



Arthur J. Gallagher & Co.
BUSINESS WITHOUT BARRIERS™

CITY OF CORAL GABLES

405 Biltmore Way
Coral Gables, FL 33134

**EXECUTIVE SUMMARY
May 1, 2014 – May 1, 2015**

April 1st, 2014

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IMPORTANT: The proposal is an outline of certain of the terms and conditions of the insurance proposed by the insurers, based on the information provided by your company. It does not include all the terms, coverages, exclusions, limitations, conditions of the actual policy contract language. The insurance policies themselves must be read for those details. Policy forms for your reference will be made available upon request.

We will not be operating in a fiduciary capacity, but only as your broker, obtaining a variety of coverage terms and conditions to protect the risks of your enterprise. We will seek to bind those coverages based upon your authorization; however, we can make no warranties in respect to policy limits or coverage considerations of the carrier. Actual coverage is determined by policy language, so read all policies carefully. Contact us with questions on these or any other issues of concern.

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EXECUTIVE SUMMARY

The City of Coral Gables Property & Casualty Insurance Program Renewal 2014

- The City has now added one more year of an enviable loss experience for a total of 4 years. We recognize and celebrate the total commitment from management and application of the loss control recommendations provided by Gallagher and the City's own staff that have made these results possible.
- Package providing a buffer of \$500,000 XS \$500,000 SIR for Worker's Comp and \$650,000 XS \$350,000 SIR for Liability paid a total of \$1,300,000 for two claims in 2010. Our Summary Last year read: "Premium is now leveled and could be expected to go down in future years should the current trend continue". This prediction has become a reality. The City's long term insurer, Munich-Re offered a renewal quote of \$1,121,449 which reflects a reduction of \$8,400. However, an alternative offer for similar coverage from Lloyd's of London reduces the premium to \$750,000.

Total Liability Package savings of \$379,850 over last year's program.

- Excess Liability Coverage renewal with the same limits as the expiring program will now be included within the Lloyds Package program option. Its price is also included within the indicated premium.
- The Excess property is being renewed with a 12 % premium reduction flat premium. Property values were slightly increased by 2%. The model now shows a PML (Probable Maximum Loss) to the City property at about \$25 Million.
- Excess Workers Compensation renewal premium shows a 9 increase in premium which represents a 4% increase in payroll and 5% increase in rate.
- ADD Business Travel, ADD for Police and Fire, Storage Tank and Excess Crime were quoted at almost a flat renewal price.
- Sports Liability and Accidental Death and Dismemberment exposures went up from 15,792 to 18,686 participants.
- We have included Cyber Risk increase limit options as requested by the city
- Arthur J. Gallagher Risk Management Services works closely with City of Coral Gables Risk Management Department to provide resources and services that add value to the insurance purchasing decisions made throughout the year. Among the services we provide are:
 - ✓ Obtaining catastrophic loss modeling every year.
 - ✓ Obtaining current flood zone information for each location.
 - ✓ Approaching the market for creative options, as well as new carriers, to enhance the program.



- Needless to say that we take pride in our 33 years continuous relationship with the City of Coral Gables and pledge our ongoing service and support as we believe we need to continue earning your confidence and business every day.
- Coverage Recommendations:
 - ✓ Cyber Liability Increase Limit
 - ✓ Terrorism
 - ✓ Pollution

City Property at Risk to Windstorm Loss - Probable Maximum Loss (PML):

The values for the City's Master Property Program increased approximately 2% as a result of the updated trended values submitted by the City of Coral Gables.

2014 PML MODELING**Exposure Summary**

The City of Coral Gables account has 65 locations with a total insured value (TIV) of \$213,800,536. Building Values account for 73.2% of the TIV while Contents accounts for 20.0% of the TIV and Business Interruption accounts for 6.9% of the TIV.

Coverage	TIV	Percentage
Building	156,405,846	73.2%
Contents	42,709,690	20.0%
Business Interruption	14,685,000	6.9%
Grand Total	213,800,536	100.0%

Analysis Summary

The analysis was performed with a deductible structure of 5% per unit with a \$250k minimum and with no limits

Loss Summary

Based on RMS RiskLink Version 13.0 there is a 0.4% annual chance of one hurricane (named storm) event causing \$21,239,163 or more in loss net of the deductible structure and within the coverage layers being analyzed. This corresponds to a 250 year return period.

The Average Annual Loss (AAL), which corresponds to a pure premium number, for the City of Coral Gables account based on RMS RiskLink version 13.0 is \$403,112 net of the deductible structure and within the coverage layers being analyzed. This means that on a long-term average annual basis, the City of Coral Gables account is expected to sustain \$403,112 in hurricane (named storm) losses to the insurance carrier



U.S. Hurricane (Named Storm) Key Return Period Losses - Wind and Storm Surge including Loss Amplification

Critical Probability	Return Period (years)	Ground Up Loss	Deductible Loss	Loss Net of Deductible and Layering
0.010%	10,000	115,017,775	7,273,278	108,234,412
0.020%	5,000	92,603,439	6,969,305	86,505,401
0.100%	1,000	48,201,709	5,091,121	43,736,758
0.200%	500	34,692,508	4,323,260	31,090,263
0.400%	250	24,157,030	3,632,302	21,239,163
1.000%	100	13,427,123	2,551,242	11,129,473
2.000%	50	7,244,296	1,850,616	5,392,813
4.000%	25	2,833,807	1,287,395	1,363,687
10.000%	10	237,563	237,681	0
20.000%	5	1,026	1,056	0
Average Annual Loss		547,777	144,665	403,112
Standard Deviation		3,667,517	535,609	3,284,341

Please see the disclaimer for the above modeling results at the end of this proposal.

Large Locations at Risk:

In addition to loss from a catastrophic peril such as a hurricane, there is also concern for a significant loss to a single large building from a peril such as a fire or tornado. Listed below are the City's five largest buildings by total insured value. Please note that surrounding locations may represent additional values at risk.

Top Five Valued Buildings

Building Name	Address	Total Insured Value
FIRE AND POLICE / CENTRAL GARAGE	2801 SALZEDO STREET	\$ 36,598,735
PARKING GARAGE 2	220 ARAGON AVENUE	\$ 19,371,558
PARKING GARAGE 6	1 ARAGON AVENUE	\$ 14,808,403
CITY HALL	405 BILTMORE WAY	\$ 11,686,357
MUSEUM	285 ARAGON AVENUE	\$ 10,811,989

Marketplace Status as of March 2014

Property

Unlike recent years, 2014 is developing into a very favorable one 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, and insurers' capacity to write business. All of these factors are producing a market that has been favorable to our clients.

Notwithstanding the above, although all the technical indicators tell us the property insurance market should be soft, and in general it is, not all insurers are willing to follow the market. Therefore, we have been tasked with restructuring our clients programs in order to achieve optimal results with the highest quality capacity.

Excess Workers Compensation

We are also seeing significant changes in the excess workers compensation insurance market, which continues to harden. Some of the challenges facing the industry include:

- Reserving challenges due to the long tail nature of claims
- Medical inflation
- The cost of new treatment specialties
- Presumption claims in the State of Florida
- Absence of investment income to enhance underwriting results (or offset losses)
- Industry combined ratios that now exceed 100%

In recent months, this has resulted in carriers withdrawing from the market, requiring insureds to take higher retentions (particularly for the Florida police and fire classes), and increasing rates significantly overall.

About your Broker – Arthur J. Gallagher Risk Management Services, Inc

- Arthur J. Gallagher Risk Management Services and the City of Coral Gables have worked together for many years to provide the County with a comprehensive and cost effective solution to their Risk Management Program
- 4th largest in the World
- A public company traded on the New York Stock Exchange
- Over 300 offices throughout the United States and in all major insurance market centers
- Over \$5 billion worth of premiums placed Worldwide
- 14,000 employees worldwide linked together by Gallagher Online for immediate access to market information and client solutions
- Known nationally as the Public Entity and Scholastic experts

Our Florida Public Entity and Scholastic Position

- **#1 Florida Public Entity & Scholastic Broker**
- **#1 Florida Property Broker → over 20 Accounts with property schedules over \$1 Billion in insurable values**
- Over 40 Professionals specializing in the public sector in three branches throughout the state
- **Cost Effective Programs** - Gallagher offers our clients the best possible coverage for the lowest premium, with financially secure carriers. We strive to deliver the most cost-effective risk management solutions available. We hold your interest first.
- **Flexible Alternatives** - Gallagher offers our clients the most flexible alternatives for the lowest premium, with financially secure carriers. We strive to deliver the most cost-effective, client driven risk management solutions available. We hold your interest first.
- **Market access and leverage** with all major carriers (Domestic, Bermuda and London) that write public sector clients in Florida. Market knowledge, access and evaluation are critical to the City's risk management program. Gallagher knows the markets to access and has strong relationships with these markets. This is crucial to the placement of a successful and cost-effective insurance program for the City. Our long-term experience with Public Entity institutions qualifies us to analyze and negotiate with markets to obtain the broadest terms and conditions with the most competitive pricing structure for our clients. This is demonstrated in the extensive marketing and quote analysis we have performed for the City every year, for more than 30 years.
- Extensive knowledge and experience in public sector alternative risk and pooling programs
- **#1 Florida Commercial Property Surplus Lines agent, placing almost \$175 Million in premium (11% of total) for Florida based risks, as evidenced by the Florida Surplus Lines Service Office (see chart at the end of this section).**

- Gallagher has specialized resources on staff available to our public sector clients in the area of claims advocacy and loss prevention.
- Our staff has extensive experience in handling Florida catastrophic windstorm claims.
- Our local staff has a high level of experience and expertise in dealing with FEMA and the Florida Office of Insurance Regulation to assure maximum recovery for our clients in a federally declared disaster.
- **Satisfied and long lasting Public Entity relationships** (a partial client list follows on the next page):
 - ✓ 17 Florida County Governments
 - ✓ 27 Florida County School Systems
 - ✓ 23 Florida Cities
 - ✓ 28 Florida State Colleges
 - ✓ More than 20 Florida Authorities and Special Districts

Gallagher Public Entity and Scholastic Division

- Over 200 employees in 28 branch offices throughout the country.
- The niche practice was created to formalize Gallagher's commitment to public entities and public scholastic organizations.
- Access to ALL major insurance markets throughout the world that write public sector accounts.
- Gallagher's vision as an industry leader is to provide the highest level of risk management services to public entities and scholastic organizations.
- We have become an industry leader by being knowledgeable of our customer's business, by investing in resources to provide innovative and high quality consultative services and products and by hiring excellent talent.
- Gallagher branches handle the risk management needs of the largest public entities in the country.
- Shared resources available to all Gallagher niche members throughout the country.
- Strong working relationship with an extensive knowledge of FEMA on a national, regional and state level.

MARKET REVIEW 2014-2015

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. Gallagher companies made a complete and personal presentation to each company contacted.

CARRIER	LINE OF COVERAGE	CARRIER POSITION
The Princeton Excess & Surplus Lines Insurance Company	Public Entity Package, Excess Liability	Quoted
Certain Underwriters at Lloyd's (Brit Syndicate 2987)	Public Entity Package, Excess Liability	Quoted
Essex Insurance Company (Markel Package through Midlands)	Public Entity Package, Excess Liability	Declined. Only looking at accounts with effective dates after July 1 st
New York Marine And General Insurance Company	Excess Workers Compensation	Quoted
Midwest Employers Casualty	Excess Workers Compensation	Unable to offer Statutory Limits
Safety National	Excess Workers Compensation	Additional Information Requested
Ace Group	Excess Workers Compensation	Declined. Below their minimum premium
Hartford Life and Accident Insurance Company	Business Travel Accident (Management Staff), Statutory Add (Police & Fire)	Quoted
Hartford Fire Insurance Company	Public Official Bond	Quoted
Commerce and Industry Insurance Company	Storage Tank Liability	Quoted
National Casualty Company	Sports Liability	Quoted
Nationwide Life Insurance Company	ADD Amateur Sports	Quoted
Hartford Life and Accident Ins. Co.	ADD Police & Fire	Quoted
Travelers Casualty and Surety Co. Of America	Crime	Quoted
AIG Specialty Insurance Company	Cyber Risk Liability	Quoted
Lloyds of London	Property	Quoted
Arch Specialty Ins. Co.	Property	Quoted
Alterra Excess & Surplus Ins. Co	Property	Quoted
Liberty Surplus Ins. Co.	Property	Quoted
Landmark American Ins. Co.	Property	-Quoted Expiring Line -Indicated \$327,000 premium for \$15m xs \$10m layer
Westchester Surplus Lines Ins. Co.	Property	Declined. Not competitive
AmRisc (multi carriers)	Property	Declined. Not competitive

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Aspen Specialty Ins. Co	Property	No Response
Allied World Assurance Co.	Property	Declined. Not competitive
Axis Surplus Ins. Co.	Property	Declined. Not competitive
CNA - Columbia Casualty Co.	Property	Declined. Not competitive
Colony Insurance Co.	Property	Declined- Minimum \$350k layer premium for \$15m xs \$10m
CV Starr - Chubb Custom Ins. Co. or General Security Indemnity of Az	Property	Declined- Unable to compete on excess layer due to price per mil requirements. Needs \$25k-\$50k per mil on CAT exposed accounts.
Great American Insurance Co. of Ny	Property	Declined-Carrier can only entertain if excluding wind peril
United National Ins. Co.	Property	Declined – not writing new business in Tri-County
Everest National Ins. Co.	Property	No Response
Hiscox Inc	Property	No Response
Ironshore Specialty Ins. Co.	Property	Declined- Minimum \$385k layer premium for \$15m xs \$10m
James River Ins. Co.	Property	Declined-Not enough wind capacity
Britt Global Specialty/ Certain Underwriters at Lloyds, London - BRIT Syndicate 2987	Property	Declined-Not enough wind capacity
Scottsdale Ins. Co.	Property	Declined-Not competitive
XL - Indian Harbor Ins. Co.	Property	Declined- Unable to fill open capacity in excess layer due to \$100,000 minimum premium requirement.
Berkshire Hathaway	Property	Reviewing primary layer
Swiss Re/First Specialty Insurance Corp.	Property	Declined-Not Competitive

Note: If a company is indicated as a surplus lines company, the placement does not benefit from state guarantee funds in the event of carrier insolvency.



City of Coral Gables 2014- 2015 Preliminary Structure using new carrier for package and excess liability (Lloyds of London)

Liability

❖ **Carrier:** Certain Underwriters at Lloyds of London
 • Public Official Liabilities
 • Auto and GL
 • Employee Benefit Liab
 • Employment Practices
 Harassment: \$2MM Xs of 1MM
 Aggregate \$4,000,000 xs of \$1,000,000 SIR
 EBL: \$4MM xs of \$1MM
Premium: Included below

❖ **Carrier:** Certain Underwriters at Lloyds of London
 Package : GL limits \$650,000
 per Occ. Excess of \$350,000
Premium: \$750,000 + fees and assessments

SIR
Per Occurrence \$350,000

Worker's Comp

❖ **Carrier:** New York Marine /General Ins. Co.

Excess Worker's Compensation

Statutory, EPL Limit \$1MM
 aggregate Limit NIL
 Retention \$1MM.
Premium \$188,205

❖ **Carrier:** Certain Underwriters at Lloyds of London
 WC \$500,000 per occurrence Xs \$500,000
 EPL (EL) \$500,000 xs 500,000
Premium: Included in the Package policy

SIR
Per Occurrence \$500,000

Property

•Second Excess Property Excess of \$25MM per Occ.

❖ **Carrier:** Landmark American Ins. Co.
Limits: \$188,800,563
Premium: \$52,531 + fees and surcharges

•First Excess layer Part of 15MM Excess of \$10MM per Occ.

❖ **Carrier:** Arch Specialty Ins. Co.
Limits: \$4MM
Premium: \$78,571 + fees and surcharges
 ❖ **Carrier:** Alterra Excess & Surplus Ins. Co.
Limits: \$3.5MM
Premium: \$68,750 + fees and surcharges
 ❖ **Carrier:** Liberty Insurance Company.
Limits: \$7.5MM
Premium: \$147,322+ fees and surcharges

Total Layer price: \$294,643 + taxes and fees

•Primary Property

❖ **Carrier:** Lloyds of London
Limits: Primary \$10MM in any occurrence
Premium: \$735,000 + fees and surcharges.

Deductible:

- \$50,000 per Occurrence all other perils
 - 72 hour waiting for Time Element
 - \$50,000 Earthquake & Equipment Breakdown
 - Flood \$100,000 except 5% of TIV at the time of the loss at each location within Special Flood Hazard Areas subject to a minimum of \$1,000,000
 - 5 % per building at each location for Named Storm subject to \$250,000 minimum

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COST COMPARISON

Policy Type	2013-2014	2014-2015	Change
Package	\$877,495	\$750,000	-15%
Excess Liability	\$252,355	Included in Package	-100%
Excess WC	\$172,367	\$188,205	9%
Property	\$1,172,112	\$1,032,174	-12%
Boiler and Machinery	\$8,157	\$8,384	3%
ADD Business Travel	\$360	\$360	0%
ADD Police and Fire	\$11,803	\$11,803	0%
Bond Finance Director	\$1,750	\$1,750	0%
Storage Tank	\$1,521	\$1,639	8%
Crime	\$4,518	\$4,518	0%
Sports Liability	\$19,433	\$21,296	10%
ADD Sports	\$15,240	\$16,003	5%
Cyber Liability	\$18,452	\$37,333	102%
Total without surcharges	\$2,555,563	\$2,073,465	-19%
FCHFEA (1.3%)	\$30,625	\$24,142	-21%
Citizens (1%)	\$11,721	\$10,322	-12%
EMPA	\$20	\$20	0%
Other Surcharges		\$75	
Total after surcharges	\$2,597,929	\$2,108,024	-19%
Broker Fee	\$120,000	\$120,000	0%
Total Cost of Program	\$2,717,929	\$2,228,024	-18%



Property Premium Breakdown

			2014-2015
Carrier	Limit	Coverage	Premium
Lloyds of London	\$ 10,000,000	Incl Wind, Flood, Earthquake & Equipment Breakdown	\$ 685,000
Liberty Surplus Insurance Company	\$7.5M p/o \$15M xs \$10M	Incl Wind	\$ 147,322
Alterra Excess & Surplus Insurance	\$3.5M p/o \$15M xs \$10M	Incl Wind	\$ 68,750
Arch Specialty Insurance	\$4M p/o \$15M xs \$10M	Incl Wind	\$ 78,571
Landmark American Ins. Co.	\$184,201,816 xs \$25M	AOP Only	\$ 52,531
			\$ 1,032,174

NOTE:

*Premiums above do not include TRIA except for the package which includes TRIPRA for WC.

Arthur J. Gallagher Risk Management Services Inc. has made every attempt to identify and bill all State of Florida taxes and assessments. Given the recent market events, we are not able to warranty the complete accuracy of these billings until the policies are issued. Additional billings to comply with recent legislature may apply.

It is understood that any other type of exposure/coverage is either self-insured or placed by another brokerage firm other than Gallagher. If you need help in placing other lines of coverage or covering other types of exposures, please contact your Gallagher representative

Notes and Highlights:

1. Premiums for the above policies are due and payable as billed, in full or as insurance company installments. Premiums may be financed, subject to acceptance by an approved finance company. Note: Following acceptance, completion (and signature) of a premium finance agreement with the specified down payment is required.
2. Quote is valid until 04-30-14

EXPOSURE COMPARISON

	2013-2014	2014-2015	% Change
Expenditures	\$ 122,676,704	\$ 137,398,673	12%
# of Employees FT	791	800	1%
# of Employees PT	63	63	0%
# of Autos	596	596	0%
Payroll	\$ 57,626,784	\$ 59,936,146	4%
EMTs	20	15	-25%
Paramedics	117	121	3%
Fire Fighters	2	0	-100%
Armed Officers	183	190	4%
Population	46,780	47,885	2%
TIV	\$ 209,201,816	\$ 213,800,562	2%

	2013-2014	2014-2015	% Change
Building	\$ 151,972,000	\$ 156,405,846	3%
Contents	\$ 8,162,000	\$ 8,326,900	2%
Vehicles	\$ 16,231,261	\$ 16,231,261	0%
Golf Carts	\$ 488,214	\$ 488,214	0%
BI	\$ 5,285,000	\$ 5,285,000	0%
EDP	\$ 16,163,341	\$ 16,163,341	0%
EDP EE	\$ 2,000,000	\$ 2,000,000	0%
Account Receivable	\$ 7,400,000	\$ 7,400,000	0%
Fine Arts	\$ 1,000,000	\$ 1,000,000	0%
Valuable Papers	\$ 500,000	\$ 500,000	0%
Total	\$ 209,201,816	\$ 213,800,562	2%

of Autos* does not include Off the Road Equipment