

Property & Casualty Insurance Proposal Executive Summary

Clay County School District

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Clay County School District

Executive Summary

About your Broker

Arthur J. Gallagher Risk Management Services, Inc.

1. 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.
2. AJG is the 4th largest Insurance Broker in the World.
3. A public company traded on the New York Stock Exchange.
4. Over 200 offices throughout the United States and in all major insurance market centers.
5. Over \$20 billion worth of premiums placed Worldwide.
6. Over 20,000 employees worldwide linked together by Gallagher Online for immediate access to market information and client solutions.
7. Known nationally as the Public Entity and Scholastic experts.
8. Unsurpassed FEMA public assistance expertise

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 resources and services that add value to the insurance purchasing decisions made throughout the year.

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 risk exposures, and have 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. Assisting the District with obtaining a reasonableness determination from the State of Florida to enable potential eligibility for Federal disaster assistance.
3. Reviewing and advising on contracts and third party insurance.
4. Loss Control and Claims Advocacy Services
5. Finding creative ways to minimize costs while maximizing the protection that the District receives.

This year we were met with a challenge in that the District's property values have increased by \$128 million (13%). We have therefore worked diligently to ensure that the District is receiving the best coverage terms and pricing available.

Marketplace Status as of May 2015

Property Insurance

Overall the Florida property market continues to remain soft. There continues to be plenty of competition and new insurance carriers entering the catastrophic property marketplace. Pricing will depend on how aggressively the account was priced over the years and how the terms and conditions have been structured. While there will be some price reductions, carriers are most flexible on improving terms and conditions.

Excess Workers Compensation – Market is stabilizing

The excess workers compensation insurance market continues to be challenging, and has been characterized in the last several years by:

1. Industry combined ratios that had been exceeding 100% (and which have little to no investment income to make up the difference).
2. Carriers withdrawing from, or curtailing their writings in the market
3. Carriers having their ratings threatened
4. Increased rates and higher self-insured retentions.

While the market volatility appears to have subsided, the market is still in a slight uptick. However, for clients with positive loss experience, we have been able to negotiate favorable renewals.

Risk Characteristics of Clay County School District

1. **Concentration and Geographic Location of Property:** Clay County School District has more than \$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 wind exposure using the AIR and RMS models. This year the models remain consistent with last year in projecting a PML in the \$25 to \$50 million range. Thanks to the efforts of District Staff, the significant reduction in the RMS loss projection, and a softer market, we have been able to negotiate some very favorable property renewal options.
3. While the models cannot predict the future, their results tell us that insurers expect the entire \$11 million of Named Windstorm coverage being providing to be exhausted in the event of a moderate to severe hurricane. Therefore, we recommend the School District consider an increased named windstorm limit, for which options have been included on the following pages.

Clay County School District

2015 Hurricane Modeling Results

Critical Prob.	Return Period	AIR		RMS	
		Ground Up	Gross Loss	Ground Up	Gross Loss
0.10%	1,000	\$55,983,791	\$20,093,040	\$97,193,146	\$76,090,584
0.20%	500	\$40,160,852	\$14,104,044	\$67,815,589	\$51,586,289
0.40%	250	\$27,378,061	\$10,642,154	\$44,001,613	\$31,698,299
1.00%	100	\$11,663,820	\$6,414,814	\$20,723,395	\$12,494,420
2.00%	50	\$6,198,255	\$3,938,256	\$9,426,263	\$3,302,674
5.00%	20	\$1,617,141	\$1,175,715	\$1,967,499	\$0
AAL		\$553,834	\$293,839	\$848,620	\$473,354

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

Glossary of Terms/Acronyms:

AIR Worldwide (AIR) / 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 or cedant’s loss after deductibles, attachment point(s), and limits are applied, but before any reinsurance.

4. **Large Individual Locations:** This year, there are three locations (shown below) that are scheduled with a value that exceeds the \$51 million (non-named windstorm) loss limit. Therefore, we recommend the District consider increasing this limit. 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). A quote for this option can be made available upon request.

Location	Value
Oakleaf Senior High	\$66,689,620
Orange Park Senior High	\$56,824,034
Middleburg Senior High	\$55,986,493

Clay County School District

Exposure Changes Since Last Year

Exposure	Expiring	Projected	% Δ
	2014 - 2015	2015 - 2016	
Total Insured Values (TIV)	\$981,174,051	\$1,109,446,339	13.07%
Total Vehicles	508	508	0.00%
Total Payroll	\$198,081,943	\$190,766,958	-3.69%
GOE	\$253,013,492	\$247,648,310	-2.12%
Student Count	34,814	34,947	0.38%
Employee Count	4,714	4,685	-0.62%

Loss Experience

From the standpoint of your insurance program, the District has had relatively favorable loss experience in that few losses have exceeded the District's self-insured retentions. While this helps to maintain insurance pricing stability, the dollars shown under "Aggregate Losses" represent opportunities to reduce cost.

Policy Year	No. Claims			Total Incurred	Less: Excess Insurance	Aggregate Losses
	Open	Closed	Total			
6/30/04 - 05	1	216	217	\$1,462,391	\$74,830	\$1,387,561
6/30/05 - 06	0	248	248	\$993,821	\$0	\$993,821
6/30/06 - 07	2	250	252	\$1,204,614	\$0	\$1,204,614
6/30/07 - 08	0	225	225	\$927,173	\$90,601	\$836,572
6/30/08 - 09	0	218	218	\$918,180	\$0	\$918,180
6/30/09 - 10	3	211	214	\$878,339	\$0	\$878,339
6/30/10 - 11	0	216	216	\$1,100,779	\$0	\$1,100,779
6/30/11 - 12	2	185	187	\$645,574	\$0	\$645,574
6/30/12 - 13	10	169	179	\$1,063,553	\$0	\$1,063,553
6/30/13 - 14	6	158	164	\$502,185	\$0	\$502,185
6/30/14 - 3/31/15*	37	117	154	\$586,143	\$0	\$586,143

* Partial year – not complete

Renewal Goals and Highlights

In view of continued pressure on the District's budget, as well as opportunities that are available in the current market environment, our overriding goal for the 2015 renewal was to obtain a cost reduction, while also obtaining additional coverage. This year we have negotiated a **renewal that is 5% lower than the expiring program (i.e. more than \$60,000 lower), and which includes more coverage.**

Clay County School District

Market Review

We have approached the following carriers in an effort to obtain the most comprehensive and cost effective insurance program.

CARRIER	LINE OF COVERAGE	CARRIER POSITION
Certain Underwriters at Lloyd's	Package	Quoted
State National Insurance Company	Excess Workers Compensation	Quoted
Commerce and Industry Insurance Company	Storage Tank Liability	Quoted
Zurich American Insurance Company	Boiler & Machinery	Quoted
Westchester Surplus Lines Insurance Company	Property	Quoted
Allied World Assurance Company, Ltd	Property	Quoted
Alterra Excess & Surplus Insurance Co	Property	Quoted
AxisSurplus Insurance Company	Property	Quoted
Landmark American Insurance Company	Property	Quoted
National Fire & Marine Insurance	Property	Quoted
Liberty Surplus Insurance Corporation	Property	Declined- Primary/Excess Market, Capacity not needed.
AmRisc (multiple carriers)	Property	Declined- Capacity not needed.
Arch Specialty Insurance Company	Property	Declined-Primary/Excess Market, Capacity not needed.
Aspen Specialty Insurance Company	Property	Declined- Primary/Excess Market, Capacity not needed.
C N A - Columbia Casualty Company	Property	Declined- Not entertaining school districts at this time.
Colony Insurance Company	Property	Declined- Could Consider AOP perils on excess basis only, Capacity not needed.
CV Starr - Chubb Custom Ins. Co. or General Security Indemnity of Az	Property	Declined- Primary/Excess Market, Capacity not needed.

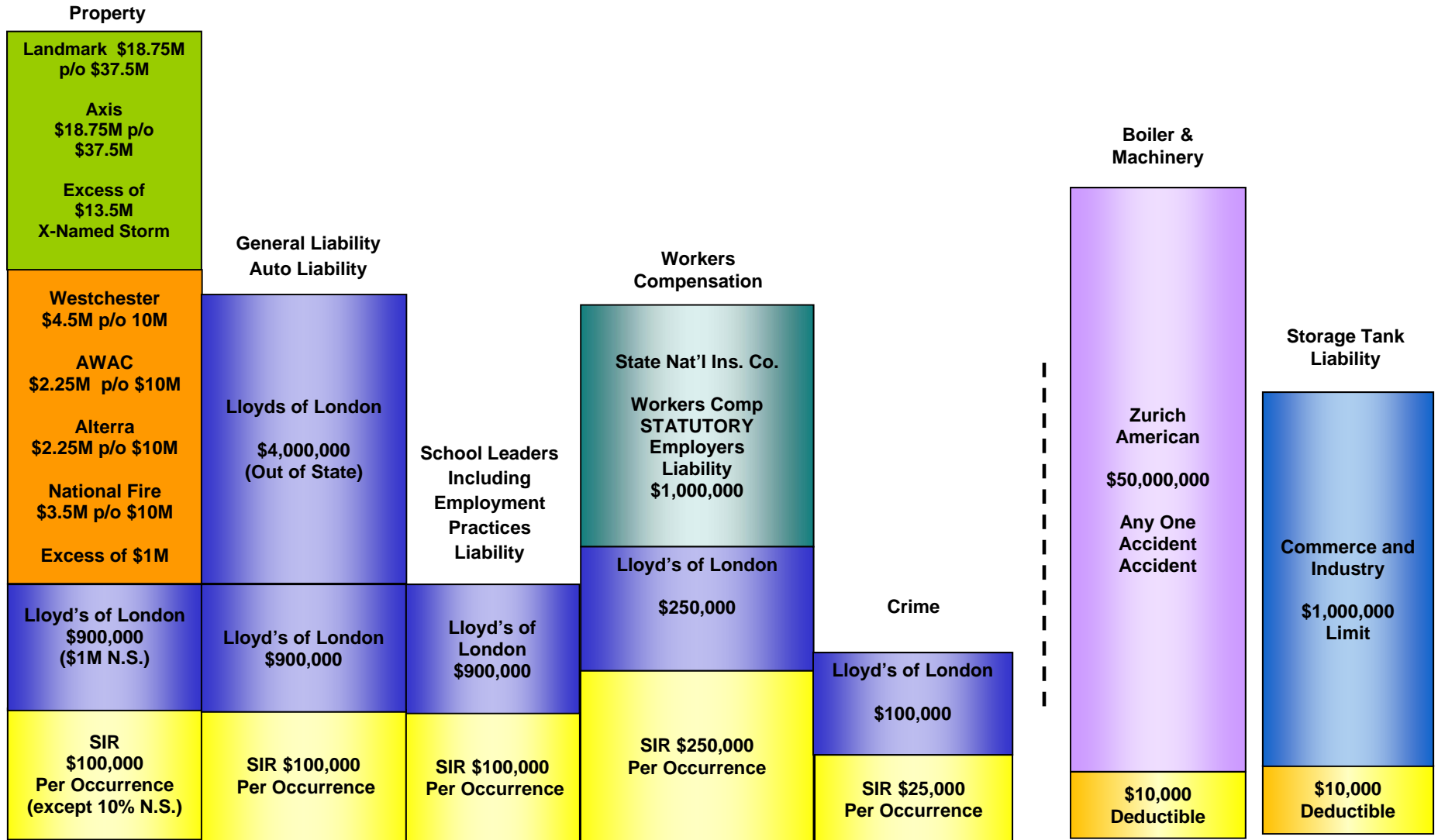
Clay County School District

CARRIER	LINE OF COVERAGE	CARRIER POSITION
Diamond State - United National Insurance Company	Property	Declined- Unable to entertain due to size of TIV
Great American Insurance Company of NY	Property	Declined- Excess market excluding wind peril, Capacity not needed.
Hiscox – Lloyds of London	Property	Declined- Primary/Excess Market, Capacity not needed.
Ironshore Specialty Insurance Company	Property	Declined-Primary/Excess Market, Capacity not needed.
James River Insurance Company	Property	Declined- Excess market, capacity not needed.
Lexington Insurance Company	Property	Declined- Primary/Excess Market, Capacity not needed.
Lloyds of London – various syndicates	Property	Declined- Cannot compete with pricing
Scottsdale Insurance Company	Property	Declined- Primary/Excess Market, Capacity not needed.
Swiss - First Specialty Insurance Corp.	Property	Declined- Primary/Excess Market, Capacity not needed
Travelers Excess and Surplus Lines Insurance Company or Travelers Indemnity Company	Property	Declined- Could offer capacity in x-wind layer, Capacity not needed
XL - Indian Harbor Insurance Company	Property	Declined- Primary/Excess Market, Capacity not needed.
Zurich - Steadfast Insurance Company	Property	Declined- Primary/Excess Market, Capacity not needed.

Clay County School District

2015-2016 Program Illustration (Renewal as Expiring)

(summary only, does not include all terms and conditions)



Package Self-Insured Retention is a Combined Lines Retention

Clay County School District

Renewal Report

Although the District reported a large increase in its total insured values this year, we are very happy to report that we have been able to obtain additional windstorm coverage, while still negotiating a 5% cost reduction. This equates to more than \$60,000 in savings on this year's property and casualty insurance renewal. Upon request, the District is able to secure additional windstorm coverage, and still enjoy cost savings over last year.

School Board Package

The foundation for the District's Self-Insurance program is the School Board Package. It provides the primary layers of coverage for the Property, Liability, Educators Legal Liability, Workers Compensation, and Crime coverages. This year we have obtained a flat renewal premium.

- Renewal Premium: \$434,900

A benefit of the School Board Package is that it may make funds available to the School District for loss control projects. This policy has also helped to maintain stability in the program, particularly with the difficulties in Crime and Educators Legal Liability coverage in the past few years.

Excess Property Insurance Program

The Excess Property Insurance program will provide \$50 million of coverage (\$12.5 million of Named Windstorm coverage) in excess of \$1 million of coverage provided by the package. Although the District's reported values are up about 13% this year, we are happy to report that we were able to obtain an 8% premium reduction on this line of coverage while negotiating for higher limits. This is a result of the District's assistance, in partnership with the Gallagher team, as well as our negotiations in the market, and fostering a competitive environment.

Program Comparison

	2014	2015
Loss Limit	\$50,000,000	\$50,000,000
Named Storm Sublimit	\$10,000,000	\$12,500,000
Named Storm Deductible	10% / \$1,000,000 minimum	10% / \$1,000,000 minimum
Premium	\$610,000	\$560,000
% Premium Change		-8%

Additional Named Windstorm Limit available, upon request.

Notes:

- a) Above is for illustrative purposes. Does not include all terms and conditions or mandatory surcharges.
- b) Above does not include TRIA terrorism, which is available for an additional premium.

Clay County School District

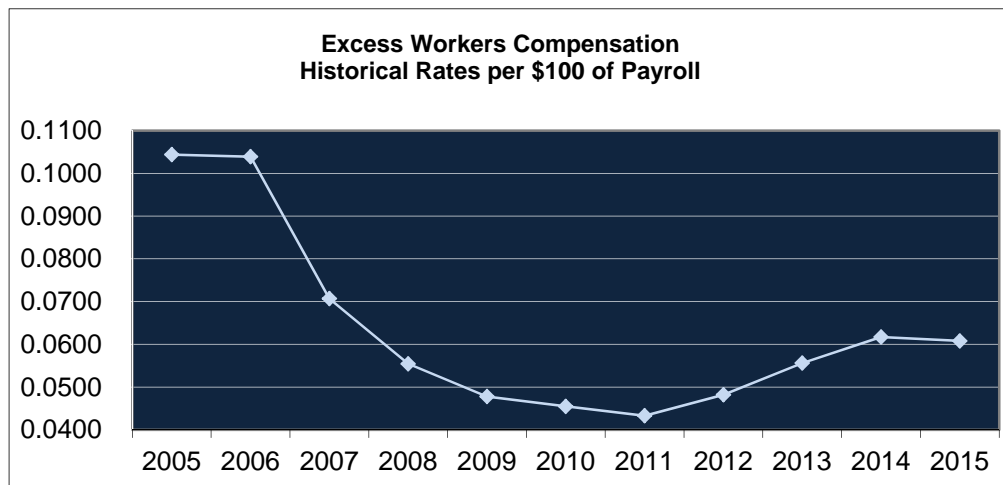
Boiler and Machinery (B&M)

Coverage is provided by Zurich, and remains the same as expiring. The premium has increased due to the increase in values.

1. Limit: \$50 million, with various sublimits
2. Deductible: \$10,000
3. Renewal Premium: \$16,395

Excess Workers Compensation

Although the excess workers compensation market continues to be difficult, we are able to negotiate favorable renewals for clients who have favorable loss experience. As noted below, this year appears to mark a halt to the rate increases that we have been seeing in recent years, and the District continues to enjoy a historically low rate for this coverage. It is important to note that the District's carrier values your business, and has remained very competitive throughout the years



4. \$500,000 Self-Insured Retention (to be eroded by the \$250,000 package buffer layer)
5. Statutory Workers Compensation and \$1,000,000 Employers Liability Coverage
6. Renewal Premium: \$115,982

Storage Tank Liability

7. Coverage is provided by Commerce & Industry Insurance Co.
8. Limits provided are \$1,000,000 per Occurrence/\$1,000,000 Aggregate.
9. Subject to a \$10,000 deductible
10. Coverage is for scheduled tanks at scheduled locations only, to meet statutory requirements.
11. Renewal Premium: \$3,443

Clay County School District

Cost Summary

Premiums	2014-2015	2015-2016
	Expiring Program \$10M xs \$1M N.S.	Renewal Program \$12.5M xs \$1M N.S.
School Board Package	\$ 434,900.00	\$ 434,900.00
Excess Property	\$ 610,000.00	\$ 560,000.00
Excess WC	\$ 122,217.00	\$ 115,982.00
B&M	\$ 14,200.00	\$ 16,395.00
Storage Tank	\$ 3,443.00	\$ 3,443.00
Total Cost before fees	\$ 1,184,760.00	\$ 1,130,720.00
EMPA	\$ 24.00	\$ 28.00
Admitted Surcharges	\$ 19.88	\$ -
Citizens Assessment	\$ 10,449.00	\$ 9,949.00
FHCFEA Assessment	\$ 13,813.09	\$ -
AJG Risk Management Fee	\$ 60,000.00	\$ 60,000.00
Fixed Cost Total	\$ 1,269,065.97	\$ 1,200,697.00

Note: Above premiums do not include Optional TRIA Terrorism coverage

Notes of Importance

Subject to:

1. Signed statement of values
2. Signed package application
3. Signed TRIA Terrorism forms.
4. Original signed storage tank application
5. Inspection and compliance with recommendations deemed essential by property underwriters.

Coverage Considerations

Following are coverages that the School District may wish to consider. Please let us know if you would like to discuss any of these coverages further, if you would like for us to obtain additional quotes, or if you have additional concerns that we have not addressed herein.

1. Higher named windstorm limit
2. Higher non-named windstorm limit (i.e. fire coverage for locations valued over \$51 million).
3. Terrorism (standalone or TRIA).
4. Cyber Risk (Network Security and Privacy Liability).
5. Violent Malicious Acts coverage

Clay County School District

Conclusion / Recommendations

We are very pleased with the results that we have been able to obtain for this year's renewal. The School District will be obtaining an additional \$2.5 million of named windstorm coverage, and will still be saving more than \$60,000. We recommend the District bind the coverage as presented in this executive summary, and we also encourage you to consider the coverages shown under "Coverage Considerations", quotes for which can be obtained upon request.

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.