority with prior written approval by the Executive Director and Administrator. The foregoing notwithstanding, Sedgwick has no control over unsolicited contact initiated by a LARM or League Board member and such contact shall not be deemed a violation of this provision. When such contact occurs, Sedgwick shall promptly notify the Administrator and Executive Director within a reasonable time.

- D. Communication with Executive Director.** The Executive Director shall have the right to contact any Sedgwick employee assigned to LARM, including senior management, during normal business hours. Any Sedgwick employee may consult the Executive Director during normal business hours.
- E. Ownership Change.** Any change in ownership, merger, sale or acquisition of any type involving Sedgwick shall be communicated to the Administrator and LARM as soon as it is permitted to do so legally and/or contractually.

**EXHIBIT B**  
**Agreement for Administration of Claims Services**

**Services to Be Performed by Sedgwick:** Sedgwick agrees to perform the following services:

A. With regard to Claims Administration, Sedgwick shall:

- (1) During the term of this Agreement, review all claim and loss reports received from Sedgwick or LARM members that are required to be reviewed under the LARM contract (a "Qualified Claim"), and process each such claim or loss report in accordance with applicable statutory and administrative regulations;
- (2) Conduct an investigation of each Qualified Claim to the extent deemed necessary by Sedgwick in the performance of its obligations hereunder; with the understanding that LARM is responsible for all attorney selections and all investigator selections;
- (3) Arrange for independent investigators, appraisers, or medical or other experts to the extent deemed necessary by Sedgwick in connection with processing any Qualified Claim;
- (4) Pay losses, expenses, and adjust or settle each Qualified Claim, but only if in the sole judgment of Sedgwick such payment would be prudent for Sedgwick and LARM and the anticipated amount thereof does not exceed the limit specified in accordance with paragraphs F and G below, or as LARM specifically approves or directs such action in writing;
- (5) Maintain a file for each Qualified Claim which shall be the property of LARM (for self-insured claims);
- (6) Notify LARM's reinsurers, for each Qualified Claim where the values may exceed LARM's retention, providing such reinsurer with necessary information on the current status of those claims; pursuing recoveries from reinsurance and other risk sharing agreements and retrocessions;
- (7) Assist the LARM Member's counsel, if requested, in preparing the defense of litigated cases arising out of Qualified Claims, negotiating settlements and pursuing subrogation or contribution actions;
- (8) Maintain a current estimate of the expected total cost of each Qualified Claim which is based on facts known at the estimation date, but is not trended or actuarially developed;
- (9) Use a proprietary data management system to furnish LARM agreed upon loss and information reports. These reports shall contain information such as each Qualified Claim date, condensed claim description, payments made, estimated future costs and total expected costs of all Qualified Claims, as well as summary and other data deemed relevant by Sedgwick, but not IBNR (incurred but not reported) claims or actuarially developed loss values;

- (10) If requested by the Executive Director, Sedgwick management will work with the Executive Director or his or her designee(s) to develop and/or revise the operational documents relating to claims (e.g., litigation management guidelines, claim handling procedures, etc.); and
- (11) Annually report federal, state, and local 1099 information under LARM's tax identification number(s) for vendor payments issued by Sedgwick on bank accounts established and managed by Sedgwick. Sedgwick recognizes and agrees that any earnings credits realized on the account(s) will be utilized to offset banking analysis fees related to LARM's managed claim fund account. To the extent that earnings credits do not off-set all bank account fees, Sedgwick shall pay the additional bank account fees due.

**Obligations of LARM:**

- A. If required, LARM shall provide Sedgwick, in a timely manner, with coverage documentation for the policy years necessary for proper notification of applicable Qualified Claims. All reinsurance reportable claims shall be forwarded to the Litigation Management Unit in Michigan.
- B. LARM, on behalf of LARM, shall pay to Sedgwick a service fee which, in the initial term of this Agreement, shall be computed and payable as shown in Exhibit B, attached hereto and made a part of this Agreement, plus applicable taxes, if any. LARM, on behalf of LARM, shall reimburse Sedgwick for the reasonable and customary out-of-pocket expenses incurred by Sedgwick such as travel expenses in conjunction with the services being performed. If LARM, in its sole discretion, requests Sedgwick to perform services outside of the scope of work listed herein, then LARM shall compensate Sedgwick for such services at Sedgwick's then- applicable standard rates for such service, if the parties are in agreement. Such agreement shall be documented in writing between LARM and Sedgwick to define the services outside of the scope of work listed herein that will be performed by Sedgwick.
- C. LARM shall at all times provide funds adequate for the payment of Qualified Claims, including allocated loss adjustment expenses. For purposes of this Agreement, allocated loss adjustment expenses shall mean all costs, charges or expenses incurred by Sedgwick, its agents or its employees which are properly chargeable to a Qualified Claim including, without limitation, court costs; fees and expenses of attorneys; appeal bonds; independent adjusters; investigators; appraisers; vocational services, training, or evaluation; medical expenses and medical cost containment service providers (including those provided by Sedgwick, if applicable); durable medical equipment; rehabilitation services; experts and witnesses; fees for obtaining statements, diagrams, reports, records, documents, transcripts, depositions, Medicare reporting, and compliance services fees and costs, index bureau filings and re-filings, and photographs; cost of file retrieval; cost associated with the pursuit of subrogation and/or Special Injury Fund claims; hearing representation services; and travel fees and expenses incurred at LARM's request. Sedgwick may, but need not, elect to utilize its own staff or affiliated entities to perform these services. Associated fees and costs will be charged as allocated loss adjustment expenses. Sedgwick shall provide to LARM an annual report outlining activities and cost savings achieved by the vendor within 60 days after the end of the fiscal year.
- D. LARM, at the request of Sedgwick, shall deposit funds for payment of Qualified Claims, including allocated loss adjustment expenses, in a bank account or accounts (the "Claim Account"). Sedgwick shall be responsible for providing sufficient funds to write checks on the Claim Account for use in the payment of LARM's Qualified Claims.



- E. It is expressly understood that Sedgwick shall not be required to advance its own funds to pay losses or allocated loss adjustment expenses for any Qualified Claim here under. It is further understood that if LARM fails to promptly provide funds sufficient to allow required payments to be made timely, or if funds previously provided by or on behalf of LARM are seized, frozen, or otherwise unavailable to Sedgwick to allow required payments to be made timely on account of the bankruptcy, receivership, or other insolvency proceeding of LARM, Sedgwick will have no obligation to perform any claims payments services during any period of underfunding.
- F. Sedgwick shall have full discretion to make an individual payment of an allocated loss adjustment expense on any Qualified Claim and shall not need the approval of LARM to make such payments. This amount may be changed at any time by LARM upon ten (10) days prior written notice to Sedgwick. It is agreed that Sedgwick shall have full authority and control in all matters pertaining to the payment, processing, investigation, and administration of Qualified Claims within the limit established by this paragraph.
- G. Sedgwick shall have full discretion to redeem, compromise or settle any Qualified Claim for an amount not to exceed \$100,000 and shall not need the approval of LARM to consummate such redemption, compromise, or settlement. This amount may be changed at any time by LARM upon ten (10) days prior written notice to Sedgwick. Failure of Sedgwick to settle a Qualified Claim within such limit, however, shall not subject Sedgwick to any liability whatsoever in the event of an adverse judgment entered by any court or the settlement of such Qualified Claim for an amount in excess of such limit.
- H. Should LARM fail to make timely payments of any service fees due Sedgwick or should LARM in any other way breach or fail to comply with a material term of this Agreement, Sedgwick shall then have the right to refuse to perform any further services or terminate this Agreement. If Sedgwick elects to exercise its rights under this paragraph, in addition to all other legal or equitable remedies, Sedgwick will have the right to its full minimum fee, if any, as well as any other fees for which Sedgwick may be eligible and may collect such fees from any loss fund that may be in Sedgwick's care, custody and control.
- I. Upon receipt of any form of notice advising of facts which are or may be a Qualified Claim, LARM shall promptly assign the Qualified Claim to Sedgwick for management. LARM shall promptly provide Sedgwick with such information as Sedgwick may require and otherwise cooperate with Sedgwick.

## **Fee Schedule Agreement of Services**

LARM and Sedgwick, on behalf of LARM, shall pay the following fees on a life of contract basis for services provided during the term of this Agreement.

### **Claims**

If requested by the Executive Director, Sedgwick will be responsible for Claims Handling. The Executive Director may terminate claims handling by Sedgwick with 60 days written notice of termination.

### **Claim Handling Time & Expense**

The fee for the Property and Casualty claims handling is \$114.30 per hour for the first year of the



contract. There is no per claim or time and expense fee for Worker's Compensation Claims.

For the second year and each successive year thereafter, the fees from the previous year shall be increased by the percentage change in the Consumer Price Index (based upon CPI-U, Midwest Region, all items) ("CPI Adjustment") or 3%, whichever is lower.

### Claim Handling Annual Fee

The annual fee for the claim handling of open and new claims is \$92,742. This includes Casualty, Property and Worker's Compensation Claims.

For the second year and each successive year thereafter, the fees from the previous year shall be increased by the percentage change in the Consumer Price Index (based upon CPI-U, Midwest Region, all items) ("CPI Adjustment") or 3%, whichever is lower.

### Medical Cost Containment and Management Services

All claims administration fees and services contemplate the deployment of Sedgwick's managed care services for all bill review, case management services, and ancillary network services (i.e. DME, home health, diagnostics, etc.) are as follows:

1-Apr-2026 to 31-Mar-2027	
Service	Rate
<b>Medical bill review</b>	
State fee scheduling/usual, customary and reasonable; state reporting	\$9.27 per bill
First party auto PIP bill review	\$30.90 per bill
<b>Provider networks</b>	
Preferred provider organization (PPO) networks	27% savings
Out of network services	27% savings
Surgical Implants	27% savings
<b>Telephonic Clinical Services</b>	
Telephonic case management · Telephonic Nurse Care Manager, · Surgery Nurse Case Manager,	Evaluation and recommendation: \$170
	1–30 days: \$407
	Every 30 days thereafter: \$304
Behavioral Health Specialist	\$122 per hour (1)
Physical therapy case management	1–30 days: \$407
	Every 30 days thereafter: \$304
Customized Nurse Services (1)	\$122 per hour (1)
<b>Utilization Review &amp; Physician Advisor</b>	

Utilization review	\$129 per review
Physician advisor/peer review	\$283 per review
Physician review of records	\$314 per hour
Physician advisor appeal	\$361 per review
Complex pharmacy management	Pharmacy nurse management/pain coaching: \$132 per hour Physician and PharmD management (as needed): \$314 per hour
<b>Field Case Management (FCM)</b>	
Medical field case management: Full field	\$170 per hour, plus direct expenses (1)(2)
Catastrophic/Crisis care management	\$196 per hour (1)
International Medical FCM	Countries near US and US Territory (Canada, Mexico, Puerto Rico, Bahamas, USVI): \$185 per hour All other countries: \$214 per hour
<i>FCM Tasks:</i>	
One visit clinical assessment	\$809 flat fee
Limited Assignment Task	\$122 per hour (1)
Specialty task services: Life Care Plan, Expert testimony, customized services	\$191 per hour
<b>Vocational &amp; Work placement solutions</b>	
Transitional work placement (at Not-for-profit)	\$927 for placement or no-show
Return to Work Specialist	\$122 per hour (1) Telephonic return-to-work
Work Place Consultation - Program/Policy Design & planning	\$232 per hour, plus direct expenses
Vocational - Full Field Case Management	\$122 per hour, plus direct expenses (1)(2)
<i>Vocational field tasks:</i>	
Vocational Assessment/Testing	\$1,071 flat fee
Labor Market Survey	\$721 flat fee
Automated Transferable Skills Analysis	\$402 flat fee
Job Analysis or Ergonomic Evaluation	\$891 flat fee
<b>Clinical Consultation Services</b>	
Clinical consultation	Standard (24x7x365 access to nurse): \$103 Per Call

	Premium (standard plus option of blended intake or limited customization): \$122 Per Call
	Advance (Premium plus option to customize workflows): \$134 Per Call
	<i>* level of customization may warrant additional fees</i>
<b>Sedgwick managed care administrative services</b>	
<b>Lien resolution</b>	29% of the below fee schedule savings subject to minimum fee of \$144 and cap of \$7,957 per lien  Expert witness testimony or hearing representation charged at \$139 per hour plus direct expenses
<b>Sedgwick standard medical card</b>	No charge; customization starts at \$3,710
<b>Mandatory state panel postings</b>	Electronic versions of panel cards will be provided at no additional cost. Physical panel cards will incur pass-thru costs at current printing and mailing rates to be paid by LARM.

For the second year and each successive year thereafter, the fees from the previous year shall be increased by the percentage change in the Consumer Price Index (based upon CPI-U, Midwest Region, all items) (“CPI Adjustment”) or 3%, whichever is lower.

#### **Subrogation and Other Recoveries:**

- A. Sedgwick shall pursue recoveries for subrogation, second injury funds, and other applicable special funds such as supplemental state funds, COLA reimbursements, retro funds, and other similar funds. LARM shall pay Sedgwick twenty-five percent (25%) of the recovery received; provided, however, that after the Initial Term such rate shall be at Sedgwick’s standard rate at the time the recovery is received, unless the parties agree otherwise in writing. All fees and expenses, including attorneys’ fees or investigations, for pursuit of any recovery shall be charged to the appropriate Qualified Claim file as an allocated loss adjustment expense.
- B. As determined by the parties, Sedgwick shall either:
  - a. Deposit the recovery funds and issue payment from Sedgwick’s accounts Payable system to LARM for the net recovery (less Sedgwick’s fee). Sedgwick will deposit the net recovery check into LARM’s loss-funding account or forward it directly to LARM.
  - b. Deposit the recovery funds into LARM’s loss-funding account and Sedgwick shall receive payment from the claim file or directly from LARM.

## **Managed Care Service Schedule:**

LARM has chosen the following managed care services, as defined herein:

- (1) Provider Fee Management - The bill review process reviews bills against up-to-date and accurate mandated state fee schedules or the usual and customary (“UCR”) data base, whichever is appropriate, to reveal excessive, duplicate, or inappropriate charges.
- (2) Preferred Provider Organization (“PPO”) Networks - Sedgwick will arrange for access and channeling to national and regional PPO networks including specialty networks (Diagnostics, Physical Therapy, etc.) under the managed care program in conjunction with the Provider Fee Management service.
- (3) Hospital Bill Review - Hospital or outpatient non-PPO bills will be reviewed by a nurse for possible errors or excessive charges relative to the patient's medical diagnosis at Sedgwick's or LARM's request.
- (4) Out of Network Bill Review – Bills from out of network health care providers will be reviewed, and if appropriate a negotiation with the billing provider will be pursued. Additionally, inpatient and outpatient procedures that are not addressed by an individual state’s fee schedule or UCR will be repriced to a geographically driven and cost to charge repricing database to determine appropriate reimbursement.
- (5) Specialty Usual and Customary Review – Sedgwick’s vendors will apply geographic charges (fee for same procedure charged by other providers in same area) and cost to charge ratios (actual cost to provider for procedure or hospital stay v. amount charged) to determine reimbursement of medical services billed that are not addressed within the jurisdictional fee schedule or usual and customary reimbursement.
- (6) Field Case Management and Crisis Care - Sedgwick will assign appropriate cases for field medical, crisis care, and vocational management services.
- (7) Utilization Review, which includes the following components:
  - (a) Prospective Review - a review prior to treatment or admission conducted by an experienced registered nurse to validate or negotiate the necessity, setting, frequency, intensity and duration of care delivery.
  - (b) Concurrent Review - during the course of treatment, a review of treatment and planned procedures and establishment of target completion dates.
  - (c) Retrospective Utilization Review - a review post treatment conducted by an experienced registered nurse to identify inappropriate treatment utilization.
  - (d) Peer Review - physician-to-physician contact to resolve treatment and diagnosis questions.
- (8) Prescription Services – Pharmacy program made available to LARM’s member employees whereby a network of pharmacies, local to Employer sites/employee residences will provide prescription medications related to the work-related injury with no out of pocket expenses to the employee.

- (9) Pharmacy review services include a review of all current medications prescribed to the claimant as well as a review of over-the-counter medication being taken by the claimant. The purpose of the review is to evaluate whether the medications prescribed to and/or taken by the claimant are appropriate for treatment of the injury or ailment which is the subject of the underlying claim being administered by Sedgwick.
- (10) Telephonic Case Management - Sedgwick will assign appropriate cases for telephonic medical, vocational/return to work, or behavioral health management services.
- (11) Complex file review (nurse review) - Hospital or outpatient non-PPO bills that meet specific, pre-established criteria may be reviewed by a nurse for possible errors or excessive charges relative to the patient's medical diagnosis.

IN THE NEBRASKA WORKERS' COMPENSATION COURT

RICK MARKHEIM,	)	DOC: 225 NO: 0032
	)	
Plaintiff,	)	
	)	
vs.	)	ORDER OF APPROVAL OF
	)	FINAL LUMP SUM
CITY OF GERING,	)	SETTLEMENT
	)	
Defendant.	)	

This matter comes on for determination upon the Application for Approval of Lump Sum Settlement (Application) submitted by the parties herein.

The Court, being fully advised in the premises and having reviewed the documentation submitted, finds the Application is made in conformity with the compensation schedule, is in the best interests of the employee, and should be approved.

IT IS THEREFORE ORDERED that the aforesaid Application is hereby approved. Upon payment of \$316,716.00 plus Defendant's funding of a self-administered WCMSA in the amount of \$33,284.00, Defendant, its successors and assigns shall be discharged from all further liability under the Nebraska Workers' Compensation Laws on account of the accident and injuries alleged to have been sustained by Plaintiff on September 24, 2021.

DOC: 225 NO: 0032  
Page 2

Dated at Lincoln, Lancaster County, Nebraska, on this 31<sup>st</sup> day  
of December, 2025.

NEBRASKA WORKERS' COMPENSATION COURT



\_\_\_\_\_  
PRESIDING JUDGE

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of  
the foregoing Order of Approval of Final Lump Sum Settlement was  
sent by United States mail, first class postage prepaid, or email on this  
31<sup>st</sup> day of December, 2025, addressed as shown below, to the following:

ROBERT PAHLKE  
[rgp@pahlkelawgroup.com](mailto:rgp@pahlkelawgroup.com)

TYLER BLOCK  
[tyler@kbpfirm.com](mailto:tyler@kbpfirm.com)

COLE RETCHLESS  
[cole@pahlkelawgroup.com](mailto:cole@pahlkelawgroup.com)

ERIC YODER  
[eyoder@rehmlaw.com](mailto:eyoder@rehmlaw.com)

JON REHM  
[shurst@rehmlaw.com](mailto:shurst@rehmlaw.com)

\_\_\_\_\_  
Clerk, Nebraska Workers' Compensation Court

KK/ls

IN THE NEBRASKA WORKERS' COMPENSATION COURT

ANDREA LOHR, WIDOW	)	DOC: 223 NO: 1203
OF RYAN D. LOHR,	)	
deceased, on her behalf	)	
and on behalf of her minor	)	
children, ALEXEE LOHR	)	
and ALLEE LOHR,	)	
	)	ORDER OF APPROVAL OF
Plaintiff,	)	LUMP SUM SETTLEMENT
	)	APPLICATION AND JOINT
vs.	)	STIPULATION
	)	
CITY OF SCOTTSBLUFF,	)	
NEBRASKA,	)	
	)	
Defendant.	)	

This matter comes on for determination upon the Application for an Order Approving Lump Sum Settlement and Release (Application) and Joint Stipulation to Amend Application for Approval of Lump Sum Settlement and Release (Joint Stipulation) submitted by the parties herein.

The Court, being fully advised in the premises and having reviewed the documentation submitted, finds that the Application as amended by the Joint Stipulation is in conformity with the Nebraska Workers' Compensation Act and should be approved.

IT IS THEREFORE ORDERED that the aforesaid Application as amended by the Joint Stipulation filed by both parties is hereby approved. Upon payment to Plaintiff of \$545,775.79 payable to the widow, Andrea Lohr, payment of the sum of \$18,036.72 to Allee Lohr, and the purchase an annuity on behalf of Alexee Lohr, decedent's



minor daughter, as described in the Application as amended by the Joint Stipulation, Defendant shall be discharged from all further liability under the Nebraska Workers' Compensation Act on account of the death of Ryan D. Lohr resulting from the accident on 12/15/2021.

Dated at Lincoln, Lancaster County, Nebraska, on this 5<sup>th</sup> day of January, 2026.

NEBRASKA WORKERS' COMPENSATION COURT



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ACTING PRESIDING JUDGE

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order of Approval of Lump Sum Settlement Application and Joint Stipulation was sent by United States mail, first class postage prepaid, or email on this 5<sup>th</sup> day of January, 2026, addressed as shown below, to the following:

JOHN CORRIGAN  
[jcorrigan@dowd-law.com](mailto:jcorrigan@dowd-law.com)

DAVID DUDLEY  
[ddudleyes@baylorevnen.com](mailto:ddudleyes@baylorevnen.com)

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Clerk, Nebraska Workers' Compensation Court

IN THE NEBRASKA WORKERS' COMPENSATION COURT

ANDREA LOHR, WIDOW OF RYAN	)	DOCKET 223	PAGE 1203
D. LOHR, deceased, on her behalf and	)		
on behalf of her minor children,	)		
██████████ and ██████████,	)		
	)	JOINT STIPULATION TO	
	)	AMEND APPLICATION FOR	
	)	APPROVAL OF LUMP SUM	
Plaintiffs,	)	SETTLEMENT AND RELEASE	
	)		
vs.	)		
	)		
CITY OF SCOTTSBLUFF,	)		
NEBRASKA,	)		
	)		
Defendant.	)		

COME NOW the parties, by and through their attorneys, and hereby stipulate and jointly move the Court for an Order approving the parties' Application for Approval of Lump Sum Settlement and Release as amended by this Joint Stipulation as follows:

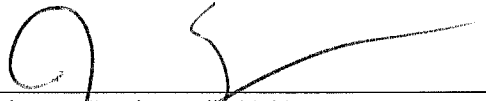
The annuity is set out at \$876.01 payable monthly, guaranteed for 4 years beginning on 10/25/2028 with the last guaranteed payment on 9/5/2032. See attached Schedule 1.

WHEREFORE, counsel for the Plaintiffs and the Defendant herein jointly stipulate to and move the Court for an Order approving their settlement Application as amended by this Joint Stipulation.

Dated this 24th day of December, 2025.

ANDREA LOHR, WIDOW OF RYAN D.  
LOHR, deceased, on her behalf and on  
behalf of her minor children [REDACTED]  
[REDACTED] and [REDACTED], Plaintiffs,

By: John E. Corrigan  
Dowd & Corrigan, LLC  
6700 Mercy Road Suite 501  
Omaha NE 68106  
(402) 913-9713

By:   
\_\_\_\_\_  
John E. Corrigan, #21242  
jcorrigan@dowd-law.com

CITY OF SCOTTSBLUFF, NEBRASKA,  
Defendant.

By: Baylor Evnen Wolfe & Tannehill, LLP  
Union Bank Place  
1248 "O" Street, Suite 900  
Lincoln, NE 68508  
402/475-1075

By: */s/ David A. Dudley*  
\_\_\_\_\_  
David A. Dudley, #19036  
ddudleyes@baylorevnen.com


**Schedule 1**  
**Description of Periodic Payments**

Payee :  
Benefit(s):

**Alexee Loh**

1. **Period Certain Annuity** - \$876.01 payable monthly, guaranteed for 4 year(s), beginning on 10/05/2028, with the last guaranteed payment on 09/05/2032.

Initials

Assignor(s): 

Assignee: \_\_\_\_\_

Assignee: \_\_\_\_\_