

Item II-1 – Page 2 – Agreement between The School Board of Broward County, Florida and Arthur J. Gallagher Risk Management Services, Inc.

RFI -14-063P Broker Selection:

The School Board of Broward County, Florida (SBBC) released Request for Information (RFI) 14-063P on November 18, 2013, for Property & Casualty Insurance Brokerage Services. The previous RFI (29-086V) for Property Insurance Services is set to expire on May 15, 2014. This RFI is designed to evaluate and select an insurance brokerage firm. The chosen respondent must have a demonstrated record of successful design and implementation of property and casualty insurance programs similar in size and scope to SBBC and be able to offer creative and innovative insurance options. The chosen organization will be held to stringent service requirements and high-quality standards in providing service. The RFI defines the skills, capabilities and services which SBBC expects from the selected firm/service provider team. SBBC received submittals from the following brokers:

- Arthur J. Gallagher Risk Management Services, Inc.
- Brown & Brown of Florida, Inc. (Leesburg Division)

Excess Property Coverage:

SBBC's property insurance program is a multi-faceted, multi-layered program which procures a loss limit of \$110,000,000, divided amongst three excess insurance layers. Policies are written on an annual basis, and the renewal date for this program is May 15, 2014. Total Insured Values amount to \$6,072,133,359.

The District's current "Projected Maximum Loss" (PML) is calculated at \$747,000,000. The minimum "Hurricane" deductible stands at \$100,000,000. The deductible structure for all other perils, including fire is \$500,000 per occurrence. Total excess property premiums, including fees last year amounted to \$14,008,911.

Current property values being insured are as follows:

Description	2013-2014
Building Values (includes additions/deletions during policy year)	\$5,063,244,756.09
Outdoor Property	\$212,739,750.00
Contents including Furniture, Fixtures, Equipment (includes additions/deletions during policy)	\$682,707,967.34
Mobile Equipment (including tractors, movers, etc.)	\$6,664,362.00
Data Processing Values (includes hardware, Software and Extra Expense)	\$13,383,091.00
Auto Fleet Physical Damage	\$93,393,483.00
Valuable Papers/Property Transit	Included
TOTAL INSURED VALUES	\$6,072,133,359.00

Excess Casualty Coverage

SBBC purchases excess casualty coverage above its self-insured limits. All policies are written on an annual basis with a renewal date of July 1, 2014. Total casualty line premiums last year amounted to \$1,560,124.72.

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Current Casualty Lines of Coverage:

Description	Coverage/Limits
Excess General Liability & Auto	No Aggregate/\$700,000 Per Occurrence \$300,000 Self-Insured Retention (SIR)
Employee Benefits Liability	\$1,400,000 aggregate \$700,000 Per Occurrence
School Leaders Errors & Omissions	\$2,100,000 Aggregate \$700,000 Per Occurrence \$1,400,000 Aggregate Sexual Abuse \$700,000 Per Occ. Sexual Abuse SIR - \$300,000 Each Wrongful Act SIR - \$300,000 each Employment Practice Violation SIR – \$300,000 Sexual Harassment SIR - \$300,000 Sexual Abuse
Law Enforcement Activities	\$2,100,000 Aggregate \$700,000 Per Occurrence \$300,000 SIR
Terrorism Liability	\$2,000,000 Aggregate \$1,000,000 Per Occurrence \$10,000 SIR
Student Malpractice	\$6,000,000 Aggregate each School \$1,000,000 Occurrence No Deductible
Accidental Death & Dismemberment	\$192,456 Accident Death Benefit \$63,854 AD & D in the Line of Duty All Law Enforcement are Eligible
Storage Tank Liability	\$1,000,000 Limit per Accident \$4,000,000 Aggregate \$5,000,000 SIR
Boiler & Machinery	\$100,000,000 Per Limit Breakdown \$10,000 Combined SIR
Crime	
Public Employee Dishonesty	\$5,000,000
Faithful Performance of Duty	\$5,000,000
Forgery or Alteration	\$1,000,000
Theft, Disappearance & Destruction	\$50,000
Robbery & Safe Burglary	\$50,000
Computer System Fraud	\$5,000,000
Specific Excess Form O -11 Positions	\$10,000,000
Excess Workers' Comp.	Each Accident WC - Statutory Employers Liability - \$1,000,000 Each Employee Disease: WC - Statutory Employers Liability - \$1,000,000 \$1,500,000 SIR

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Historical Property and Casualty Program Premiums:

Lines of Coverage and Claims Services	<i>FY 09-10</i>	<i>FY 10-11</i>	<i>FY 11-12</i>	<i>FY 12-13</i>	<i>FY 13-14</i>	<i>% change from prior year</i>
Excess Property	\$ 16,106,905.75	\$ 13,836,369.02	\$ 13,967,292.00	\$ 13,892,416.00	\$ 13,892,416.00	0%
Terrorism	\$ 141,807.03	\$ 128,775.00	\$ 122,573.00	\$ 116,495.00	\$ 116,945.00	0%
Governmental Package	\$ 1,295,108.00	\$ 1,294,340.00	\$ 1,135,534.00	\$ 675,000.00	\$ 683,775.00	1%
Terrorism	\$ 55,045.00	\$ 53,025.00	\$ 38,494.00	\$ 22,500.00	\$ 22,792.50	1%
Excess Workers' Compensation	\$ 1,102,326.00	\$ 959,394.00	\$ 797,257.00	\$ 830,037.00	\$ 704,641.00	-18%
Excess Workers' Compensation based on final audit	\$ (51,138.00)	\$ (44,336.00)	\$ (93,868.00)	\$ (30,037.00)		
Catastrophic Accident & Disability	\$ 59,680.00	\$ 55,456.00	\$ 55,456.00	\$ 55,456.00	\$ 51,938.00	-7%
Boiler & Machinery	\$ 73,376.50	\$ 67,196.31	\$ 66,106.44	\$ 64,187.00	\$ 65,021.58	1%
City of Pembroke Pines	\$ 1,142.40	\$ 1,054.00	\$ 1,036.80	\$ 1,006.00	\$ 912.00	-10%
General Liability - KCW Parking Lot	\$ 6,102.42	\$ 3,102.72	\$ 3,102.72	\$ 2,911.18	\$ 2,360.56	-23%
Crime & Dishonesty	\$ 42,487.00	\$ 42,487.00	\$ 42,613.87	\$ 43,329.00	\$ 43,892.00	1%
Professional Liability for TV and Radio Stations	\$ 3,838.00	\$ 3,850.12	\$ 5,166.30	\$ 5,162.25	\$ 5,162.25	0%
Health and Occupational	\$ 42,301.00	\$ 40,910.81	\$ 35,249.55	\$ 30,083.05	\$ 22,656.77	-33%
Storage Tank	\$ 10,241.38	\$ 11,771.67	\$ 13,517.85	\$ 13,239.00	\$ 13,276.37	0%
Accidental Death & Dismemberment	\$ 920.00	\$ 920.00	\$ 982.00	\$ 982.00	\$ 982.00	0%
Total for All Lines of Coverage	\$ 18,890,142.48	\$ 16,454,315.65	\$ 16,190,513.53	\$ 15,722,766.48	\$ 15,626,771.03	-1%

Committee Evaluation & Selection:

The Risk Management Department formed a District Property Insurance Services Review Committee to review and evaluate both proposals. This committee consisted of representatives from Risk Management, Benefits, the Treasurer's Office, the Business Support Center, Broward County Government (Risk Manager), and Dade County Public Schools (Risk Manager). In conjunction with Ben Few & Company, an independent insurance consultant, evaluations of submittals were performed based on broker experience, qualifications, services offered and broker compensation.

Both proposers are well-staffed, financially sound and possess the necessary expertise according to their Executive Summaries. On a national corporate level, both Brown & Brown (B&B) and Arthur J. Gallagher Risk Management Services, Inc. (AJG) are large, well-staffed entities with public entity experience. AJG's summary points to specific areas of expertise in Florida Public Schools, and B&B's summary is somewhat generic. Significantly AJG services three times the number of Florida public school Districts. Five of those school districts (including SBBC) are on the list of top ten largest school districts in the United States. This suggested to the review committee that AJG has expertise in placing large and perhaps difficult-to-insure property values into shared property insurance programs.

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AJG has operated on the east coast of Florida and handled public entity business for 36 years, while B&B of Leesburg has been handling public entity business for only 14 years. Committee members felt AJG has an advantage due the number of years handling east coast public entity accounts. AJG also has an advantage in the number of employees and clients they currently service. Both B&B and AJG have well educated and experienced staffs. AJG's local staff is larger in the public sector arena and specializes in different areas of account management. Committee members felt AJG has the advantage of placing a large value of property insurance in South Florida. It currently provides services for larger school districts in Florida. B&B's experience falls within smaller school districts in central Florida. The Review Committee, in conjunction with Ben Few & Company, evaluated and interviewed both proposers on January 7, 2014. Interviews focused on scope of services.

Committee Consensus:

Ultimately, the committee selected AJG. Risk Management in conjunction with Ben Few & Company met with AJG to conduct direct negotiations for Property & Casualty Insurance Brokerage Services. Compensation for services rendered will be based on commissions paid to the broker by the Insurance Carriers/Syndicates. Scoring for cost of services was based on the proposer's ability to substantiate proposed compensation levels using similarly-sized clients it services.

Brokerage Services:

AJG will use its best efforts to place Property and Casualty lines of coverage on SBBC's behalf. AJG will consult with SBBC to formulate a marketing strategy that focuses on delivering a cost-effective risk management strategy and structure based upon current marketing conditions. AJG will recommend alternative risk financing vehicles to reduce SBBC's cost of risk. This firm will formally present coverage submissions to insurance carriers/syndicates and negotiate terms on behalf of SBBC. SBBC will annually receive copies of catastrophe analysis studies to be used in marketing SBBC's program. AJG will provide consultation to SBBC on exposures, existing coverage and the desirability and/or feasibility of potential program changes when recommended or requested by SBBC. This firm will represent SBBC in negotiations with insurers, underwriters and other parties on coverage submissions, endorsement changes which will ensure accuracy in a timely manner. AJG will monitor published financial information on any insurer with whom SBBC coverage is placed, participate in claims review meetings, and assist with emergency procedures and disaster planning.

In conjunction with the Risk Management Department, AJG will develop a loss control program and provide a full time loss prevention representative. A full time administrative support representative will also be provided to work with the Risk Management Department, to manage certificates of insurance, assist in developing statement of values, coordinate and update insurance policies, and provide other administrative support services. AJG will provide Risk Management with access to a certificate tracking program.

Broker Compensation:

Compensation to AJG for Property Insurance Placement shall not exceed 6.75% of premium which will result in a 1.25% reduction over the previous commission of 8%. The Ancillary Insurance Placement commission shall not exceed 11% of premium which will result in a 1% reduction. The total capped commissions shall not exceed \$1,100,000 which is a reduction of \$500,000 over last year's capped rate of \$1,600,000. Broker compensation is paid directly by all carriers/syndicates and is inclusive of insurance premiums paid by SBBC.