



# Executive Summary

May 1, 2022-2023

## *City of Coral Gables*

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## Gallagher

Insurance | Risk Management | Consulting

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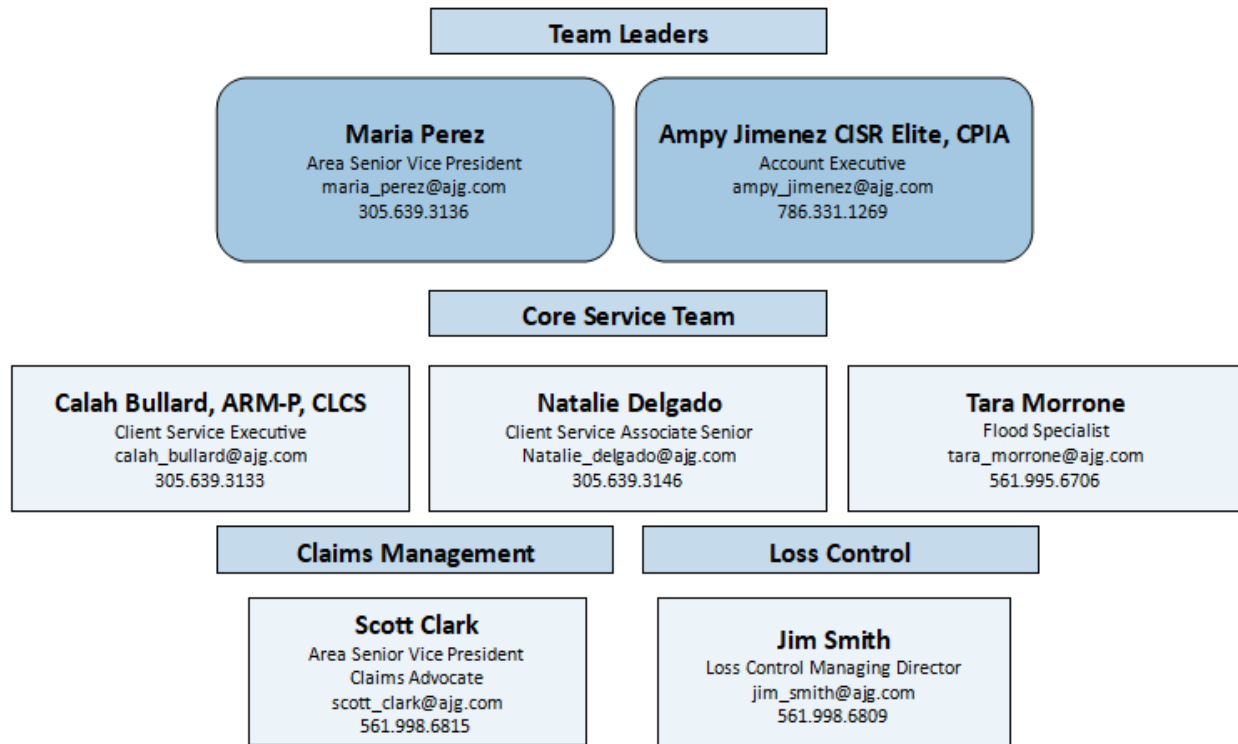
# Introduction

Thank you for this opportunity to present your renewal proposal program options and recommendations for your May 1<sup>st</sup> Insurance Renewal. This Executive Summary is a shorter version of your proposal and is intended to summarize the highlights and point you to any decisions that need to be made prior to binding. We highlight each **CORE360**<sup>®</sup> cost driver, beginning with Insurance Premiums and ending with Contractual Liability. This will not only organize the document but ensure that we are deliberate in driving value to each of your six cost drivers which represent your total cost of risk. It also follows the decisions made and action items we discussed in our Strategic Review; which serves as the basis for this proposal. We know that you have a choice and we appreciate your business and continued support.



# Your Team

Your Gallagher team is a true partner. We have the expertise to understand your business and we're here to service and stay alongside you, every step of the way.





# Insurance Premiums

Policy Type	Carrier	2021-2022 Expiring Program	2022-2023 Renewal (Ambridge)	2022-2023 Renewal (FMIT)
Package*	Ambridge	\$767,500	\$804,000	\$999,938**
Excess WC	Safety	\$177,506	\$172,305	Included
Property*	Various	\$1,585,707	\$1,788,142	\$1,603,922
Boiler and Machinery	Travelers	\$10,135	\$10,800	Included
ADD Business Travel	Hartford	\$750	\$750	\$750
ADD Police and Fire	Hartford	\$12,864	\$12,864	\$12,864
Bond	Hartford	\$1,138	\$1,138	Included
Pollution Liability	Indian Harbor	\$23,900	\$23,900	\$23,900
Crime	Travelers	\$11,079	\$11,656	Included
Sports Liability	HDI	\$29,608	Included in Package	Included
ADD Sports	Zurich	\$10,030	\$11,662	\$11,662
Cyber Liability	Ascent/Corvus	\$86,635	\$79,569	Included
Terrorism Property & Liability	AJG UK	\$20,000	\$20,000	\$20,000
Deadly Weapon Protection	Hiscox	\$5,900	\$5,900	Included
Flood	Voyager	\$9,261	\$9,720	\$9,720
Increased Values for Bridges, Docks and Seawalls				\$761,300***
Fine Arts****		Included in Property	Included in Property	\$45,000
EMPA, FEES & TRIA*****		\$3,728	\$3,770	\$1,134
Broker Fee		\$90,000	\$90,000	\$90,000
<b>Total Cost of Program</b>		<b>\$2,845,741</b>	<b>\$3,046,176</b>	<b>\$3,580,190</b>

\*THE 2022 PREMIUMS INCLUDE THE ADDITION OF THE CORAL GABLES COUNTRY CLUB

\*\*INCLUDES \$45,526 IN OPTIONAL PRIOR ACTS COVERAGE PREMIUM. . THE TOTAL PREMIUM IS \$182,104, WHICH WOULD BE BILLED OVER A 4 YEAR INSTALLMENT PERIOD. THE CITY IS OBLIGATED TO PAY REMAINING BALANCE (\$136,578) IF THE CITY CHANGES PROGRAMS.

\*\*\*THIS FIGURE REPRESENTS THE POTENTIAL INCREASE IN PREMIUM IF THE VALUE OF THE CITY'S DOCKS, BRIDGES AND SEAWALLS INCREASE BY \$10 MILLION BASED ON RATE PROVIDED BY FMIT FOR THESE STRUCTURES (\$7.613 PER \$100 TIV).

\*\*\*\* ESTIMATED PREMIUM

\*\*\*\*\*TRIA PURCHASED ON THE PACKAGE WC AND POLLUTION POLICIES.

## Marketing Summary

CARRIER	LINE OF COVERAGE	RESPONSE
Certain Underwriters at Lloyd's, London (Ambridge)	Public Entity Package	Quoted
Safety National Casualty Corporation	Public Entity Package	No Response
FMIT	Public Entity Package	Quoted
Ballator/PRM	Public Entity Package	Pending - Not a fit if the city wants to continue to market account
Glatfelter	Public Entity Package	Declined – Police force too large. Does not offer large SIRs
Safety National Casualty Corporation	Excess Workers Compensation	Quoted
FMIT	Excess Workers Compensation	Quoted
Midwest Employers Casualty	Excess Workers Compensation	Quoted
Ballator/PRM	Excess Workers Compensation	Pending - Not a fit if the city wants to continue to market account
Glatfelter	Excess Workers Compensation	Declined – Police force too large. Does not offer large SIRs
Arch Insurance Group	Excess Workers Compensation	Requires \$2M SIR for Police/Fire
Hartford Fire Insurance Company	Public Official Bond	Quoted
Indian Harbor	Pollution Liability	Quoted
Ascot	Pollution Liability	Declined – Cannot Compete
HDI Global Specialty SE	General Liability (Sports)	Quoted
Zurich American Insurance Company	ADD Amateur Sports	Quoted
Travelers Property Casualty Co of America	Boiler & Machinery	Quoted
FMIT	Boiler & Machinery	Quoted
Travelers Property Casualty Co of America	Crime	Quoted
FMIT	Crime	Quoted
Zurich	Crime	Pending
Atlantic Specialty Insurance Company	Tenant Users Liability	Automatically Renewed
Atlantic Specialty Insurance Company	Tenant Users Property	Automatically Renewed
AJG London	Terrorism	Quoted
Beazley	Deadly Weapon Protection	Quoted
Voyager	Flood	Quoted
FMIT	Property	Quoted
Endurance American Specialty Insurance	Property	Quoted
Starstone Specialty Insurance Company	Property	Quoted
XL Catlin Insurance Company UK Limited	Property	Quoted
Certain Underwriters at Lloyds	Property	Quoted
Homeland Insurance Company of NY	Property	Quoted
RSUI	Property	Quoted
Alesco Risk Management Services	Property	Pending
Allied World Assurance Company	Property	Pending
AmWINS Bermuda	Property	Pending
ARCH Insurance Group	Property	Pending
Arrowhead Insurance Risk	Property	Pending

Managers, LLC	Property	Pending
Aspen Insurance	Property	Pending
AXA XL, a division of AXA	Property	Pending
AXIS Insurance	Property	Pending
Beazley USA	Property	Pending
Berkshire Hathaway Specialty Insurance Company	Property	Pending
Canopus Underwriting Agency, Inc	Property	Pending
Colony Specialty	Property	Pending
Core Specialty	Property	Pending
Crum & Forster	Property	Pending
Ethos Specialty	Property	Pending
Evanston Insurance Company	Property	Pending
Everest Reinsurance Company	Property	Pending
Global Excess Partners	Property	Pending
Hallmark E&S	Property	Pending
Hiscox USA	Property	Pending
Ironshore	Property	Pending
James River Insurance Company	Property	Pending
Kemah Capital LLC	Property	Pending
Kinsale Insurance Company	Property	Pending
Lexington Insurance Company	Property	Pending
Lloyds London Eagle	Property	Pending
Markel	Property	Pending
Munich Re America	Property	Pending
Navigators Group	Property	Pending
Old Republic Specialty Insurance	Property	Declined
Rivington Partners	Property	Pending
Sompo International	Property	Pending
SRU	Property	Pending
Starr Companies	Property	Pending
Swiss Re	Property	Pending
Velocity Risk Underwriters, LLC	Property	Pending
Waypoint (AmRisc)	Property	Pending
Westchester, A Chubb Company	Property	Pending
FMIT	Cyber Risk Liability	Quoted
Ascent	Cyber Risk Liability	Non-renewed
Corvus	Cyber Risk Liability	Quoted
AIG	Cyber Risk Liability	Needs a risk engineering call to quote
Allianz	Cyber Risk Liability	Pending
Arch	Cyber Risk Liability	Pending
Ascot	Cyber Risk Liability	Declined- Class of Business
At Bay	Cyber Risk Liability	Declined- Class of Business
AXA XL	Cyber Risk Liability	Declined- Class of Business
Beazley (MM Cyber/Tech)	Cyber Risk Liability	Declined- Class of Business
BRIT/Ambridge	Cyber Risk Liability	Declined- Class of Business
C N A	Cyber Risk Liability	Declined- Class of Business
Chubb (Westchester)	Cyber Risk Liability	Declined- Class of Business
Coalition	Cyber Risk Liability	Declined- use of on premises exchange
Crum & Forster	Cyber Risk Liability	Declined- Class of Business

Everest	Cyber Risk Liability	Declined- Class of Business
Ironshore (Cyber/Tech)	Cyber Risk Liability	Declined- Class of Business
Markel	Cyber Risk Liability	Pending
MunichRe	Cyber Risk Liability	Pending
QBE	Cyber Risk Liability	Declined- Class of Business
RSUI	Cyber Risk Liability	Declined- Class of Business
Sompo	Cyber Risk Liability	Declined- Class of Business
Starr	Cyber Risk Liability	Pending
TMHCC/NAS	Cyber Risk Liability	Max \$1mm limit
Travelers	Cyber Risk Liability	Pending
Zurich	Cyber Risk Liability	Needs a risk engineering call to quote



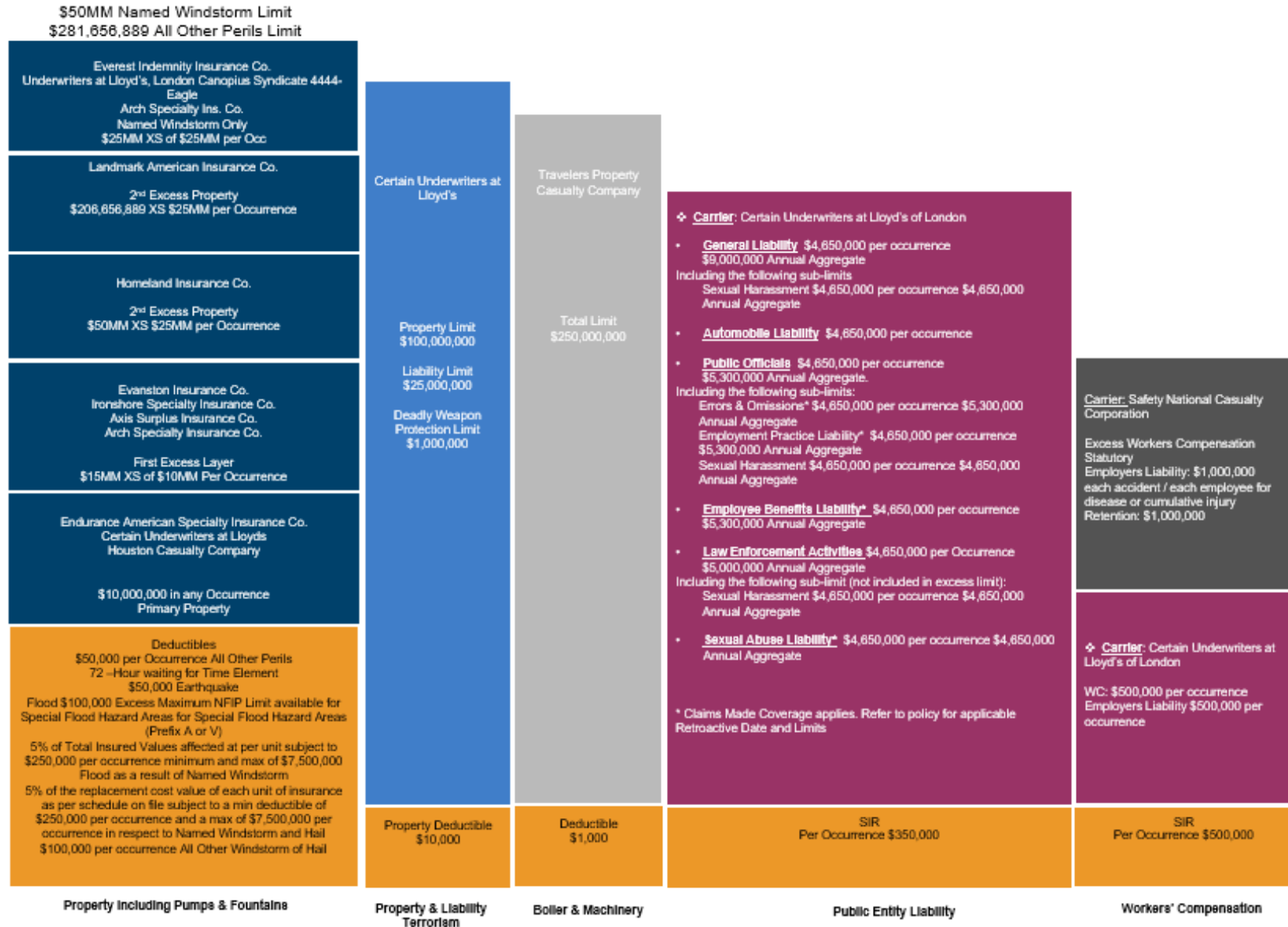
## Exposure Comparison

Exposures	2021-2022	2022-2023	% Change
Gross Operating Expenditures	\$ 207,212,038	\$ 269,532,919	30%
# of Employees (FT & PT)	978	1016	4%
# of Autos	644	610	-5%
Payroll	\$ 76,019,911	\$ 78,502,660	3%
EMTs	Included below	Included below	
Paramedics	139	139	0%
Armed Officers	198	198	0%
Population	50,999	50,999	0%
TIV	\$281,656,889	\$293,511,433	4%

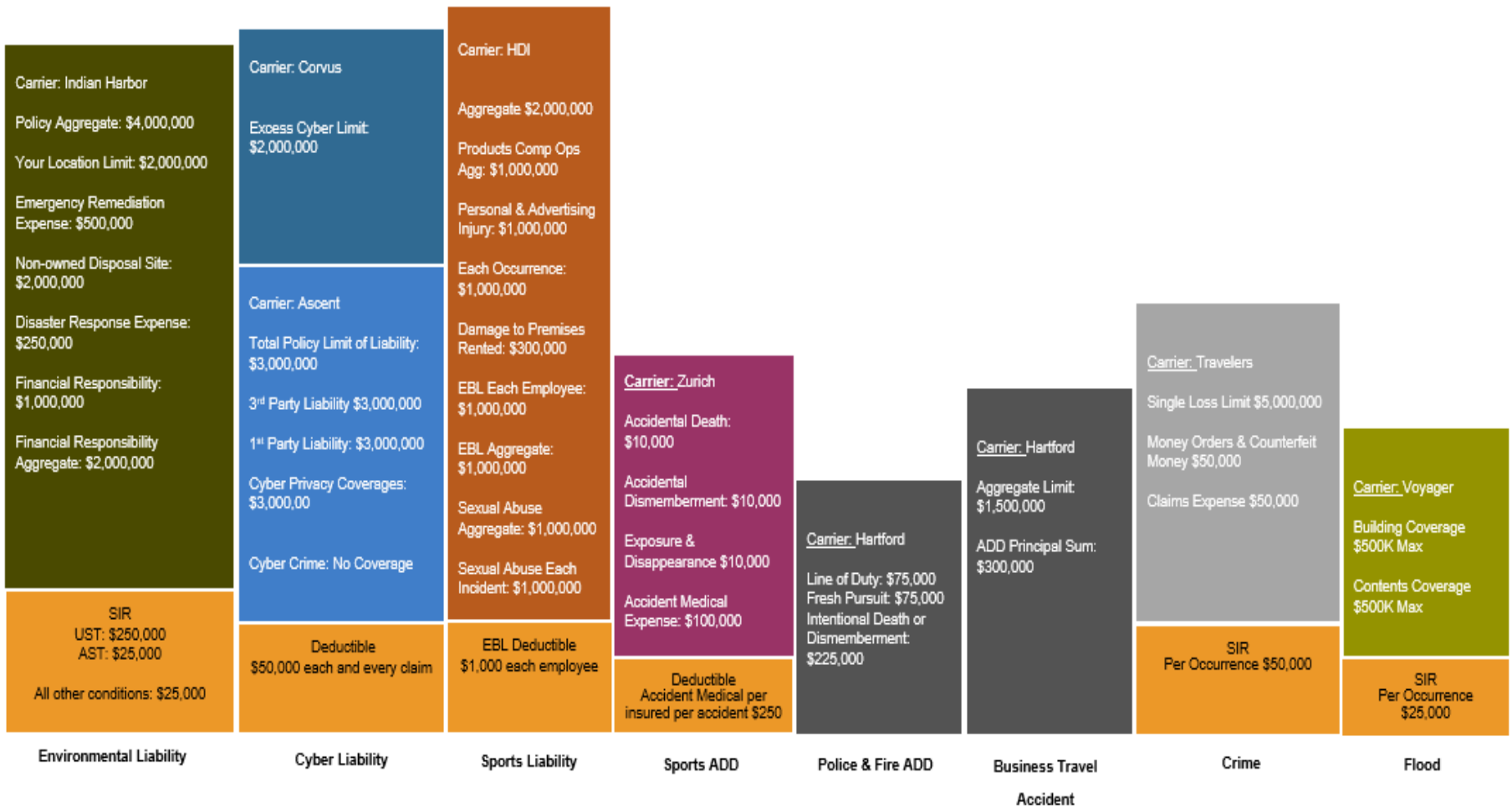
Schedule of Values	2021	2022	% Change
Building	\$ 217,649,640	\$ 232,306,640	7%
Contents	\$ 12,492,611	\$ 12,502,611	0.1%
Vehicles	\$ 18,155,205	\$ 18,842,749	4%
Golf Carts	\$ 179,433	\$ 179,433	0%
BI	\$ 5,285,000	\$ 5,285,000	0%
EDP	\$ 17,500,000	\$ 14,000,000	-20%
EDP EE	\$ 2,000,000	\$ 2,000,000	0%
Account Receivable	\$ 1,000,000	\$ 1,000,000	0%
Fine Arts	\$ 3,500,000	\$ 3,500,000	0%
Valuable Papers	\$ 500,000	\$ 500,000	0%
Pump Stations	Included	Included	
Fountains	Included	Included	
Seawalls & Docks	\$ 3,395,000	\$ 3,395,000	0%
Total	\$ 281,656,889	\$ 293,511,433	4%

	2021-2022	2022	% Change
Sports Program # of participants	16,979	15,549	-8%

# Expiring Program Structure



Please note that coverages are not drawn to scale and actual policy verbiage should be consulted for coverage terms and conditions



Please note that coverages are not drawn to scale and actual policy verbiage should be consulted for coverage terms and conditions

## Renewal Results

**A. Package:** This will be the ninth renewal year for Lloyds of London (Ambridge) as the Liability and WC package carrier. The underwriting team initially offered a renewal premium of \$797,500, which represents a 4% premium increase with claim history and a hardening market driving the premium increase. Ambridge is still willing to provide additional funds for Loss Control. This year they are willing to provide \$7,000.

Should the city decide to no longer purchase the Sports/Participant General Liability policy Ambridge will provide the primary coverage for an additional premium of \$6,500.

**B. Excess Workers Compensation:** Safety national is your incumbent carrier. This year your incumbent carrier has offered an initial renewal with a 6% rate increase. This was further revised to a flat rate renewal and again to a 6% rate decrease. As you will see in the chart below, Safety has only increased their rate in 2021 over the past 6 years. With the one increase, the city still has a lower rate than 2016.

	2016	2107	2018	2019	2020	2021	2022
Payrolls	\$61,875,651	\$65,044,750	\$74,684,272	\$73,542,192	\$71,014,924	\$76,019,911	\$78,502,660
Premium	\$184,643	\$194,100	\$188,735	\$184,591	\$154,955	\$177,506	\$172,305
Rate per \$100	0.2967	0.2967	0.251	0.2510	0.2182	0.2335	0.21949
Δ%		0%	-15%	0%	-13%	7%	-6%

We also received an alternate quote from Midwest Employers. Below is how their quote compares to Safety's offering.

Coverage	Safety National Expiring 2021-2022	Safety National Renewal 2022-2023	Midwest Employers Renewal 2022-2023
WC Limit	Statutory	Statutory	Statutory
Employers Liability Limit	\$1,000,000	\$1,000,000	\$1,000,000
Self-Insured Retention	\$1,000,000	\$1,000,000	\$1,000,000
Rate	\$0.2335	\$0.21949	\$0.2227
Premium	\$177,506.00	\$172,305.00	\$174,825.00

Safety National and Midwest are willing to offer a 2-year rate guarantee.

**C. Business Travel, ADD for Police and Fire:** Last year the city bound a two year policy term with Hartford for both coverages. Due to the two year policy term the renewal premiums are completely flat. Last year Hartford also enhanced their policy with adaptive home & vehicle, bereavement counseling, coma, medical emergency evacuation, paralysis, repatriation of remains, airbag and therapeutic counseling.

**D. Equipment Breakdown:** This is the first year the city will not be benefiting from Travelers' 3 year rate guarantee. They are no longer offering rate guarantee company wide. The renewal premium represents a 7% increase.

**E. Crime Liability:** Over the past 4 years this is the first year Travelers has not offered a flat or reduced premium renewal. The renewal premium is \$11,656, which is a 5% premium increase. Last year Travelers reduced the \$250,000

Social Engineering sublimit to \$100,000 and added a \$100,000 Telecommunication Fraud sublimit. This year there are no changes in terms and conditions.

**F. Terrorism and Deadly Weapons Protection:** The incumbent carrier has offered a flat premium renewal for this term despite the increase in property values.

**G. Sports Liability and Accidental Death and Dismemberment:** Last year the city switched the Sports Liability carrier from Scottsdale to HDI after Scottsdale issued a non-renewal. This year due to a reduction in participants, the liability premium is 5% less than expiring. Ambridge is willing to provide primary coverage for this exposure for an additional \$6,500. The city will no longer have to purchase a stand-alone policy but the retention applied will be per the existing package structure of \$350,000.

The Sports ADD carrier however has increased their rate so the renewal premium is a 16% increase. We will continue to negotiate with the carrier to drive the increase down.

**H. Property:** The city currently purchases full TIV limits for All Other Peril coverage and \$50,000,000 in limits for Named Windstorm coverage. Our first indications for all layer of the property coverage a came in between \$1,806,000 - \$1,806,000. After several negotiations, restructuring and the wholesalers reducing their own commission the quoted premiums are \$1,788,142. That represents an 8% rate increase.

Layer	2021 Premium	2022 Premium
Primary \$10MM	\$878,507	\$1,085,400
1st Excess \$15MM xs \$10MM	\$387,000	\$302,867
2nd Excess \$25MM xs \$25MM NWS Only	\$242,000	\$304,875
3rd Excess \$50MM xs \$25MM	\$27,506	\$30,000
4th Excess \$218MM xs \$75MM	\$53,200	\$65,000
<b>Total</b>	<b>\$1,585,707</b>	<b>\$1,788,142</b>

Layer	2021	2022	Rate Increase
Primary \$10,000,000	\$0.312	\$0.370	19%
1 <sup>st</sup> Excess \$15MM xs \$10MM	\$0.137	\$0.103	-25%
2 <sup>nd</sup> Excess \$25MM xs \$25MM NWS Only	\$0.086	\$0.104	21%
3 <sup>rd</sup> Excess \$50M xs \$25MM	\$0.00888	\$0.0102	5%
4 <sup>th</sup> Excess \$218M xs \$25MM	\$0.01889	\$0.0222	17%

**I. Pollution:** Indian Harbor has offered a flat premium renewal however, they have added a new exclusion for site development and construction activities. All other conditions have remained the same.

**J. Cyber:** The incumbent primary cyber carrier, Ascent, is not willing to renew coverage this year. Corvus, who is the current excess carrier has offered a primary \$2,000,000 at \$79,569 in premium.

# Cyber Benchmarking

## PUBLIC ENTITY AVERAGES

Total Peer Count	Total Peer Premium	Average Rate Δ	Median Rate Δ	Average Total Rate	Median Total Rate
13	\$943K	120%	43%	\$23.5K	\$20K

## POLICY LIMIT & PREMIUMS

Client Name	Expiration Date	Current Limit	Current Premium
City of Hallendale Beach	9/6/2022	\$ 1,000,000	\$ 42,000
City of Pompano Beach	3/1/2022	\$ 1,000,000	\$ 20,000
City of West Palm Beach	3/1/2022	\$ 1,000,000	\$ 31,000
Clay County District Schools	7/14/2022	\$ 1,000,000	\$ 40,000
Monroe County District Schools	3/1/2022	\$ 1,000,000	\$ 13,000
Solid Waste Authority of Palm Beach	5/1/2022	\$ 1,000,000	\$ 20,000
City of Pembroke Pines	10/1/2022	\$ 2,000,000	\$ 35,000
Municipal Workers Compensation Fund, Inc.	10/1/2022	\$ 2,000,000	\$ 31,000
Broward County	11/4/2022	\$ 5,000,000	\$ 150,000
Canaveral Port Authority	6/1/2022	\$ 5,000,000	\$ 25,000
City of Hialeah	3/10/2023	\$ 3,000,000	\$ 300,000
City of Miramar	5/1/2022	\$ 5,000,000	\$ 68,000
The School Board of Broward County	7/1/2022	\$ 10,000,000	\$ 400,000

## RANSOMWARE

Client Name	Expiration Date	Policy Limit	Policy Retention	Ransomware Sublimit	Current Premium
City of Pembroke Pines	10/1/2022	\$ 1,000,000	\$ 250,000	\$ 1,000,000	\$ 35,389
City of Miramar	5/1/2022	\$ 5,000,000	\$ 50,000	\$ 5,000,000	\$ 68,289
City of Hialeah	3/10/2023	\$ 3,000,000	\$ 500,000	\$ 3,000,000	\$ 300,000
Clay County District Schools	7/14/2022	\$ 1,000,000	\$ 150,000	\$ 1,000,000	\$ 40,068
City of Riviera Beach	12/15/2022	\$ 1,000,000	\$ 250,000	\$ 1,000,000	\$ 104,531
City of Coral Gables	5/1/2022	\$ 5,000,000	\$ 50,000	\$ 5,000,000	\$ 86,635

# Commission Disclosure

**Client Name: City of Coral Gables**

				WHOLESALER, MGA, OR INTERMEDIARY		
COVERAGE(S)	CARRIER NAME(S)	EST. ANNUAL PREMIUM <sup>2</sup>	COMM.% OR FEE <sup>3</sup>	NAME <sup>1</sup>	COMM.% OR FEE <sup>3</sup>	AJG OWNED YES/NO
Property FMIT	Florida Municipal Insurance Trust (Florida Municipal Insurance Trust)	\$1,603,922.00	0 %	N/A	N/A	No
Property	Various Carriers	\$1,788,142.00	0 %	AmWINS Group Inc Risk Placement Services.	5%	No Yes
Property & Liability - Terrorism	Underwriters at Lloyd's London (Underwriters at Lloyd's London)	\$20,000.00	0 %	Arthur J Gallagher (UK) Limited	5 %	Yes
Deadly Weapons Protection	Underwriters at Lloyd's London (Underwriters at Lloyd's London)	\$5,900.00	0 %	Arthur J Gallagher (UK) Limited	5 %	Yes
Flood	Voyager Indemnity Insurance Company (Assurant P & C Group)	\$9,720.00	18%	N/A	N/A	No
Equipment Breakdown	Travelers Property Casualty Co of America (The Travelers Companies, Inc.)	\$10,800.00	0 %	Risk Placement Services	5 %	Yes
Crime	Travelers Casualty and Surety Co of America (The Travelers Companies, Inc.)	\$11,637.00	0 %	N/A	N/A	No
Package	Lloyd's Syndicate 2987	\$804,000.00	0 %	Ambridge Partners LLC.	N/A	No
Package	Florida Municipal Insurance Trust (Florida Municipal Insurance Trust)	\$999,938.00	0 %	N/A	N/A	No
Sports General Liability	HDI Global Specialty SE (HDI Global Specialty SE)	\$28,220.00	0 %	S3 Direct LLC	5%	No
ADD Sports	Zurich American Insurance	\$11,662.00	0 %	N/A	N/A	No
Cyber Liability	Corvus	\$79,569.00	0 %	AmWINS Group Inc	5%	No

WHOLESALE, MGA, OR INTERMEDIARY						
COVERAGE(S)	CARRIER NAME(S)	EST. ANNUAL PREMIUM <sup>2</sup>	COMM.% OR FEE <sup>3</sup>	NAME <sup>1</sup>	COMM.% OR FEE <sup>3</sup>	AJG OWNED YES/NO
Environmental Liability	Indian Harbor Insurance Company (XL Group plc)	\$23,900.00	0 %	N/A	N/A	No
Excess Workers Comp	Safety National Casualty Corporation (Tokio Marine Holdings, Inc.)	\$172,305.00	0 %	N/A	N/A	No
Excess Workers Comp	Midwest Employers Casualty Company (W. R. Berkley Group )	\$174,825.00	0 %	N/A	N/A	No
ADD Business Travel	Hartford Fire Insurance Company	\$750.00	0 %	N/A	N/A	No
ADD Police and Fire	Hartford Fire Insurance Company	\$12,864.00	0 %	N/A	N/A	No
Bond	Hartford Fire Insurance Company	\$1,138	0 %	N/A	N/A	No

1 We were able to obtain more advantageous terms and conditions for you through an intermediary/ wholesaler.

2 If the premium is shown as an indication: The premium indicated is an estimate provided by the market. The actual premium and acceptance of the coverage requested will be determined by the market after a thorough review of the completed application.



# Winter Insurance Market Report – February 2022

## The big picture

### *WHERE WE WERE: 2021*

- Like 2019 and 2020, 2021 was a challenging market overall. Our clients faced significant difficulties trying to find coverage, with capacity issues and significant rate increases—for some clients as much as 50%–100% increases, often multiple years in a row.
- A confluence of factors continued to challenge the industry, including social inflation—the trend of rising insurance costs as a result of increased litigation, plaintiff-friendly judgements and high jury awards — increased storm activity and pandemic losses. Additionally, carriers' ability to offset these results through investment income remained a challenge due to the low interest rate environment.

### *WHERE WE ARE: WHAT WE'RE SEEING NOW*

- Rate increases are moderating for some lines. After three years of substantial rate increases, we're approaching a point of rate adequacy in the market, which is leading to more moderate rate increases.
- The market is trending slightly flatter, though not in every coverage line. Cyber, for example, has kept up sizeable year-over-year rate increases, with median increases of 39%, while Workers' Compensation rates were flat.
- Three years of carriers raising rates, restricting limits and increasing deductibles have generally made the market more attractive to new business. Carriers' combined ratios improved throughout 2021.

### *WHERE WE'RE GOING: TRENDS WE ARE WATCHING*

- With improving rate adequacy comes increased carrier competition. There are a number of new entrants to the market and increasing competition as underwriters look to write new business. We expect this to level off rate increases further into 2022. Exceptions are challenged placements, those with elevated risk profiles, and accounts that have experienced losses.
- Pandemic concerns about how COVID-19 will impact the industry both from a loss and exposure standpoint is starting to ebb, but some uncertainty remains.
- Social inflation remains a concern, with a particular impact on Commercial Auto, General Liability, Directors and Officers (D&O), and Umbrella/Excess insurance. This trend continues to drive rates up, albeit more moderately than in prior years.
- Modest rate reductions may be attainable for clients with an attractive risk profile that have not been out to market in years.

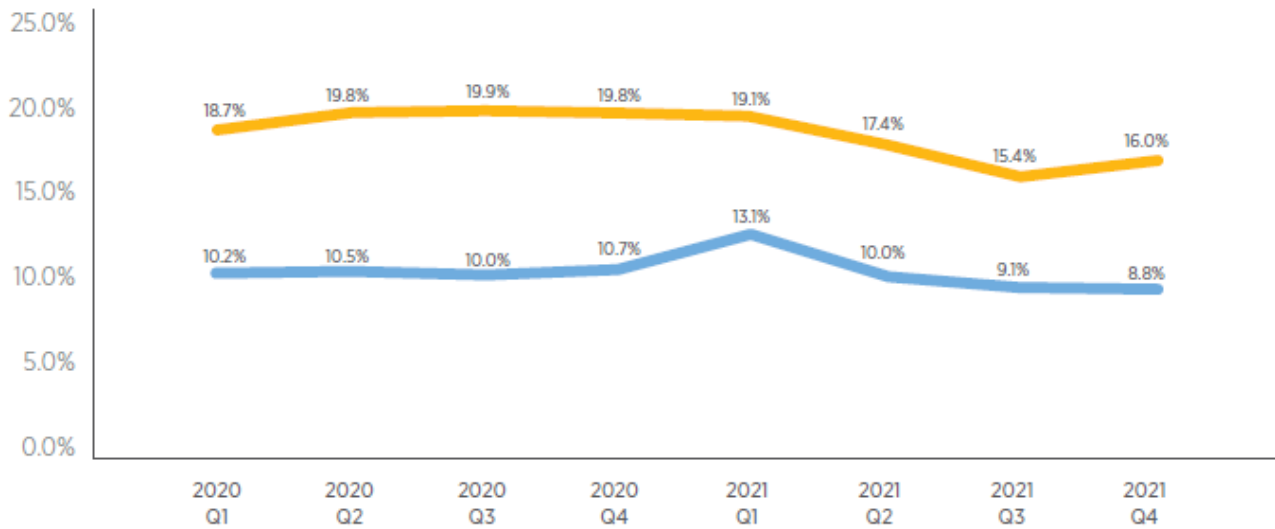
Read on for our analysis of the market conditions for each major line of coverage and guidance that will help ensure a successful renewal outcome.

## Property

### WHERE WE WERE: 2021

- Between wildfires, civil commotion and major freeze events, carriers responded to 2020 and 2021 events with increased deductibles, reduced capacity, and changes in coverage. For the third straight year, carriers obtained significant rate increases across their Property portfolios.
- Less-modeled and unmodeled risks continued to plague the Property marketplace, such as wildfires, flood and convective storms.
- Carriers scrutinized their clients' statements of value, demanding in many cases that values be raised.
- Carriers required clients to address existing engineering recommendations. In many cases, particularly for clients going to market, carriers required or strongly recommended third-party engineering.

### Property Rate Trends 2020-2021



Source: Gallagher U.S. Clients

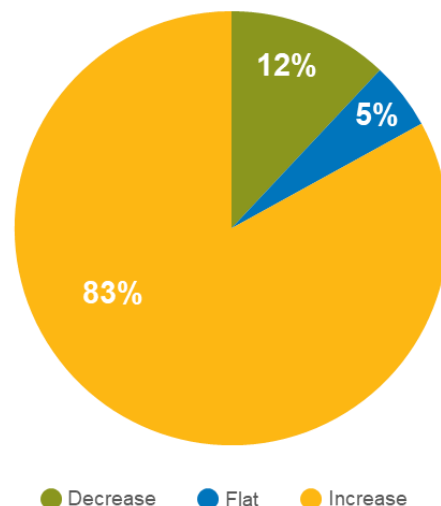
■ Median Rate Change

■ 75th Percentile Rate Change

## WHERE WE ARE: WHAT WE'RE SEEING NOW

- FM Global published an overall average annual inflation index (January 2022 v January 2021) of approximately 18% for real property and roughly 7% for machinery & equipment as well as approximately 30% for some specialty engineering equipment. The cost and availability of materials, increased labor costs and sparse contractor availability are driving up higher replacement costs.
- There is rising carrier competition in the marketplace, with carriers looking to write new business now that rates have risen for three consecutive years.
- There are still challenging renewals out there, especially challenging occupancies, lack of third-party engineering reports, and catastrophe-exposed businesses.
- 2021 was a very active year in climate-driven claims, including winter storm Uri in February, which many meteorologists claim was a one-in-1,000-year event.
- Hurricane Ida, which made landfall in August, caused significant damage in the Southeast and Northeastern United States. Carriers are now looking at \$25 to \$35 billion in insured losses in Louisiana and other affected areas.<sup>1</sup>
- The median increase for Property policies was 8.8% in Q4 2021, with 83% taking an increase.
- While the median rate of increase has not changed dramatically since Q3 2020 (10%), the rate increases for the top 25% of companies dropped from 19.9% in Q3 2020 to 16.0% as of Q4 2021 (up slightly from Q3 2021).

**Q4 2021 Property Rate Changes**  
Gallagher – U.S. Clients



● Decrease ● Flat ● Increase

**8.8%**  
median rate change  
in Q4 2021\*

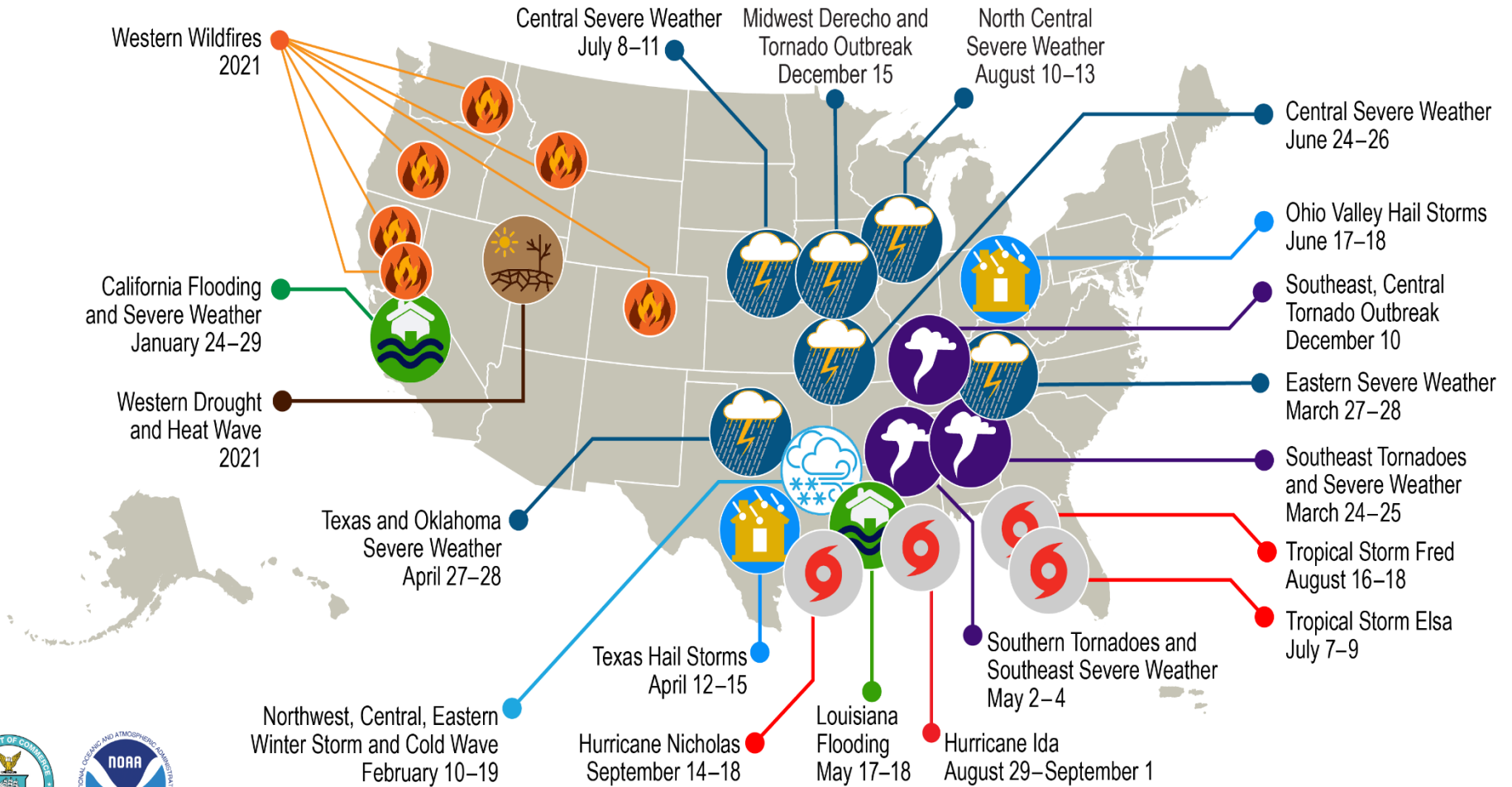
## WHERE WE'RE GOING: TRENDS WE ARE WATCHING

- Companies with challenging occupancies, loss activity and/or CAT-exposed can expect to see rate increases in the higher quartile.
- There are continued changes globally in the frequency and severity of perils such as tropical storms, wildfires and floods. In addition, we continue to watch some of the less well-modeled and non-modeled causes of loss, such as COVID-19.
- Third-party valuations are increasingly useful (and oftentimes required) to ensure adequate valuations. Huge discrepancies between current insured values and the actual replacement cost at time of loss may exist for companies that have not had a third-party valuation of their buildings and contents, such as machinery, equipment or stock in a few years—or sometimes ever. Insured values, without an updated valuation, typically roll over year to year, with an arbitrary inflation factor applied to them.

<sup>1</sup> <https://www.rms.com/newsroom/press-releases/press-detail/2021-09-06/rms-estimates-us25-35-billion-in-onshore-and-offshoreinsured-losses-in-the-gulf-of-mexico-from-hurricane-ida>

# U.S. 2021 Billion-Dollar Weather and Climate Disasters

Drought/Heat Wave  
 Flooding  
 Hail  
 Hurricane  
 Tornado Outbreak  
 Severe Weather  
 Wildfire  
 Winter Storm/Cold Wave



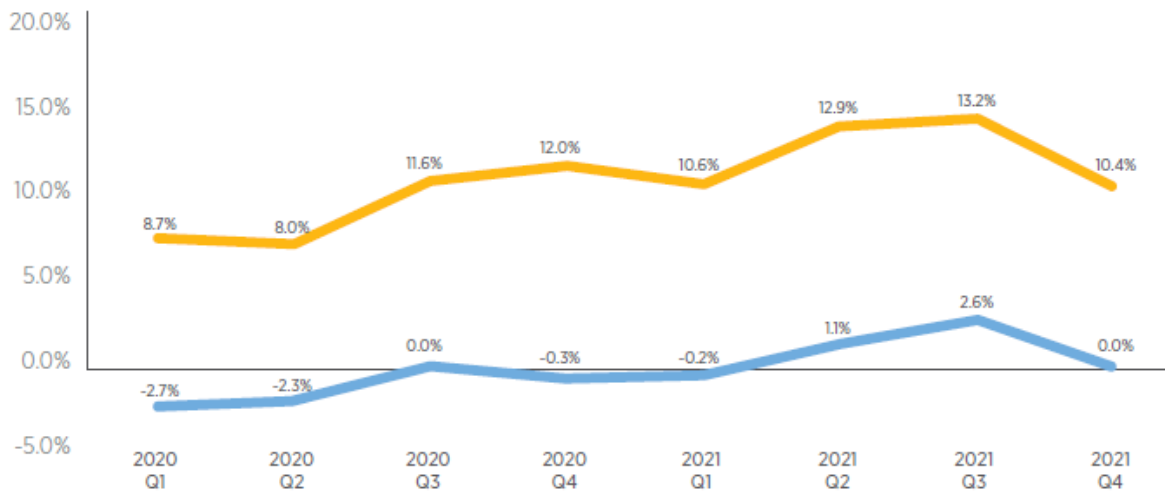
*This map denotes the approximate location for each of the 20 separate billion-dollar weather and climate disasters that impacted the United States in 2021*

## Workers' Compensation

### WHERE WE WERE: 2021

- A drop in claim frequency during COVID-19 has positively impacted the industry's results.
- Favorable loss development in prior years (because loss estimates were initially overstated) continues to positively impact most carriers.

### Workers' Compensation Rate Trends 2020-2021



Source: Gallagher U.S. Clients

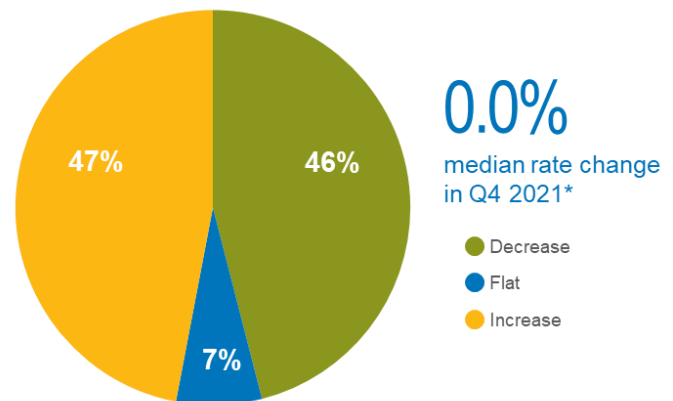
■ Median Rate Change

■ 75th Percentile Rate Change

### WHERE WE ARE: WHAT WE'RE SEEING NOW

- Workers' Compensation continues to be a profitable line of insurance for most carriers.
- Claim activity and frequency have declined recently due to more employees working from home. The industry will monitor claim activity if and when many employees return to the workplace.
- The median increase in Q4 2021 for Workers' Compensation policies was 0.0%, with 47% taking an increase. This is nearly identical to a median increase of 0.0% in Q3 2020, with 49% taking an increase. Nearly five in 10 (46%) of respondents saw Workers' Compensation rates drop in Q4 2021.

### Q4 2021 WC Rate Changes Gallagher – U.S. Clients



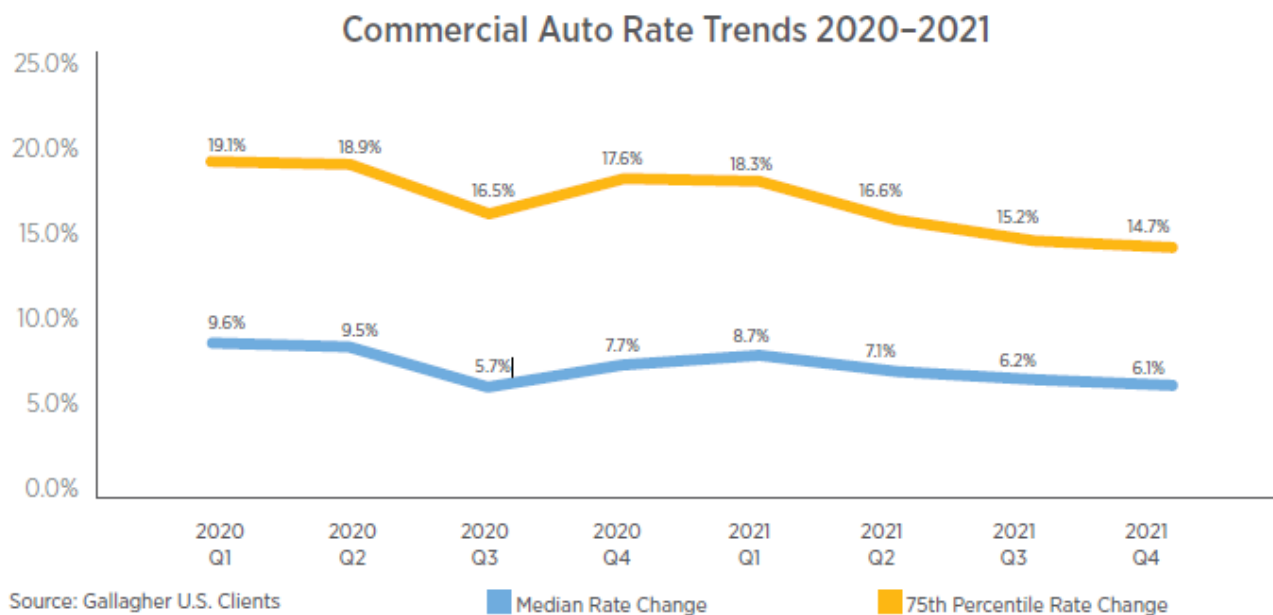
*WHERE WE'RE GOING: TRENDS WE ARE WATCHING*

- Rate decreases may be moderating, after several quarters of rate drops for many companies. We have seen signs that the Workers' Compensation market may be firming as employees return to the workplace.
- The long-term impact of COVID-19 on Workers' Compensation remains to be seen.
- As the labor market tightens, claim frequency will likely rise as less experienced workers enter the workforce.
- We will likely see an increase in severity as rising medical costs will negatively impact Workers' Compensation claims.
- Wage inflation may result in increased premiums in Workers' Compensation. The rise in wages (and corresponding rise in premiums) could help offset the likely increase in claim frequency and severity.

**Commercial Auto**

*WHERE WE WERE: 2021*

- Frequency of claims associated with the economic shutdown were down in 2020. Miles traveled, which is highly correlated with claim frequency, rebounded in 2021.<sup>1</sup>

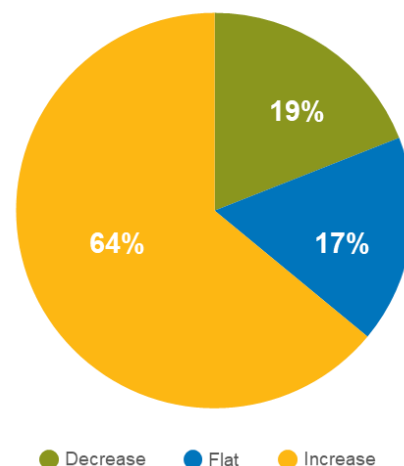


<sup>1</sup> <https://enlyte.com/sites/default/files/2021-10/Enlytened-2021-Trends-Report.pdf>

*WHERE WE ARE: WHAT WE'RE SEEING NOW*

- Commercial Auto claim frequency is almost back to pre-pandemic levels.
- Large jury awards in Commercial Auto insurance, with penalties in excess of \$10 million, are becoming increasingly prevalent.<sup>1</sup>
- Social inflation is leading to larger and catastrophic claims, particularly affecting companies with large fleets.
- The median rate change for Auto policies was 6.1%, with 64% taking increases in Q4 2021. This is a slight increase from Q3 2020, when the median rate increase was 5.7% and 66% saw increases.

**Q4 2021 Commercial Auto Rate Changes**  
Gallagher – U.S. Clients



**6.1%**

median rate change  
in Q4 2021\*

*WHERE WE'RE GOING: TRENDS WE ARE WATCHING*

- Companies with large fleets or poor loss history may experience more significant rate increases.
- Carriers insuring large fleets are looking to attach excess layers above \$1 million.
- Expect to see more and more Umbrella/Excess carriers require clients to put up a \$2/\$5 million primary Auto Combined Single Limit (CSL). In very rare cases, we have seen clients put up a \$10 million CSL.
- If a carrier will not increase their primary limit, clients may have to find an additional carrier to put up a buffer layer, adding frictional costs.
- Inflation, driven by higher parts prices, supply chain imbalances, and an increase in the cost of raw materials has impacted the Commercial Auto space. The inflation in the used car marketplace has increased dramatically, essentially increasing the value of every car on the road.

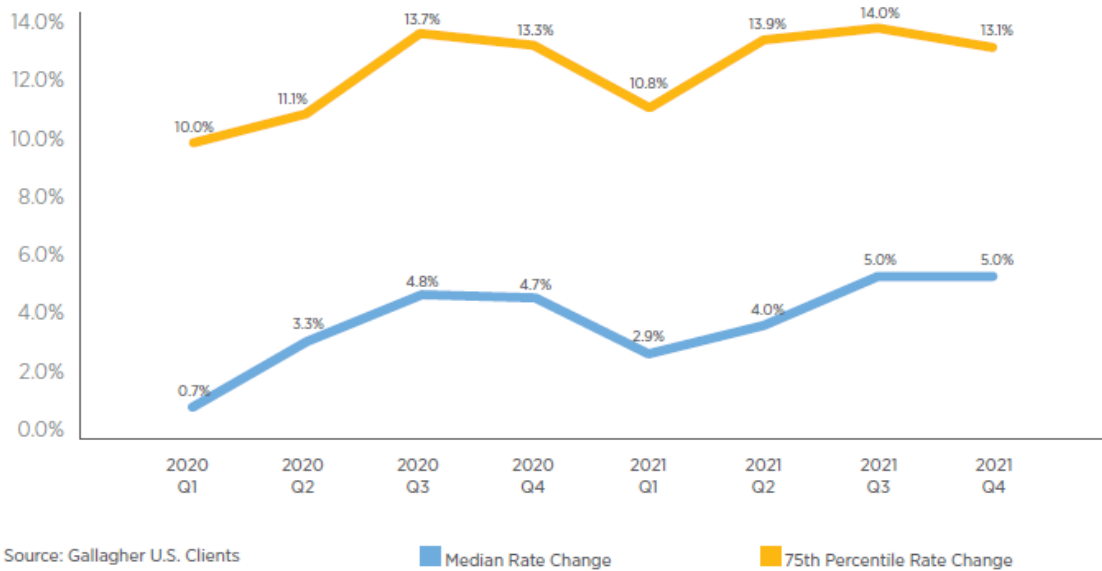
<sup>1</sup> <https://www.propertycasualty360.com/2022/02/09/social-inflation-is-a-major-driver-of-commercial-auto-rates/>

## General Liability

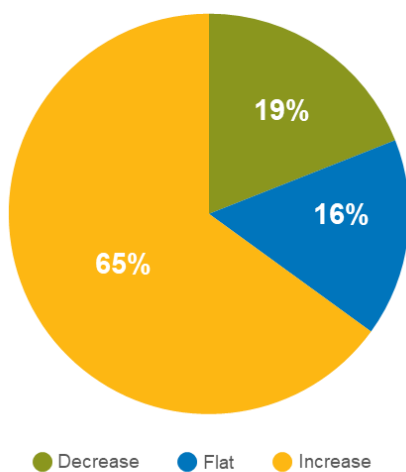
### WHERE WE WERE: 2021

- The economic shutdown was responsible for a decline in claim frequency during 2020.
- Because primary General Liability's policy limits have not changed in 25+ years, carriers remained largely insulated from the severity trends (largely social inflation) associated with some of the other lines of insurance, such as D&O, Auto, Umbrella/ Excess, etc.

### General Liability Rate Trends 2020-2021



### Q4 2021 GL Rate Changes Gallagher – U.S. Clients



**5.0%**  
median rate change  
in Q4 2021\*

### WHERE WE ARE: WHAT WE'RE SEEING NOW

- Umbrella/Excess carriers are asking for higher retentions and limits in General Liability. In lieu of the traditional \$1 million limit that has been the norm for the past 30 years, carriers are now asking for \$2 million. The Umbrella/Excess market is driving this trend.

### WHERE WE'RE GOING: TRENDS WE ARE WATCHING

- Most policyholders will encounter rate increases but because the primary General Liability limits have by and large remained stagnant, the rate increases will likely remain in the single-digits.
- Expect to see more and more Umbrella/Excess carriers require clients to put up \$2 or \$4 million in primary limits.
- If a carrier will not increase their primary limit, clients may have to find an additional carrier to put up a buffer layer, adding frictional costs.

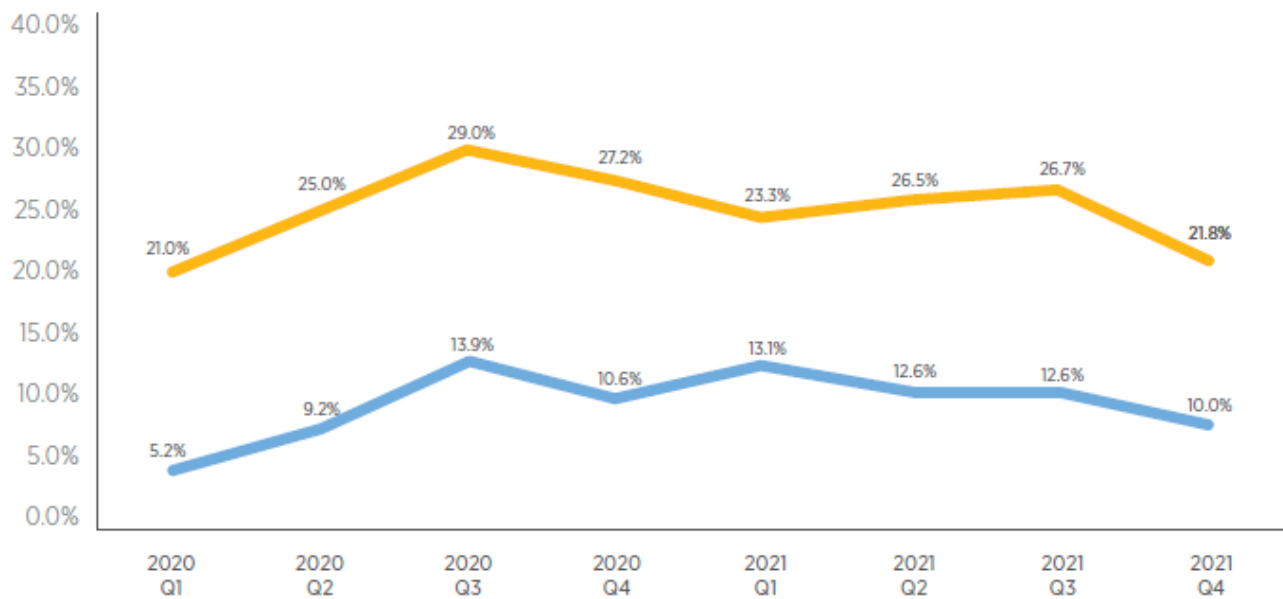


## Umbrella/Excess

### WHERE WE WERE: 2021

- Umbrella/Excess has been a challenging market for the last few years.
- COVID-19 paused some of the impact of social inflation in 2020, but social inflation remains a factor in rate changes.
- In recent years, underwriters have cited an increase in plaintiff activity, with the rate of attorney involvement increasing to justify rate increases and limit reductions.
- Similar to plaintiff activity, underwriters contemplated the recent trend of increased litigation funding into pricing and limit deployment.
- Large judgments and settlements targeted the deep pockets of large corporations, leading to a hefty swing in rate increases for Fortune 500 companies.

### Umbrella Rate Trends 2020–2021



Source: Gallagher U.S. Clients

■ Median Rate Change

■ 75th Percentile Rate Change

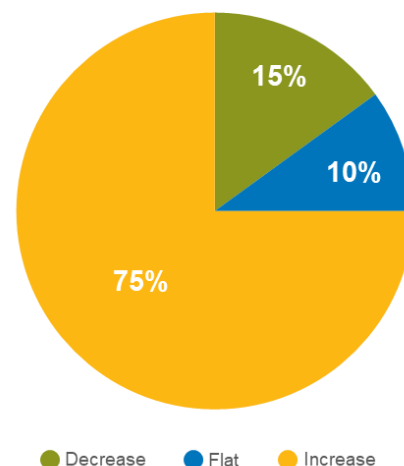
*WHERE WE ARE: WHAT WE'RE SEEING NOW*

- The knee-jerk reaction of rate corrections has ended. Rates will still go up but for most clients, they won't be the substantial increases like we saw in the past.
- We're seeing new entrants and additional capacity coming into the market.

*WHERE WE'RE GOING: TRENDS WE ARE WATCHING*

- Carriers have been able to get their portfolios into a more profitable position as a result of significant rate increases for the past few years.
- There is more competition coming into the market because it is now higher priced and hence more attractive.
- We expect rate increases to continue into 2022, yet with more moderate increases than we saw in 2021.
- In the Excess and Surplus (E&S) Casualty markets, most placements with minimal adverse loss history, including renewals, continue to require full marketing efforts and restructuring with varying attachment points.

**Q4 2021 Umbrella Rate Changes**  
Gallagher – U.S. Clients



**10.0%**

median rate change  
in Q4 2021\*

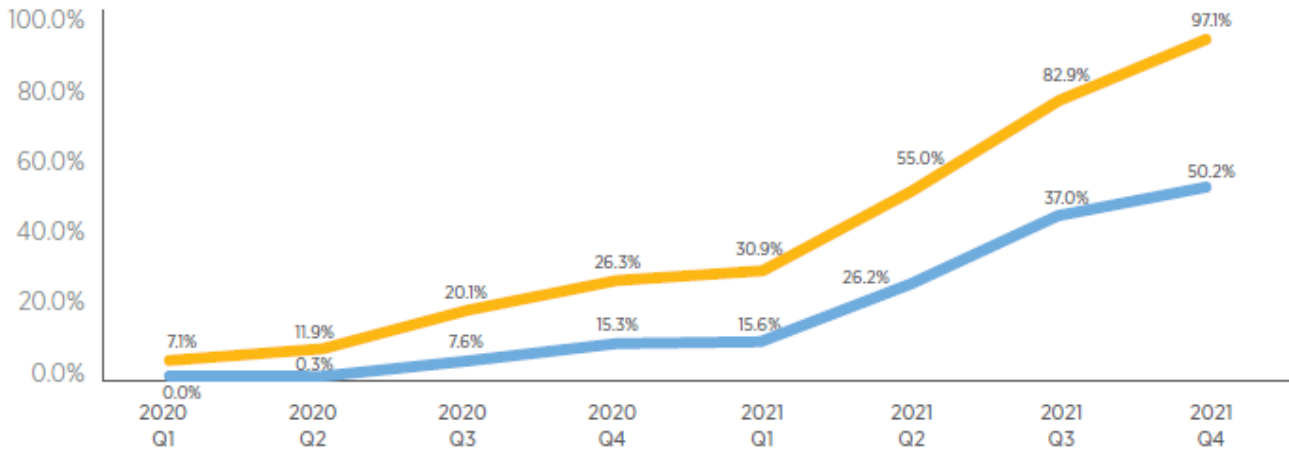
**Cyber**

*WHERE WE WERE: 2021*

- With the rise in ransomware attacks across the U.S. and increases in carrier reported losses, the Cyber insurance market hit an inflection point in 2020.
- Carriers became pressured due to the increasing frequency and severity of cyber claims and a more stringent regulatory environment at the state, federal and international levels.
- 2020 began with the first real signs of a hardening market as the larger, more sophisticated risks in specific industry sectors became subject to greater underwriting scrutiny and ultimately increased premiums. In fact, in 2021, even those clients with optimal data security controls were seeing rate increases in the 25%–50% range. Less attractive risks saw 75% and greater increases, if they were offered terms at all.
- Ransomware attacks are a significant contributing factor to the hardening of the Cyber market.
- Carriers are responding with higher rates, higher retentions and coinsurance requirements.

- Social engineering losses also continued to mount. According to the FBI’s IC3 2020 Internet Crime Report, 2020 saw a record 69% increase in cybercrime from the prior year’s report, with business email compromise losses accounting for half of all losses.

### Cyber Rate Trends 2020–2021

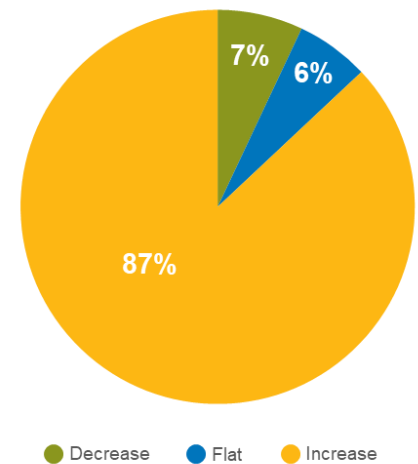


Source: Gallagher U.S. Clients

■ Median Rate Change

■ 75th Percentile Rate Change

### Q4 2021 Cyber Rate Changes Gallagher – U.S. Clients



● Decrease ● Flat ● Increase

**50.2%**

median rate change  
in Q4 2021\*

### WHERE WE ARE: WHAT WE'RE SEEING NOW

- The ransomware and cybersecurity risk trends we saw in 2020 continued to plague the Cyber insurance market throughout 2021.
- Cyber claim frequency and severity continued spiraling upward, which led to a swift response from the Cyber insurance market. Carriers imposed significant limitations of capacity, narrowed the scope of coverage terms, heightened underwriting scrutiny and significantly increased rates.
- Nearly all carriers now require attestation of at least some preventive controls, which likely include multifactor authentication, remote desktop protocol, data backup practices, segregation of networks, encryption, patch management, privileged account management, employee training and a host of others.
- Rate increases were experienced across most industry sectors, with larger companies subject to greater increases and higher underwriting scrutiny.
- Companies without best-in-class data security are likely to see rate increases in the 100%–200% range, and in some cases as high as 300%. Even those that comply with all underwriting required security controls are seeing increases in the excess of 75%.

- Most Cyber insurance buyers are feeling the impact through time consuming and complex renewals, with many obtaining less coverage at a higher cost.
- The median increase in Q4 2021 for Cyber companies was 50.2%, with 87% taking an increase.

The top 25% of companies saw  
**Cyber rate increases of 97.1%**  
 in Q4 2021.

*WHERE WE'RE GOING: TRENDS WE ARE*

*WATCHING*

- The Cyber underwriting community has responded to 2020 and 2021 loss data and Cyber claim trends with a laser focus on data security controls when evaluating risks.
- We expect even greater underwriting scrutiny of cybersecurity controls in the Cyber insurance market throughout the remainder of 2022, with capacity continuing to shrink.
- Insurance products will reflect decreasing carrier appetites to fully cover ransomware costs, as they push for cost-sharing in the form of ransomware coinsurance and sublimits.
- Rate hikes show no real signs of leveling off in the near term.
- This will likely force insureds to offset these costs by assuming greater self-insured retentions and taking an even greater role in actively managing cyber risk.

**Maximizing renewal success**

We recommend the following actions and considerations in preparing for a successful renewal. These tips and best practices apply to all lines of coverage:

- Start early; build in time for delays in the quoting process. We recommend four to six months ahead of your renewal date to begin gathering data.
- Communicate early and often with your internal and external stakeholders.
- Create a thorough underwriting submission that is accurate and up-to-date, including narrative regarding lessons learned from losses and steps you are taking to prevent future losses. Risk managers need to be willing to change and evolve with the times or will face an uphill battle with regard to renewal.
- Take the opportunity to strengthen your risk readiness by identifying and remediating vulnerabilities. Showcase positive risk factors.
- Be proactive with providing information such as third-party valuation reports, third-party engineering reports, information on assets, lists of tenants in a warehouse, outstanding recommendations from their incumbent carrier, operations, loss mitigation and loss prevention plans, etc.
- Be ready for supplemental applications that may involve highly specific questions around specialized areas such as Cyber. For example, a Cyber renewal may have dozens of questions around controls specifically designed to prevent or mitigate the effects of ransomware attacks.

- If a carrier offers free or discounted risk management services such as employee training; incident response planning; and technology scans to flag known vulnerabilities, identify intrusions and address security flaws, take advantage of the opportunity. Many Cyber insurance carriers offer these types of services.
- Develop relationships with underwriters, including your incumbent and alternatives.
- Align primary and excess marketing strategies to maximize options. If appropriate, consider leveraging ancillary lines or alternative structures, such as captives and other layered and shared solutions.

While market conditions have begun to stabilize, make no mistake: this remains a challenging marketplace overall. We expect to see rate increases continue to moderate in many lines throughout 2022. Gallagher has expert leaders in all industries and coverage lines to provide solutions for our clients in this marketplace.

## About our data

Gallagher Drive® is our premier data and analytics platform that combines market condition, claims history and industry benchmark information to give our clients and carriers the real-time data they need to optimize risk management programs. When used as part of CORE360®, our unique comprehensive approach to evaluating our client's risk management program, Gallagher Drive creates meaningful insights to help them make more informed risk management decisions, find efficient use of capital, and identify the top markets with the best solutions for their risks.

Rate changes in this report were calculated by using the changes in premium and exposure of Gallagher clients renewing in Q4 2021.

**\*Source:** Gallagher Drive US Client Data, October 2021 – December 2021. The median is the value separating the higher half from the lower half data sample (or the middle value). Due to the variability that we're seeing in this market and specific account characteristics, individual rates may vary.

## Benefits and HR Consulting

Similar to our **CORE360®** approach, which focuses on the actual and potential costs that drive total cost of risk, our Benefits and HR consultants focus on more than just placing benefits insurance. They help clients with their total organizational wellbeing and talent risk management.

We would love the opportunity to introduce Gallagher Benefit Services to you to demonstrate the full power of Gallagher to improve your profitability and organizational wellbeing.

### Gallagher Better Works<sup>SM</sup>

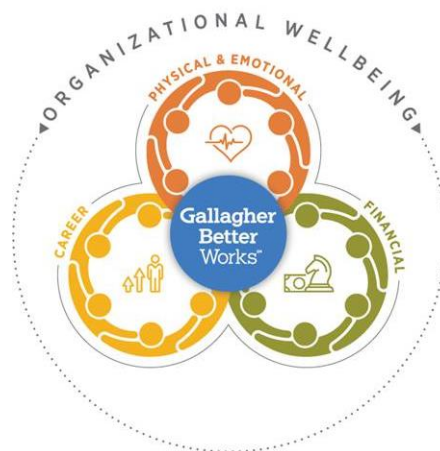
Better. It's something all companies strive for. Better outcomes from better performance. But how do you get there?

You start by building a better workplace. One that attracts, engages and retains top talent at the right cost. That's why the Gallagher Better Works<sup>SM</sup> comprehensive approach to organizational wellbeing aligns your people strategy with your overall business goals.

It centers on strategically investing in your people's health, talent, financial wellbeing and career growth at the right cost structures to support a multigenerational workforce. And it utilizes data, helping you gather insights and apply best practices that promote productivity and growth.

As you develop and sustain a wellbeing-centric culture, you'll optimize your annual talent investment and mitigate organizational risk to maximize profitability. Best of all, you'll gain a competitive advantage as a workplace that simply works better.

Because while your best is finite, your better is never finished.



### Expertise and Solutions to Help You Optimize Your People Strategy

- Access data and insights that you can use to retain valuable employees, increase engagement and achieve better outcomes with the 2020 Benefits Strategy & Benchmarking Survey Report – Executive Summary: <https://www.ajg.com/us/benefits-strategy-benchmarking-survey-report/>
- Review evolving trends and best practice strategies for the most current employer challenges with the Gallagher Better Works<sup>SM</sup> Insights Report series: <https://www.ajg.com/us/gallagher-better-works-insights-2021-q1/>
- Recognize new opportunities with a full spectrum of solutions to help you to recruit, retain and engage top talent
- Focus on benefits, compensation, retirement, employee communications and workplace culture to better support organizational outcomes

**Gallagher's team of benefits and HR consultants paired with risk management and insurance consultants can serve your organization as a strategic business partner, uniquely positioned to help you:**

- Take a holistic approach to reducing your total cost of risk
- Tackle any risk or challenge from multiple angles taking into account both the human capital and property perspectives

#### Contract Review Legal Disclaimer

Clients and prospects benefit from our expert guidance to ensure their contracts are compliant and reasonable from an insurance perspective, and to ensure that the insurance provision in a particular contract accurately matches the client's current insurance limits. If a particular client requests Gallagher's review of indemnification language solely in connection with their insurance coverage, we can also provide that review by individuals qualified to do so. We cannot, however, provide comprehensive contract review or revision for any client – that responsibility must remain with each client and its legal counsel.

## Thank You for Your Business

We have enjoyed our partnership and appreciate the continued time, support and confidence you have placed in us as your risk management team. This past year has been successful as evidenced by your scorecard. Your total cost of risk is being impacted favorably and our strategy for this upcoming renewal continues to focus on ways to improve this positive impact on your profitability. Thank you.

### **Legal Disclaimer**

Gallagher provides insurance and risk management advice that is tailored to our clients' risk transfer needs. Our review can include evaluation of insurance premium, risk transfer options, finance agreements, insurance limits, indemnification obligations, and contracts to ascertain appropriate coverage. We do emphasize that any risk management advice, insurance analysis, and limited review of contract terms and conditions, is only provided from an insurance/risk management perspective and is NOT legal advice. We do not provide legal advice and always recommend that our clients seek advice from legal counsel to become fully apprised of all legal implications from their business transactions.

## We help you face your future with confidence.

Gallagher’s holistic approach keeps your total cost of risk—and your best interests—in focus. With expertise where you most need it, Gallagher delivers the solutions that let businesses grow, communities thrive and people prosper.

GLOBAL REACH. LOCAL PRESENCE.

Founded in  
**1927**

**\$6B**

Total adjusted Brokerage & Risk Management revenues (2020)

**32,000+**

Employees worldwide

**850+**

Offices in 49 countries

**150**

Countries served

### HIGHLY SPECIALIZED. DEEP EXPERTISE.

Casualty  
Commercial Surety & Bonds  
Credit & Political Risk

Cyber  
Management Liability  
Property

### OUR APPROACH TO RISK.



**CORE360®** is our unique, comprehensive approach of evaluating your risk management program that leverages our analytical tools and diverse resources for customized, maximum impact on six cost drivers of your total cost of risk.

### 27+ INDUSTRY PRACTICES



### TIMES CHANGE. ETHICS DON'T.

Gallagher has been named one of the 2021 World's Most Ethical Companies® - 10 years running.

For the past 10 years, we've been recognized for our commitment to operating at the highest standards of ethical behavior. We're the only broker to have been given this honor. It's a reflection of the way we look after businesses, communities and people across the globe.



"World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC. Arthur J. Gallagher & Co. named one of the World's Most Ethical Companies® for 2021

### SHARED VALUES + PASSION FOR EXCELLENCE = PROMISES DELIVERED

#### The Gallagher Way

25 tenets that have guided a team-oriented culture for 30+ years.

#### Social Responsibility

Companywide focus on ethical conduct, employee health and welfare, environmental integrity and community service.