

Casualty Program Renewal Update

City of Hollywood

September 6, 2016

Policy Term: 10/1/16 to 10/1/17
Casualty Package
Excess Workers Compensation
Crime
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 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

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 (at end of 9/2016)
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 2016

Following an overall soft market in the early part of the millennium, beginning in 2011, and on through 2014, the Excess Workers Compensation insurance market experienced extreme volatility and hardening. The reason for this is that although this line of coverage is intended to respond to infrequent, but very large claims, certain trends have resulted in claims becoming larger than expected, these include:

- Public safety presumptive claims that increase the types of claims that fall under workers compensation
- Newer, higher-cost treatments, which are more prevalent, and are expected to have a major impact on today's claims, in the future
- More use of prescription medications for injured employees
- Medical inflation
- Minimal investment income, which would otherwise offset insurance losses

These trends resulted in insurance company combined ratios that exceeded 100%, which meant that for every dollar of premium collected, insurers were paying (or expected to pay) more than a dollar in claims and expenses, with little to no investment income to offset the losses. In addition some insurers significantly reduced their writings or left the market entirely. Since Excess Workers Compensation claims may last for decades into the future, for those insurers who did continue to offer this coverage, there was great uncertainty as to the adequacy of retention levels and pricing. This affected all insureds, regardless of their individual loss experience.

While the market is now considered to be stable, rate levels and self-insured retentions are higher than they were before the volatility began. For clients who have public safety exposure such as police fire, and emergency medical services, minimum self-insured retentions tend to start at \$650,000, with the majority of entities needing to retain the first \$1,000,000+ of any one occurrence. Below is a summary of the insurance coverages carried by many of our public sector clients who, like the City of Miami Beach, have public safety exposure.

Primary and Excess Casualty – Stable/loss driven

We are currently in a stable casualty market in which clients are seeing mostly flat renewals, except for clients with significant losses.

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2016-17 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 primary package and excess workers compensation have seen rate reductions. The following is an overview of premium and rate changes:

1. Casualty Package coverages and SIR's are same as expiring with a -4.3% premium reduction.
2. Workers' Compensation Payroll is up by 3.6%. There is a slight rate reduction of 0.47%.
3. Accidental Death and Dismemberment per person exposure is up by 19.4%. ACE provided a rate reduction to offset the increase. Overall premium increase was 6.5%.
4. NFIP declared rate changes effective November 2015 and April 2016 for Flood coverage. 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.
5. Consider not renewing Flood in the X zones.

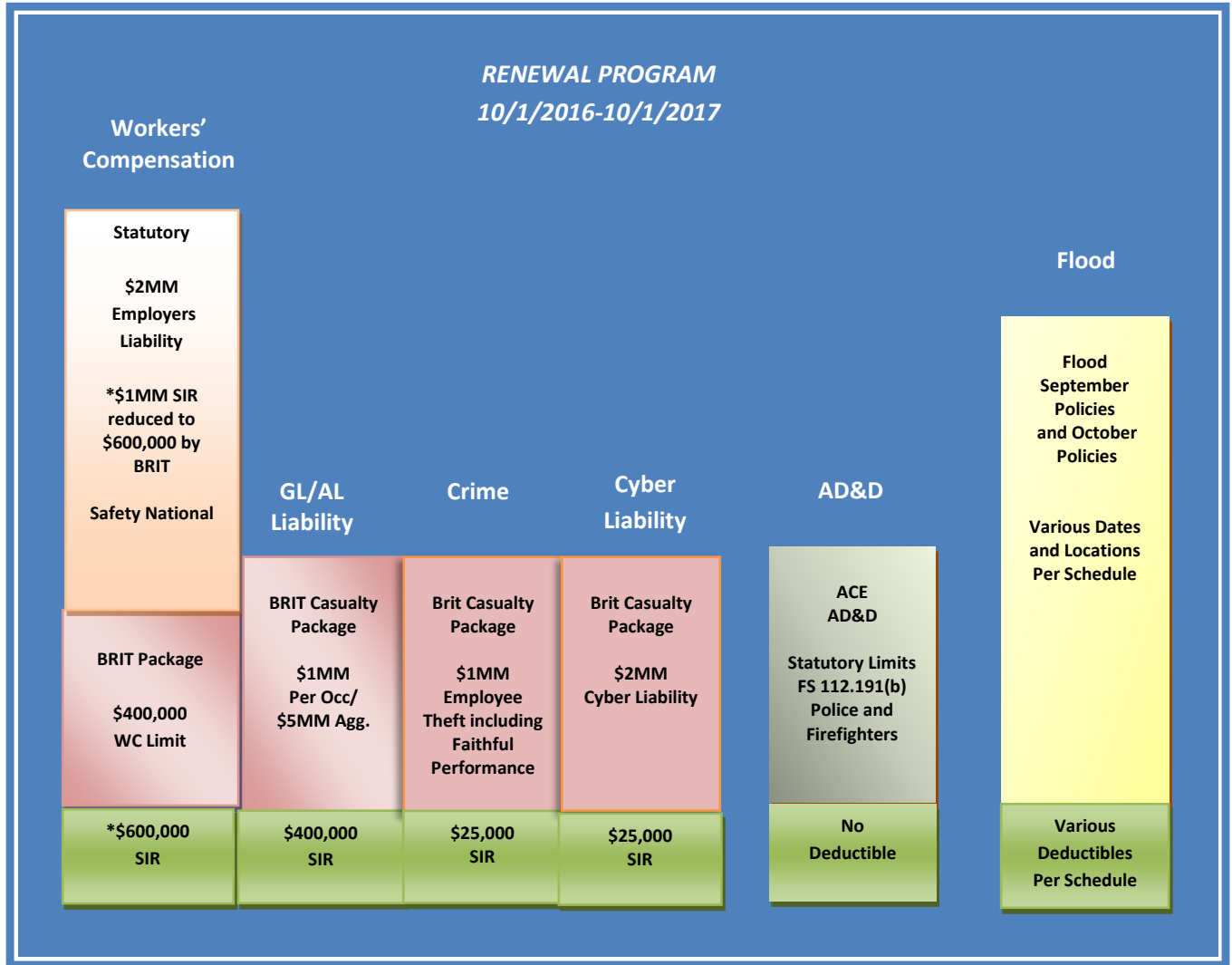
Marketing

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
Princeton Excess Surplus Lines Insurance Co (PESLIC)	Casualty Package	Declined – could not be competitive for terms or premium
AIX	Casualty Package	Non-bindable indication \$347,626 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
ACE American Insurance Co. - Incumbent	Accidental Death and Dismemberment	Quoted
Hartford Life and Accident Insurance Co.	Accidental Death and Dismemberment	Quoted

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2016-2017 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	\$497,746,000	\$489,623,000	-1.6%
Vehicles	890	921	3.5%
Number of Employees	1299	1257	-3.2%
Excess WC Payroll	\$93,440,945	\$96,776,839	3.6%
AD&D	444 persons	530 persons	19.4%

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, Vehicle Liability and Law Enforcement Liability. Self-Insured Retention is \$400,000
- Workers Compensation Limit: \$400,000 Excess \$600,000 Self-Insured Retention
- \$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
- Loss Control Funding of \$3,000
- **Premium has been reduced from \$312,800 to \$299,500**

Casualty Package Premium Summary

Carrier	Premium
Lloyds of London/ Brit/including WC buffer	\$299,500
AIX./including WC buffer/excluding Cyber	\$347,626 non-bindable indication
Princeton Excess Surplus Lines Insurance Co. (PESLIC)	Declined not competitive premium or terms
Old Republic	Declined not competitive premium or terms

Casualty Package Optional Self-Insured Retentions (SIR's)

Lloyds of London/Brit Options	Premium
General Liability, Vehicle Liability and Law Enforcement SIR \$300,000	\$35,000 Additional Premium
General Liability, Vehicle Liability and Law Enforcement SIR \$500,000	(\$10,000) Reduced Premium
Excess WC SIR \$500,000 excess of \$500,000	\$80,000 Additional Premium
Excess WC SIR \$700,000 excess of \$300,000	(\$50,000) Reduced Premium

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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 \$93,440,945 to 96,776,849. An increase of 3.6%
- Rate is slightly lower at .2106 verses expiring at .2116
- Employers Liability \$2,000,000
- **Premium has increased from \$204,221 to \$210,312 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	\$2,000,000	\$210,312
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 expiring carrier, ACE American Insurance Company provided a renewal quote for the Florida Statutory limits. The policy is a 2 year contract 10/1/16 to 10/1/18. ACE is offering a 2 year installment premium and a 2 year pre-paid premium. Also, we have an optional quote from Hartford. See below:

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)
Two (2) Year Policy Term 10/1/16 to 10/1/18
Premium increase due to increase in renewal exposures – 530 up by 19%

ACE has been the AD&D carrier since 2009. The current ACE coverage is broader than offered by Hartford. Please review **coverage comparison in in the appendix**. Even though the exposures have increased, ACE reduced the renewal rate and kept the coverage same as expiring. ACE has also offered an option which is similar to the lesser coverage offered by Hartford. The premium for that option with ACE would be for an annual installment of \$15,235. We recommend renewing with ACE for \$16,011 (same coverage as expiring).

	Expiring 2015-2016	ACE 2016-17	Hartford 2016-17
Annual Installment	\$15,028.00	\$16,011	\$15,362
2 year pre-paid option		\$30,337	\$29,108
3 year pre-paid option		Not Available	\$43,661

Flood September/October

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.

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

Flood Month	Expiring 2015-2016	Renewal 2016-17 Expiring Limit	Renewal 2016-17 Increased Limit	Renewal 2016-17 Excluding X zones
September Policies (32)	\$89,568	\$94,740	\$96,664	\$60,293
October Policies (13)	\$50,609	\$56,480	\$57,667	\$54,250

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.

Premium Summary

Coverages	Expiring 2015-2016	Renewal 2016-2017	Renewal 2016-2017 Excluding X Zones
Casualty Package including General Liability, Vehicle Liability, Law Enforcement Liability, Cyber Liability and Crime with Workers' Compensation buffer limit	\$312,800	\$299,500	\$299,500
Excess Workers' Compensation	\$204,221	\$210,312	\$210,312
Accidental Death and Dismemberment	\$15,028	\$16,011	\$16,011
Taxes & Fees	Not applicable in 2015	Not applicable in 2016	Not applicable in 2016
TOTAL	\$532,049	\$525,823	\$525,823
Flood – September based on increased limits	\$89,568	\$96,664	\$60,293
Flood – October based on increased limits	\$50,609	\$57,667	\$54,250
TOTAL including Flood expiring limit	\$672,226	\$680,154	\$640,366

Important to note:

- Casualty Package coverages and SIR's are same as expiring with a -4.3% premium reduction.
- Excess Workers' Compensation Payroll is up by 3.6%. There is a slight rate reduction of 0.47%.
- Excess Workers' Compensation premium includes \$6,500 for increasing Employers Liability limit. The \$2M limit is higher than the typical \$1M limit carried by most public entities.
- Accidental Death and Dismemberment per person exposure is up by 19.4%. ACE provided a rate reduction to off-set the increase. Overall premium increase was 6.5%
- NFIP declared rate changes effective November 2015 and April 2016 for Flood coverage. 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.
- Option to exclude Flood X zones provided.

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Summary

Overall, the City's total program based on the expiring has increased by approximately 1%. Option to exclude the Flood X Zones reduced the total program by -4.7%. 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.