

Property & Casualty Insurance Proposal Executive Summary

Clay County School District

June 30, 2018 to June 30, 2019



Arthur J. Gallagher & Co.

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Clay County School District

Executive Summary

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

Arthur J. Gallagher Risk Management Services and Clay County School Board have worked together for many years to provide the District with a comprehensive and cost effective solution to its insurance program.

1. AJG is the 4th largest Insurance Broker in the World.
2. We are a public company traded on the New York Stock Exchange.
3. More than 500 offices located throughout the world.
4. More than \$20 billion of premium placed Worldwide.
5. Over 24,000 employees worldwide
6. Known nationally as the Public Entity and Scholastic experts, with unsurpassed FEMA public assistance expertise
7. Recognized by Ethisphere Institute, for the fifth year in a row, as a World's Most Ethical Company. 132 companies are recognized, Gallagher being the only insurance brokerage firm ever earning this recognition.



Representative Area and Scholastic Clients

- Clay County School District
- Baker County School District
- Putnam County School District
- Bradford County School District
- Union County School District
- Columbia County School District
- Flagler County School District
- Hamilton County School District
- Levy County School District
- Calhoun County School District
- Franklin County School District
- Jackson County School District
- Liberty County School District
- Wakulla County School District
- Escambia County School District
- Miami-Dade County School District
- Monroe County School District
- Duval County School District
- Nassau County School District
- Putnam County BOCC
- Florida State College at Jacksonville
- St. Johns County BOCC
- NE Florida Healthcare System
- Dixie County School District
- Gilchrist County School District
- Gulf County School District
- Holmes County School District
- Jefferson County School District
- Madison County School District
- Walton County School District
- Washington County School District
- Okaloosa County School District
- Broward County School District
- State of Florida

Clay County School District

Introduction and Service Highlights

Arthur J. Gallagher Risk Management Services works closely with the School District to provide services and support that add value to your insurance purchasing decisions. We have ongoing communication with the District's Business Affairs office, as well as other departments. This ensures that we continue to have a strong familiarity with the District's risks, and the most accurate data to provide to the markets. This helps us craft a program to best meet the District's needs, at the most competitive cost.

Examples of services that Gallagher provides to the District in order to lower your cost of risk include:

1. Obtaining flood zone information for the District's locations
2. Reviewing and advising on contracts and third party insurance.
3. Loss Control and Claims Advocacy Services
4. Finding creative ways to minimize costs while maximizing the protection that the District receives.

Marketplace Status as of May 2018

Property Insurance

2017 was a year of property disasters ranging from floods of catastrophic proportion with Harvey to the devastation of Irma and the categorical wipe out of Puerto Rico by Maria. These events (aka "HIM") are projected to cost in excess of \$150-\$300 Billion in insured losses. This doesn't take into account estimates from the Mexico Earthquake within Northern California; the \$1+ Billion wild fire losses in Southern California nor the resultant landslide and flood damage in Montecito. None of these losses begin to account for the human or environmental toll. The combined loss ratios for virtually every property insurer are well in excess of 100% with some exceeding 300%. Reinsurers have also been tagged. This is a capital event which is forcing carriers to re-examine their underwriting strategies for catastrophic limits, deductibles and over all approach to underwriting in earthquake, flood, hail and wind prone areas. Rate reductions will be rare and carriers will be underwriting every risk on its own merits with a focus on the particular loss history and the geographic footprint. Those accounts exposed to catastrophic loss conditions (earthquake, fire, flood or wind) might expect to see their deductibles increase and available maximum loss limits reduced.

Casualty Insurance

Unlike the Property market, the casualty market is fairly stable – with notable exceptions sexual abuse, traumatic brain injury and the Las Vegas shooting (which alone is estimated to have insured losses in excess of \$1 Billion). At this time, we expect rate increases (3-8%) for most school, camp & nonprofit organizations.

Excess Workers Compensation Insurance

The excess workers compensation market made the shift from hard to stable in the last two years and this year for the first time we have seen it soften with competition. It is a market that can shift at any time given one large work comp loss. Employee injuries are an exposure every entity has and they are challenging to control. For our clients with positive loss experience and we have been able to negotiate very favorable renewals.

Cyber Risk

Many carriers consider Cyber Risk insurance as a growth area, and therefore this market remains robust. For most insureds, we are seeing a very stable market, with carriers offering innovative coverages. The market is more challenging for insureds in the retail and healthcare spaces, due to much publicized loss activity.

Clay County School District

Risk Characteristics of Clay County School District

1. **Concentration and Geographic Location of Property:** Clay County School District has almost \$1 billion of insured values concentrated in Northeast Florida.
2. **Values Exposed and Probable Maximum Loss (PML):** Each year we analyze the School District's property schedule, in terms of windstorm exposure using the AIR and RMS models. This year the model projects a 250-year PML (the value observed by insurance companies) in the \$17 to \$25 million range. Thanks to the efforts of District staff, we have been able to improve the data used by the computer models over the years, and this has had a positive impact on your modeling results, and your insurance premiums.

While the models are not predictive of the future, their results tell us that insurers expect the most, if not all of the \$20 million of Named Windstorm coverage being provided to be exhausted in the event of a moderate to severe hurricane. We recommend that the District consider purchasing additional Named Windstorm coverage.

2018 Hurricane Modeling Results

Critical Prob.	Return Period	RMS 17.0	
		Ground Up	Gross Loss
0.10%	1,000	\$62,504,317	\$47,769,373
0.20%	500	\$41,891,772	\$30,749,728
0.40%	250	\$25,984,240	\$17,600,576
1.00%	100	\$11,250,653	\$5,338,382
2.00%	50	\$4,674,931	\$160,149
5.00%	20	\$812,233	\$0
AAL		\$478,789	\$252,111

Please note that these are only estimates; an actual event could cause a loss that deviates significantly from these values.

Glossary of Terms/Acronyms

Risk Management Solutions (RMS): Catastrophe Modeling Software

Average Annual Loss (AAL): the annualized estimate of loss to a representative unit of exposure from a broad range of modeled catastrophe events;

Return Period: the expected length of time between recurrences of two events with similar characteristics. The return period can also refer to specific level of loss;

Probable Maximum Loss (PML): estimate of the maximum loss on a particular risk as a result of a single event, assessed with due care and taking into account all risk elements;

Ground Up Loss: the amount of loss sustained before deductions, underlying coverage and reinsurance are applied.

Gross Loss: the insurer's loss after deductibles, attachment point(s), and limits are applied, but before any reinsurance.

3. **Large Individual Locations:** There are currently three locations (shown below) that are scheduled with a value that exceeds the \$51 million (non-named windstorm) loss limit (and several that are close). Therefore, we recommend the District consider a higher limit for non-named-storm coverage. This would help the District obtain a more complete recovery in the event that this single high value location were destroyed in a covered loss (e.g. a fire or tornado).

Oakleaf Senior High:	\$65,621,238
Orange Park Senior High:	\$54,772,719
Middleburg Senior High:	\$53,537,892

Clay County School District

Exposure Changes Since Last Year

Exposure	Expiring	Projected	% □
	2017 - 2018	2018 - 2019	
Total Insured Values (TIV)	\$909,008,284	\$984,097,496	8%
Total Payroll	\$192,594,370	\$196,222,739	2%
General Operating Expenditures	\$260,738,409	\$269,759,226	3%
Student Count	38,780	39,954	3%
Employee Count	4,763	4778	0%

Loss Experience

From the standpoint of your insurance program, the District has had favorable loss experience in that few losses have exceeded the District's self-insured retentions. This helps to maintain insurance pricing stability.

Policy Year	No. Claims			Total Incurred
	Open	Closed	Total	
6/30/11 - 12	1	186	187	\$898,035
6/30/12 - 13	4	176	180	\$1,297,054
6/30/13 - 14	2	162	164	\$596,209
6/30/14 – 15	6	192	198	\$1,299,035
6/30/15 – 16	15	214	229	\$959,056
6/30/16 – 17	21	188	209	\$1,180,368
6/30/17 – 4/1/18*	60	112	172	\$605,707

* Partial year – not complete

Above losses have not been actuarially developed

Renewal Goals and Highlights

For this year's renewal, our mutual goal was to keep your costs within the Districts current budget, market the Package, Excess Workers Compensation and Property lines and to explore program changes in your self-insured retention structures. We have received the following:

1. Two quotes for the Package Policy.
2. Two competitive quotes for the Excess Works Compensation
3. Extensive marketing for the Property lines
4. Options for changes in self-insured retentions on the Auto Liability, General Liability, and Workers Compensation lines.

Clay County School District

Market Review

We have approached the following carriers in order to obtain the most comprehensive and cost effective insurance program for the School District.

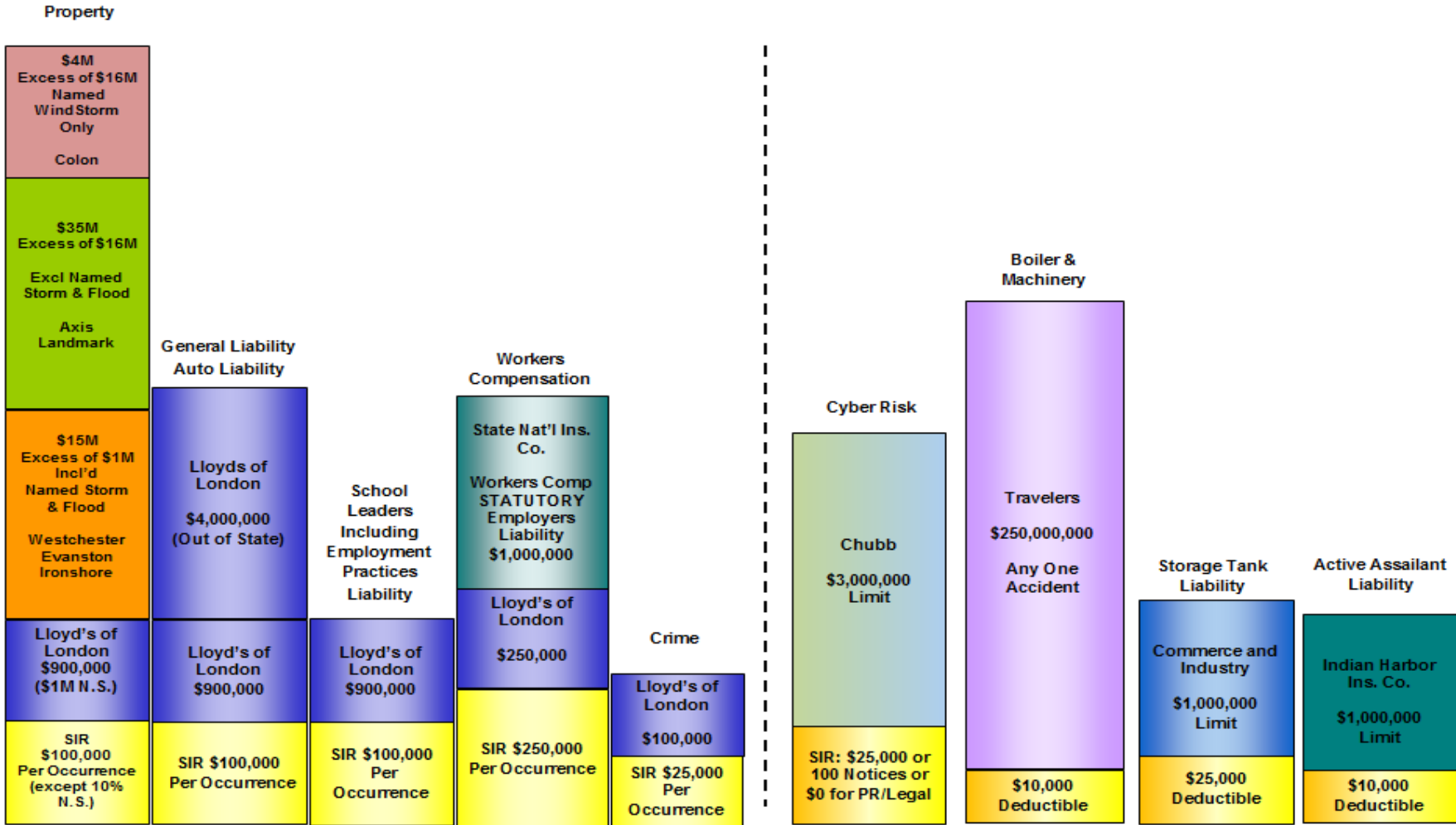
CARRIER	LINE OF COVERAGE	CARRIER POSITION
Lloyds of London	Package	Quoted
Munich Re Insurance Company	Package	Premium Indication
AIX	Package	Declined – Cannot compete
Safety National Casualty Corporation	Package	Declined – Cannot compete
Travelers	Boiler & Machinery	Quoted
Chubb (Westchester)	Cyber	Quoted
State National Insurance Company	Excess Workers Compensation	Quoted
New York Marine & General Insurance Company	Excess Workers Compensation	Quoted
Safety National Casualty Corporation	Excess Workers Compensation	Declined – Will not quote monoline
Indian Harbor Insurance Company	Active Assailant	Quoted
Indian Harbor Insurance Company	Terrorism- Property	Quoted
Commerce & Industry	Storage Tank	Recommended Quote
ACE - Westchester Surplus Lines Insurance Company	Property	Quoted
Allied World Assurance Company	Property	Declined – Cannot compete
Markel – Evanston Insurance Company	Property	Pending
CV Starr - Chubb Custom Ins. Co. or General Security Indemnity of AZ	Property	Indicated
RSUI - Landmark American Insurance Company or RSUI Indemnity Company	Property	Quoted
Axis Surplus Insurance Company	Property	Quoted
Colony Insurance Company	Property	Pending

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CARRIER	LINE OF COVERAGE	CARRIER POSITION
XL - Indian Harbor Insurance Company	Property	Quoted
AmRisc (multiple carriers)	Property	Declined – Cannot compete
Arch Specialty Insurance Company	Property	Declined – Cannot compete
Arrowhead (multiple carriers)	Property	Pending
Berkshire – National Fire & Marine Insurance Company	Property	Declined – Cannot compete
BRIT Global Specialty -Certain Underwriters at Lloyds, London - BRIT Syndicate 2987	Property	Declined – Cannot compete
Diamond State - United National Insurance Company	Property	Declined – Cannot compete
Endurance American Specialty Ins. Co.	Property	Declined – Cannot compete
Everest Indemnity Insurance Co.	Property	Declined – Cannot compete
Great American Insurance Company of NY	Property	Declined – Cannot compete
Hiscox – Lloyds of London	Property	Pending
Ironshore Specialty Insurance Co.	Property	Quoted
James River Insurance Company	Property	Declined – Cannot compete
Lexington Insurance Company	Property	Declined – Cannot compete
Lloyds of London – various syndicates	Property	Declined – Cannot compete
Scottsdale Insurance Company	Property	Declined – Cannot compete
Swiss - First Specialty Insurance Corp.	Property	Declined – Cannot compete
Travelers Excess and Surplus Lines Insurance Company or Travelers Indemnity Company	Property	Declined - Cannot compete
Validus – Western World Insurance Company	Property	Declined - Cannot compete
Zurich - Steadfast Insurance Company	Property	Pending

Clay County School District

2018- 2019 Program Illustration (as expiring) (Summary only, does not include all terms and conditions)

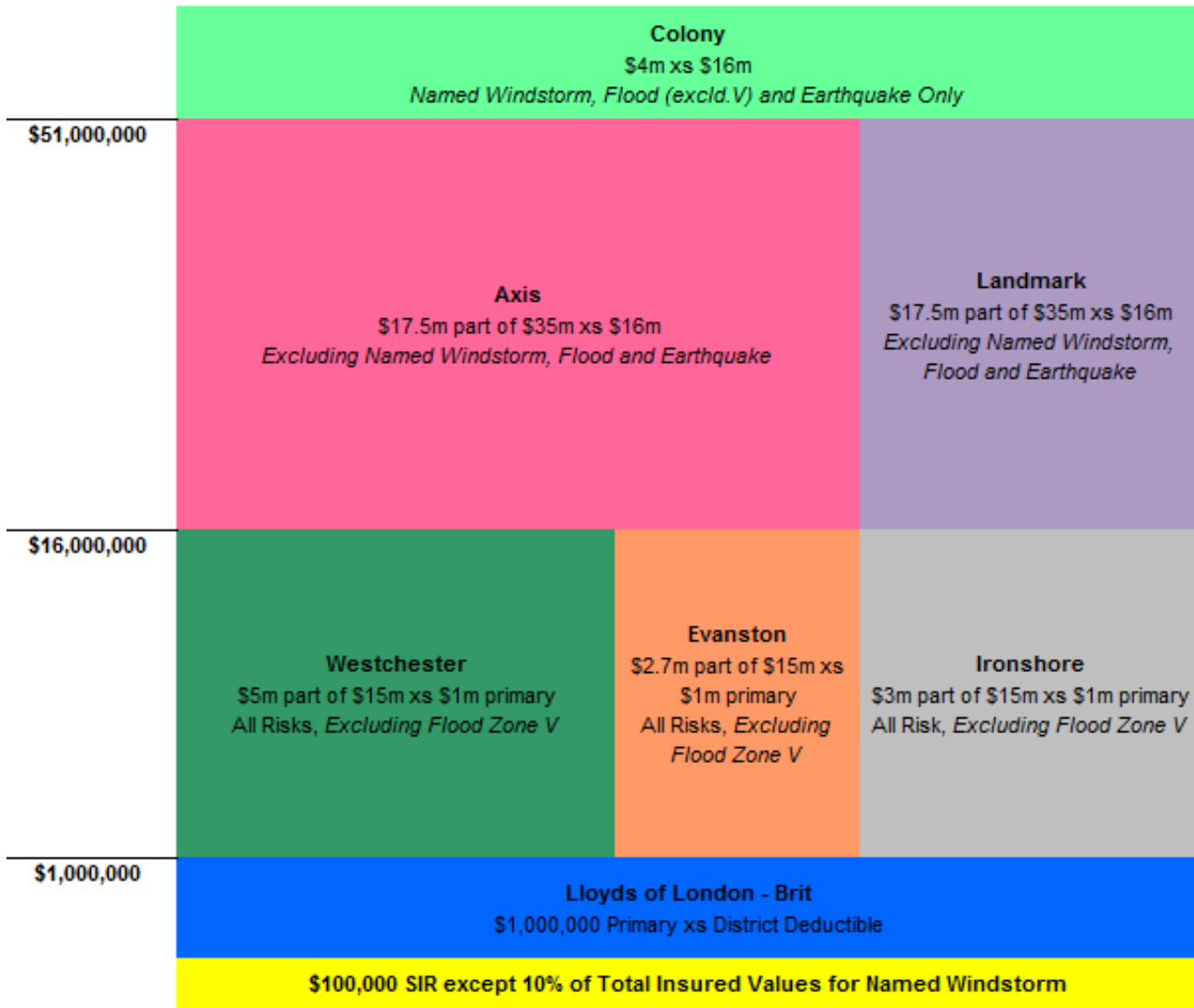


Package Self-Insured Retention is a Combined Lines Retention

Clay County School District

Property Program Illustration

Clay County School District Property Insurance Program
\$51 Million All Risks, \$20M Named Windstorm, Flood and Earthquake



Clay County School District

Renewal Report

School Board Package

The foundation for the District's Self-Insurance program is the School Board Package provided by Brit/Lloyd's of London. The package provides the primary layers of coverage for the Property, Liability, Educators Legal Liability, Workers Compensation, and Crime coverages. This year we approached the carriers that have historically been able to compete with the price of your current package provided however, the premium indicated by Munich Re is significantly higher than the renewal Brit is offering. Safety National and AIX were also not able to compete with Brit's premium and coverage.

- Coverage will continue to be provided by Lloyd's, London Brit Syndicate
- Renewal Premium: \$355,000

We explored increasing and reducing certain self-insured retentions. The options are shown below:

- By increasing the District's Auto Liability and General Liability SIR from \$100,000 to \$200,000 the premium would reduce by \$18,000.
- By reducing the District's Workers Compensation SIR from \$250,000 to \$200,000 the premium would increase by \$45,000.

The Coach Aaron Feis Guardian Program appointed under Section 30.15, Florida Statutes has presented a new exposure school districts in Florida now have to explore. Brit is currently developing an endorsement to provide coverage for "guardians" who go through the training program as stipulated in the statute. This coverage will be provided with a \$700,000 limit excess a self-insured retention of \$300,000.

- For 29 "guardians" the rough additional premium indication is \$4,500

If the District is interested in having other non-police or non-guardians armed on the school's campus additional underwriting information is needed to gauge if Brit would cover the exposure.

Excess Property Insurance Program

The Excess Property Insurance program will provide \$51 million of coverage (\$19 million of Named Windstorm coverage) in excess of \$1 million of coverage provided by the package. For this coverage, even though the market is tightening due to the industry losses incurred as a result of the catastrophic weather events, we were able to secure a flat rate. Overall premium has increased by 9% as a result of the 8% increase in TIV.

2018 Property Program Summary

	2017	2018	% Changes
Loss Limit	\$51,000,000	\$51,000,000	No Change
Named Storm Sublimit	\$19,000,000	\$19,000,000	No Change
Named Storm Deductible	10% of TIV, \$1,000,000 minimum	10% of TIV, \$1,000,000 minimum	No Change
Total Insured Values*	\$909,008,284	\$984,097,496	8%
Premium	\$464,000	\$506,376	9%
Rate	.0510	.0514	1%

See breakdown on the following page that summarizes the changes in total insured values.

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Replacement Cost Values Reported

	2017-2018	2018-2019	% Change
Elementary	\$ 364,342,676.22	\$ 425,934,807.00	14%
Junior High	\$ 134,934,248.99	\$ 129,594,545.48	-4%
High School	\$ 314,729,077.22	\$ 351,657,113.32	11%
Administration	\$ 63,710,927.68	\$ 42,911,030.39	-48%
Vehicles	\$ 24,558,219.00	\$ 28,179,517.49	13%
Miscellaneous Property	\$ 3,058,405.00	\$ 3,058,405.00	0%
Unallocated (audio, furniture, software)	\$ 29,551,265.32	\$ 30,372,991.44	3%
Seats and Scoreboard	\$ 3,674,730.00	\$ 3,357,870.00	-9%
Total	\$ 909,008,284.11	\$ 984,693,288.68	8%

Boiler and Machinery (B&M)

The Boiler and Machinery coverage is provided by Travelers, they have offered a renewal at a 8% increase in premium. The increase is directly tied to the 8% increase in the District's TIV.

	2017 Expiring	2018 Renewal
Carrier	Travelers	Travelers
Limit per breakdown	\$250,000,000	\$250,000,000
Spoilage Limit	\$1,000,000	\$1,000,000
Business Income	Included	Included
Deductible	\$10,000	\$10,000
Premium	\$12,160	\$13,151

Storage Tank Liability

- Coverage is provided by Commerce & Industry Insurance Co.
- Limits provided are \$1,000,000 per Occurrence / \$2,000,000 Aggregate
- Dedicated limits for aboveground and underground tanks, as required by state law
- Last year the deductible increased from \$10,000 to \$25,000 due to the age of the tanks
- Coverage is for scheduled tanks at scheduled locations only, to meet statutory requirements.
- Renewal Premium: \$4,469

Student Accident

- Coverage is provided by Zurich Insurance Co.
- Limits provided are the same as expiring:
 - o \$10,000 Accidental Death Benefit,
 - o \$20,000 Accidental Dismemberment Benefit
 - o \$500,000 Catastrophe Cash Benefit
- Renewal Premium: \$ 8,869.00

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Excess Workers Compensation

The excess workers compensation is triggered once the \$250,000 Self-Insured Retention and the \$250,000 provided by the Brit package is eroded. Historically speaking, this coverage has been in a hard market however, for the first time in several years we are seeing competition resulting in a price reduction for this year's renewal. We approached the five key carriers writing this line of coverage. Below are the results of our marketing efforts:

	2017	2018	2018
	Expiring	Renewal	Option
Carrier	US Specialty	US Specialty	NY Marine
Limit	Statutory	Statutory	Statutory
Employers Liability Limit	\$1,000,000	\$1,000,000	\$1,000,000
Self-Insured Retention	\$500,000	\$500,000	\$500,000
Payroll	\$192,594,369	\$196,222,739	\$196,222,739
Rate per \$100 of payroll	0.057	0.057	0.054
Premium	\$117,199	\$111,847	\$105,725

Since 2009, US Specialty has provided stability to your program during the hard market. Our recommendation is to stay with US Specialty as their price represents a FLAT rate renewal.

Cyber Risk

This coverage was purchased new by the district in 2016 to protect you from potential data breaches and the liability that arises out of network security and privacy issues. Last year, after extensive marketing the District decided to switch the provider of this coverage from Beazley to Chubb. This year, Chubb has offered a completely flat renewal with the same premium as expiring:

	2017 Expiring	2018 Renewal
Aggregate	\$3,000,000	\$3,000,000
Deductibles		
Cyber, Privacy and Network Security	\$25,000	\$25,000
Business Interruption Waiting Period	8 Hours	8 Hours
Key Coverage Limits		
Regulatory Defense & Penalties	\$3,000,000	\$3,000,000
Payment Card Industry Fines	\$3,000,000	\$3,000,000
Business Interruption	\$3,000,000	\$3,000,000
Notification to Individuals	\$3,000,000	\$3,000,000
Network Extortion	\$3,000,000	\$3,000,000
Media Liability	\$3,000,000	\$3,000,000
Legal Services, Computer Expert, PR, Crisis Management	\$3,000,000	\$3,000,000
Premium	\$21,243	\$21,243

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Active Assailant

Active shooter incidents have become a major concern as the incidents in the United States continue to rise in frequency. A recent study by the FBI found that between 2000 and 2006, an average of 6.4 incidents occurred annually, but between 2007 and 2013 that average has increased to 16.4 incidents. Most recently the events in Parkland, FL and Santa Fe, TX have brought this issue to the forefront of everyone's mind. Although they cannot always be prevented, there are can steps to help minimize the impact on your students and employees. Last year the District purchased Active Assailant coverage with XL Catlin. This year the incumbent offered a completely flat renewal with an option to increase the limits. This is a very good renewal considering the current environment.

	2017-2018	2018-2019
	Expiring	Renewal
Carrier	XL Catlin	XL Catlin
Limit – Extra Expense	\$1,000,000	\$1,000,000
Limit- Business Interruption	Included	Included
Deductible	\$10,000	\$25,000
Business Interruption Waiting Period	24 Hours	24 Hours
Locations Covered	All Campuses on SOV	All Campuses on SOV
Premium	\$15,000	\$15,000

- Option to increase limits from \$1,000,000 to \$5,000,000 - \$10,000 in additional premium.

What is an Active Assailant Event?

For the purposes of this extension an Active Assailant(s) Event means a premeditated malicious physical attack either at the location of, or during an activity organized and paid for by the Insured, by an Active Assailant(s) who is armed with a hand-held weapon.

What is the definition of an Active Assailant?

An Active Assailant(s) means a person or group of persons actively engaged in killing or attempting to kill or cause serious bodily injury to a person or group of persons.

What does an Active Assailant Extension cover?

An Active Assailant Extension covers the business interruption and extra expense.

What is included in 'Extra Expense'?

Extra expense can include but is not restricted to public relations consultancy costs, relocation expenses, counselling and/or psychiatric care costs, medical expenses, job retraining costs, recruitment costs, and temporary security costs.

What is the trigger for the Active Assailant Extension?

The Active Assailant Extension will trigger coverage if an Active Assailant Event causes physical damage to your property, or if it causes bodily injury or death which affects three (3) or more persons physically present during the attack.

Surely my policy covers this already?

Stand-alone terrorism policies do cover terrorist assailant scenarios, but the policies are only triggered by property damage and coverage would be limited to property damage, business interruption and extra expense coverage specified. Stand-alone terrorism policies would not pay out for many recent events. This extension removes any grey area surrounding the motive of the attack.

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Does the weapon have to be a gun?

No. The weapon can be a gun, knife, or any other hand-held instrument used to cause serious bodily injury to a person or group of persons. The weapon can also be improvised on-site. The only stipulation is that attack needs to be a premeditated malicious physical attack.

Is an Active Assailant a Terrorist?

An Active Assailant may or may not be affiliated with a terrorist organization; and may or may not be a Terrorist. In the US many Active Assailant events have been lone-shooter driven, rather than terrorism driven. For the purposes of our policy it doesn't matter whether or not the Active Assailant is ideologically driven.

Extensions to the Active Assailant Policy, included in premium:



Introductory Phone Call with S-RM

Information and guidance on the following:

- » The Active Assailant threat
- » Preparation, response and follow-up to an incident
- » S-RM's capabilities and how to benefit from our bespoke consulting services



Online Training Videos

Video-based training designed for use at different management levels:

- » Higher level: aimed at developing your organisation's approach to *prevention and preparation*
- » Lower level: aimed at guiding your staff's *response* to an incident

Access to S-RM's Global Security Insight

Global Security Insight (GSI) is an intuitive online platform providing risk forecasts, travel advice and regional context. Researched, written and maintained by regional experts, GSI is the most accessible way to stay highly informed on political and security risks



Consulting Services

Risk Assessment and Audit

- » Identify the vulnerabilities of your assets and build your resilience

Crisis Management Consulting

- » Guidance on how to develop preparedness and response capabilities
- » Access to crisis communications and PR support specialists Edelman

Post-event Review

- » Review lessons learned; implement new policies and plans

Clay County School District

Cost Summary

Description	Expiring Program	Option 1	Option 2
	2017-2018	2018-2019	2018-2019
		Per Expiring	NY Marine XS WC
School Board Package	\$ 350,000	\$ 355,000	\$ 355,000
Excess Property	\$ 464,254	\$ 506,376	\$ 506,376
Excess WC	\$ 109,779	\$ 111,847	\$ 105,725
B&M	\$ 12,160	\$ 13,151	\$ 13,151
Storage Tank	\$ 4,383	\$ 4,469	\$ 4,469
Active Assailant	\$ 15,000	\$ 15,000	\$ 15,000
Student Accident	\$ 8,780	\$ 8,869	\$ 8,869
Cyber Risk	\$ 21,243	\$ 21,243	\$ 21,243
Total Cost before fees	\$ 985,599	\$ 1,035,955	\$ 1,029,833
Florida Surcharges/ FEMA Fees	\$ 28	\$ 28	\$ 28
AJG Risk Management Fee	\$ 60,000	\$ 60,000	\$ 60,000
Total Cost after fees	\$ 1,045,627	\$ 1,095,983	\$ 1,089,861
Total ▲ over expiring (\$)		\$ 50,356	\$ 44,234
Total ▲ over expiring (%)		5%	4%

Coverage Options:

A	Increase Auto Liability and General Liability Self Insured Retention from \$100,000 to \$200,000	\$18,000 Premium Reduction
B	Reduce Workers Compensation Self Insured Retention from \$250,000 to \$200,000:	\$45,000 Additional Premium
C	Increase Active Assailant coverage to \$5,000,000	\$10,000 Additional Premium

Notes:

- *Active Assailant & Cyber coverage's are not included in the Risk Management Fee. Therefore, Gallagher will earn commission for placing these coverages. The commission is included within the premium, and not in addition to, the amounts shown above.

Conclusion and Recommendation

Overall, the Clay County School District has received a very favorable renewal. Despite the tightening property market, we were able to negotiate a FLAT rate renewal. The only increase in property premium is a result of the increase in total insured values. The remaining coverages are basically flat renewals as well.

Thank you for allowing us the opportunity to present this renewal. We appreciate the trust you have placed in Arthur J. Gallagher Risk Management Services, and pledge our personal and corporate commitment to serving the Clay County School District.