

Casualty Program Renewal Update

City of Hollywood

August 29, 2017

Policy Term: 10/1/17 to 10/1/18
Casualty Package
Excess Workers Compensation
Accidental Death & Dismemberment



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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, especially in Florida:

- Specializing in Florida Public Sector Insurance for over 35 years
- Florida Premium Volume: \$490,000,000 (\$300,000,000 Property Premium Volume)
- Over 300 Public Sector Professionals in Gallagher Worldwide; 40 Public Sector Professionals in Florida.
- 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 North Miami Beach	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 Clients to answer questions, coordinate exposure data, discuss pressing issues and provide claim support during a crisis
2. Certificate Issuance – 24 hour turnaround time
3. Contract review and recommendations
4. Holistic Approach – continuously monitor 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

Project Specific

1. Claims Advocacy
2. Loss Control Services Provided:
 - a. Confined Space Training
 - b. Electrical Logout/Tagout Training
 - c. Personal Protective Equipment Training
 - d. Bloodborne Pathogen Training
 - e. Driver Awareness Training
3. FEMA Support
4. Claims and Loss Analysis Review
5. Loss Control Recommendations – focus on historical cost drivers
6. Manuscript Forms / Endorsements to fit your needs
7. White Paper discussions on Emerging Issues & Risks - both local & national
8. Coordinate CAT Modeling, Appraisals Services and Engineering reports to strengthen exposure data
9. Consulting Work with Detailed Recommendations

State of the Market – As of August 2017

Casualty Insurance

Over the last year we have seen the casualty insurance marketplace shift from a soft to stable market. Three years ago there were new carriers entering the market for public sector packages which created competition and lower pricing for our clients. That market has turned and the pricing is far less volatile.

Excess Workers Compensation Insurance

The excess workers compensation market made the shift from hard to stable in the last two years and for the first time we have seen it soften with competition. Despite the slight shift in the market, self-insured retentions remain difficult to reduce, especially for clients with police, fire and emergency medical services exposures. The pricing in this market can shift fast and sudden given one large loss while employee injuries remain challenging to control. For our clients with positive loss experience, we have been able to negotiate very favorable renewals.

2017-18 Renewal Highlights

Overall, the renewal for the casualty and workers' compensation renewal are favorable. We have marketed the coverages and believe the program presented provides broad coverage at a competitive price. The following is an overview of premium and rate changes:

1. Casualty Package coverages and SIR's are same as expiring. Grose Operating Expenses (GOE), payroll and vehicle exposures have increased. Rates have been reduced resulting in 3% premium reduction in premium.
2. Workers' Compensation Payroll is up by 13.3%. Rate has remained flat.
3. Accidental Death and Dismemberment is a two (2) year policy. This is the second installment.
4. NFIP Flood policies are issued by Hartford Insurance Company of the Midwest. NFIP reform and reauthorization will resume with much activity when Congress reconvenes after the Labor Day holiday. It is anticipated that a rate increase for November 1 will be part of the discussions.

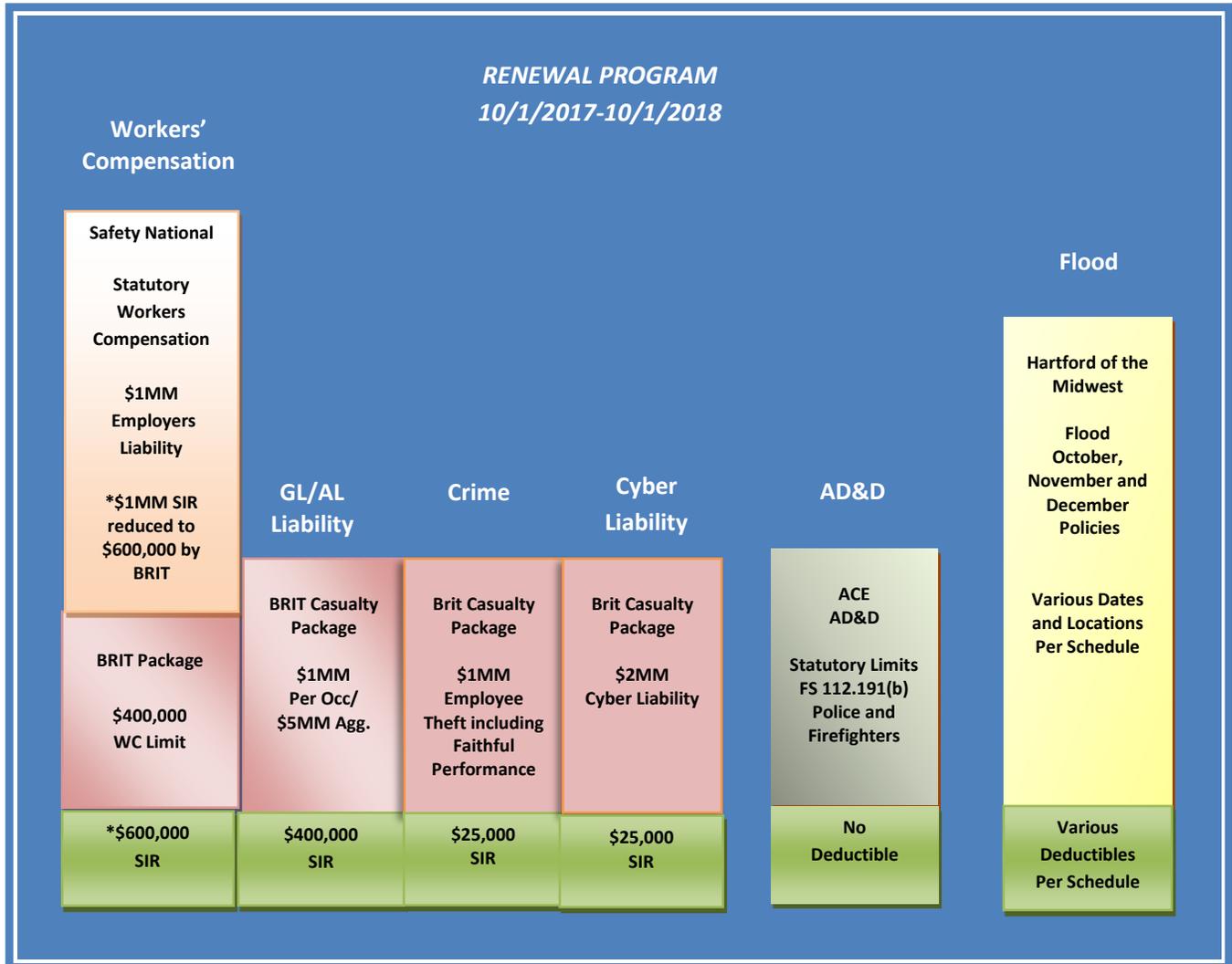
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Marketing

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
Lloyd's of London/Brit - Incumbent	Casualty Package	Quoted
AIX	Casualty Package	Non-bindable indication over \$300,000+ not including Cyber Liability
Old Republic	Casualty Package	Non-bindable indication over \$400,000+ not including Cyber Liability
Safety National Casualty Corp. – Incumbent	Excess Workers' Compensation	Quoted
New York Marine & General Insurance Co.	Excess Workers' Compensation	Declined – could not be competitive for terms or premium
Midwest Employers Casualty Co.	Excess Workers' Compensation	Declined – Minimum SIR \$1,500,000

2017-2018 Program Structure



LEDGEND OF TERMS

- GL – General Liability
- AL – Auto (Vehicle) Liability
- AD&D – Accidental Death & Dismemberment
- SIR – Self-Insured Retention

FOR ILLUSTRATION PURPOSES ONLY

Note: Exhibit does not reflect complete deductible terms, limitations, coverages or exclusions. Refer to actual policy wording for details

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Exposures

Coverage	Expiring Exposures	Renewal Exposures	Change
Gross Operating Expenses	\$489,623,000	\$509,521,023	4.1%
Vehicles	921	937	1.7%
Number of Employees	1257	1271	1.1%
Excess WC Payroll	\$96,776,840	\$109,654,199	13.3%

Loss History and Stratification

Please see the Appendix for the Loss History and Stratification

Casualty Package

Coverage will remain with Lloyd's of London, BRIT Syndicate. We sent submissions to two other markets and found that they could not offer comparable coverage at a competitive price. Brit offered the best value at a competitive price.

- \$1,000,000 Per Occurrence Limit/\$5,000,000 Aggregate for General Liability; Self-Insurance Retention \$400,000
- \$1,000,000 Per Occurrence Limit/No Aggregate for Vehicle Liability; Self-Insurance Retention \$400,000
- \$1,000,000 Per Occurrence Limit/\$5,000,000 Aggregate for Law Enforcement Liability; Self-Insured Retention \$400,000
- \$1,000,000 Crime Limit; Self-Insured Retention \$25,000
- \$2,000,000 Per Claim Limit/\$2,000,000 Aggregate for Cyber Liability; Self-Insured Retention \$25,000
- Workers Compensation and Employers Liability Limit \$400,000 Each Occurrence; \$600,000 Self-Insured Retention
- Loss Control Fund of \$3,000
- Premium not including TRIA
- Exposures have increased as shown above
- **Premium has been reduced from \$299,500 to \$290,000**

Casualty Package Premium Summary

Carrier	Premium
Lloyds of London/ Brit/including WC buffer	\$290,000
AIX/including WC buffer/excluding Cyber	\$300,000+ non-bindable indication
Old Republic/not including WC buffer or Cyber	\$400,000+ non-bindable indication

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Excess Workers Compensation

As mentioned earlier, the market place for excess workers compensation appears to be stabilizing. We approached the few carriers that continue to offer coverage in Florida. The current carrier, Safety National provided the most competitive quote for the expiring terms.

- Payroll increased from \$96,776,849 to \$109,654,199. An increase of 13.3%
- Rate is flat at 0.2103 verses expiring at 0.2106
- Employers Liability \$1,000,000 (reduced from \$2,000,000 as requested)
- **Premium has increased from \$210,312 to \$230,603 due to increased payrolls**

Excess Workers' Compensation Premium Summary:

#	Carrier	Self Insured Retention	Workers Comp. Limit	Employers Liability Limit	Premium
1	Safety National Casualty Corp.	\$1,000,000	Statutory	\$1,000,000	\$230,603
2	New York Marine & General Ins. Co.	Declined to quote – Not competitive for comparable terms			
3	Midwest Employers Casualty Corp	Declined to quote – Minimum SIR \$1,500,000			

Accidental Death and Dismemberment

The current carrier, ACE American Insurance Company provides coverage for the Florida Statutory limits. The policy is a 2 year contract 10/1/16 to 10/1/18. This is the 2 year installment premium.

ACE American Insurance Co. – Expiring Limits
All Law Enforcement, Correctional and correctional Probation Officers as defined in the Florida Statute 112.19(b) and Firefighters as defined in Florida Statute 112.191(b)

- Exhibit attached outlining the Statute Requirements
- Two (2) year policy term 10/1/2016 to 10/1/2018
- 2nd year installment \$16,011
- Option to reduce coverage to Statute benefits \$15,346

Flood October/November

NFIP Flood policies are issued by Hartford Insurance Company of the Midwest. NFIP reform and reauthorization will resume with much activity when Congress reconvenes after the Labor Day holiday. It is anticipated that a rate increase for November 1 will be part of the discussions.

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.

Flood Month	Expiring 2016-2017	Renewal 2017-18 Expiring Limit	Renewal 2017-18 Increased Limit
October (12) – schedule in appendix	\$53,311	\$53,665	\$54,513
November (18)	\$59,674	*Pending	*Pending

*Renewal invoices have not been issued by Hartford for November. There were several changes to the values as a result of the appraisals.

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.

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Ancillary Policies to run concurrent with the 10/1 renewals

During our pre-renewal meeting the City team requested that the following ancillary policies be either rewritten or extended to run concurrent with the 10/1 casualty renewals. Two policies would need to be rewritten and the EMT can be extended by endorsement. Below are the premiums:

Coverage	Current Policy Term	Current Annual Premium	Rewrite 10/1/2017-2018 Indications
Marina Operators Legal Liability	5/1/2017-18	\$7,250	\$7,250
Watercraft Hull Coverage	6/24/17-18	\$8,504	\$8,504
EMT Professional Liability	7/1/2017-18	\$35,200	Additional \$8,870

- Marina Operators will be cancelled and a new policy written effective 10/1/2017-18. *Premium is based on \$1,150,160 in gross receipts for 10/1/17-18.
- Watercraft Hull Coverage will be cancelled and a new policy written effective 10/1/2017-18.
- EMT Professional Liability will be extended to expire 10/1/2018.

Premium Summary

Coverages	Expiring 2016-2017	Renewal 2017-2018
Casualty Package including General Liability, Vehicle Liability, Law Enforcement Liability, Cyber Liability and Crime with Workers' Compensation buffer limit	\$299,500	\$290,000
Excess Workers' Compensation including Employers Liability	\$210,312	\$230,603
Accidental Death and Dismemberment	\$16,011	\$15,346
Taxes & Fees	Not applicable in 2016	Not applicable in 2017
TOTAL October Renewals	\$525,823	\$535,949
Flood – October increased limit premium	\$53,311	\$54,513
TOTAL including October Flood	\$579,134	\$590,462
Rewrite/Extensions for coverage to be concurrent with 10/1		
Marina Operators Legal Liability – Rewrite effective 10/1/17 <i>*Estimated return premium for cancellation \$4,212.</i>		*\$7,250
Watercraft Hull Coverage – Rewrite effective 10/1/17 <i>*Estimated return premium for cancellation \$6,199.</i>		*\$8,504
EMT Professional Liability – Additional Premium Extension		\$8,870
Pollution Liability including TRIA – Under Separate Proposal		\$15,559
Annual coverage term		TRIA \$778
Public Officials Bond – George Keller – Under Separate Proposal		\$2,549.00
TOTAL including all lines above		\$633,972

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Important to note:

- Casualty Package coverages and SIR's are same as expiring but exposures have increased. The package premium was reduced by -3% this year.
- Excess Workers' Compensation Payroll is up by 13.3%. Renewal rate is flat.
- Employers Liability limit was reduced from \$2M to \$1M at the request of the City.
- Accidental Death and Dismemberment – 2nd year installment of a two year policy term with an option to reduce to Statute benefits.
- Flood policies values for October have been revised in accordance with appraisals and the instructions from the City.
- Flood policies invoices for November have not been received. Values will be updated in accordance with the appraisals and the instructions from the City.
- NFIP reform and reauthorization will resume with much activity when Congress reconvenes after the Labor Day holiday. It is anticipated that a rate increase for November 1 will be part of the discussions.

Summary

Overall, the City's total program based on the expiring has increased by approximately 2%. We marketed the various lines of coverage and are confident that the program is line with current market conditions. 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.

Appendix