

Insurance Program Renewal Update

City of Hollywood

November 7, 2016

Property Program
Boiler & Machinery
Public Officials Liability



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Arthur J. Gallagher & Co. – About Your Broker

As the World's 4th largest insurance brokerage and risk management services firm, we have extensive experience with public entities, especially in Florida:

1. Specializing in Florida Public Sector Insurance for over 35 years
2. Florida Premium Volume: \$490,000,000 (\$300,000,000 Property Premium Volume)
3. Over 300 Public Sector Professionals in Gallagher Worldwide; 40 Public Sector Professionals in Florida.
4. Currently represent over 15 Tri-County Public Entities:

1	Broward BOCC	9	City of Hollywood
2	Miami Dade BOCC	10	City of Miami Beach
3	Palm Beach BOCC	11	City of Miramar
4	South Florida Water Management District	12	City of Pembroke Pines
5	City of Boca Raton	13	City of Pompano Beach
6	City of Coral Gables	14	City of Riviera Beach
7	City of Deerfield Beach	15	Broward County School Board
8	City of Hialeah	16	Miami Dade County School Board

Gallagher Core Strengths

1. We are a cohesive member of your Risk Management
2. Provide the tools & resources for you to succeed
3. High Level of Service – Your Team has a manageable account load
4. Design your Program to fit your needs – As your broker we represent you, and will discuss all products available in the marketplace
5. We discuss with you your TCOR-Total Cost of Risk when analyzing your needs
6. Team Professional Expertise and Intellectual Capital – ability to access Global Resources
7. Market Leverage – Gallagher is the Largest Retail Commercial Property Broker in the State of Florida

Daily Services

1. Communications - availability 24/7 to our Public Entity Client to answer questions, coordinate exposure data , discuss pressing issues and provide claim support during a crisis
2. Certificate Issuance – hourly turnaround time
3. Contract review and recommendations
4. Holistic Approach – continuously monitoring of exposures and coverage to prevent duplication, address coverage gaps - and ensure policy issuance is accurate
5. We organize our information and resources to fit your needs – not the other way around

Recurring Services

1. Budget Forecasting / Projections - We assist you in projecting and meeting your budget requirements
2. Communicate Market Conditions and Projections
3. Pre-Renewal Discussions and Appetite for Risk
4. Data Collection – Exposure analysis – Identify Goals & Objectives for the Renewal
5. Detailed Submissions with meaningful analysis
6. Marketing – provide options for consideration
7. Benchmarking – Historical / Peer Measurement - both Regionally and Nationally

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Project Specific

1. Resources available: Claims Advocacy & Loss Control specializing in Public Entity
2. FEMA Support
3. Claims and Loss Analysis Review
4. Loss Control Recommendations – focus on historical cost drivers
5. Manuscript Forms / Endorsements to fit your needs
6. White Paper discussions on Emerging Issues & Risks - both local & national
7. Coordinate CAT Modeling, Appraisals Services and Engineering reports to strengthen exposure data
8. Consulting Work with Detailed Recommendations

State of the Market – 2016

Property Insurance – Softening Market

There are multiple factors driving the soft property insurance market today, the rate decreases have been a result of limited natural catastrophe losses, increased sources of capital contributions and an increased amount of competition in the marketplace. While certain insurance companies have experienced profits in recent years, there are others taking a strong position on continued rate decreases in order to avoid an underperforming balance sheet.

How the Property Marketplace Views Your Exposures:

100% Highly Concentrated Property: Large Property Schedule: 100% South Florida coastal risk. 100% of property is exposed to wind and coastal flooding.

Probable Maximum Loss (PML) Municipal Property:

Below is a summary of the 2015 wind modeling performed for the City (City municipal property, excluding water utilities, which are insured separately). This study was performed with the RMS RiskLink v.15 model.

City of Hollywood has approximately \$199 Million in values exposed to hurricane related events in the State of Florida. **Figure 1-1** illustrates the probability of ground up losses exceeding various amounts due to one event in a given year, as described by the Occurrence Exceedance Probability (OEP). The 250 year event loss probability is commonly used by the insurance marketplace as a gauge for insurance pricing.

Critical Prob.	Return Period	AIR		RMS	
		Ground Up	Gross Loss	Ground Up	Gross Loss
0.10%	1,000	\$54,027,671	\$45,561,620	\$57,765,815	\$53,366,441
0.20%	500	\$40,532,595	\$32,610,099	\$41,457,282	\$37,781,099
0.40%	250	\$28,205,640	\$21,345,517	\$28,312,501	\$25,374,355
1.00%	100	\$13,561,131	\$8,727,896	\$15,160,489	\$13,113,666
2.00%	50	\$7,449,445	\$4,247,293	\$7,975,438	\$6,411,429
5.00%	20	\$2,472,404	\$1,392,808	\$1,970,511	\$867,582
AAL		\$640,746	\$434,834	\$616,896	\$484,412

Figure 1-1

City of Hollywood

Probable Maximum Loss (PML) Utilities Property:

City of Hollywood has approximately \$279 Million in values exposed to hurricane related events in the State of Florida. **Figure 1-1** illustrates the probability of ground up losses exceeding various amounts due to one event in a given year, as described by the Occurrence Exceedance Probability (OEP). The 250 year event loss probability is commonly used by the insurance marketplace as a gauge for insurance pricing.

Critical Prob.	Return Period	AIR		RMS	
		Ground Up	Gross Loss	Ground Up	Gross Loss
0.10%	1,000	\$139,708,241	\$127,423,458	\$100,025,969	\$93,527,712
0.20%	500	\$106,733,976	\$94,451,254	\$75,913,110	\$70,092,535
0.40%	250	\$72,959,355	\$60,998,863	\$54,625,224	\$49,980,574
1.00%	100	\$36,276,151	\$26,767,718	\$30,935,203	\$27,183,254
2.00%	50	\$18,602,803	\$11,606,088	\$16,547,283	\$13,399,621
5.00%	20	\$5,770,507	\$2,772,372	\$3,647,727	\$1,095,022
AAL		\$1,598,402	\$1,160,521	\$1,165,277	\$926,536

Figure 1-2

Updated Values

	2015	2016	Value Change
Municipal Property	\$199,002,447	\$199,607,087	<1%
Water/Utility Property	\$279,987,068	\$279,987,068	0%

Marketing

Obtaining a comprehensive and competitively priced program of insurance in the marketplace requires more than access to the market. Past experience and credibility with markets are the foundation of a successful campaign for your company. Complete and accurate submissions, with detailed specifications, are essential. The following are a list of the carriers that were approached during the marketing process:

Carrier	Line of Coverage	Market Response
Lexington Insurance Company	Property	Quoted
Westchester Surplus Lines Insurance Company	Property	Quoted
Liberty Surplus Lines Insurance Company	Property	Quoted
National Fire and Marine Insurance Company	Property	Quoted
Ironshore Specialty Insurance Company	Property	Quoted
Axis Surplus Insurance Company	Property	Quoted

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Carrier	Line of Coverage	Market Response
Landmark American Insurance Company	Property	Quoted
ACE American Insurance Co.	Property	Quoted
James River Insurance Company	Property	Excess buffer layer only, no added benefit
Arch Specialty Insurance Company	Property	Cannot offer primary due to construction. Maximum capacity on excess \$25mm
Nationwide Insurance Company	Property	X wind only due to construction and location
ICAT	Property	TIV outside of underwriting guidelines
General Star Insurance	Property	Limited capacity due to age and location
United National Insurance Company	Property	Would need to be X wind or excess layer only. Cannot provide needed capacity on excess layer.
Endurance Insurance Company	Property	Can compete on primary layer but not improve upon current terms.
Everest Insurance Company	Property	Can participate in primary layer, no added benefit. Does not warrant displacing incumbent.
Travelers Property Casualty Company of America	Boiler & Machinery	Quoted
XL Group	Boiler & Machinery	Cannot compete with terms or premium
Liberty	Boiler & Machinery	Pending

2016 – 2017 Program Structure



The above chart is only an illustration of the layer property program. You will need to refer the actual policy for coverage and deductible details.

City of Hollywood

Property Renewal Program

We have marketed the program again this year and are pleased to report that the City's rates have been reduced once again. The Property coverages will continue to be split with the Municipal and Water/Utilities each having their own programs. Having separate programs for the Properties continues to provide the City with broader coverage and exceptional pricing:

Municipal Properties (Excluding Water/Utilities)

- Lexington Insurance Company and Various Participating Carriers
- Total Insured Values: \$199,607,087 – increased by <1%
- Policy Limit: \$199,607,087
- Named Wind sublimit - \$30,000,000
- Excess Flood Sublimit - \$5,000,000 (excess of National Flood Ins. coverage)
- Earth Movement Sublimit - \$5,000,000
- Deductible - Named Windstorm Deductible 5% subject to \$250,000 minimum per occurrence
- Deductible – Excess Flood deductible 2% subject to minimum \$1,000,000
- Deductible – Earth Movement \$100,000
- Deductible - All Other Perils \$25,000
- Sublimits shown above are within the Limit of Liability not in addition to the Limit
- **Total Premium (not including applicable FL fees): \$868,690, a savings of \$90,390 (9.42%)**

Historical rate reductions

2013 TIV	\$173,250,409	2013 Premium	\$1,235,179	2013 Rate 14.5 mos.	\$0.713	
2014 TIV	\$198,080,757	2014 Premium	\$1,065,000	2014 Rate 12 mos.	\$0.538	-24.54%
2015 TIV	\$199,002,447	2015 Premium	\$959,080	2015 Rate 12 mos.	\$0.482	-10.40%
2016 TIV	\$199,607,087	2016 Premium	\$868,690	2016 Rate 12 mos.	\$0.435	-9.42%

Water/Utilities

- ACE American Insurance Co.
- Total Insured Values: \$279,987,068 – increased by 0%
- Policy Limit \$150,000,000
- Named Windstorm Sublimit - \$50,000,000
- Excess Flood Sublimit: \$10,000,000 aggregate (no coverage for A&V zones)
- Earth Movement Sublimit - \$25,000,000
- Deductible – Named Windstorm Deductible 5% subject to \$500,000 minimum per occurrence
- Deductible – Excess Flood \$500,000 (no coverage for A&V zones)
- Deductible – All other Perils Deductible: \$25,000 per occurrence
- Sublimits shown above are within the Limit of Liability not in addition to the Limit
- **Total Premium (not including applicable FL fees): \$477,023, a savings of \$38,677 (7.5%).**
- **Separate Loss Control/Inspection fee \$6,000**

Historical rate reductions

2013 TIV	\$265,193,842	2013 Premium	\$755,000	2013 Rate 14.5 mos.	\$0.285	
2014 TIV	\$279,987,068	2014 Premium	\$573,000	2014 Rate 12 mos.	\$0.205	-24.11%
2015 TIV	\$279,987,068	2015 Premium	\$515,700	2015 Rate 12 mos.	\$0.184	-10.00%
2016 TIV	\$279,987,068	2016 Premium	\$477,023	2016 Rate 12 mos.	\$0.170	-7.50%

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Boiler & Machinery/Equipment Breakdown

We have received a competitive quote from the expiring carrier. Also, two other markets were approached, however XL Group could not be competitive with terms or premium and Liberty is still pending. See below:

Carrier	Response
Travelers Property Casualty Company of America	Quoted
XL Group	Declined can't meet terms or premium
CNA	Pending

Boiler & Machinery

- \$250,000,000 Total Loss Limit
- \$10,000 Combined Deductible
- \$25,000 Claim Preparation Costs
- Building and Contents Values \$187,329,256, increase of 3%
- **Expiring Premium \$6,111.00 Renewal Premium \$5,823.00**
- **Rate reduction 4.71%**

Flood (December)

NFIP Flood policies are issued by Hartford Insurance Company of the Midwest. NFIP declared rate changes effective November 2015 and April 2016. Among the changes was an overall rate increase of 9% to 18%, increase in the Reserve Fund fee from 10% to 15% and various increases in the fees charged by NFIP. Renewal quotes and invoices are sent separately. Premiums provided are estimated based on the renewal notices received from Hartford and are subject to change in accordance with any change declared by FEMA.

Current deductibles are \$1,250 and \$2,000. We can provide optional quotes for higher deductibles \$5,000 to \$50,000.

Each year the carrier provides an increased limit quote. This increases your property values (i.e increase in construction, inflation, etc.) until the values reach the maximum available of \$500,000 Building and/or Contents. We recommend the Increased Limit quote.

Flood Month	2015-2016	Renewal 2016-17 Expiring Limit	Renewal 2016-17 Increased Limit	Renewal 2016-17 Excluding X zones
*December Policies	\$45,876.00	\$47,779.00	\$50,330.00	\$24,225.00

*Note: Premiums quoted are estimated premiums at the time this document was published. NFIP can change or amend terms, conditions and renewal premiums.

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Public Officials (12/21/16 renewal date)

The marketplace for Public Officials and Employment Practices Liability remains stable. We marketed the coverage as follows:

Carrier	Response
Ironshore Specialty Insurance Co.	Quote
Lloyds of London	Pending
Chartis/AIG	Declined

Coverage	2014-2015 Ironshore	2015-2016 Ironshore	2016-2017 Ironshore
Public Officials/EPLI	\$182,033.00	\$130,000.00	\$135,000.00
FL Fee – FHCF 1.3%	\$2,366.43	NA	NA
TOTAL Premium	\$184,399.43	\$130,000.00	\$135,000.00

Public Officials

- \$5,000,000 limit of liability per occurrence
- \$5,000,000 annual aggregate
- Deductible/Self-Insured Retention (SIR) \$100,000 per occurrence except
- Deductible/Self-Insured Retention (SIR) Zoning & Planning \$175,000 per occurrence
- Pending & Prior Litigation (excluded claims) – 10/1/1994
- Prior Acts – 10/1/1994
- Defense is within the limit of liability
- Employment Practices included for Law Enforcement Agency & Fire Fighting Authorities
- Eminent Domain – Adverse possession. Included for defense only - sublimit \$100,000
- Back & Future Wages (EPLI). Included for defense only - sublimit \$250,000
- Non-Monetary Relief Exclusion – Included for defense only - sublimit \$1,000,000 (increased this year from \$250,000)
- Public Entity Crisis Management Coverage – sublimit \$25,000
- Sublimits shown above are within the Limit of Liability not in addition to the Limit
- **Expiring Premium \$130,000. Renewal Premium \$135,000.**
- **Increase of 3.8% due to claim activity.**

Claim Year	Closed	Open
2015-16	2	0
2014-15	3	4
2013-14	0	0
2012-13	3	0

All the various coverage highlights in this renewal outline are intended to facilitate a basic understanding of your insurance program. It is not intended to replace or supersede your insurance policy. Please refer to the policy terms, conditions, exclusions and deductibles for more details.

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Cost Comparison

Rate/\$100 TIV	Expiring 2015-2016	Renewal 2016-2017	% Change
Water/Utility Property	\$0.184	\$0.170	-7.50%
Municipal Property	\$0.482	\$0.435	-9.42%
Coverage	*Expiring 2015-2016	* Renewal Recommended Program 2016-2017	% Change
Water/Utility Property	\$515,700.00	\$477,023.00	-7.50%
Municipal Property	\$959,080.00	\$868,690.00	-9.42%
Boiler & Machinery	\$6,111.00	\$5,823.00	-4.71%
Flood – December – 2016 Renewal Premium is Excluding X Zones	\$45,876.00	\$25,314.00	-47.19%
Public Officials Liability – 12/21/16	\$130,000.00	\$135,000.00	+3.84%
FL applicable Taxes & Fees	\$32.00	\$32.00	0%
Water/Utility - ACE Loss Control Fee	\$6,000.00	\$6,000.00	0%
TOTAL PREMIUM	\$1,662,799.00	\$1,517,882.00	-8.78%

*Above premiums do not include TRIA

Summary

We are very pleased with the renewal results for the City of Hollywood which will save the City \$144,900 this year. We marketed the coverage and are confident that the program is in line with current market conditions. We will continue to negotiate with the marketplace to further improve the program and will advise further. We believe the program presented to you represents good value and recommend renewal of the program.

We thank you for the opportunity to be of service to the City of Hollywood and look forward to servicing your future needs.

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