City of Coral Gables

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Insurance Renewal Executive Summary
May 1, 2020 – 2021

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March 19th, 2020

Gallagher

Insurance | Risk Management | Consulting

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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.

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Winter Insurance Market Update – January 2020

2020 is proving to be the most challenging market our industry has faced in over 15 years. Many of our clients are experiencing very difficult renewals where they are encountering significant price increases, deductible changes or reduced coverage from carriers.

Looking back at the last hard market our industry faced in the early 2000s, carriers took sweeping rate action across their books, with most insureds seeing average renewal rate increases in excess of 20%. Additionally, as capacity became limited, businesses were forced to renew their insurance programs with lower limits of liability. We aren't consistently seeing an approach this drastic in today's market.

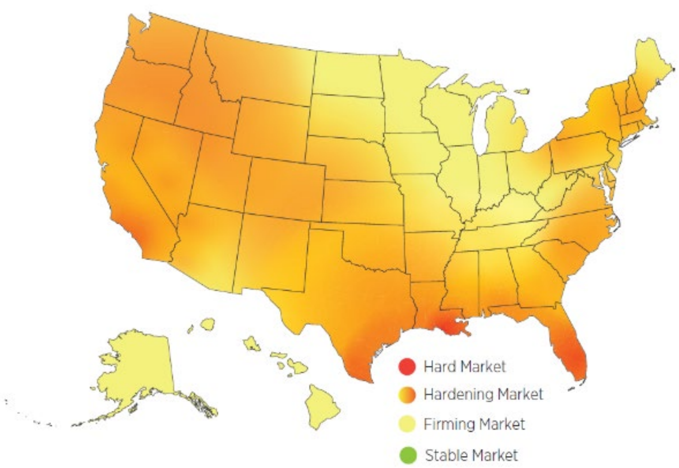
Instead, carriers are intensely focused on underwriting discipline, ensuring they secure the right terms and pricing on certain classes of business or lines of coverage that have historically not performed from an underwriting standpoint. We also see carriers better leveraging their real-time data, allowing them to make faster, more calculated decisions to address challenges within their books. This means today's underwriters are not taking a one-size-fits-all approach.

It's this highly nuanced environment that makes it difficult to effectively communicate the marketplace, given the extreme differences between classes of business. Our teams working on core middle-market accounts are still delivering relatively favorable renewals, while teams working on larger, more complex businesses face an entirely different marketplace, where capacity and adequate pricing can be scarce.

Therefore, in 2020 our clients need to understand how their specific risk profile is perceived in the market, which can change based on a wide variety of risk attributes, including class of business, location and loss experience.

Taking all of this into account, we will focus on these key general trends:

1. Property rates are on the rise.
2. Social inflation impacts casualty.
3. Workers compensation is the market stabilizer, but for how long?
4. The hard market does exist in pockets.
5. The hard market for public D&O continues as carrier concerns remain.
6. Cyber's healthy capacity means expanding coverage with increased claims frequency and potential market hardening.



LINE OF COVERAGE	CURRENT MARKET PLACE (RANGE OF RATE INCREASES)
CAT Property*	Greater than +10%
General Property	+5% to +15%
General Liability	+5% to +10%
Umbrella	Greater than +10%
Management Liability (Private)	Flat to +5%
Management Liability (Public)	Greater than +15%
Auto	+5% to +15%
Workers Compensation	-5% to flat

*CAT property is defined as a location portfolio with exposure to catastrophic loss (i.e., California EQ, Flood, Florida/Texas/Gulf Coast—wind/hail, the Carolinas, etc.).

Property rates are on the rise.

Just over four months ago, our industry anxiously tracked the path of Hurricane Dorian, one of the most powerful storms ever recorded in the Atlantic Ocean. Fortunately, the hurricane took a sharp turn northeast and the U.S. avoided what could have been one of the most catastrophic weather-related events in modern history. In spite of overall lower catastrophe losses in 2019, the challenges within the property marketplace persist.

Today, carriers are pushing for rate increases across all classes of property with certain classes (such as multifamily, food processing, hospitality, recycling operations and dealer open lot) experiencing significantly higher than average rate increases, and changes to terms and conditions. Carriers are also paying much closer attention to their pricing models and ensuring rate adequacy, not only across their books, but across each individually written policy. This means that clients with strong risk profiles and good loss history may still see a significant increase as a result of pricing models.

Overall, underwriters are less willing to budge and are generally willing to walk away from deals if they can't reach desired terms. Looking further into 2020, we expect pricing to vary greatly based on industry segment, geography and loss experience, with increases of 30% or more for clients located in catastrophic exposed areas or with poor loss experience.

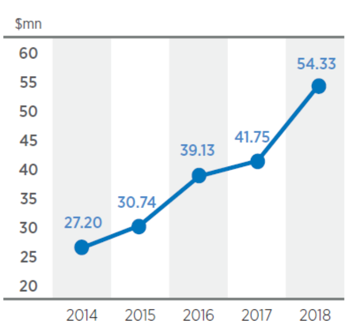
Pricing pressure is not the only stress being realized in the property market. Terms and conditions are being challenged as carriers in many cases are pushing for changes in sublimits or higher deductibles, particularly larger hail deductibles for clients in the central regions of the U.S. These changes in terms or deductibles can create significant financial risk for our clients, so it's important for clients to understand these changes, potential financial impact and what alternatives may be available in the market.

Lastly, underwriters are placing higher emphasis on quality, ensuring that client property valuations are adequate and that they have complied with all engineering recommendations. Property underwriters are overwhelmed with submissions, making it important that clients start the process early and present a quality underwriting file to the marketplace.

Social inflation impacts casualty.

Over the past month, our team met with executives from many of our top carriers to discuss market trends, the current rate environment and the challenges they are seeing ahead. In all of those meetings, the topic of social inflation was used to describe the challenges facing today's casualty marketplace. Social inflation is something we haven't had to pay too much attention to until recently, but it is generally defined as the increase in insurance costs due to rising litigation, larger jury verdicts and overarching anti-corporate sentiment in the economy.

MEDIAN AVERAGE: TOP 50 US VERDICTS



Source: Shaub, Ahmuty, Citrin & Spratt. https://mvvsp1.5gcdn.net/eac2fddf5b9b403c84c35ebc1bf20320

The impact of social inflation has been felt for several years in the transportation industry. For trucking companies or businesses with large auto fleets, nuclear verdicts (those exceeding $10 million that involve severe automobile accidents) have been more common. But as discussed in our fall 2019 update, we saw the impact expand across most other industries early last year. For example, simple slip and fall claims that have historically been contained within the primary limits are seeing judgments penetrate the umbrella and excess layers of insurance.

Consider the chart on the left, where the median average verdict for the top 50 cases in the U.S. has doubled in the last four years. Insurers are struggling to keep up with the pace of this inflation. In response, our carriers are aggressively taking underwriting action in an attempt to stay ahead of these trends. We saw this trend pick up significantly, starting with the second half of 2019 and into Q1 2020 renewals.

AUTO LIABILITY

Despite several years of price increases in auto liability, rates are still not keeping pace with the increases in claims frequency and severity. While distracted driving continues to be a growing problem, contributing to the trend is a strong economy where more vehicles are on the road and traveling longer distances. Additionally, loss costs are rising as new technologies make vehicles more expensive to repair. We expect carriers to continue to push rate increases across the board in auto liability.

PRIMARY GENERAL LIABILITY

General liability loss costs have been rising as the overall legal landscape continues to change in the U.S. The frequency of large judgments, increases in litigation financing and an empowered plaintiff bar continue to challenge our industry. Even though loss costs have been rising, plenty of capacity still remains. We expect a firming rate environment to continue, with rate increases in the mid to high single-digit range for desirable risks. Clients with tougher product exposure, or those operating in the retail sector where they are susceptible to higher frequency of lawsuits, can expect larger rate increases.

UMBRELLA/EXCESS LIABILITY

Social inflation has created the most impact and disruption on umbrella and excess liability placements. Concerned with a litigation environment being so favorable to plaintiffs and climbing jury verdicts, carriers are pushing significant rate increases (more than 10% on most renewals, with sharper increases on clients with heavy auto fleet exposure or operating in higher hazard industries). On a recent 1/1 renewal, one of our major umbrella carriers responded to the renewal quote by stating, “For all umbrella (lead) accounts, the minimum rate increase is 20%. This is mandated across the board, so all our umbrella accounts will be affected this way.”

We expect the carriers to maintain this pricing stance throughout 2020. Additionally, carriers are also restricting the amount of limit they are willing to put forth, or repositioning their capacity at a higher level in the tower. For example, carriers that have historically offered lead $25 million umbrella policies are now limiting their lead positions to $10 million or less in most cases.

Large national clients buying $75 million or more in limits have been getting thumped. Capacity management has been a recurring message from the market — carriers want to limit their exposure to these higher umbrella/excess layers. We have had multiple instances of clients not being able to buy the limit they purchased last year because of availability.

Using Gallagher’s [Umbrella Limit Calculator] is a simple way to get immediate access to high-level benchmarks for your industry, as well as target limit and exposure data with real-world claim examples.

Workers' compensation is the market stabilizer, but for how long?

Workers' compensation is the single largest premium spend for most clients in the middle-market and risk management space, accounting for 30% to 50% of total premium spend for the vast majority of clients. It's significant then that workers' compensation continues to be the outlier in the broader property and casualty marketplace, as we continue to see clients with desirable risk profiles achieve sizeable rate reductions. As a result, clients are able to use premium decreases in the workers' compensation line of coverage to offset premium increases in other lines of coverage.

Workers' Compensation Insurance, 2009–2018

YEAR	NET PREMIUMS WRITTEN	COMBINED RATIO CALENDAR YEAR	COMBINED RATIO ACCIDENT YEAR
2009	$32,247,870	107.9	107
2010	$31,643,087	116.1	114
2011	$35,664,230	117.6	110
2012	$38,947,491	110.4	102
2013	$41,147,216	103	96
2014	$43,753,885	101.9	92
2015	$45,355,102	95.5	92
2016	$45,619,831	95.6	93
2017	$45,047,380	92.2	96
2018	$48,343,292	86.2	97

Source: NAIC data, sourced from S&P Global Market Intelligence, Insurance Information Institute; ©National Council on Compensation Insurance.

How long will this soft workers' compensation marketplace last? It doesn't seem like very long, as we believe we have reached the bottom or near the bottom of the workers' compensation marketplace. Industry combined ratios are expressed in two ways: calendar year loss ratio, which includes claim payments and changes in reserves that happened in that year and prior years, and accident year loss ratio, which includes losses from only that particular year.

As shown in the chart above, carriers released a large amount of reserves they were holding in previous years, driving down the calendar-year loss ratios in 2017 (92%) and 2018 (86%). Loss reserve releases are expected to be strong in 2019 and to diminish in 2020 and 2021, providing a boost to calendar-year results, but not at the magnitude seen in 2017 and 2018, and expected in 2019. Therefore, we expect the calendar-year combined ratio for workers' compensation to finish in the low 90s in 2019, approach the upper 90s in 2020 and likely push past the 100 barrier in 2021. This will lead to a leveling off in the workers' compensation marketplace, where clients will see slightly less modest rate reductions in 2020, with a firming workers' compensation marketplace likely to follow in 2021 and beyond.

Continued strong performance of the U.S. economy and employment may help offset some of the increasing loss pressures, but the days of workers' compensation acting as the market stabilizer are slowly coming to an end.

The hard market does exist in pockets.

While the hard market is not as severe compared with the market of the early 2000s, in collecting insight for market updates, clients and brokers alike dispute that a hard market does exist for them. There are countless numbers of examples of 200%+ increases, deductibles tripling, limits being slashed and/or carriers exiting profitable classes of business altogether. However, these examples are exceptions and not the rule; the hard market only exists in certain pockets of the marketplace. The box below shows some of the pockets where we are seeing traditional characteristics of a hard market.

Property

- Limits: $150 million+ TIV (anything outside of commercial or middle-market space)
- Frame/hab
- Auto/dealer
- CAT exposure: especially anything with over $50 million TIV
- Contingent BI exposure
- Molten metals: recycling/heavy metals
- Food/agribusiness
- Plastics
- Public sector
- Any locations with large hail exposure
- Outstanding engineering recommendations

Umbrella/Excess

- Limits $15 million+
- Large limits: $50 million+; capacity has diminished and pricing has dramatically increased (mega verdicts)
- Any underlying exposure with a large fleet
- Any underlying exposure with a moderate hazard GL exposure (especially construction)

Executive Lines

- Limits: $15 million+
- Publicly traded D&O
- Sex abuse and molestation

Industries

- Transportation/logistics
- Senior Living
- Multifamily/habitational
- National Accounts

Our expectation is for these pockets of the marketplace to continue to experience hard market conditions into 2020 and the first part of 2021.

National accounts may be the most provocative inclusion on this list. But we continue to see some of the most remarkable changes to pricing, coverage and retentions in the national accounts space. Middle-market clients can escape this marketplace with mid single-digit rate increases (and even the occasionally flat-rate renewal exists, too). But there is no escaping for national accounts; National accounts have fewer competitors for their business compared to middle-market clients. And these are the clients that are typically buying the hardest-to-place lines of coverage: property over $200 million in TIV with multiple locations (often global), large fleets, high umbrella/excess towers, etc.

The hard market for public D&O continues as carrier concerns remain.

Our forecast for the state of the public company D&O marketplace in 2020 doesn't change drastically from the status quo. Higher-than-expected claim volume, larger settlements and rising rates of litigation have carriers responding with demands for higher premiums to stay profitable. In 2019, we saw consistent price increases across the board from 3% in the beginning of the year to an average of 30% or more toward the end of the year for publicly traded D&O placements. In addition to price increases, most carriers also cut the capacity they deployed — writing smaller limits and enforcing higher deductibles as well.

The market segments hit much worse than average were life sciences, pharmaceuticals and biotech accounts. Technology in general saw very large increases (especially software companies), as did newer companies with only a brief interlude since an IPO and reverse flow accounts (corporations operating mainly in the U.S. but domiciled outside of the U.S.). On the brighter side, financial institutions typically did much better than these averages, for the most part because they already had significant premium increases during the financial crisis. REITs were a most favored class of business, thanks in large part to fewer large losses historically.

According to many insurance company executives, we can expect large increases throughout all of 2020, but believe the second half of the year will not mirror the second half of 2019 in difficulty. Here are our reasons why:

- Most carriers will have adjusted their books by midyear.
- Carriers recognize the largest increases for 2019 occurred in the second half of the year.
- New or renewed capacity may return to the marketplace by this time.

The private company D&O market is being tested with small increases for the most part, though many flat renewals still occur. However, the larger private companies are facing cuts in capacity, which are being filled easily enough but for significantly more premium. Enforced minimum premiums in this sector often lead to double-digit rate increases.

Cyber's healthy capacity means expanding coverage with increased claims frequency and potential market hardening.

According to the World Economic Forum's 2019 Executive Opinion Survey of more than 10,000 executives, large cyber attacks ranked as the No. 1 risk for doing business for almost all advanced countries.

The cyber insurance industry continues to grow with overall premium trends showing flat to some early signs of increases, which will vary by an organization's size and industry. While robust insurance carrier capacity and expanded policy coverage terms remain available, underwriters are becoming more selective in writing complex risks in both the healthcare and retail sectors.

Coverage continues to evolve and expand in various ways:

- At least one carrier that offers explicit coverage for reputational harm has expanded due to losses caused by false news stories.
- More insurers have issued endorsements to cover emerging cyber attack trends, including losses caused by cryptojacking, where a hacker uses a victim's networks to mine for cryptocurrency.
- Numerous carriers are offering coverage for the insured's lost income as a result of fraudulent electronic communications designed to mimic personal invoice fraud scenarios.
- Coverage continues to broaden for contingent business interruption where an insured is covered for losses caused by accidental system failure, software patching or software updates.

The U.S. experienced an unprecedented number[1] of ransomware attacks in 2019, impacting at least 966 government agencies, educational establishments and healthcare providers. This incurred an estimated potential cost in excess of $7.5 billion.

Impacted organizations:

- 113 state and municipal governments and agencies
- 764 healthcare providers
- 89 universities, colleges and school districts
- Operations at up to 1,233 individual schools

We expect the cyber insurance marketplace to continue to evolve and remain competitive. But as the trends highlight, threats continue to multiply, and this coverage is becoming a priority for more of our clients.

Public Sector Update

As is true most of the time with the public sector, market conditions can vary significantly based on geography. In some areas, a line of cover may be hardening while another part of the country is not seeing the same market tightening. Be aware of what is going on in your area but also in others as that changing market wave may be heading your way.

It appears that the **Property market for the public sector nationwide (not just CAT exposed areas) continues to be in a hardening condition.** Rate increases **from 10% to 20%** or more depending on losses and construction are becoming a norm. Carriers are requesting increased deductibles from flat to a percentage of values at risk for wind and hail (or at least increases in the flat deductible). This often is the only way to mitigate some of the premium increases carriers are pushing. Carriers are pulling from the market and cutting capacity. Many accounts are going from a single admitted carrier to a layered program with multiple carriers (and possibly quota shared depending on the risk) with excess and surplus lines carriers.

Primary or first layer GL coverage continues to be rather stable with low single-digit rate increases. Excess Liability, however, is much more unpredictable with most carriers looking for more substantial rate increases than primary layers. Carrier appetite in this area appears to be changing.

Auto liability and Auto Physical Damage coverages both continue to tighten. Carriers have been hit with a lot of losses in this area across the board. There are fewer and fewer options for monoline coverage in this area. Rate increases are in the 7% to 20% range.

Public Officials and School Leaders Liability (including EPLI) are relatively stable and are getting nominal increases. Federal claims continue to drive a lot of the losses in these coverages.

Sexual Molestation Liability (SML) coverage continues to be almost non-existent at any price. It appears that less than a handful of carriers are offering stand-alone coverage; most out of Lloyds of London. Limits are being slashed, premiums are being increased at a very high rate and client retentions are soaring. Claims in this area around the country are rising at a very rapid pace which is driving the market.

[1] https://blog.emsisoft.com/en/34822/the-state-of-ransomware-in-the-us-report-and-statistics-2019/

Workers Compensation appears to be very stable in most parts of the country.

Active Shooter / Crisis products continue to be available internally with good terms and premiums.

While there has been a lot of news regarding the public sector and ransomware and cyber extortion, Cyber Liability continues to be relatively stable and full of carrier offerings. However, we expect that to change as the hacks continue to increase, especially in the public sector.

Conclusion:

The challenging market clients and carriers are experiencing will continue throughout 2020. Taking proactive steps early in the year can help minimize disruption and create a positive market response.

Due to the highly nuanced nature of this market, it's imperative that you are dealing with an insurance broker who specializes in your particular industry and/or line of coverage. Gallagher has a vast network of specialists that understand your industry and business, along with the best solutions in the marketplace for your unique challenges.

Marketing Summary

CARRIER	LINE OF COVERAGE	CARRIER POSITION
Certain Underwriters at Lloyd's, London	Public Entity Package	Quoted
Safety National Casualty Corporation	Public Entity Package	Quoted
Argonaut Insurance Company	Public Entity Package	Quoted
Princeton Excess & Surplus Lines Insurance Company	Public Entity Package	Indication
Old Republic Insurance Group	Public Entity Package	Declined
AIX Specialty	Public Entity Package	Declined
Safety National Casualty Corporation	Excess Workers Compensation	Quoted
Midwest Employers Casualty Company	Excess Workers Compensation	Quoted
Hartford Fire Insurance Company	Public Official Bond	Quoted
Indian Harbor	Pollution Liability	Quoted
Scottsdale Insurance Company	General Liability (Sports)	Quoted
Philadelphia Insurance Company	ADD Amateur Sports	Quoted
Travelers Property Casualty Co of America	Boiler & Machinery	Quoted
Travelers Property Casualty Co of America	Crime	Quoted
Hartford Financial Services	Crime	Declined
Certain Underwriters at Lloyd's, London	Cyber Risk Liability	Quoted
Ace American Insurance Company	Cyber Risk Liability	Quoted
atlantic Specialty Insurance Company	Tenant Users Liability	Automatic Renewal
Atlantic Specialty Insurance Company	Tenant Users Property	Automatic Renewal
Roanoke	Terrorism Property	Indication
Roanoke	Terrorism Liability	Indication
Roanoke	Active Assailant	Indication
Lloyds of London & AIG	Crisis Protect	Quoted
Voyager	Flood	Quoted
Markel	Property	Pending
Ironshore	Property	Pending
AXIS Insurance	Property	Pending
ARCH Insurance Group	Property	Pending
Everest Reinsurance Company	Property	Pending
Eagle	Property	Pending
RSUI	Property	Pending
Westchester, A Chubb Company	Property	Pending
AmRisc	Property	Pending
Arrowhead	Property	Pending
Aspen	Property	Pending
Beazley USA	Property	Pending
Colony Specialty	Property	Pending
James River	Property	Pending
Lexington	Property	Pending
Nationwide	Property	Pending
XL	Property	Pending
Zurich	Property	Pending
Alesco Risk Management Services	Property	Pending
Allied World Assurance Company	Property	Pending

Berkshire Hathaway Specialty Insurance Company	Property	Pending
Crum & Forster	Property	Pending
Hiscox USA	Property	Pending
Sompo International	Property	Pending
SRU	Property	Pending
Velocity Risk Underwriters, LLC	Property	Pending

Renewal Results

A. Package: This will be the seventh renewal year for Lloyds of London (BRIT) as the liability and WC package carrier. The underwriting team offered a renewal premium of $720,000 which represents a 21% premium increase with claim history driving the premium increase. Over the past 3 years, BRIT has provided 25% in premium reductions. Last year Brit provided a rate guarantee that would apply to this current renewal. However, the city was not able to meet all of the terms to insure the guarantee. BRIT is still willing to provide additional funds for Loss Control. This year they are willing to provide $7,000 which is $1,000 more than what was provided last year.

Brit has provided different options for the Self Insured Retentions:

	Option 1	Option 2	Option3
SIR	$350,000/$500,000	$500,000/$500,000	$750,000/$500,000
Premium	$ 720,000	$ 672,000	$ 610,000
Δ Savings		$ (48,000)	$ (110,000)

We marketed this coverage to Safety National, AIX, PESLIC, Old Republic and Argonaut. Below is a brief coverage comparison to assist in highlighting the differences between carriers. However, Brit is the leader in this niche and will have the more robust product offering.

	Safety National	Lloyd's (Brit Insurance)	Argonaut Insurance Company	PESLIC
AM Best Rating:	A+ XV	A XV	A XIV	A+ XV
Admitted or Surplus Lines	Admitted except PO/EPLI & LEL	Surplus Lines	Admitted	Surplus Lines
Rate Agreement	Yes subject to conditions	No	No	No
Contingent on buying WC	Yes	No	No	No
Sexual Harassment & Abuse	Only provided in GL	Provided in GL, PO, And Law Enforcement	Only provided in GL	Indication not disclosed
Loss Control Grant	$10,000	$7,000	$0	$0
Package Premium	$364,558	$720,000	$450,278	$749,575
WC Premium	$399,814	$156,576	$399,814	$156,576
Total Package & WC Premium	$764,372	$876,576	$850,092	$906,151

- A more in-depth comparison can be provided

B. Property: Total Insurable Values have remained flat year over year. However, due to the hardening market, it is expected to receive rate increases up to or in excess of 20%. This was consistent with your incumbent markets' initial indications which were at a 19% increase. After more negotiation, we were able to reduce the increase to 16%.

Property Comparison

Layer	2019-2020	Initial Indication 2020-2021	Quoted 2020-2021	Initial Indication ∆%	Quoted ∆%
Primary $10,000,000	$647,999	$776,405	$754,861	20%	16%
$15MM xs $10MM All Other Perils	$282,740	$340,000	$325,000*	20%	15%
$25MM xs $25MM Named Windstorm and Tropical Depression	$160,040	$184,000	$184,000*	15%	15%
$215,167,979 xs $25MM All Other Perils	$56,127	$64,550	$63,500*	15%	13%
Total	**$1,146,906**	**$1,364,955**	**$1,327,361**	**19%**	**16%**

*These layers are indications

If the city wanted to reduce the 3rd layer shown above from $215,167,979 excess $25,000,000 to $25,000,000 excess $25,000,000 that would result in a $18,500 premium savings. Other notable changes from the carriers this year is the removal of the 10% swing clause and the Mold coverage is now subject to a $2,500,000 sublimit.

Additionally, to remove the Fire and Police Building/Central Garage in July would yield a return premium of about $168,581. To add the newly constructed Fire Station 2, Trolley Building & Station and Public Safety Building in July that would yield about $275,316 in additional premium. These are estimates based on your property rate and are not exact figures.

Total Property Rate History

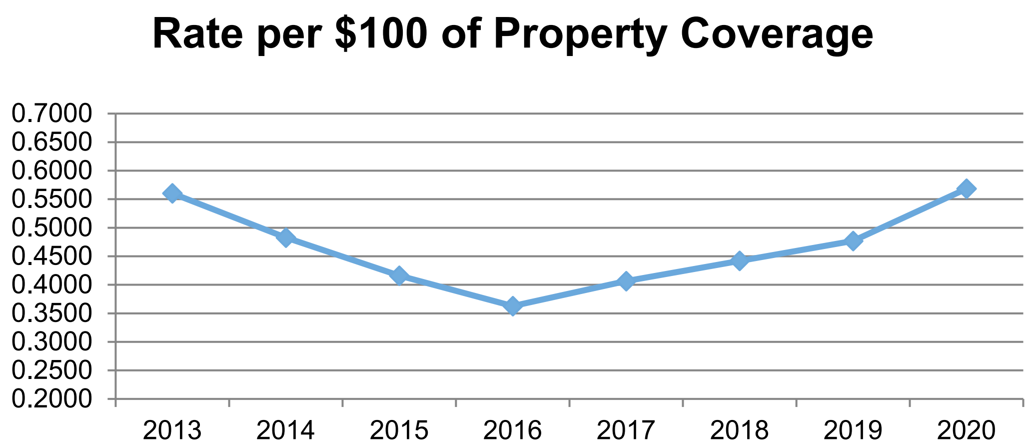
	2013	2014	2015	2016	2017	2018	2019	2020
TIV	$209,201,816	$213,800,562	$240,506,569	$243,201,290	$242,312,608	$252,314,816	$240,537,035	$240,167,979
Rate/ $100	0.5603	0.4828	0.416	0.3627	0.4065	0.4419	0.4768	0.5527
Rate ∆		-13.8%	-13.8%	-12.8%	12.1%	8.7%	8.0%	16%

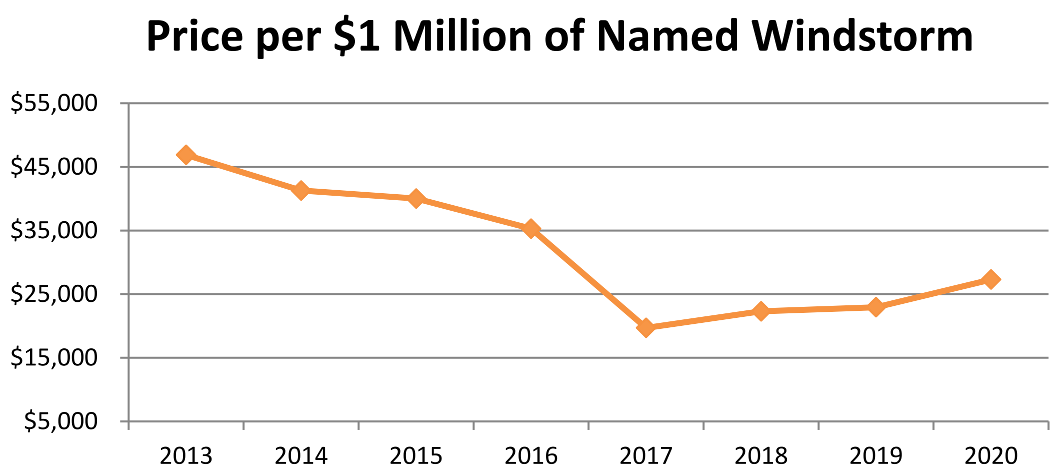
Obtain and Maintain Property Insurance

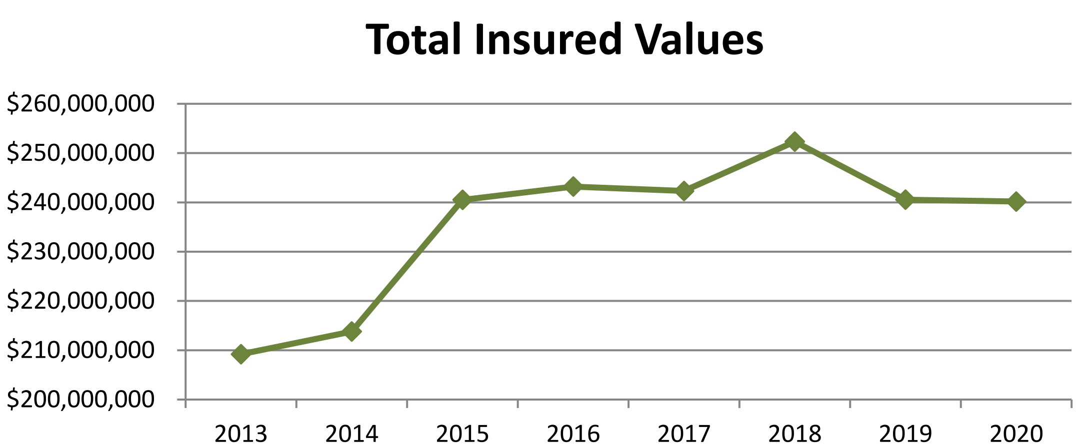
We reached out to the market place to see if there is a product that would cover the Obtain and Maintain obligation FEMA requires. This obligation is placed on locations, which previously received FEMA recovery. Currently, there is a new heavily manuscripted policy our partners at RPS are developing. This coverage provides insurance for real property, including new buildings and additions under incidental construction at an insured location, personal property, personal property of others, outdoor property, improvements and betterments to buildings or structures as defined in FEMA Category E and Category G in which the Insured has an insurable interest and to which the Insured has made a previous FEMA recovery or received a previous FEMA grant as specifically shown on the most current FEMA project worksheet reports

The city currently has $2,500,000 in Obtain and Maintain obligations. The indication for a $2,500,000 O&M limit would cost approximately $250,000 to $300,000.

HISTORICAL PROPERTY COMPARISION







C. Excess Workers Compensation: Safety national is your incumbent carrier. This year your incumbent carrier has offered a renewal with a 1% rate reduction. We also received a very competitive quote from Midwest Employers. Midwest has provided a 13% rate decrease from the expiring rate, which represents a 15% premium reduction. Safety and Midwest both offered a 2-year rate guarantee.

Excess WC Rate History

	2016	2017	2018	2019	2020 Safety Option	2020 Midwest Option
Payrolls	$61,875,651	$65,044,750	$74,684,272	$73,542,192	$71,014,924	$71,014,924
Premium	$184,643	$ 194,100	$ 188,735	$ 184,591	$ 180,023	$156,576
Rate per $100	0.2967	0.2967	0.2510	0.2510	0.2535	0.2183
∆%		0%	-15%	0%	1%	-13%

D. Business Travel, ADD for Police and Fire: This is year 2 of the 2 year policy term. The premium is completely flat and the same as what was bound in 2017.

E. Cyber Risk: We marketed the cyber coverage again this year. However, Brit has maintained their position of offering the most coverage for the lowest premium. This year Brit initially provided a 23% premium increase. Part of this increase is due to the increase in the city's operating budget. After further negotiations Brit reduced their increase to 16%. In addition to the premium increase, BRIT has increased the retention for Cyber Extortion Expenses and Payments from $10,000 to $200,000. We also received some coverage enhancements including system hijacking and invoice manipulation. Despite the premium increase from Brit, Chubb came in 146% higher than the expiring premium.

F. Equipment Breakdown: Last year we marketed this coverage however, your incumbent carrier Travelers provided the best product considering premium and coverage. This year will be the 2nd year of the 3-year rate guarantee so the renewal premium is flat as the values have not changed.

G. Crime Liability: In 2018 Travelers renewed with a 14% premium increase due to a large claim that was closed and paid out in 2017.Last year they are offered a 3% premium decrease. As we predicted, the further away we move from the large pay out your premiums should remain stable or decline. This year Travelers has offered a flat renewal. Hartford has declined to offer a quote.

H. Sports Liability and Accidental Death and Dismemberment: We received quotes from your incumbent carriers, Scottsdale and Philadelphia Insurance Company. Your Sports ADD policy is renewing completely flat. Your Sports Liability carrier has provided a quote with an 11% premium increase. This is a result of a 15% rate increase mandated by the carrier factored with your exposure reduction.

J. Pollution Liability: Last year we enhanced the city's pollution coverage by expanding beyond just the storage tanks to a more comprehensive pollution coverage. This policy covers the regulated storage tanks in addition to other exposures such as Bodily Injury as a result of pollution release not covered by the tank policy (ex. propane, other vaporous pollutants), sewer backup coverage of waste water collection and abandoned pollutants at covered locations. This year Indian Harbor has provided a completely flat renewal despite adding a new tank to the schedule.

K. Terrorism Property, Liability and Active Assailant: Last year we moved this coverage to Roanoke as we were able to receive premium saving and a lower retention. This year the carrier indicated a 5% increase due to the hardening market. As this is just an indication we will work on reducing the increase up to the point of binding.

N. Flood: Last year the city moved its flood coverage from the American Bankers NFIP program to Voyager and added 2 new locations increasing the total locations covered to 10. This year Voyager's renewal is 2% less than last year with all the coverages ant limits maintained.

Insurance Premiums

Policy Type	2019-2020	2020-2021	∆%
Package	$596,000	$720,000	20.8%
Excess WC	$184,591	$156,576	-15%
Property	$1,146,906	$1,327,361*	16%
Boiler and Machinery	$8,432	$8,400	0%
ADD Business Travel	$360	$360	0%
ADD Police and Fire	$12,338	$12,338	0%
Bond Finance Director	$1,138	$1,138	0%
Pollution Liability	$23,500	$23,500	0%
Crime	$11,756	$11,798	0%
Sports Liability	$23,857	$26,505	11%
ADD Sports	$13,306	$13,306	0%
Cyber Liability	$18,365	$21,375	16%
Terrorism Liability	$8,500	$8,925*	5%
Terrorism Property	$12,500	$13,125*	5%
Flood	$9,880	$9,689	-2%
Active Assailant	$6,000	$6,300*	5%
Total without surcharges	**$2,077,429**	**$2,360,697**	**14%**
EMPA & TRIA	$3,424	$3,412	-0.4%
Total after surcharges	$2,080,853	$2,364,109	14%
Premium Increase		$283,256	
Broker Fee	$120,000	$120,000	0%
Total Cost of Program	**$2,200,853**	**$2,484,109**	**13%**
Property Schedule Changes	$0	$200,000**	100%
Total Cost of Program after Property Schedule Changes	**$2,200,853**	**$2,684,109**	**22%**

*Indications not formal quotes. **Addition of Fire Station 2, Trolley Building & Station and Public Safety Building and the removal of the Fire & Police Building/Central Garage in July.

2020-2021 Program Structure

$50MM Named Windstorm Limit
$240,167,979 All Other Perils Limit

Property Including Pumps & Fountains

Everest Indemnity Insurance Co.
Underwriters at Lloyd's, London Canopius Syndicate 4444-Eagle
Arch Specialty Ins. Co.

Named Windstorm Only
$25MM XS of $25MM per Occ

Landmark American Insurance Co.

2nd Excess Property
$215,167,979 XS $25MM per Occurrence

Evanston Insurance Co.
Ironshore Specialty Insurance Co.
Axis Surplus Insurance Co.
Arch Specialty Insurance Co.

First Excess Layer
$15MM XS of $10MM Per Occurrence

Endurance American Specialty Insurance Co.
Certain Underwriters at Lloyds
Houston Casualty Company

$10,000,000 in any Occurrence
Primary Property

Deductibles
$50,000 per Occurrence All Other Perils
72 –Hour waiting for Time Element
$50,000 Earthquake
Flood $100,000 Excess Maximum NFIP Limit available for Special Flood Hazard Areas for Special Flood Hazard Areas (Prefix A or V)
5% of Total Insured Values affected at per unit subject to $250,000 per occurrence minimum and max of $7,500,000 Flood as a result of Named Windstorm
5% of the replacement cost value of each unit of insurance as per schedule on file subject to a min deductible of $250,000 per occurrence and a max of $7,500,000 per occurrence in respect to Named Windstorm and Hail
$100,000 per occurrence All Other Windstorm of Hail

Property & Liability Terrorism

Certain Underwriters at Lloyd's

Property Limit
$100,000,000

Liability Limit
$25,000,000

Active Assailant Limit
$1,000,000

Property Deductible
$10,000

Boiler & Machinery

Travelers Property Casualty Company

Total Limit
$250,000,000

Deductible
$1,000

Public Entity Liability

❖ Carrier: Certain Underwriters at Lloyd's of London

- General Liability $650,000 per occurrence
Excess Limit: $4M per Occurrence/ $8M Annual Aggregate
Including the following sub-limits(not included in XS limit)
✓ Sexual Harassment $4,650,000 per occurrence $4,650,000 Annual Aggregate
✓ Sexual Abuse $4,650,000 per occurrence $4,650,000 Annual Aggregate

- Automobile Liability $4,650,000 per occurrence

- Public Officials $4,650,000 per occurrence
$5,300,000 Annual Aggregate.
Including the following sub-limits:
✓ Errors & Omissions* $4,650,000 per occurrence$5,300,000 Annual Aggregate
✓ Employment Practice Liability* $4,650,000 per occurrence $5,300,000 Annual Aggregate

- Employee Benefits Liability*
$4,650,000 per occurrence $5,300,000 Annual Aggregate

- Law Enforcement Activities $650,000 per Occurrence
Excess Limit: $4M per Occurrence/ $4M Annual Aggregate
Including the following sub-limit (not included in excess limit):
✓ Sexual Harassment $4,650,000 per occurrence $4,650,000 Annual Aggregate
✓ Sexual Abuse $4,650,000 per occurrence
✓ $4,650,000 Annual Aggregate

Premium: $596,000 + fees and assessments

* Claims Made Coverage applies. Refer to policy for applicable Retroactive Date and Limits

SIR
Per Occurrence $350,000

Workers' Compensation

Carrier: Midwest Employers Casualty

Excess Workers Compensation Statutory
Employers Liability: $1,000,000 each accident / each employee for disease or cumulative injury
Retention: $1,000,000

❖ Carrier: Certain Underwriters at Lloyd's of London

WC: $500,000 per occurrence xs $500,000
Employers Liability $500,000 xs $500,000

SIR
Per Occurrence $500,000

Exposure Comparison

COMPARISON OF LIABILITY EXPOSURES

Exposures	2019-2020	2020-2021	% Change
Expenditures	$ 200,241,697	$ 229,939,150	15%
# of Employees (FT & PT)	937	940	0.3%
# of Autos	581	626	8%
Payroll	$ 73,542,192	$ 71,014,924	-3%
EMTs	Included below	Included below	
Paramedics	139	139	0%
Armed Officers	192	193	1%
Population	50,815	50,815	0%
TIV	$ 240,537,035	$ 240,167,979	0%

	2019-2020	2020-2021	% Change
Sports Program # of participants	19,102	16,919	-11%

COMPARISION OF YOUR TOTAL INSURED VALUES

Schedule of Values	2019-2020	2020-2021	% Change
Building	$ 179,790,000	$ 179,077,000	0%
Contents	$ 11,419,000	$ 11,322,000	-1%
Vehicles	$ 17,714,261	$ 18,155,205	2%
Golf Carts	$ 179,433	$ 179,433	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	$ 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	$ 2,986,000	$ 2,986,000	0%
Total	**$ 240,537,035**	**$ 240,167,979***	**0%**

*We are expecting to have a net TIV increase of $23,174,729 with the addition and removal of the locations previously mentioned.

LARGE LOCATIONS AT RISK

Building Name	Address	Total Insured Value
Fire and Police / Central Garage	2801 SALZEDO STREET	$ 36,603,000
Parking Garage 2	220 ARAGON AVENUE	$ 20,632,000
Parking Garage 6	1 ARAGON AVENUE	$ 14,730,000
Museum	285 ARAGON AVENUE	$ 11,678,000
City Hall	405 BILTMORE WAY	$ 11,201,000

Commission Disclosure

				WHOLESALER, MGA OR INTERMEDIARY		
COVERAGE(S)	CARRIER NAME(S)	EST. ANNUAL PREMIUM	COMM.% OR FEE	NAME	COMM.% OR FEE	AJG OWNED? YES/NO
Public Entity Package	BRIT (Lloyd's Syndicate 2987)	$720,000.00	0 %	Brit Global Specialty USA	N/A	No
Public Entity Package	Argonaut Insurance Company	$450,278.00	0 %	Risk Placement Services	5%	Yes
Public Entity Package	Princeton Excess & Surplus Lines Insurance Company	$749,575.00	0 %	Risk Placement Services	5%	Yes
Excess Workers Compensation	Safety National Casualty Corporation	$180,023.00	0 %	Safety National Casualty Corporation	Not Disclosed	No
Excess Workers Compensation	Midwest Employers Casualty Company	$156,576.00	0 %	N/A	N/A	N/A
Property-Primary	Various	$754,861.00	0 %	AmWINS Brokerage of Florida, Inc. (Jacksonville)	5 %	No
Property-First Excess	Various	$325,000.00	0 %	Risk Placement Services	5 %	Yes
Property-Second Excess	Various	$184,000.00	0 %	Risk Placement Services	5 %	Yes
Property-Third Excess (NWS)	Various	$63,500.00	0 %	Risk Placement Services	5 %	Yes
Property - Terrorism	Roanoke Insurance Group	$13,125.00	0 %	AmWINS Brokerage of Florida, Inc. (Jacksonville)	5 %	No
Liability - Terrorism	Roanoke Insurance Group	$8,925.00	0 %	AmWINS Brokerage of Florida, Inc. (Jacksonville)	5 %	No
Active Assailant	Roanoke Insurance Group	$6,300.00	0 %	AmWINS Brokerage of Florida, Inc. (Jacksonville)	5 %	No
Crisis Protect	Lloyds of London & AIG	$82,000.00	0 %	AJG UK	5%	Yes
Boiler & Machinery	Travelers Property Casualty Co of America (The Travelers Companies, Inc.)	$8,400.00	0 %	Risk Placement Services	5 %	Yes
Crime	Travelers Casualty and Surety Co of America (The Travelers Companies, Inc.)	$11,798.00	0 %	Arthur J Gallagher - Itasca	5 %	Yes
Public Official Bond	Hartford Fire Insurance Company	$1,138.00	0 %	N/A	N/A	N/A

				WHOLESALER, MGA OR INTERMEDIARY		
COVERAGE(S)	CARRIER NAME(S)	EST. ANNUAL PREMIUM	COMM.% OR FEE	NAME	COMM.% OR FEE	AJG OWNED? YES/NO
Pollution Liability	Indian Harbor	$23,500.00	0 %	N/A	N/A	N/A
General Liability (Sports)	Scottsdale Insurance Company (Nationwide Mutual Insurance Company)	$26,505.00	0 %	K & K Insurance Group, Inc.*	30%	No
ADD Amateur Sports	Philadelphia Insurance Company	$13,306.00	0 %	N/A	N/A	N/A
Cyber Liability	BRIT (Lloyd's Syndicate 2987)	$22,500.00	0 %	Brit Global Specialty USA	N/A	N/A
Cyber Liability	ACE American Insurance Company	$45,220.00	0%	N/A	N/A	N/A
Flood Liability	Voyager Indemnity Insurance	$9,689.00	21%	N/A	N/A	N/A

*As a MGA and not a Wholesaler, K&K Insurance Group Inc. does all of the underwriting and claims handling on behalf of the carrier and are paid by them directly. They collect the premium for the carrier and in turn are paid 30% for their underwriting services. There is no additional premium charged to the Insured for the work that K&K performs on behalf of the carrier. K&K does not reduce the amount paid by the carrier.

Benefits and HR Consulting

Similar to our **CORE**360™ 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℠

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 WorksK 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

- 2018 Benefits Strategy and Benchmarking Survey: https://www.ajg.com/lp/us-benefits-strategy-benchmarking-survey/ and 2017 Best-in-Class Benchmarking Analysis: https://www.ajg.com/lp/best-in-class/?utm_source=Misc&utm_medium=Press_release&utm_campaign=GBS_BIC2017Q4
- Thought leadership across multiple touchpoints through our Human Capital Insights report; visit https://www.ajg.com/lp/human-capital-insights/ for a copy
- A full spectrum of solutions to help employers to recruit, retain and engage top talent
- Focus on benefits, compensation, retirement, employee communications and workplace culture

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

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 executive summary. 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.

Any Challenge. Any Risk. Anywhere in the World.

Gallagher
Insurance | Risk Management | Consulting

Grow your business with confidence by protecting your future and ensuring that your employees are securely invested in it. Gallagher's holistic approach keeps your best interests in focus.

GLOBAL REACH. LOCAL PRESENCE.

Founded in
1927

$4.6B
Total Adjusted Brokerage & Risk Management Revenues (2017)

26,700+
Employees worldwide

700+
Offices in 33 countries

150+
Countries served

4 AREAS OF FOCUS

- Organic growth
- Mergers and acquisitions
- Productivity and quality enhancements
- Unique, team-oriented sales culture

HIGHLY SPECIALIZED. DEEP EXPERTISE.

Alternative Risk & Captives	Environmental	Private Client Services
Aviation	Enterprise Risk Management	Property
Casualty	Equity Advisors	Risk Management
Commercial Surety & Bonds	Fine Arts	Trade Credit & Political Risk Insurance
Cyber Liability	Law Firms	
Entertainment	Management Liability	

Our Approach to Risk.

CORE360™ Gallagher's proprietary, comprehensive approach that considers 6 cost drivers of a client's risk management program.

16+ INDUSTRY PRACTICES

Automotive
Construction
Energy
Financial Institutions
Food & Agribusiness
Healthcare
Higher Education
Life Sciences
Marine
Nonprofit
Public Sector
Real Estate & Hospitality
Religious
Restaurant
Technology
Transportation

LEADERS WHERE IT COUNTS

Gallagher Named One of the World's Most Ethical Companies for 2018

The only insurance broker to have received this honor, Gallagher has been named as one of the World's Most Ethical Companies by the Ethisphere® Institute, a global leader in defining and advancing the standards of ethical business practices, seven years in a row.

2018 WORLD'S MOST ETHICAL COMPANIES® WWW.ETHISPHERE.COM

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