



Pre-Renewal Proposal

Monroe County District School Board

241 Trumbo Rd.
Key West, FL 33040

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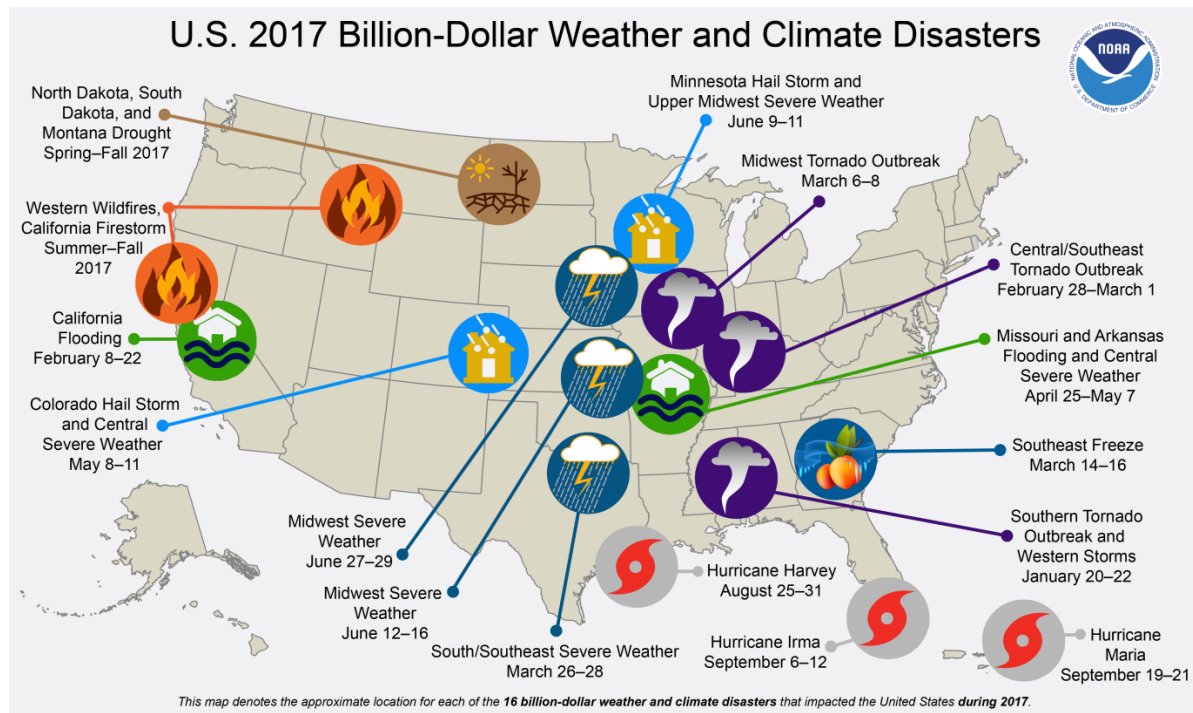
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Monroe County District School Board

EXECUTIVE SUMMARY

PROPERTY INSURANCE – STATE OF THE MARKET

2017 was an active year for major property losses 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 have total costs of approximately \$265 Billion or roughly \$100 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 chart below captures the sixteen (16) \$1+ Billion losses in the United States for 2017.



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.

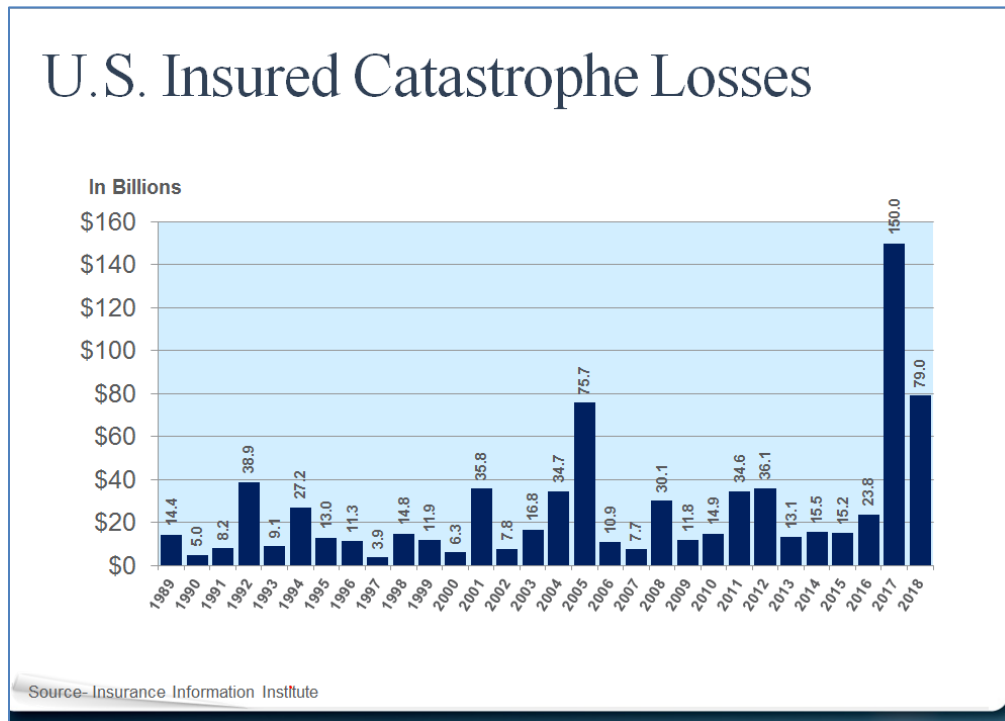


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On the heels of the costliest year on record for insurers in 2017, with insured loss estimates as high as \$150 billion, 2018 provided the insurance industry with a second consecutive year with higher than average catastrophe loss. The initial insured loss figures for 2018 are projected at \$79 billion, making 2018 the second worst year ever for insured cat losses. Losses from hurricane Florence are estimated to range between \$2 billion and \$5 billion, losses from hurricane Michael are projected between \$6 billion and \$10 billion and the California wildfire losses are estimated at a little over \$15 billion.



Even in light of these loss estimates, initial reinsurance renewals have seen only a moderate increase as the brunt of the 2018 losses were being borne by the primary insurers as opposed to the reinsurers. Increases varied and were applied to individual accounts that had losses rather than broadly applied across participants. Modest decreases were still possible on some of the European and Asian/Pacific Rim reinsurance programs that were not impacted by losses. Further reinsurance market hardening is anticipated into the March/April renewal periods, as this is when the majority of the U.S. CAT reinsurance programs typically renew.

We have once again seen some market participants closing down their property teams that were writing US CAT exposed business on a direct basis, as the margins they have been yielding on these books of business have come in below investor's expected yields. We anticipate that we will see other insurers take similar actions if they are unable to get the rate increases that they have targeted. Capacity has not yet demonstrated signs of contraction, as we have seen the Insurance Linked Securities (ILS) market continue to function smoothly, optimistic that risk premiums will improve over the next renewal cycle.

Overall, we are seeing a continued price hardening on property accounts.



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CASUALTY INSURANCE

Casualty rates in Public Sector have been relatively consistent in recent years. Rate pressure on the General Liability line is primarily one of rate adequacy – as well as a growing concern on the potential financial impact of sexual abuse, traumatic brain injury and the various shootings within the past year. Casualty markets continue to ‘right-size’ their General Liability rates as their loss history matures. Rate changes will largely be governed by the loss experience of the individual account.

Auto is consistently seeing rate increases, regardless of risk profile. While distracted driving continues to be a growing problem, also contributing to the increase in Auto premiums is the improving economy (more people are driving more frequently and/or for longer distances) and the increase in loss costs (vehicles are more expensive to repair).

The Public Officials/School Leaders E&O and Employment Practices Liability marketplace continues to harden. The trend is for more claims (and more unique claims) to be filed under this line of coverage. In addition to seeing rate increases, we are seeing some carriers implement new restrictions.

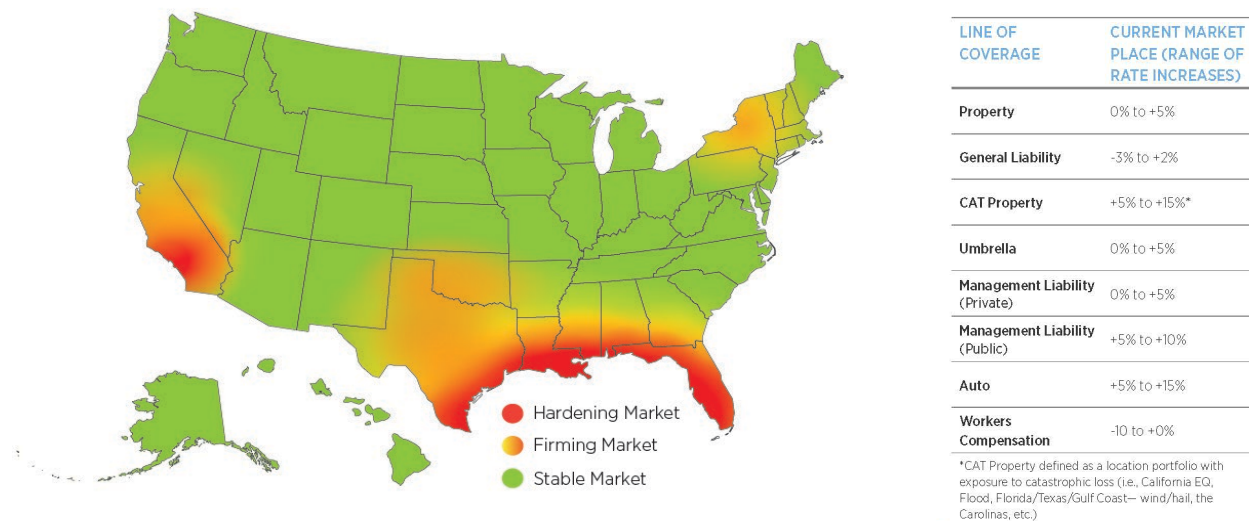
EXCESS WORKERS COMPENSATION INSURANCE

Workers’ Compensation trends are more positive than negative. We continue to see flat rates overall as lost costs and claim frequency are decreasing, more than the increasing rate of medical inflation. 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.

Although rates overall are flat or decreasing, some states continue to struggle with legislative and/or other legal challenges allowing for larger-than-desired claim settlements.

In addition, with the purchase of Midlands Insurance by Safety National, there are less Excess Workers Compensation markets in the State of Florida.

The table and heat map below show that overall pricing on most lines of coverage remained flat to a single-digit rate increase, with the CAT Property Market increasing up to 15%.



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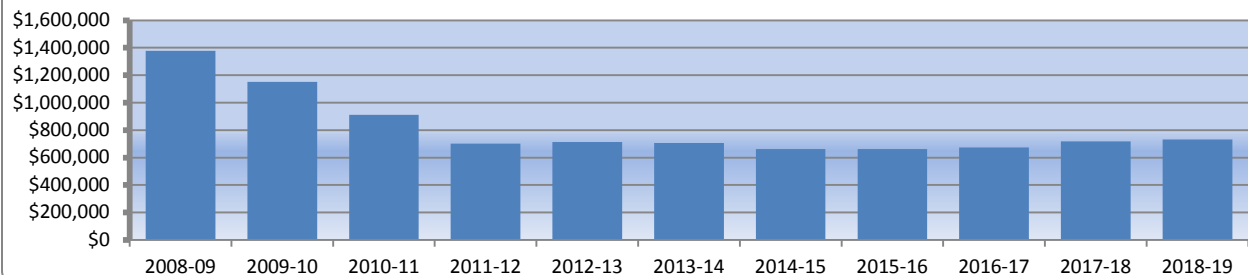
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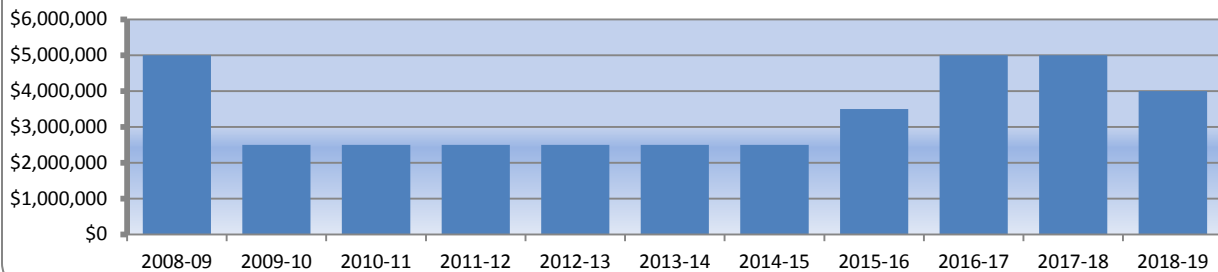
HISTORICAL REVIEW

Gallagher and the Monroe County School Board have worked together for many years structuring programs that are cost effective and comprehensive in coverage during both hard and soft market cycles.

Historical Premium 2008 – 2018



Historical Named Storm Limits 2008 – 2018



In addition to managing your premium costs, Gallagher has also been providing the following, which help reduce the Districts total cost of risk:

- FEMA Education and keeping you updated with FEMA Stafford Act changes.
- Assistance with Risk Management education and information.
- Claim Advocacy Services – Coordinating and assisting the School Board and your claims administrator in managing your workers compensation, liability and property claims.
- Participating in claim reviews and following up for resolution of specific issues.
- Providing Loss Control strategy and training services.

RENEWAL EXPOSURES

Exposures	2018 Expiring	2019 Renewal	% Change
Property Values	\$299,145,221	\$338,736,156	13.2%
Total GOE	\$99,120,663	\$103,981,869	4.9%
Number of Students	8825	8670	-1.8%
Number of Employees	1160	1169	0.8%
Payroll	\$62,362,595	\$64,233,470	3.0%
Vehicle Count	145	155	6.9%



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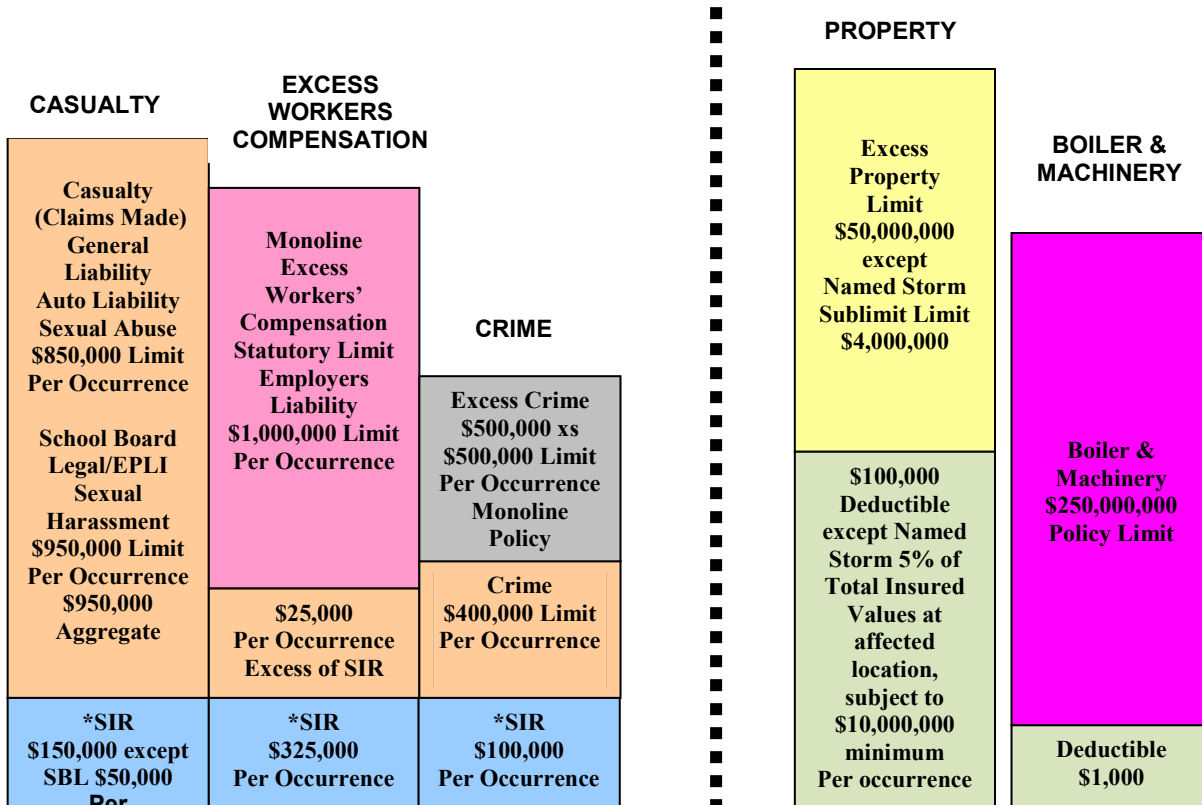
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2018 RISK MANAGEMENT PROGRAM STRUCTURE

PREMIER PUBLIC ENTITY PACKAGE

MONOLINE POLICIES



* In a multiple coverage part loss, only one self-insured retention applies. That retention would be the largest of the applicable retention
 Note: Exhibit does not reflect complete deductible terms, limitations, coverage's or exclusions. Refer to actual policy wording for details

Glossary of Terms/Acronyms:

School Board Legal Liability (SBL) – Errors and Omissions Liability Coverage

Employment Practices Liability (EPLI) – Errors and Omissions Liability Coverage

Excess (xs) – **Excess Liability** – Excess of the underlying

Self-Insured Retention (SIR) – That portion of a loss the insured must pay out before the carrier will pay

Deductible – That portion of a loss the insured will reimburse to the carrier after the carrier pays a loss



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WIND MODELING

Hurricane Including Storm Surge

Monroe County District School Board has approximately \$338 Million in values exposed to hurricane related events in the State of Florida. The following chart illustrates the probability of ground up losses exceeding various amounts due to one event in a given year, as described by the Occurrence Exceedance Probability (OEP). The 250yr event loss probability is commonly used by the insurance marketplace as a gauge for insurance pricing.

Critical Prob.	Return Period	2018 v17		2019		OEP % Change	
		Ground Up	Gross Loss	Ground Up	Gross Loss	Ground Up	Gross Loss
0.01%	10,000	\$143,885,699	\$132,882,961	\$161,122,069	\$148,101,304	12%	11%
0.10%	1,000	\$66,611,455	\$56,463,252	\$78,758,951	\$68,285,515	18%	21%
0.20%	500	\$50,763,110	\$40,645,850	\$58,326,210	\$48,180,321	15%	19%
0.40%	250	\$35,446,931	\$25,404,290	\$38,962,809	\$28,873,851	10%	14%
1.00%	100	\$20,192,326	\$10,142,536	\$21,897,726	\$11,868,466	8%	17%
AAL		\$930,879	\$352,501	\$991,442	\$414,124	7%	17%

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

**WHILE MONROE SCHOOLS PROPERTY VALUES HAVE INCREASED 13%,
INSURERS AVERAGE ANNUAL LOSS &
GROSS LOSS (AFTER DEDUCTIBLE) DUE TO A 100YEAR EVENT
HAVE INCREASED 17%**



Monroe County District School Board

MARKETING EFFORTS

Based on the difficult insurance marketplace, we have conducted an extensive marketing search for carriers that were interested in school boards, and in particular Monroe County. Below is a list of the markets we approached and their responses:

Carrier		Incumbent or New	Response
Everest	Property	Incumbent	\$400,000 premium for expiring terms
Ace/Westchester	Property	New	Indicated \$650,000 premium for primary \$5m
Hiscox	Property	New	Uncompetitive pricing – multiplies of pricing
Arch	Property	New	Pending Response
Arrowhead	Property	New	Pending Response
Ironshore	Property	New	Indicated \$775,000 premium for primary \$5m / 50% line
Axis	Property	New	Modeling
Beazley	Property	New	Pending Response
Berkshire	Property	New	Indicated \$690,000 premium for primary \$5m
BRIT	Property	New	Declined
Sompo	Property	New	Declined – uncompetitive pricing
AWAC	Property	New	Pending Response
Colony	Property	New	Modeling
London AJG	Property	New	Discussion that this has been very difficult in the past, pending market feedback
Swiss Re	Property	New	Declined – uncompetitive pricing
Ventus	Property	New	Pending Response
XL E&S	Property	New	Pending Response
Zurich	Property	New	Declined – uncompetitive pricing
CV Starr	Property	New	Pending Response
AmRisc	Property	New	Modeling / this account has been difficult in the past for them
Lexington	Property	New	Cannot compete



Monroe County District School Board

MARKETING EFFORTS - CONTINUED

Based on the difficult insurance marketplace, we have conducted an extensive marketing search for carriers that were interested in school boards, and in particular Monroe County. Below is a list of the markets we approached and their responses:

Carrier		Incumbent or New	Response
Safety National	XS WC	Incumbent	Quoted
Midwest Employers Casualty	XS WC	New	Not competitive with current terms – Minimum SIR \$1,000,000 due to loss experience
Arch Insurance Co.	XS WC	New	Requires SIR \$600,000 – Pending Indication if desired
Lloyds of London/Brit	Casualty Package	Incumbent	Quoted
AIX	Casualty Package	New	Declined to quote. Cannot compete with premium, terms and conditions
PESLIC	Casualty Package	New	Declined to quote. Cannot compete with premium, terms and conditions
Safety National	Casualty Package	New	Terms not competitive
Travelers	Boiler & Machinery	Incumbent	Quoted - \$250,000 Limit
CNA	Boiler & Machinery	New	Quoted - \$150,000 Limit
XL	Boiler & Machinery	New	Quoted - \$150,000 Limit
Lloyds of London/Brit	Cyber Liability	New	Indications Only
Lloyds of London	Cyber Liability	New	Indications Only



Monroe County District School Board

PROPERTY

The chart below shows the initial quotes for the property renewal. We are still out to the market in an effort to ensure we have obtained the best possible terms and pricing:

Carrier	Limit	Named Storm Coverage	Windstorm Deductible	Total Premium
OPTION #1 Everest Indemnity Insurance Co.	\$50,000,000	\$4,000,000 Named Storm Sublimit	Named Storm - 5% of the total insured values at affected location/campus, subject to \$10,000,000 minimum in any one occurrence. All other Windstorm/Hail - \$100,000 per occurrence.	\$400,000*
OPTION #2 Everest Indemnity Insurance Co.	\$50,000,000	\$5,000,000 Named Storm Sublimit	Named Storm - 5% of the total insured values at affected location/campus, subject to \$10,000,000 minimum in any one occurrence. All other Windstorm/Hail - \$100,000 per occurrence.	\$475,000*
OPTION #3 Everest Indemnity Insurance Co.	\$50,000,000	\$3,000,000 Named Storm Sublimit	Named Storm - 5% of the total insured values at affected location/campus, subject to \$10,000,000 minimum in any one occurrence. All other Windstorm/Hail - \$100,000 per occurrence.	\$365,000*

*NOT INCLUDING TRIA or FL FEES or INSPECTION FEE

- Total Insured Values (TIV) have increased 13.2% due primarily to the addition of the new school buildings at Gerald Adams Elementary and Plantation Key Elementary: \$299,145,221 to \$338,736,156
- Named Storm limit \$4,000,000 (Option 1), \$5,000,000 (Option 2) or \$3,000,000 (Option 3)
- Flood limit \$3,500,000 aggregate (will decrease to \$3,000,000 aggregate with Option 3)
- Inspection Fee \$800
- Deductibles remain the same as expiring.

All limits/sublimits are subject to deductible terms.



Monroe County District School Board

EXCESS WORKERS COMPENSATION

As mentioned earlier, the Florida Excess Workers Compensation marketplace continues to be limited. We have approached several carriers to explore options for the district.

Carrier	Incumbent/New	Response
Safety National	Incumbent	Quoted \$350,000 SIR per expiring
Midwest Employers Casualty	New	Not competitive with current terms – Minimum SIR \$1,000,000 due to loss experience
Arch Insurance Co.	New	Requires SIR \$600,000 – Pending Indication if desired

- Payrolls have increased 3% from \$62,362,595 to \$64,233,470
- Rate is FLAT at \$0.41031
- **Deposit Premium \$263,556 (subject to annual audit)**

Your current carrier, Safety National is the only carrier willing to write the coverage at a Self-Insured Retention of \$350,000. Lloyds of London provides a \$25,000 buffer in the Casualty Package (discussed in the next section) to keep your Workers Compensation SIR at \$325,000. This will keep the overall WC program coverage same as expiring.

Options including the higher SIRs were explored, but yielded a higher total cost to the School Board. The savings achieved by increasing the SIR in the Excess Insurance was not enough to offset the additional premium needed to expand the WC buffer in the Casualty Package.

Loss History:

There are several claims in your 10 year loss history that are affecting the rates and self-insured retentions being offered to you. A summary of those claims are as follows:

Claims Excess of \$300,000					
Policy Year	Number of Claims As of 2018 Renewal	Total Incurred As of 2018 Renewal	Number of Claims As of 2019 Renewal	Total Incurred As of 2019 Renewal	Change in Value
03/01/12-13	1	\$ 834,000	1	\$ 647,163	(\$186,837)
03/01/09-10	4	\$1,670,373	4	\$1,667,218	(\$3,155)
03/01/08-09	1	\$ 357,414	1	\$ 686,992	\$329,578
Total	6	\$2,861,787	7	\$3,001,373	\$139,586



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CASUALTY PACKAGE

Lloyd's of London/Brit renewal premium is \$135,000 which is the same as the expiring. As mentioned above, Brit, the Casualty Package carrier has agreed to continue to provide a WC buffer layer of \$25,000 excess of a \$325,000 SIR

Coverages in your casualty package include, but are not limited to:

- Workers Compensation: \$25,000 excess of \$325,000 SIR
- General Liability - \$850,000 excess of \$150,000 SIR
- Auto Liability - \$850,000 excess of \$150,000 SIR
- School Board Legal Liability – Aggregate Limit - \$950,000 excess \$50,000 SIR
- Employment Practices Liability Aggregate Limit - \$950,000 excess \$50,000 SIR
- Sexual Harassment Liability – Aggregate limit \$950,000 excess \$50,000 SIR
- Sexual Abuse Liability -Aggregate limit \$850,000 excess of \$150,000 SIR
- Law Enforcement Liability - \$850,000 excess of \$150,000 SIR
- Crime (Employee Dishonesty) - \$400,000 limit excess of \$100,000 SIR
- Clash Coverage: In the event of a covered loss involving more than one Coverage Section, the Assured will only be liable for one Self Insured Retention. This will be the Self Insured Retention for the Coverage Section that results in the largest Ultimate Net Loss.

Exclusions include but are not limited to:

- Medical Payment to & for students and visitors
- Pollution Liability
- Claims resulting from mold or fungus
- TRIA/TRIPRA
- **Total Premium including \$135,000**

Carrier	Incumbent/New	Response
Lloyds of London/Brit	Incumbent	Quoted Option for Larger WC Buffer to work with a \$600K SIR. \$275K limit for AP \$165,000
AIX	New	Declined to quote. Cannot compete with premium, terms and conditions
PESLIC	New	Declined to quote. Cannot compete with premium, terms and conditions
Safety National	New	Terms not competitive



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BOILER AND MACHINERY

The current carrier, Travelers, has decreased their rate by 10% this year and increased the limit from \$150,000,000 to \$250,000,000.

- Travelers Property & Casualty Company of America
- Limit \$250,000,000
- Terms, conditions and exclusions are same as expiring
- Values are based on the property schedule on file – building/walkways & contents values
- Premium increase due to increase in building and contents values
- Expiring Premium \$12,098
- **Premium \$12,851**
- **Optional deductible \$2,500**
- **Premium \$11,147**

Optional Indications – Comparison available:

Carrier	Limit	Deductible	Premium
Travelers	\$250,000,000	\$1,000	\$12,851
		\$2,500	\$11,147
CNA	\$150,000,000	\$1,000	\$11,000
XL	\$150,000,000	\$2,500	\$11,600

EXCESS CRIME

Your casualty package carrier (Lloyd's of London/Brit) provides the primary layer of crime coverage. They provide \$400,000 excess of \$100,000 Self Insured Retention. Coverage includes Employee Dishonesty, Money & Securities and Forgery coverage. Westchester Fire Insurance Co. provides excess crime coverage over the Employee Dishonesty follows:

- Limits \$500,000 excess of \$500,000 (\$400,000 excess of \$100,000 SIR in Lloyd's of London/Brit package).
- Deductible - \$100,000 in the Lloyds of London/Brit package
- All terms, conditions and exclusions will remain the same
- Expiring Premium \$9,303

Subjectivities:

- Full completed and signed application before binding.



Monroe County District School Board

RECOMMENDED COVERAGES FOR YOUR CONSIDERATION:

CYBER LIABILITY

As K-12 schools increase their use of digital tools and services, the number of cyber incidents will continue to rise. This map shows all cybersecurity-related incidents reported for US K-12 public schools and districts from January 2016 to October 2017.

- 216+ US K-12 schools and districts have experience one or more publicly disclosed cyber incidents since January 1, 2016
- 67 incidents were reported during 2016
- 74 incidents were reported during January - May 2017



When a breach event occurs, time is of the essence. Having a breach response plan in place with access to third-party resources you need can help you efficiently and cost-effectively respond and recover from a breach. As a Gallagher policyholder, you will receive complimentary access to the eRiskHub portal which provides tools and resources to help you understand your exposures, establish a response plan and minimize the effects of a breach on your school.

Carrier	Limit	Self-Insured Retention	*Estimated Premium Indication
Lloyds of London/Brit	\$1,000,000	\$25,000	\$13,000
	\$3,000,000	\$25,000	\$18,000
	\$5,000,000	\$25,000	\$25,000
Lloyds of London	\$1,000,000	\$25,000	\$20,800
	\$2,000,000	\$25,000	\$26,400
	\$3,000,000	\$25,000	\$28,700

*Indication Disclaimer

The premium indicated is an estimate provided by the market. The actual premium and acceptance of the coverage requested will be determined by the market after a thorough review of the completed application.

Crisis Management / Active Shooter / Malicious Acts Coverage

We will provide you options for new coverages that are designed to assist the School District in the event of a crisis/ active shooter incident. The coverages both provide crisis management services, public relations services and counseling services. Where the two coverages differ is that one provides coverage for the business interruption and extra expense associated with the event and the other one provides liability coverage for the district to protect against litigation that may be brought following an incident.

We look forward to reviewing these coverages in greater detail with you.



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2019 PREMIUM SUMMARY

Coverages	Expiring Program Named Windstorm \$4MM Sublimit	Renewal Program Named Windstorm \$4MM Sublimit	Renewal Program Named Windstorm \$5MM Sublimit	Renewal Program Named Windstorm \$3MM Sublimit
Property	\$320,000	\$400,000	\$475,000	\$365,000
Excess Workers' Compensation	\$255,880	\$263,556	\$263,556	\$263,556
Casualty Package including WC buffer	\$135,000	\$135,000	\$135,000	\$135,000
Boiler & Machinery	\$12,098	\$11,000 - \$12,851	\$11,000 - \$12,851	\$11,000 - \$12,851
Excess Crime *	\$9,303	\$9,303	\$9,303	\$9,303
TOTAL without FL fees	\$732,281	\$820,710	\$895,710	\$785,710
Applicable FL fees and Inspection fee **	\$804	\$804	\$804	\$804
TOTAL including FL fees	\$733,085	\$821,514	\$896,514	\$786,514
Optional Cyber Liability Indication	N/A	\$13,000 - \$28,700	\$13,000 - \$28,700	\$13,000 - \$28,700
Optional Crisis Management Coverage Indication	N/A	Pending	Pending	Pending

* Crime Based on Expiring Exposures

** 2019 Applicable Taxes and Fees included in Premium Summary above:
Preparedness and Assistance Trust Fund fee required by the state of Florida (EMPATF). \$4.00 per property policy.

Notes and Highlights:

1. Totals include the Boiler & Machinery Coverage through your current carrier at current deductible.
2. TRIA not included in premiums above.
3. Premiums for the above policies are due and payable as billed, in full or as insurance company installments. Premiums may be financed, subject to acceptance by an approved finance company. Note: Following acceptance, completion (and signature) of a premium finance agreement with the specified down payment is required.
4. **Quotes are valid until 2/28/19.**

CONCLUSION:

Overall, the School Board has received a competitive renewal given the significant increase in exposures and current market place.

We thank you for the opportunity to serve the Monroe County School District. We pledge our personal and corporate commitment to servicing your needs.

OUR TEAM AND COMMITMENT

Jori Van der Voort and **Ilene Abella** have the primary service responsibility for your company. We operate using a team approach. Your Service Team consists of:

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