

# City of Hollywood

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## Arthur J. Gallagher & Co. – About Your Broker

Arthur J. Gallagher & Co. was awarded the contract for RFP 4344-13-IS (Agent of Record for Property/Casualty Insurance Program) in May 2013. 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 – 2014

### Property Insurance – Softening Market

2014 has developed into a very favorable year for our property insurance clients. 2013 was a quiet year in terms of catastrophic losses, and this led to insurers experiencing positive underwriting results. In addition, the newest version of the software used by insurers to model their hurricane risk (RMS v.13) is turning out results that are making it easier for insurers to extend their capacity. And finally, we are seeing an increasing amount of capital, both traditional and non-traditional, flowing into property reinsurance, and this has resulted in an increase in the supply side of insurance. All of these factors are producing a market that has enabled us to negotiate favorable renewals for our clients

### 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 most recent 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.13 model.

City of Hollywood has approximately \$186 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 250yr 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	\$48,855,924	\$40,895,197	\$57,896,895	\$53,620,309
0.20%	500	\$35,995,489	\$28,741,230	\$42,513,700	\$38,930,946
<b>0.40%</b>	<b>250</b>	<b>\$25,109,859</b>	<b>\$18,682,675</b>	<b>\$29,825,080</b>	<b>\$26,909,426</b>
1.00%	100	\$11,956,209	\$7,512,786	\$16,646,568	\$14,477,106
2.00%	50	\$6,402,682	\$3,585,844	\$9,076,789	\$7,399,453
5.00%	20	\$2,178,223	\$1,216,135	\$2,366,859	\$1,193,026
<b>AAL</b>	<b>\$567,456</b>		<b>\$380,352</b>	<b>\$674,408</b>	<b>\$531,680</b>

Figure 1-1



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## Probable Maximum Loss (PML) Utilities Property:

City of Hollywood has approximately \$268 Million in values exposed to hurricane related events in the State of Florida. **Figure 1-2** 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 250yr 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	\$129,765,188	\$117,540,003	\$102,028,598	\$95,551,965
0.20%	500	\$96,872,496	\$85,081,474	\$78,119,582	\$72,393,386
<b>0.40%</b>	<b>250</b>	<b>\$68,121,941</b>	<b>\$56,560,565</b>	<b>\$56,802,168</b>	<b>\$52,003,042</b>
1.00%	100	\$32,860,053	\$23,883,270	\$32,739,092	\$28,966,138
2.00%	50	\$16,505,766	\$10,219,486	\$17,869,552	\$14,631,727
5.00%	20	\$5,118,963	\$2,543,469	\$4,154,299	\$1,566,382
AAL		\$1,457,988	\$1,053,835	\$1,240,885	\$991,787

Figure 1-2

## Updated Values

	2013	2014	Value Change
Municipal Property	\$173,250,409	\$197,282,986	13.9%
Water/Utility Property	\$267,593,842	\$279,987,068	4.6%

## 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
Westchester Surplus Lines Ins. Co.	Property	Quoted \$10mm p/o \$30mm primary
Arch Specialty Ins. Co.	Property	Can participate if needed
Axis Insurance Company	Property	Quoted \$3mm p/o \$30mm primary
Berkshire Hathaway Specialty Insurance	Property	Quoted up to \$30mm primary
CV Starr	Property	Can participate if needed
Ironshore Insurance Co	Property	Cannot meet target pricing \$1.1mm primary layer
Lexington Insurance Company	Property	Pending final numbers
Liberty Surplus Insurance Corporation	Property	Quoted \$3mm p/o \$30mm primary

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Carrier	Line of Coverage	Market Response
Landmark American Insurance Company	Property	Quoted XS of \$30mm
Swiss Re Insurance Co	Property	Cannot meet target pricing - \$1.3mm primary layer
Zurich E & S	Property	Can participate if needed
Ironshore Specialty Insurance Co.	Public Officials Liability	Incumbent – Quoted
Chartis/AIG Group	Public Officials Liability	Non Bindable/Indication Only –\$240,000 - \$260,000 with a \$100,000 retention
Lloyds of London/Brit package	Public Officials Liability	Quoted to endorse onto the Brit Casualty Package

## 2014 – 2015 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.



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## Property Renewal Program

In 2013, we restructured the City's property program to increase coverage and reduce rates. 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 as follows: This structure provides broader coverage and improved pricing than having the two programs combined..

### Municipal Properties (Excluding Water/Utilities)

- Carrier: Lexington Insurance Company and Various Participation Carriers
- Total Insured Values: \$197,282,986 – increased by 13.9%
- Policy Limit: 197,282,986
- Named Windstorm Sublimit: \$30,000,000
- Named Windstorm Deductible: 5% subject to minimum of \$250,000 per occurrence\*
- Earth Movement \$100,000 per occurrence\*
- Flood deductible 5% subject to minimum \$1,000,000\*
- All Other Perils Deductible: \$25,000
- Total Premium (not including applicable FL fees): \$1,075,000

### Water/Utilities

- ACE American Insurance Co.
- Total Insured Values: \$279,987,068 – increased by 4.6%
- Policy Limit \$150,000,000
- Named Windstorm Sublimit: \$50,000,000
- Named Windstorm Deductible: 5% subject to \$500,000 minimum per occurrence\*
- Flood Sublimit: \$10,000,000 aggregate (no coverage for A&V zones)
- Flood Deductible: \$500,000 per occurrence
- All other Perils Deductible: \$25,000 per occurrence
- Total Premium (not including applicable FL fees): \$605,000
- Separate Loss Control/Inspection fee \$6000

We will continue to negotiate with the marketplace to obtain further premium reductions. We will advise of any changes to the above programs.

The above highlights 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.

## Flood (December)

NFIP Flood policies are written with Hartford Insurance Company of the Midwest. We have remapped all the locations renewing in September, October and December. There were several locations that we were able to rewrite to Preferred Risk Policies (PRP).

Flood Month	Expiring 2013-2014	Expiring 2013-2014 Refunds	Renewal 2014-2015 with PRP	Renewal Savings
21 December Policies	\$56,763.00	\$15,205.00	*\$44,084.00 **Estimated	Not available yet

\*Note: Premiums quoted are estimated premiums at the time this document was published. NFIP can change or amend terms, conditions and renewal premiums. \*\*December quotes are not available yet.

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## Public Officials (12/21/14 renewal date)

We are pleased that our negotiation with your package carrier, Brit, has brought a reduction of 12% over the incumbent carrier, Ironshore Specialty. Coverage with Brit is equal in terms and conditions with the exception of the sublimits and deductibles/SIR's shown below. Note: The City will have to make arrangements to have any Public Official/EPLI claims reported and handled by the current TPA if coverage is moved into the Brit package (the EMI already handles the package claims).

Coverage	2013-2014 Ironshore	2014-2015 Option 1 Ironshore	2014-2015 Option 2 Brit	% Change Brit Savings
Public Officials/EPLI	\$182,500.00	\$182,033.00	\$160,000.00	-12%
FL Fee – FHCF 1.3%	\$2,372.50	\$2,366.43	\$2,080.00	-12%
<b>TOTAL Premium</b>	<b>\$184,872.50</b>	<b>\$184,399.43</b>	<b>\$162,080.00</b>	<b>-12%</b>

Major Policy Terms include but not limited to:	Ironshore	Lloyds/Brit
Deductible/Self-Insured Retention (SIR)	\$100,000	\$100,000
Separate Retention - Zoning & Planning	\$175,000	\$100,000
Employment Practices included for Law Enforcement Agency & Fire Fighting Authorities	Included for EPLI	Included for EPLI
Eminent Domain – Adverse possession. Included for defense only	Sublimit \$100,000 xs of applicable deductible	Sublimit \$50,000 xs of \$100,000 SIR
Back & Future Wages (EPLI) – Included for defense only.	Sublimit \$250,000 xs of applicable deductible	Included - No Sublimit subject to policy terms and conditions
Non-Monetary Relief Exclusion – Included for defense sublimit only	Sublimit \$250,000 xs of applicable deductible	Sublimit \$50,000 xs of \$100,000 SIR
Pending & Prior Litigation (excluded claims)	10/1/1994	10/1/1994
Prior Acts	10/1/1994	10/1/1994
<b>NOTE:</b> Sublimits shown above are within the Limit of Liability not in addition to the Limit		
<b>Annual Premium not including any applicable FL fees</b>	<b>\$182,033.00</b>	<b>\$160,000.00</b>

THIS IS ONLY A BRIEF OUTLINE OF THE COVERAGE. ALL TERMS ABOVE ARE SUBJECT TO A CLAIM BEING COVERED UNDER THE POLICY TERMS AND CONDITIONS. PLEASE REFER TO THE POLICY FORM FOR COVERAGE DETAILS.

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## Cost Comparison

Rate/\$100 TIV	Expiring 2013-2014	Renewal 2014-2015	% Change
Water/Utility Property	\$0.220	\$0.216	-2%
Municipal Property	\$0.614	\$0.544	-11%
Coverage	Expiring 2013-2014	Renewal 2014-2015	% Change
Water/Utility Property*	\$712,501.00	\$605,000.00	-15%
Municipal Property*	\$1,235,179.00	\$1,075,000.00	-13%
Flood – December – 12 months	\$56,763.00	\$44,094.00	-22.3
New Flood – 3 locations		\$20,455.00	
Public Officials Liability – 12/21/14	\$182,500.00	\$182,033.00	0%
FL applicable Taxes & Fees	\$58,901.15	\$47,038.43.00	
<b>TOTAL PREMIUM</b>	<b>\$2,245,844.15</b>	<b>\$1,973,620.43</b>	<b>-12%</b>

\*Note: Municipal and Water/Utility property programs were written on 14.5 month policy term to expire 12/15/14 in an effort to move renewal outside of Hurricane Season. 2014-2015 policies will be on a 12 month term.

## Summary

Once again, the City's property rates have decreased. 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.