

AON

City of Hollywood

**Property / Terrorism /
Boiler & Machinery
Renewal Proposal**

**Policy Period:
December 15th, 2024 –
December 15th, 2025**



Hollywood CITY OF
FLORIDA

Agenda

- Executive Summary
- 2024 Renewal Highlights
- 2024 Property Program
- Year-over-Year Premium Comparison
- Details of Coverage
- Appendix
 - Insured's Acknowledgement and Instruction to Bind
 - Compensation for the Value we Deliver
 - Property Placement Considerations

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

The services and placements outlined in this proposal will be provided in accordance with the terms of the notices and policies set forth in the Commercial Risk Solutions U.S. Business Terms.

Executive Summary

Aon is pleased to provide our renewal proposal for City of Hollywood's property, terrorism, and boiler & machinery insurance programs, effective December 15th, 2024 – December 15th, 2025.

Within our renewal strategy, provided to your team in August, we recommended that City of Hollywood budget -5% - +5% for the Municipal program and +5% - +7% for the Utilities program. The 2024 renewal has been a participant in the positive markets shifts, that have continued to carry throughout Q'3 and Q'4 despite recent weather events.

Municipal terms and conditions have broadened and improved from the expiring policy period. Additionally, Starr Tech provided an option to decrease the Named Windstorm deductible back down to 5% from 7.5% for an additional \$200K.

City of Hollywood gained the interest of numerous non-incumbent markets, including Lancashire, Westchester, and Rivington within the Municipal program.

On behalf of Aon, we thank you for the opportunity to represent you in the marketplace. City of Hollywood is a valued client, and we thank you for your continued trust in us throughout your 2024-2025 renewal.

Program	<u>Combined Municipal & Utilities</u>	
	2023-2024	2024-2025
Policy Year		
Total Insurable Property Values	\$701,850,246	\$714,720,198
Total Premium	\$3,566,728	\$3,209,899
Program Rate per \$100 of Values	0.5082	0.4491
Percent of Rate Change (Year-over-Year)		-11.62%

Renewal Highlights

Renewal Strategy Objectives	Activities & Achievements
Conduct a vast marketing effort to achieve the best terms and conditions available.	<ul style="list-style-type: none">• Maintained Municipal's current program AOP (All Other Perils) deductible of \$25K. Better than average clientele.• Improved overall terms & conditions. Municipal flood deductible reduced to \$500K minimum (vs. \$1M minimum). Outdoor Property, Land Improvements, and Property in the Open limits increased.• Clean CAT loss history, improved insurance marketplace, and Aon relationships assisted in negotiations.
Highlight premium lift from prior years to scrutinize rate. Approach non-incumbent markets with aggressive rates.	<ul style="list-style-type: none">• Received rate decreases from all incumbent markets.• Competitive quotes received from non-incumbent markets – including, Lancashire, Rivington, and Westchester. Provided ability to remove uncompetitive pricing from CNA, Kemah, and AXA XL.• Overlined by 37% on Municipal property program. Resulted in leverage to further reduce premium spend.
Provide option to reduce Utilities Named Windstorm deductible back to 5% (vs. 7.5%).	<ul style="list-style-type: none">• Starr Tech provided an option to reduce City of Hollywood's Named Windstorm deductible from 7.5% to 5% for an additional premium of \$200,000.• This deductible reduction results in an overall retention reduction of over \$10.5M for the City of Hollywood.

24-25 Municipal Program Overview

Limits:

\$288M 0%

COH Self-Retained Limits
(Excess of \$30M All Other Perils / \$20M Named Windstorm)

\$30M

\$20M

% Participation
\$ Participation
100% Layer Premium

% Participation
\$ Participation
100% Layer Premium

	Berkshire	Ironshore	Swiss Re	Lancashire	Rivington	Risk Smith	Endurance	Axis
% Participation	32.5000%	6.50%	8.00%	10.00%	10.00%	12.17%	12.50%	8.33%
\$ Participation	\$9,750,000	\$1,950,000	\$2,400,000	\$2,000,000	\$2,000,000	\$2,434,000	\$3,750,000	\$2,499,000
100% Layer Premium				\$500,000	\$565,715	\$550,160		
				\$50,000	\$56,572	\$66,954		
				SRU	Westchester			
% Participation	32.5000%	6.50%	8.00%	15.00%	17.17%		12.50%	8.33%
\$ Participation	\$9,750,000	\$1,950,000	\$2,400,000	\$1,500,000	\$1,717,000		\$3,750,000	\$2,499,000
100% Layer Premium	\$1,600,000	\$1,765,000	\$1,771,100	\$1,075,000	\$1,100,000		\$1,700,000	\$1,600,000
	\$520,000	\$114,725	\$141,688	\$161,250	\$188,870		\$212,500	\$133,280

All Other Perils: \$25,000
 5% P.U.I. w/ \$250,000 min Tier 1 / All other Windstorm \$250,000
 2% P.U.I. for Critical Flood x/s NFIP w/\$500,000 min / All other Flood \$100,000
 \$100,000 Earthquake



Municipal Property Premium = \$1,672,427 (exclusive of taxes/fees)

Key:
AmWINS Wholesale
Direct

24-25 Municipal Program Overview (continued)

Full Market Panel (All Market Quotes)

Limits: **% Complete:**

\$281M_ 0% 100%

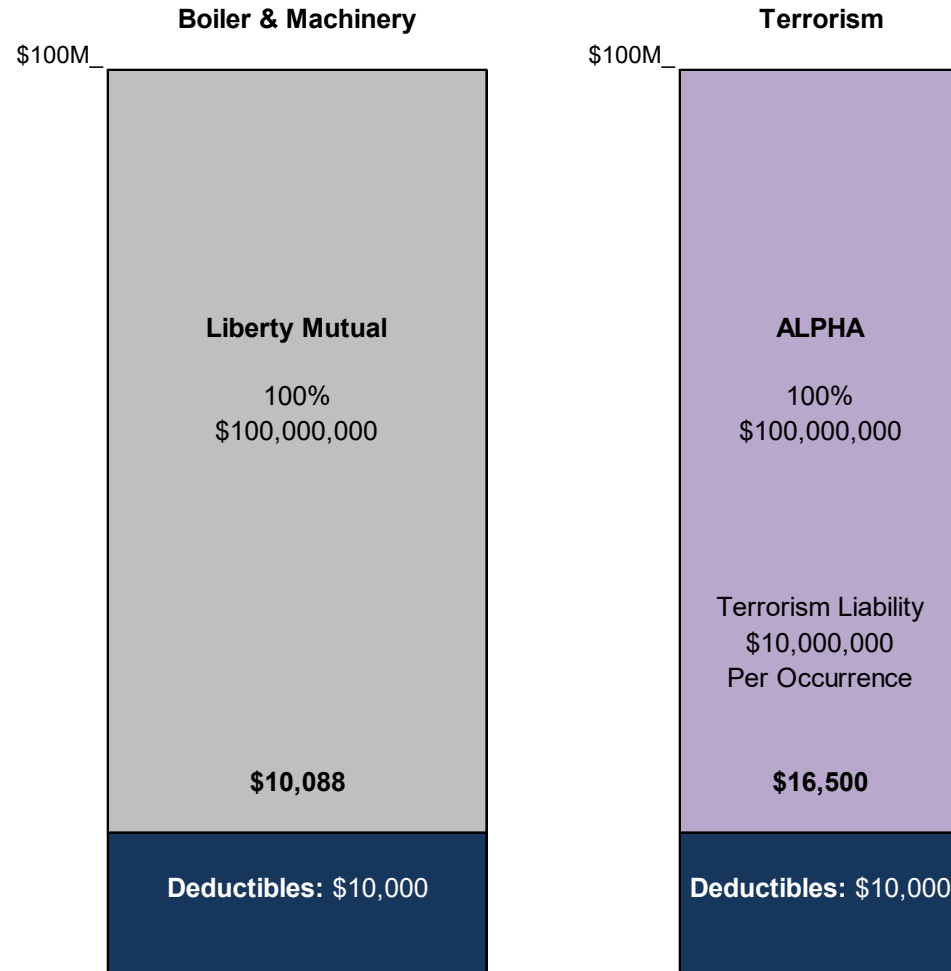
COH Self-Retained Limits
(Excess of \$30M All Other Perils / \$20M Named Windstorm)

	Berkshire	Ironshore	Swiss Re	CNA	Risk Smith	Endurance	Axis	Lancashire	Rivington	
% Participation	32.5000%	6.50%	15.00%	12.5%	15.00%	12.50%	8.33%	10.00%	25.00%	137.33%
\$ Participation	\$9,750,000	\$1,950,000	\$4,500,000	\$2,500,000	\$3,000,000	\$3,750,000	\$2,499,000	\$2,000,000	\$5,000,000	
100% Layer Premium				\$668,500	\$550,160			\$500,000	\$565,715	
				\$83,563	\$82,524			\$50,000	\$141,429	
% Participation	32.5000%	6.50%	15.00%	15.00%	12.50%	12.50%	8.33%	25.00%	10.00%	137.33%
\$ Participation	\$9,750,000	\$1,950,000	\$4,500,000	\$1,500,000	\$1,250,000	\$3,750,000	\$2,499,000	\$2,500,000	\$1,000,000	
100% Layer Premium	\$1,600,000	\$1,765,000	\$1,771,100	\$1,075,000	\$1,200,000	\$1,700,000	\$1,600,000	\$1,100,000	\$1,250,000	
	\$520,000	\$114,725	\$265,665	\$161,250	\$150,000	\$212,500	\$133,280	\$275,000	\$125,000	

All Other Perils: \$25,000
 5% P.U.I. w/ \$250,000 min Tier 1 / All other Windstorm \$250,000
 2% P.U.I. for Critical Flood x/s NFIP w/\$500,000 min / All other Flood \$100,000
 \$100,000 Earthquake

Key:
AmWINS Wholesale
Direct

24-25 Municipal Program Overview (continued)



Key:
Direct Markets
Aon London Markets

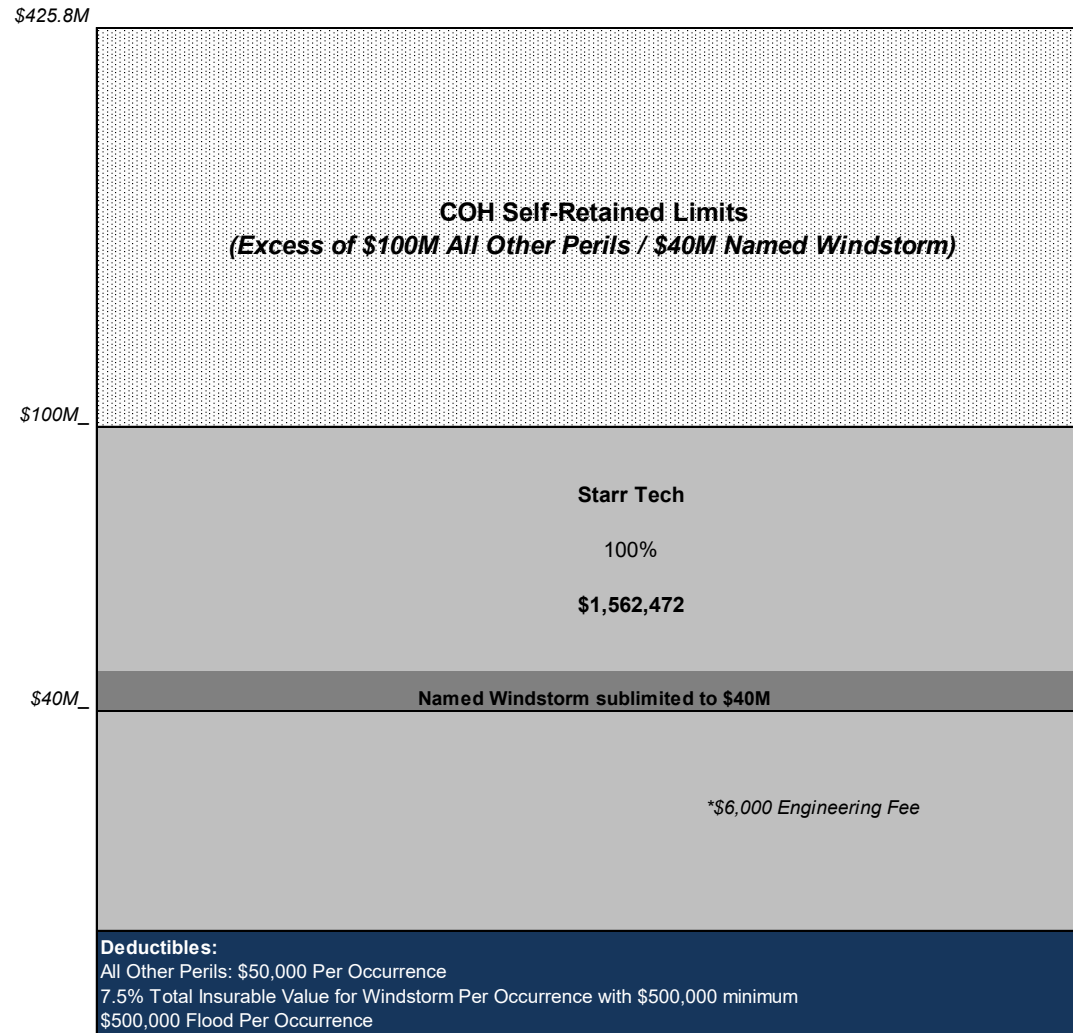


Municipal Property Premium = \$1,672,427 (exclusive of taxes/fees)

24-25 Utilities Program Overview

Option #1 – 7.5% Named Windstorm Deductible

Limits:



Total Utilities Property Premium = \$1,537,472 (exclusive of taxes/fees)

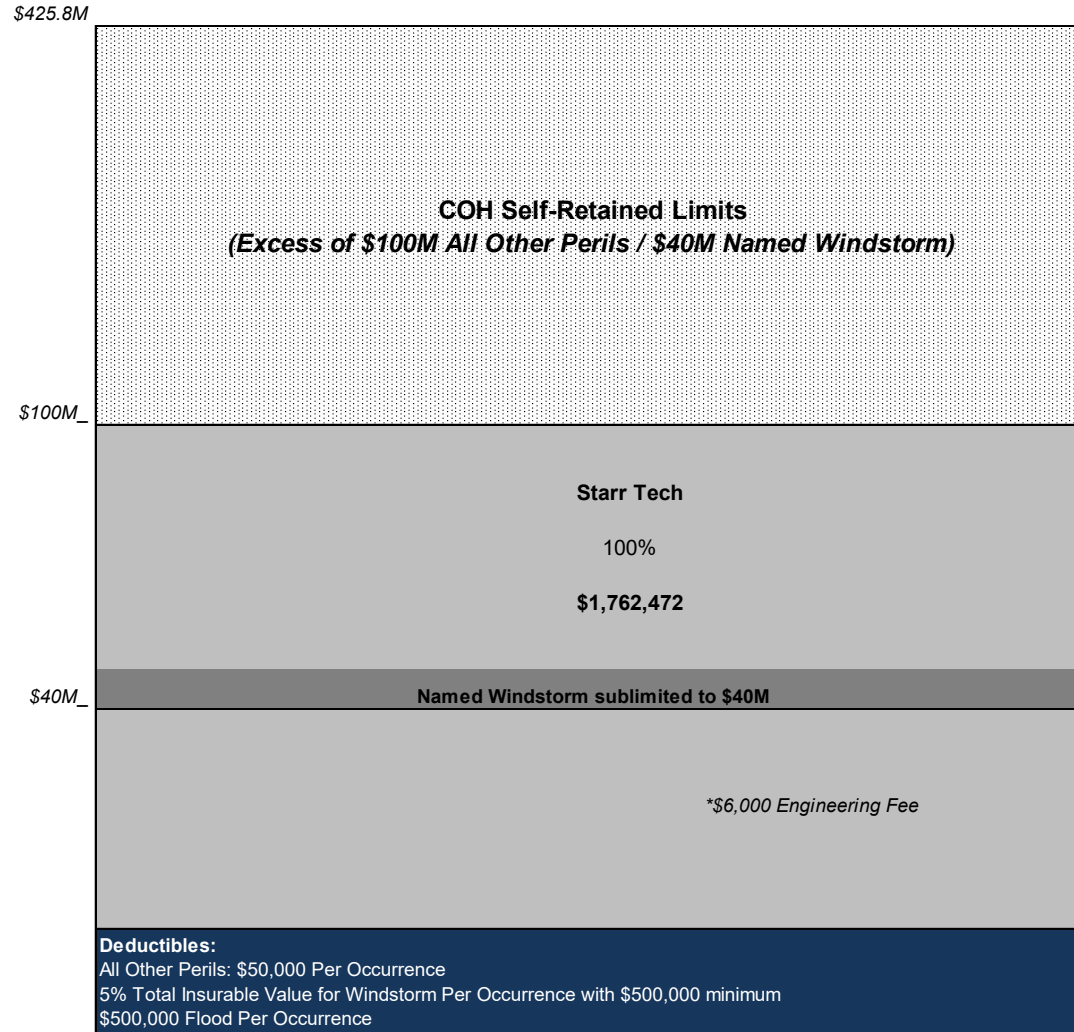
Key:
AmWINS Wholesale
Direct



24-25 Utilities Program Overview

Option #2 – 5% Named Windstorm Deductible

Limits:



Total Utilities Property Premium = \$1,737,472 (exclusive of taxes/fees)

Key:
AmWINS Wholesale
Direct



Year-Over-Year Premium Summary Comparison (Municipal)

City of Hollywood's 2024-2025 Municipal Program at \$20M Named Windstorm			
	2023-2024	2024-2025	Percent of Change
Total Insurable Value	281,678,900	288,898,175	2.56%
Property Premium (includes \$1,500 inspection fee / exclusive of additional taxes)	\$1,900,190	\$1,645,839	-13.39%
Property Premium Rate (per \$100 of value)	\$0.6746	\$0.5697	-15.55%
Boiler & Machinery Premium (exclusive of taxes & fees)	\$9,823	\$10,088	2.70%
Boiler & Machinery Rate (per \$100 of value)	\$0.0035	\$0.0035	0.13%
Terrorism Premium (exclusive of taxes & fees)	\$16,385	\$16,500	0.70%
Terrorism Premium Rate (per \$100 of value)	\$0.0024	\$0.0024	-3.11%
Grand Total Premium (excl. taxes & fees)	\$1,926,398	\$1,672,427	-13.18%
Variance over Expiry	-	(\$253,971)	
Total Blended Rate (per \$100 of value)	\$0.6839	\$0.5789	-15.35%

Year-Over-Year Premium Summary Comparison (Utilities)

Option #1 – 7.5% Named Windstorm Deductible

City of Hollywood's 2024-2025 Utilities Program at \$40M Named Windstorm with 7.5% Deductible			
	2023-2024	2024-2025	Percent of Change
Total Insurable Value	420,171,346	425,822,023	1.34%
Property Premium (exclusive of taxes & fees)	\$1,300,000	\$1,225,000	-5.77%
Property Premium Rate (per \$100 of value)	\$0.3094	\$0.2877	-7.02%
Additional \$10M in Standalone Named Windstorm	\$340,330	\$312,472	-8.19%
Standalone \$10M of Named Windstorm Rate (per \$100 of value)	\$0.0810	\$0.0734	-9.40%
Overall Property Premium (exclusive of taxes & fees)	\$1,640,330	\$1,537,472	-6.27%
Property Premium Rate (per \$100 of value)	\$0.3904	\$0.3611	-7.51%

Program	Combined Municipal & Utilities	
	2023-2024	2024-2025
Total Insurable Property Values	\$701,850,246	\$714,720,198
Total Premium	\$3,566,728	\$3,209,899
Program Rate per \$100 of Values	0.5082	0.4491
Percent of Rate Change (Year-over-Year)		-11.62%

Year-Over-Year Premium Summary Comparison (Utilities)

Option #2 – 5% Named Windstorm Deductible

City of Hollywood's 2024-2025 Utilities Program at \$40M Named Windstorm with 5% Deductible			
	2023-2024	2024-2025	Percent of Change
Total Insurable Value	420,171,346	425,822,023	1.34%
Property Premium (exclusive of taxes & fees)	\$1,300,000	\$1,425,000	9.62%
Property Premium Rate (per \$100 of value)	\$0.3094	\$0.3346	8.16%
Additional \$10M in Standalone Named Windstorm	\$340,330	\$312,472	-8.19%
Standalone \$10M of Named Windstorm Rate (per \$100 of value)	\$0.0810	\$0.0734	-9.40%
Overall Property Premium (exclusive of taxes & fees)	\$1,640,330	\$1,737,472	5.92%
Property Premium Rate (per \$100 of value)	\$0.3904	\$0.4080	4.52%

Program	Combined Municipal & Utilities	
	2023-2024	2024-2025
Total Insurable Property Values	\$701,850,246	\$714,720,198
Total Premium	\$3,566,728	\$3,409,899
Program Rate per \$100 of Values	0.5082	0.4771
Percent of Rate Change (Year-over-Year)		-6.12%

Details of Coverage – Property Program

For full coverage terms and conditions, please refer to binders and policies.

<i>*This is not a substitution for binders/policies. Please refer to individual carrier forms for full terms & conditions</i>	23-24 Expiring	24-25 Renewal
Limits:		
Policy Limit	\$30,000,000	\$30,000,000
Earth Movement	\$5,000,000	\$5,000,000
Flood	\$5,000,000	\$5,000,000
Named Windstorm	\$20,000,000	\$20,000,000
Land and Water Clean Up Expense	\$1,000,000	\$1,000,000
Accounts Receivable	\$1,000,000	\$1,000,000
Civil or Military Authority	\$500,000	\$500,000
Contingent Time Element (excluding Attraction Property)	\$1,000,000	\$1,000,000
Decontamination Costs	\$1,000,000 *per occurrence & annual agg. (SRU only)	\$1,000,000 *per occurrence & annual agg. (SRU only)
Debris Removal	\$5,000,000	\$5,000,000
Interest of the Insured's customers in property sold	No Coverage	No Coverage
Demolition and Increased Cost of Construction - G.1	\$10,000,000	\$10,000,000
Demolition and Increased Cost of Construction - G.2	\$5,000,000	\$5,000,000
Demolition and Increased Cost of Construction - G.3	\$5,000,000	\$5,000,000
Demolition and Increased Cost of Construction - G.4	\$500,000	\$500,000
Electronic Data Processing Media Costs of Reproduction	\$2,000,000	\$2,000,000
Expediting Expense	\$1,000,000	\$1,000,000
Fine Arts & General Books	\$1,000,000 *\$100K per item (Berkshire only)	\$1,000,000 *\$100K per item (Berkshire only)
Fines & Penalties	\$500,000	\$500,000
Fire Brigade Charges & Fire Extinguishing Materials & Expenses	\$500,000	\$500,000
Impounded Water	\$500,000	\$500,000
Ingress / Egress	\$500,000	\$500,000
Land Improvements	\$1,000,000	\$2,000,000
Mold/Fungus Exclusion	\$250,000	\$250,000
Off Premises Storage for Property under Construction	Included	Included
Outdoor Property	\$1,000,000 (\$25K per tree/shrub)	\$5,000,000 (\$25K per tree/shrub) *Berkshire & Swiss Re \$1M per expiring
Property in the Open	\$5,000,000	\$10,000,000 *Swiss Re \$5M per expiring
Pair & Set	\$1,000,000	\$1,000,000
Spoilage/Perishable Goods	No Coverage	No Coverage
Piers & Docks	No Coverage	No Coverage
Property While in the Course of Construction	\$5,000,000 *AXA XL added wording: contractors must be licensed & insured	\$5,000,000

Details of Coverage – Property Program

For full coverage terms and conditions, please refer to binders and policies.

	23-24 Expiring	24-25 Renewal
Property and Preservation of Property	Included	Included
Professional Fees	\$100,000	\$100,000
Research Animals	\$500,000	\$500,000
	*No coverage provided (SRU only)	*No coverage provided (SRU only)
Research & Development	\$500,000	\$500,000
Service Interruption / Off Premises Power	\$500,000	\$500,000
Soft Costs	\$1,000,000	\$1,000,000
Transit	\$100,000	\$100,000
Valuable Papers an Records	\$1,000,000	\$1,000,000
Vehicles licensed for highway use	\$1,000,000	\$1,000,000
Watercraft	No Coverage	No Coverage
Waterway Access	No Coverage	No Coverage
Gross Earnings and Gross Profit, Rental Value and Rental Income	\$2,000,000	\$2,000,000
	*Berkshire \$1M per expiring	*Berkshire \$1M per expiring
Extra Expense	\$2,500,000	\$2,500,000
Automatic Coverage	\$5,000,000	\$5,000,000
Errors & Omissions	\$500,000	\$500,000
Miscellaneous Unnamed Locations	\$5,000,000	\$5,000,000
Personal property of officers and employees	\$500,000	\$500,000
Consequential Loss		\$1,000,000 (SRU only)
Ensuing loss from pollution / contamination		\$1,000,000 (SRU only)
Distance Limitations		
Civil or Military Authority	5 Miles	5 Miles
Ingress / Egress	5 Miles	5 Miles
Time Limits		
Civil or Military Authority	30 Days	30 Days
Ingress / Egress	30 Days	30 Days
Loss of Profits Indemnity Period	365 Days	365 Days
Ordinary Payroll	No Coverage	No Coverage
Impounded Water	30 Days	30 Days
Extended Period of Liability	180 Days	180 Days
Automatic Coverage	90 Days	90 Days
Waiting Period		
Service Interruption	24 Hours	24 Hours

Details of Coverage – Property Program

For full coverage terms and conditions, please refer to binders and policies.

Deductibles	23-24 Expiring	24-25 Renewal
AOP	\$25,000	\$25,000
Flood	\$100,000	\$100,000
Special Flood	2% Per Unit of Insurance / minimum \$1M per occurrence	2% Per Unit of Insurance / minimum \$500,000 per occurrence
Earthquake	\$100,000 per occurrence	\$100,000 per occurrence
Named Windstorm	\$250,000	\$250,000
NWS - Tier 1	5% Per Unit of Insurance / minimum \$250K	5% Per Unit of Insurance / minimum \$250K
Boiler & Machinery	\$10,000 PD / 24 hrs Business Interruption / 24 hrs Utility Interruption & Dependent Properties / 10% of loss, min of \$5K for Spoilage Damage & 10% of loss, min of \$5K for Refrigerant Contamination	\$10,000 PD / 24 hrs Business Interruption / 24 hrs Utility Interruption & Dependent Properties / 10% of loss, min of \$5K for Spoilage Damage & 10% of loss, min of \$5K for Refrigerant Contamination
Storm Surge		
	Named Windstorm	Named Windstorm
Minimum Earned Premium		
	Various	Various
Cancellation		
	90 days except 10 days for non-payment of premium	90 days except 10 days for non-payment of premium
Valuation		
	Replacement Cost as regards real & personal property And as further described in the Policy Form	Replacement Cost as regards real & personal property And as further described in the Policy Form
Territory		
	This Policy covers Insured Locations in the United States of America, its Territories and Canada.	This Policy covers Insured Locations in the United States of America, its Territories and Canada. *Berkshire: No coverage in Puerto Rico, Canada, or Virgin Islands

Details of Coverage – Property Program

For full coverage terms and conditions, please refer to binders and policies.

Forms / Endorsements	23-24 Expiring	24-25 Renewal
U.S. Foreign Account Tax Compliance Act ("FACTA")	Included	Included
Office of Foreign Assets Control (OFAC) Disclosure Notice	Included	Included
Terrorism Exclusion	Coverage excluded with endorsement	Coverage excluded with endorsement
Florida Changes - Legal Action Against Us	Included	Included
Communicable Disease Exclusion	Included	Included
Florida Changes - Cancellation and Nonrenewal	Included	Included
Named Windsotorm Definition	Included	Included
Trade or Economic Sanctions Endorsement	Included	Included
Electronic Data Exclusion	Included	Included
War Risk and Terrorism Exclusion	Included	Included
Violation of US Laws or Sanctions Endorsement	Included	Included
Pollution, Contamination, Debris Removal Exclusion Endorsement	Included	Included
Biological or Chemical Substances Exclusion Endorsement	Included	Included
Notice of Loss	Included	Included
Service of Suit Endorsement	Included	Included
Cap on Losses from Certified Acts of Terrorism	Included	Included
Pre-existing Damages Exclusion	Included	Included
Asbestos Exclusion	Included	Included
Special CAT Earned Premium Provision	Various markets	Various markets
Liberalization Clause Removed	Various markets	Various markets
Marijuana Exclusion	Various markets	Various markets
Microorganism Exclusion	Various markets	Various markets
Several Liability Clause	Various markets	Various markets
And as further described in market Policy Forms		

Appendix

- **Insured's Acknowledgement & Instruction to Bind**
- **Compensation for the Value We Deliver**
- **Property Placement Considerations**



Insured's Acknowledgement and Instruction to Bind

We hereby acknowledge receipt and review of the information presented in the Renewal Proposal ("Proposal") dated 11/12/2024 for All Risk and Terrorism and provided in the Compensation for the Value We Deliver disclosure.

We hereby instruct Aon Risk Services Central, Inc. ("Aon"; "Commercial Risk Solutions") to bind the insurance program(s) selected by Us and understand that Our instruction to bind constitutes an acceptance of the terms and conditions and payments described in this Renewal Proposal.

Date:

On behalf of City of Hollywood:

Compensation for the Value We Deliver

Aon is an insurance broker and, when serving as your retail insurance broker, in addition to or in lieu of compensation you may pay, Aon may earn compensation which relates in whole or in part to your insurance placement.

For policy level commissions, Aon endeavors to receive compensation using standard commission rates by line of business that we seek to achieve with insurers in advance of individual policy placements. We believe this creates a fairer marketplace among insurers and allows our insurers to focus on the client's needs and risk history, not on commission rate negotiation. In turn, because insurers will be evaluated on their capabilities, clients will be able to more easily compare quotes.

Aon's standard commission rates differ by line of business and, when placed in the U.S. market, are up to the following commission rates: Aviation, 17.5%; Casualty, 18.5%; Cyber, 17.5%; Energy, 20%; Entertainment, 20%; Environmental, 18%; Marine 20%; Med Mal/ Healthcare, 17.5%; Professional/ E&O, 17.5%; Property, 18%; Product Recall, 20%; Financial Lines, 18%; Healthcare, 20%; Surety, 35%; Terrorism, 25%; Trade Credit, 17.5%; and Workers Compensation, 15%. Where an Aon broker is placing a policy in the London or Bermuda market, Aon endeavors to earn 20% on those lines of business. Where Aon has created a facility with proprietary terms and conditions negotiated, the Aon standard commission rates range from 20% - 22.5%. Some lines of business are not conducive to standardization because they are subject to state filing regulations, state-specific rates and/or industry-specific rates. The standard commission rates we achieve do not include program business (e.g., franchises, sponsored groups) or large deductible programs.

In addition, Aon provides certain administrative and other related placement services to markets. Compensation of up to 7.5% for these services may take the form of a national additional commission (NAC) or a subscription market brokerage (SMB). Collecting these commissions will not change the premium quoted.

Compensation paid to Aon may vary based upon a number of factors, including the insurance contract and the insurer you select, the volume of business and/or profitability of business we place with each insurer. Therefore, Aon may be considered to have an incentive to place insurance coverages with a particular insurance company. We strive for transparency with each Client and the final decision regarding coverage and market options is the Client's decision.

If you are interested in receiving Aon's standard commission grid and/or a Commission Disclosure Report identifying the individual commission rates on your placements or compensation expected to be received based in whole or in part on any alternative quotes, ask your Account Executive or write us at aon.us.broking@aon.com.

Property Placement Considerations

Policy Limits and Sub-limits

The Limits (and sub-limits) of Liability of the Agave Holdings, LLC. Property Program (Program) reflect your binding instructions to Aon. Higher Program limits may be available for additional cost and may be increased at any time (i.e. during the policy term or at anniversary) should Agave Holdings, LLC. exposures, loss activity or risk appetite require. Please contact us immediately if Agave Holdings, LLC. would like options to increase its Program Limit or sub-limits.

Pursuant to the Agave Holdings, LLC. Master Policy, summarized herein, the Program limit of liability automatically reinstates after each loss Occurrence, with several notable exceptions, including for example: Earthquake, Flood and Land and Water Clean Up Expense, for which separate annual aggregate sub-limits apply. Annual aggregate sub-limits means the maximum amount collectible under that sublimit or coverage provision in any one policy year, regardless of the number of losses or locations involved in the loss(es). In the event of a loss or losses that equals or exceeds any of these sub-limits there will be no coverage under this policy(ies) for the remainder of the policy year unless the sublimit is reinstated in consideration of additional premium. Additionally, you will note the Agave Holdings, LLC. Master Policy form (included as an attachment in this document) contain numerous per occurrence coverage sub-limits. Each of these sub-limits is the maximum amount collectible under that sublimit or coverage provision in any one occurrence, regardless of the number of locations involved in the loss.

Therefore, as noted above, we strongly encourage Agave Holdings, LLC. to monitor its exposure to loss during the policy term and contact us if we may be of assistance or additional coverage limits are required.

Limits Adequacy

As discussed in the Renewal Strategy meeting, it is our goal to provide you with a property insurance program that affords adequate limits of insurance to 1) prudently cover foreseeable events and 2) match or exceed limits purchased by your peer companies. In order to maintain a judicious process, there is a continuum of activities that should be carried on throughout the policy term:

Update insurance values including acquisitions and divestitures

Obtain Fire and Accident to an Object Engineering Reports and Maximum Foreseeable Loss studies including business interruption interdependency and supply chain disruption analysis

Obtain up to date flood zone determinations for all locations

Have natural catastrophe loss (windstorm, flood and earthquake) modeling reports prepared

Have your cyber defenses evaluated

Have benchmarking studies prepared

Armed with this information, Aon urges you to annually review your Property Risk Appetite Policy. Such a Policy should be the foundation of our minimum limits strategy. Aon stands ready to assist with any of these activities.

Property Placement Considerations

Excess Layers

The Step Down / Drop Down provision mirrors this for the excess layers in that:

- The total loss is determined as any combination of loss or damage, all of which are insured under the primary policy even though such loss or damage may not be insured in the excess policy(ies).
- Any recoveries made under the underlying policies will first apply to loss or damage not insured against by the excess policy(ies). Upon exhaustion of the underlying policy limits, the excess policy(ies) shall apply in excess of the amount attributed to the underlying policy(ies) as respects loss or damage insured by the excess policy(ies) subject to the limit of the excess policy(ies).
- As respects each individual excess policy, if there are other excess policy(ies) insuring the property for loss or damage insured against in the underlying policy(ies) but not insured by an excess policy, that policy will allocate any loss recoveries made under the underlying policy(ies) in the same proportion as the amount of loss or damage insured against by that policy bears to the combined total loss. Upon exhaustion of underlying policy(ies) limits, the policy in question will apply in excess of the amount attributed to the underlying policies as respects loss or damage insured by the excess policy subject to the limit of that policy.
- As respects each individual excess policy, the provision above does not apply when the amount of loss attributed to loss or damage insured under the underlying policy(ies), but not insured under an excess policy, exceed the total amount of insurance provided by the primary and excess coverages with respect to said loss or damage. In this situation, any recoveries made under underlying policy(ies) will first apply to loss or damage not insured by the policy in question. Upon exhaustion of the underlying policy(ies) limits, the policy in question will apply in excess of the amount attributed to underlying policy(ies) as respects loss or damage insured by the excess policy subject to the limit of that policy.
- As respects each individual excess policy, in the event the Flood and/or Earthquake annual aggregate limits of any underlying policy are diminished or exhausted in any one policy year, any loss or damage insured under the excess policy in question for Flood and/or Earthquake shall apply as excess of any undiminished or unexhausted limits subject to the Underlying Policy deductibles. It is important to note that if underlying Flood and/or Earthquake annual aggregate limits are diminished or exhausted due to losses in High Hazard Zones certain excess policy(ies) may not apply as excess of any undiminished or unexhausted limits if High Hazard Flood and/or Earthquake are excluded.

Property Placement Considerations

Margin, Location Limit of Liability and Occurrence Limit of Liability Clauses

If insurers believe property values may be inadequately reported, they are now pushing for Margin Clauses, Location Limit of Liability Clauses or Occurrence Limit of Liability clauses. Insurers include these clauses in property policies to limit the maximum payable loss under the policy, based on the reported values. These clauses may substantially reduce insurance recoveries in circumstances where values at time of loss are found to exceed the values reported on the Insured's schedule of values.

Clients should review their property policy to determine whether it contains one of the following: Margin clause, Location Limit of Liability clause, or an Occurrence Limit of Liability clause.

Margin clause: When a Margin clause is part of the policy, it typically limits the maximum payable loss to a specified percentage of the values reported on the Insured's schedule of values. A Margin clause creates a limit of liability equal to the margin percentage times the value reported on the Insured's schedule of values. Loss in excess of the limit is not recoverable. For example, if a policy's Margin clause states that the maximum loss payable is 120% of the reported value, the maximum loss payable will be 120% of the value reported on the Insured's schedule of values.

Location Limit of Liability clause: When this clause is included in a policy, it typically limits the maximum payable loss at an insured location to the values reported for that location on the Insured's schedule of values. The values stated on the Insured's schedule of values per location essentially become location limits.

Occurrence Limit of Liability clause: When this clause appears in a policy, it typically limits the maximum payable loss for individual categories or items at an insured location to the values reported on the Insured's schedule of values. As a basic example, if the values reported on the Insured's schedule of values for a location are \$1 million for the building, \$500,000 for personal property, and \$500,000 for time element, then those will be the applicable sub-limits for loss at that location.

Margin clauses have the effect that loss in excess of the stated percentage of the reported values is not recoverable. Both Location Limit of Liability and Occurrence Limit of Liability clauses have the effect that loss in excess of reported values is not recoverable.

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Named Windstorm Coverage

The definition of Named Windstorm in your insurance program includes Storm Surge. This is important because all wind and Storm Surge related loss associated with a Named Windstorm will be quantified and adjusted as an occurrence(s) subject to the Named Windstorm limit and deductible. These losses will not erode your annual aggregate Flood limits unless flooding occurs that is not associated with a Named Windstorm/ Storm Surge occurrence. In this case, Flood losses associated with a Named Windstorm in areas located away from the Storm Surge affected areas will erode the applicable annual aggregate Flood limits and be subject the applicable Flood deductibles. Only one deductible, the largest of the Named Windstorm/Storm Surge or Flood or other related losses, will apply if all Named Windstorm loss is a single occurrence. If there are multiple Named Windstorm occurrences, multiple Named Windstorm deductibles may be applicable.

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Natural Catastrophe Deductibles

Earthquake, Named Windstorm and Flood deductibles are typically a percentage of values. If percentage deductibles apply it is important to understand how these percent deductibles work. The key is to know with certainty what value amount these percent deductibles apply to. In your policy the percentages apply to Units of Insurance.

Examples

Earthquake, Named Windstorm or Flood coverage with a 5% deductible.

The following exhibit is an example of how a percentage deductible works using Units of Insurance:

Unit	Value	Damage	5% Deductible
Building A	USD\$100 million	USD\$10 million	USD\$5,000,000
Personal Property in Building A	USD\$50 million	USD\$5 million	USD\$2,500,000
Building B	USD\$5 million	USD\$4 million	USD\$250,000
Personal Property in Building B	USD\$5 million	USD\$0	USD\$0
Building C	USD\$5 million	USD\$0	USD\$0
Personal Property in Building C	USD\$10 million	USD\$0	USD\$0
Personal Property in the open	USD\$5 million	USD\$0	USD\$0
All affected Gross Earnings	USD\$10 million	USD\$3 million	USD\$500,000
Total	USD\$190 million	USD\$22 million	USD\$8,250,000

The example above is provided as an illustration of “per unit of insurance” percentage deductibles. The definitions and application of percentage deductibles may vary from policy to policy. Please refer to the policy for complete information on definitions and application of “per unit of insurance” or “per location” deductibles.

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