

City of Hollywood

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, 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

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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 – As of August 2014

Excess Workers Compensation – Challenges

The excess workers compensation insurance market continues to be difficult, as industry losses have been catching up to the soft market premiums of recent years. This is reflected in industry combined ratios which have exceeded 100% (and which have little to no investment income to make up the difference). Some of the symptoms:

1. In 2010, Chartis announced that it would exit the excess workers compensation market entirely.
2. Liberty Mutual has virtually exited the market
3. Several carriers have implemented large rate increases (up to 35% and more) in the last few years. In many cases this has made them uncompetitive, revealing that they preferred to lose accounts, rather than continue to provide coverage at rates they felt were too low.
4. Many carriers have implemented increases in their required self-insured retentions
5. Carriers have had their ratings threatened

Although the market remains volatile, we are seeing signs that it may have plateaued at a new equilibrium.

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.

2014-15 Renewal Highlights

For the October 2013-14 renewal we conducted an extensive marketing campaign and restructured the City's entire program. The newly restructured program provided broader coverage, increased limits and reduced premiums (property program only).

Overall, the renewal for the casualty and workers' compensation renewal are favorable. The primary package has been reduced by \$10,000, Cyber Liability coverage has been added and your carrier is offering \$5,000 of loss control services.

The excess workers compensation marketplace continues to be a challenge. We marketed the coverage and your incumbent carrier Safety National has offered the most competitive quote. We are continuing to negotiate this coverage and will advise if we are able to improve the pricing.

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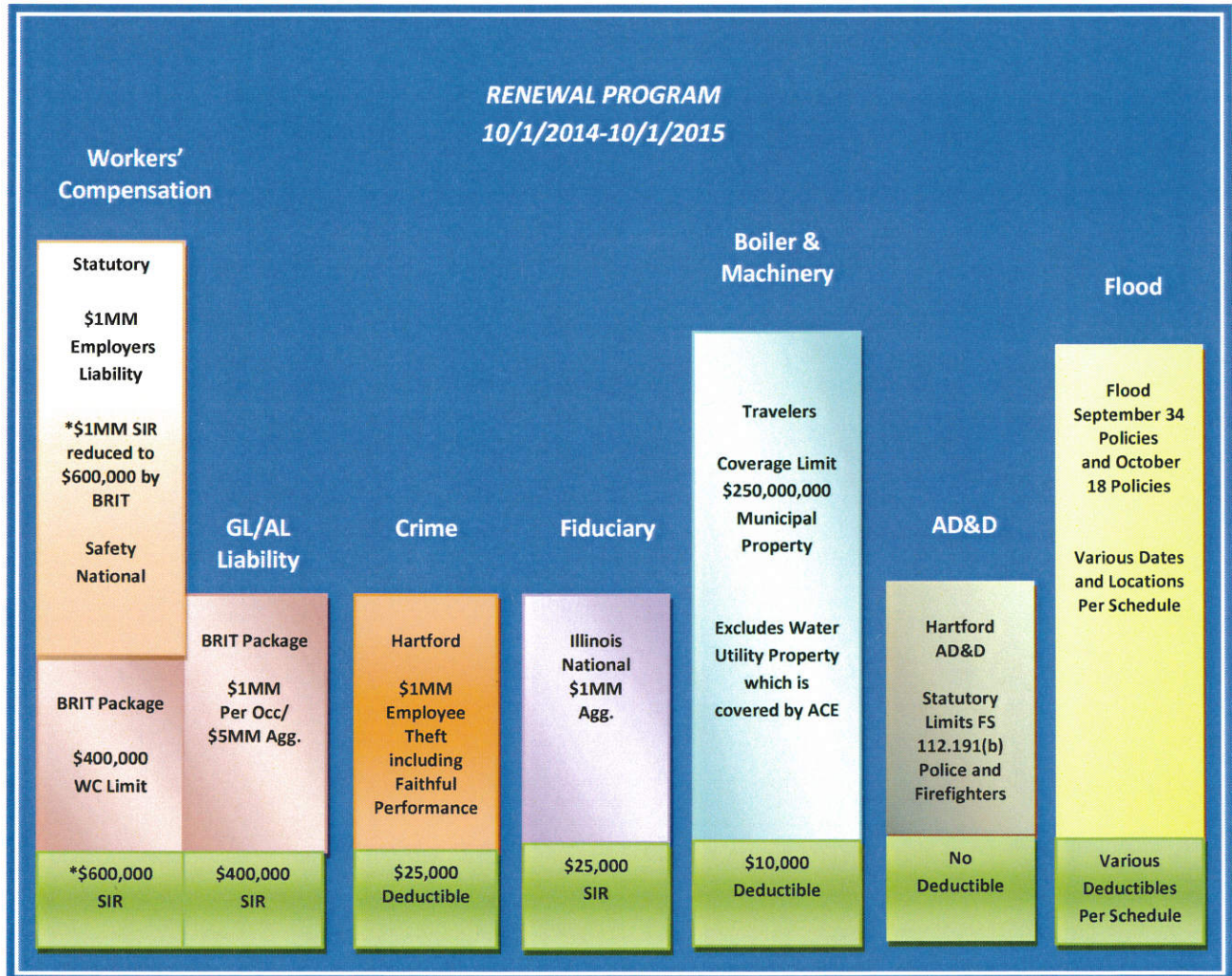
Marketing

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
Safety National Casualty Corp.	Casualty Package	Quoted
Evanston Insurance Co.	Casualty Package	Indication
Safety National Casualty Corp. - Incumbent	Excess Workers' Compensation	Quoted
New York Marine & General Insurance Co.	Excess Workers' Compensation	Indication
Midwest Employers Casualty Co.	Excess Workers' Compensation	Declined
Illinois National Insurance Co. – Incumbent (National Union Fire Insurance Co. of Pittsburgh, PA)	Fiduciary Liability	Quoted
Travelers Group	Fiduciary Liability	Declined due to underfunding of the Plan
Hartford Group	Fiduciary Liability	Declined – not writing this coverage for Municipalities
Continental Casualty - Incumbent	Boiler & Machinery	Quoted
Travelers Casualty & Surety Co. of America	Boiler & Machinery	Quoted
XL Group	Boiler & Machinery	Not competitive terms
Zurich Group	Boiler Machinery	Not competitive terms
Hartford Fire Insurance Co. - Incumbent	Crime	Quoted
Travelers Casualty & Surety Co. of America	Crime	Quoted
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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2014 – 2015 Program Structure



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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Casualty Program

Coverage will remain with Lloyd's of London, BRIT Syndicate. We sent submissions to two other markets and found that BRIT offered the best value at a competitive price.

- \$1,000,000 Per Occurrence Limits/\$5,000,000 Aggregate for GL, AL and Law Enforcement Liability - \$400,000 Self Insured Retention.
- Workers Compensation Limit: \$400,000 Excess \$600,000 Self Insured Retention Premium
- Cyber Liability has been added for no additional premium.
- Loss Control Funding of \$5,000.
- Premium has been reduced from \$315,000 to \$305,000

Carrier	Premium
Lloyds of London/ Brit/including WC buffer	*\$305,000 Added Cyber Liability and Providing Loss Control Funds of \$5,000.
Evanston Insurance Co./including WC buffer	\$390,000
Safety National Casualty Corp./no WC buffer	\$259,423

- FL fees not included in premiums above – refer to premium summary.

Excess Workers Compensation

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

- Premium has increased from \$143,367 to \$179,889

Our marketing solicitation results are as follows:

#	Carrier	SIR	WC Limit	EL Limit	Premium
1	Safety National Casualty Corp.	\$1,000,000	Statutory	\$1,000,000	\$179,889
2	Safety National Casualty Corp.	\$ 750,000	Statutory	\$1,000,000	\$318,920
3	Safety National Casualty Corp.	\$ 600,000	Statutory	\$1,000,000	\$409,785
4	New York Marine & General Ins. Co.	\$1,000,000	Statutory	\$1,000,000	\$180,000-\$200,000 indication only
6	Midwest Employers Casualty Corp	Declined to quote			

Boiler & Machinery/Equipment Breakdown

We have received a quote from the expiring carrier and an optional quote from Travelers. Travelers provided a very competitive quote from a coverage standpoint for the same premium as the expiring with CNA. Travelers is providing a higher total loss limit along with several increased sublimits. Both carriers also offered a 14.5 month policy term to run concurrent with the Property program. We also sent submission to XL Group and Zurich, but they could not meet the Travelers best terms and sublimits. See below:

Continental Casualty Company – Expiring Limits	Travelers Casualty & Surety Co. of America - Option
\$173,250,409 Total Loss Limit	\$250,000,000 Total Loss Limit
Deductible \$10,000 combined 24 hours Extra Expense 24 hour Spoilage 24 Hours Utility Interruption/Time Element	Deductible \$10,000 combined Extra Expense included Spoilage Damage included 4 hours Utility Interruption/Time Element
Claim Preparation Costs – no coverage	\$25,000 Claim Preparation Costs
Premium based on \$173,250,409 – expiring values	Premium based on \$173,250,409 – expiring values.
	Arthur J. Gallagher Risk Management Services, Inc.

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Continental Casualty Company – Expiring Limits	Travelers Casualty & Surety Co. of America - Option
See comparison below for sublimits	See comparison below for sublimits
Premium is up 12% from last years \$5,951.00 due to increase in the rates.	
Annual Premium \$6,685.00 (12 mos.)	Annual Premium \$5,951.00 (12 mos.)
Optional Premium \$8,080.00 (14.5 mos.)	Optional Premium \$7,170.00 (14.5 mos.)
FL fees are not included – see premium summary	FL fees are not included – see premium summary

BOLD RED Indicates less coverage or No Coverage

City of Hollywood EB PROGRAM COVERAGE COMPARISON	Travelers	C.N.A. Renewal Carrier
Total Limit per Breakdown (TLpB)	\$250,000,000	\$200,000,000
Property Damage (PD)	Included in Total Limit	Included in Total Limit per Breakdown
Off Premises Equipment Coverage (Portable Equipment)	\$5,000,000	Included
Coverage Extensions & Limitations	Coverage Extensions & Limitations	Coverage Extensions & Limitations
Business Income Coverage Extension (BI)	Included to Total Limit Per Breakdown	Included
BI "Period of Restoration" Extension	365 Days	30 Days
Business Income Coinsurance	Suspended	Not Addressed on the Quote
Extra Expense Coverage Extension (EE)	Included in total Limit Per Breakdown	Included with Business Income
EE "Period of Restoration" Extension	365 Days	30 Days
Spoilage Damage Coverage Extension-including Utility Interruption Spoilage (SD)	\$100,000,000	\$250,000
Utility Interruption - Spoilage coverage applies only if the interruption lasts at least (waiting period):	4 Hours	24 Hours
Utility Interruption - Time Element Coverage Extension (UI-TE)	Included in total Limit Per Breakdown	\$250,000/Spoilage and \$1,000,000/ Business Income/EE
Utility Interruption - Time Element coverage applies only if the interruption lasts at least (waiting period):	4 Hours	24 Hours
Civil Authority Coverage Extension:	100 Miles/3 Weeks	Not Covered or Not Addressed on the Quote
Brands and Labels	Included	No Coverage
"Dependent Property" Coverage Extension	\$10,000,000	No Coverage
"Dependent Property" Locations	All Direct Supplying, Recipient, Manufacturing and Leader Locations	N/A
"Electronic Data" or "Media" Coverage Extension	\$5,000,000	\$250,000
Error in Description Coverage Extension	See Errors & Omissions Endorsement EB T3 10	Included
Expediting Expense Coverage Extension	Included in total Limit Per Breakdown	\$250,000
Newly Acquired Locations Coverage Extension	Included in Total Breakdown Limit/365 Days	Included/180 Days
"Fungus", Wet Rot and Dry Rot Coverage Extension	\$100,000	\$15,000
"Fungus", Wet Rot and Dry Rot Coverage Extension (BI/EE)	60 Days	30 Days
Ordinance or Law (including Demolition and Increased Cost of Construction) Coverage Extension	\$10,000,000	\$1,000,000
Demolition	Included in Ordinance or Law	Not Addressed on the Quote
Refrigerant (Ammonia) Contamination Limitation	Included in Total Limit Per Breakdown	\$250,000
Hazardous Substance Limitation	\$10,000,000	\$250,000
Water Damage Limitation	Included in total Limit Per Breakdown	\$250,000
Unnamed Locations	Not Addressed on Quote	Not Addressed on the Quote
Notice of Cancellation	90 Days/20 Days for Non Payment	90 Days/10 Days for Non-Payment
Diagnostic Equipment	Covered	Not Addressed on the Quote
Production Machines	Covered	Included
Computer Equipment	Included	Not Addressed on the Quote
Joint Loss Agreement	Included	Included
Repair or Replacement Valuation	Included	Property Damage
Connected Ready for Use Limitation	None	Not Addressed on the Quote
Buried Vessels and Piping	Included	Not Covered or Not Addressed on the Quote
Anniversary Rating 3 Year Policy (fixed rate during 3 year policy term subject to 30% loss ratio and statutory filings)	Included	No Coverage
TRIA, Terrorism	Included	Included
New Generation Valuation	Included	Not Addressed on the Quote
Green Coverage Enhancements	Included: 5% PD % Factor, \$1M PD Limit, 30 Days BI/EE	25% of PD Loss, \$100,000 Max
Locations Covered:	Per Latest Statement of Values on File	Not Addressed on the Quote
Property Damage Deductible	\$10,000 Combined	\$10,000
Business Income	Included in property damage deductible	24 Hours
Extra Expense	Included in property damage deductible	24 Hours
Spoilage Damage	Included in property damage deductible	\$10,000 or 10% of Loss whichever is greater
Utility Interruption Time Element Deductible	4 Hours	24 Hours
Dependent Properties	Included in property damage deductible	No Coverage
Refrigerant (Ammonia) Contamination Deductible	Included in property damage deductible	\$10,000 or 10% of Loss whichever is greater
Best Rating	A+XV	AXV
Claims Preparation Costs	Admitted	Admitted
Deductible Waiver	Included	Not Addressed on Quote or no Coverage
Premium:	\$5,951, Plus \$131 FL Surcharges	\$6,685, Plus FL Surcharges (Not Given on Quote)

This Proposal Analysis is intended to facilitate your understanding of your insurance program. It is not intended to replace or supersede your insurance policy.

Arthur J. Gallagher Risk Management Services, Inc.

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Fiduciary Liability

The coverage will be issued on Illinois National Insurance Company paper in lieu of National Union Fire Insurance Company of Pittsburgh, PA. This is an internal change within AIG. Also, due to the underfunding of the plan, the carrier has added an absolute exclusion for any and all losses alleging, arising out of, based upon or attributed to failure to fund a Plan in accordance with Employee Benefit Law or the Plan instrument, or the failure to collect contributions owed to the Plan. We also sent submissions to Travelers and Hartford, however, they declined to quote.

- Illinois National Insurance Company.
- Limit \$1,000,000 aggregate including defense.
- Retention \$25,000.
- All terms and conditions remain the same with the exception of the *addition of a revised Failure to Fund Exclusion. Exclusion will be an absolute exclusion which excludes defense coverage as well.*
- Increase in premium 5.6% based on plan assets compounded with the declining performance and funding levels.
- Premium has increased from \$21,125 to \$22,324 (not including applicable FL fees).
- FL fees are not included – see premium summary

Crime

The expiring carrier provided a renewal quote based on same limits and deductibles. Also, we obtained an optional quote from Travelers. The Travelers offered a lower premium, however there are a few differences in the deductibles offered. See below:

Hartford Fire Insurance Company – Expiring Limits	Travelers Casualty & Surety Co. of America - Option
\$1,000,000 Employee Theft with Faithful Performance Deductible \$25,000 per loss	\$1,000,000 Employee Theft with Faithful Performance Deductible \$25,000 per loss
Limit \$500,000 Depositors Forgery or Alterations Deductible \$5,000	Limit \$500,000 Depositors Forgery or Alterations Deductible \$2,500
Limit \$200,000 Theft, Disappearance and Destruction Deductible \$2,500	Limit \$200,000 Theft, Disappearance and Destruction Deductible \$2,500
Limit \$50,000 Money Orders and Counterfeit Money Deductible -0-	Limit \$50,000 Money Orders and Counterfeit Money Deductible \$1,000
Premium is up slightly from last years \$9,724.00 due to an increase in the revenues reported on the application.	
Annual Premium \$9,974.00	Annual Premium \$9,202.00
FL fees are not included – see premium summary	FL fees are not included – see premium summary

Accidental Death and Dismemberment

The expiring carrier, ACE American Insurance Company provided a renewal quote for the Florida Statutory limits. We also obtain an optional quote from Hartford and found that ACE American was the most competitive in price. See below:

ACE American Insurance Co. – Expiring Limits	Hartford Life & Accident Insurance Co. - Option
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)	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)
Premium is down from \$21,165 due to less police and firefighters reported on the renewal application.	

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ACE American Insurance Co. – Expiring Limits	Hartford Life & Accident Insurance Co. - Option
Two (2) Year Policy Term 10/1/14 to 10/1/16 on annual installments	Two (2) Year Policy Term 10/1/14 to 10/1/16 on annual installments
Annual Installment Premium \$15,028.00	Annual Installment Premium \$17,774.00
FL fees are not included – see premium summary	FL fees are not included – see premium summary

Flood September/October

NFIP Flood policies with Hartford Insurance Company of the Midwest. This year we were able to reduce the premiums on 12 policies in September by rewriting them into a Preferred Risk Policy (PRP). **The savings effective for the 2013-14 policy terms is \$19,376.00** and refund checks are being sent to the City. We are also in the process of rewriting 1 policy for October 2013-14 that qualifies for the PRP. Revised premium is pending.

Also, the PRP rates were used for those qualified locations for the 2014-15 renewal term with the following result:

Flood Month	Expiring 2013-2014	Renewal 2014-2015 without PRP	Renewal 2014-2015 with PRP	PRP Renewal Savings
34 September Policies	\$87,997.00	\$95,436.00	\$77,645.00	\$17,791.00
18 October Policies	\$55,028.00	*\$52,445.00	pending 1 conversion	pending

*Did not renew 351 Michigan Ave.

Premium Summary

Coverages	Expiring 2013-2014	Renewal 2014-2015
Casualty with WC buffer	\$315,000.00	\$305,000.00
Excess Workers Compensation	\$143,367.00	\$179,889.00
Boiler & Machinery	\$5,951.00	14.5 month premium \$7,170.00
Fiduciary Liability	\$22,125.00	\$22,324.00
Crime	\$9,724.00	\$9,974.00
Accidental Death and Dismemberment	\$20,165.00	\$15,028.00
Taxes & Fees	\$4,637.35	\$4,643.00
TOTAL	\$521,969.35	\$544,028.00
Flood - September	\$87,997.00	\$77,645.00
Flood - October	\$57,623.00	\$52,445.00
TOTAL including Flood	\$667,589.35	\$674,118.00

Summary

Overall, the City's total program has increased slightly (0.98%). 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.