

Clay County School District

Executive Summary

Insurance Renewal

June 30th, 2022-2023

Arthur J Gallagher Risk Management Services, Inc.

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June 15th, 2022



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Gallagher

Insurance | Risk Management | Consulting

Your Team

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

Name/Title	Phone	Email	Role
Primary Service Team			
Jori Van der Voort, ARM Area Senior Vice President	305.639.3116	Jori_Van_der_Voort@ajg.com	Team Leader
Natalie Delgado Client Service Associate Senior	305.639.3146	Natalie_Delgado@ajg.com	Client Service Associate Sr.
Claims Advocacy			
Scott Clark, AAI Area Senior Vice President, Claim Advocate for Southeast Region	561.998.6815	Scott_Clark@ajg.com	Property Claim Advocate
Senior Resources			
Zeb Holt Regional Executive Vice President –Florida	305.639.3113	Zeb_Holt@ajg.com	AJG Leadership
Dave Marcus, ARM-P Area Chairman	561.998.6800	Dave_Marcus@ajg.com	Senior Management

State of the Market

The big picture

- Like 2018 and 2019, 2020 was a challenging market overall. Our clients faced significant difficulties trying to find coverage, with capacity issues and significant rate increases—for some clients as much as 50%–100% increases, often multiple years in a row.
- A confluence of factors challenged the industry, including
 - ❖ social inflation—the trend of rising insurance costs as a result of increased litigation
 - ❖ plaintiff-friendly judgements and high jury awards
 - ❖ increased storm activity and pandemic losses
 - ❖ carriers' ability to offset these results through investment income remained a challenge due to the lower interest rate environment.
- Rate increases are moderating for some lines. Three years of carriers raising rates, restricting limits and increasing deductibles have generally made the market more attractive to new business.

Property

- Between wildfires, civil commotion and major freeze events, carriers responded to 2020 and 2021 events with increased deductibles, reduced capacity, and changes in coverage. For the third straight year, carriers obtained significant rate increases across their Property portfolios.
- Less-modeled and un-modeled risks continued to plague the Property marketplace, such as wildfires, flood and convective storms.
- This past year was very active in climate-driven claims, including winter storm Uri in February, which many meteorologists claim was a one-in-1,000-year event.
- Hurricane Ida, which made landfall in August, caused significant damage in the Southeast and Northeastern United States.
- 2020 and 2021 set the top records for the most separate billion-dollar+ weather and climate disaster in the United States at 22 events in 2020 and 20 events in 2021.
- The median increase in Q3 2021 for Property policies was 9.1% in Q3 2021, with 85% taking an increase.

- There are still challenging renewals, especially for challenging occupancies and catastrophe-exposed businesses.
- Carriers are scrutinizing their clients' statements of value, demanding in many cases that values be raised as there have been huge discrepancies between insured values and the actual replacement cost at time of loss.

Excess Liability

- **General Liability** continues to be a struggle in certain geographic areas of the country due to sovereign immunity statutes and statewide litigation and claims trends.
 - ❖ Available limits are being slashed and premiums continue to increase 5-15% or more.
 - ❖ Excess limits are being cut by 50% or more.
- **Auto Liability** rates are still not keeping pace with the increases in claims frequency and severity.
- **Sexual Abuse and Molestation Liability** coverage continues to be very difficult to place.
 - ❖ Limits are being slashed, premiums are increasing at a very high rate and client retentions are soaring.
- **School Leaders Errors & Omissions and Employment Practices Liability** – the marketplace continues to harden.
 - ❖ Federal claims continue to drive many of the losses in these coverages.
 - ❖ In addition to seeing nominal rate increases, we are seeing some carriers implement new restrictions.

Excess Workers Compensation continues to be a challenge for Florida Public Entities.

- There are a limited number of carriers that will write this coverage for public sector.
- Rate increases have been in the 5-10% range (unless losses dictate otherwise).
- Retentions and premium continue to rise primarily due to medical advances, improving mortality patterns for patients with serious injuries, and increasing prevalence and cost of home health care.
- Notable rise in "Mega" claims, classified as claims over \$3 million.

Cyber

- The ransomware and cybersecurity risk trends we saw in 2020 continued to plague the Cyber insurance market throughout the first three quarters of 2021.
- Cyber claim frequency and severity continued spiraling upward, which led to a swift response from the Cyber insurance market. Carriers imposed significant limitations of capacity, narrowed the scope of coverage terms, heightened underwriting scrutiny and significantly increased rates.

- Insurance products will reflect decreasing carrier appetites to fully cover ransomware costs, as they push for cost-sharing in the form of ransomware coinsurance and sublimits.
- Nearly all carriers now require attestation of at least some preventive controls, which likely include multifactor authentication, remote desktop protocol, data backup practices, segregation of networks, encryption, patch management, privileged account management, employee training and a host of other preventive measures.
- Rate increases were experienced across most industry sectors, with larger companies subject to greater increases and higher underwriting scrutiny.
- Companies without best-in-class data security are likely to see rate increases in the 100–200% range, and in some cases as high as 400%. Even those that comply with all underwriting required security controls are seeing increases in excess of 75%.
- Most Cyber insurance buyers are feeling the impact through time consuming and complex renewals, with many obtaining less coverage at a higher cost.
- The Cyber underwriting community has responded to 2020 and 2021 loss data and Cyber claim trends with a laser focus on data security controls when evaluating risks.
- We expect even greater underwriting scrutiny of cyber security controls in the Cyber insurance market throughout the remainder of 2021, with capacity continuing to shrink.
- Rate hikes show no real signs of leveling off in the near term.
- This will likely force insureds to offset these costs by assuming greater self-insured retentions and taking an even greater role in actively managing cyber risk.

Wind Modeling

1. Concentration and Geographic Location of Property: Clay County School District has a little over \$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 RMS model. This year the model projects a 250-year PML (the value observed by insurance companies) of \$35.0 million. 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 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.

2022 Hurricane Modeling Results

Critical Prob.	Return Period	RMS 18.0	
		Ground Up	Gross Loss
0.01%	10,000	\$188,769,782	\$155,898,385
0.10%	1,000	\$77,937,935	\$60,446,443
0.20%	500	\$54,001,194	\$40,520,487
0.40%	250	\$34,983,552	\$24,632,263
1.00%	100	\$16,457,469	\$9,421,535
AAL		\$673,905	\$365,317

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

Top 5 Key Drivers of Loss

Address	AAL	Flood Zone	Distance to Coast (mi.)	TIV
3750 State Road 220, Middleburg, FL 32068	\$20,247	X	30.85	\$41,922,452
5400 Pine Avenue, Orange Park, FL, 32003	\$13,148	X	19.23	\$3,568,937
900 SW Orchid Avenue, Keystone Heights, FL, 32656	\$9,283	X	44.97	\$4,087,436
2020 Thunderbolt Road, Orange Park, FL, 32003	\$8,127	X	22.91	\$21,089,142
5400 Pine Avenue, Orange Park, FL, 32003	\$7,966	X	19.23	\$3,271,263

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.

Renewal Exposures

Property Exposures	<u>2021-2022</u>	<u>2022-2023</u>	<u>Diff</u>
Building/Walkways and Portables	\$ 978,441,024	\$ 1,084,414,060	10.83%
Miscellaneous	\$ 3,058,405	\$ 3,058,405	0.00%
Personal Property (Furniture & Equipment)	\$ 27,677,756	\$ 27,677,756	0.00%
Software	\$ 3,073,284	\$ 3,073,284	0.00%
Audiovisual	\$ 93,244	\$ 93,244	0.00%
Vehicles	\$ 28,179,517	\$ 28,179,517	0.00%
Seats & Scoreboards	\$ 3,357,870	\$ 3,357,870	0.00%
Total	\$ 1,043,881,101	\$ 1,149,854,137	10.15%

Casualty Exposures	<u>2021-2022</u>	<u>2022-2023</u>	<u>Diff</u>
GOE	\$ 316,688,483	\$ 333,812,610	5%
Total Payroll	\$ 217,591,524	\$ 232,221,999	7%
Students	37,720	36,831	-2%
Vehicles	615	629	2%
Employees	5,178	5,119	-1%

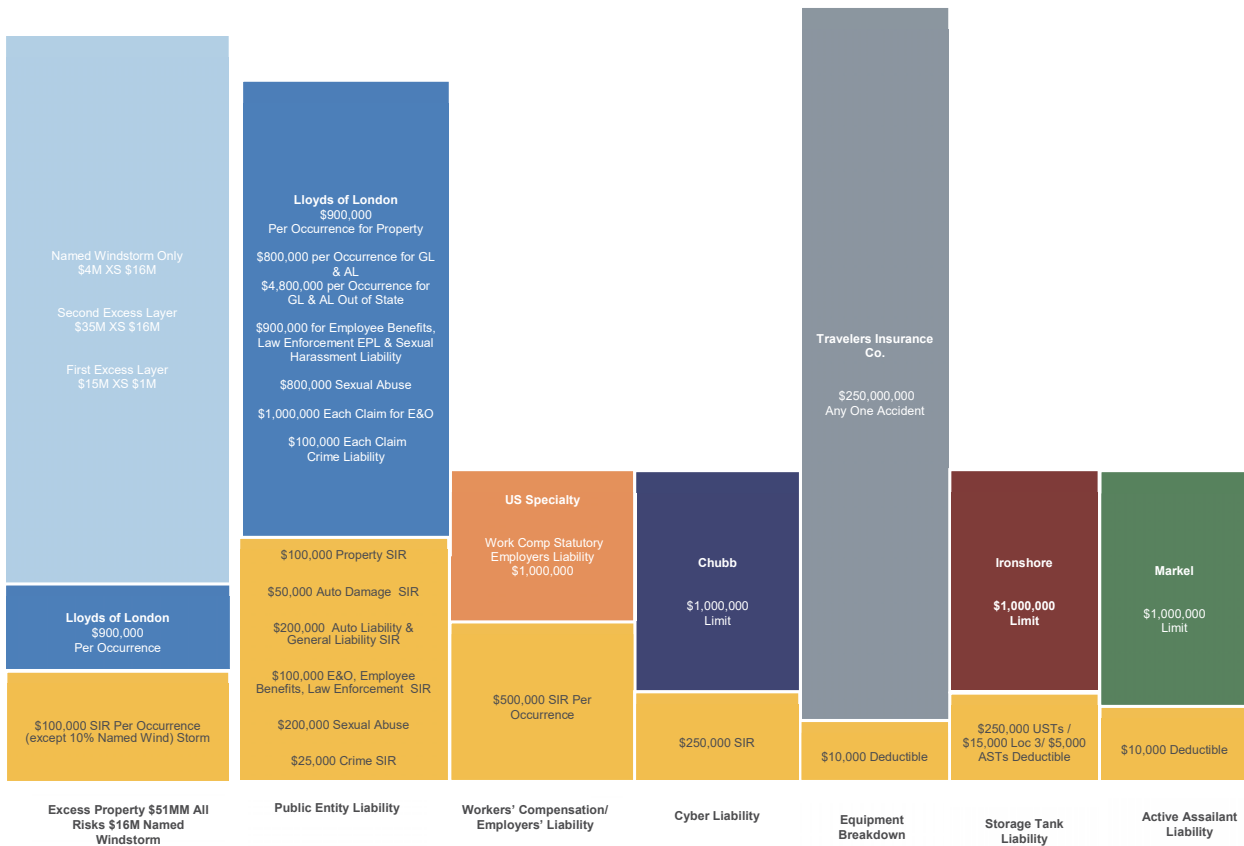


Property Historical Review

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Named Windstorm Limit	\$11,000,000	\$11,000,000	\$11,000,000	\$11,000,000	\$13,500,000	\$13,500,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	20,000,000
Named Windstorm Deductible	7.5% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum	10% - \$1,000,000 Minimum
Total Excess Property Premiums	\$807,250	\$753,256	\$610,000	\$560,000	\$464,254	\$468,000	\$507,619	\$576,422	\$657,960	\$709,441	\$898,004
Total Insured Values	1,071,388,873	1,046,329,082	981,174,051	1,109,446,339	908,967,381	909,008,284	984,693,288	1,007,091,790	1,043,019,847	1,043,881,101	1,149,854,136
Property Rate	0.0753	0.0720	0.0622	0.0505	0.0511	0.0515	0.0516	0.0572	0.0631	0.0677	0.0781



2022 Program Structure



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

2022 Premium Summary

		#1	#2	#3	#4
	Expiring Program	Renewal	Increasing Excess WC SIR to \$600,000	\$16MM Wind Limit	\$16MM Wind Limit & Increasing Excess WC SIR
Description	2021-2022	2022-2023	2022-2023	2022-2023	2022-2023
School Board Package	\$ 342,400	\$ 384,750	\$ 384,750	\$ 384,750	\$ 384,750
Excess Property	\$ 706,441	\$ 898,004	\$ 898,004	\$ 805,504	\$ 805,504
Excess WC	\$ 140,129	\$ 179,740	\$ 161,627	\$ 179,740	\$ 161,627
B&M	\$ 14,446	\$ 14,642	\$ 14,642	\$ 14,642	\$ 14,642
Storage Tank	\$ 20,000	\$ 18,360	\$ 18,360	\$ 18,360	\$ 18,360
Active Assailant*	\$ 14,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Student Accident	\$ 9,069	\$ 9,069	\$ 9,069	\$ 9,069	\$ 9,069
Cyber Risk	\$ 40,068	\$ 44,343	\$ 44,343	\$ 44,343	\$ 44,343
Total Cost before fees	\$ 1,286,553	\$ 1,573,908	\$ 1,555,795	\$ 1,481,408	\$ 1,463,295
Florida Surcharges/ FEMA Fees	\$ 32	\$ 32	\$ 32	\$ 32	\$ 32
TRIA	\$ 600	\$ 550	\$ 550	\$ 550	\$ 550
AJG Risk Management Fee	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Total Cost after fees	\$ 1,347,185	\$ 1,634,490	\$ 1,616,377	\$ 1,541,990	\$ 1,523,877
Total ▲ over expiring (\$)		\$ 287,305.00	\$ 269,192.00	\$ 194,805.00	\$ 176,692.00
Total ▲ over expiring (%)		21%	20%	14%	13%
*Active Assailant quote has not been received. The above number is an estimate and not bindable.					

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 renewal outcome. 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.

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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.

- | | | |
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| Entertainment | Management Liability | |

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

16+ INDUSTRY PRACTICES



LEADERS WHERE IT COUNTS

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SHARED VALUES + PASSION FOR EXCELLENCE = PROMISES DELIVERED

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