McGRIFF, SEIBELS & WILLIAMS OF TEXAS, INC.

5080 Spectrum Drive, #900 E, Addison, TX 75001 Tel (469) 232-2100 Fax (469) 232-2101

August 21, 2014

Ms. Cynthia K. Kirk, CGBA
Risk Manager
City of Bryan

RE: RFP # 14-069 Casualty and Excess Workers' Compensation

Cindy,

Thank you for the opportunity to assist the City of Bryan with the above captioned RFP. Significant changes are ongoing in the Excess Insurance marketplace, specifically in Excess Workers' Compensation for Public Entities with police and fire employees. Additionally, the City of Bryan's experience of multiple large Workers' Compensation losses over the last four years has impacted and limited insurance carrier participation in offering the City coverage. Through the RFP process, the City's Casualty and Excess Workers' Compensation program was competitively marketed to the global insurance marketplace to obtain the best coverage available at the best price. Due to the City's loss experience, a majority of carriers declined to quote. A complete list of all carriers approached and their response is attached. Although the quotes that were received include premium increases and changes in coverage terms, the City will be able to maintain coverage protection from large losses and the quotes received represent the best currently available to the City in the global insurance marketplace.

Excess Workers' Compensation

The City has experienced catastrophic losses in three of the last four policy periods for Excess Workers' Compensation: 2010 auto accident fatality, 2012 fire and roof collapse – two fatalities, two severely burned, and 2014 BTU fatality. The City's current Excess Workers' Compensation carrier declined to offer a renewal and only one carrier (Midwest Employers Casualty) of the six carriers approached in the global marketplace provided a quote.

Historically, the City had maintained a low self-insured retention (SIR) of $250,000 for Workers' Compensation. Changes in the insurance marketplace in recent years have required higher self-insured retentions, the City's SIR increased to $500,000 on October 1, 2013. With the City's current loss experience, these SIR levels are not available. Improved loss experience going forward will ultimately result in better terms offered and more carrier participation in future years.

The only quote received from Midwest Employers Casualty includes two options for the City's self-insured retention - $2,500,000 or $3,000,000. It should be noted that other than the three recent catastrophic years, the City has not experienced Workers' Compensation losses exceeding the self-insured retention and this high retention would have no impact on average loss years. Further, regarding the three catastrophic years, the City's insurance carrier is projecting to ultimately pay out approximately $12,000,000. Even with the quoted higher retentions, the City would still maintain significant insurance protection in the event of similar catastrophic losses.

Another consequence of the City's high losses is the reluctance of the carrier to offer Statutory limits for the Workers' Compensation coverage. The Midwest quote options include a Specific Loss (per occurrence) Limit of $20,000,000. Although the Loss Limit should be noted, it is not expected to impact

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the City. Including the catastrophic losses, to date the City has not incurred a specific loss (per occurrence) over $11 million.

The City, and specifically the Fire Department and BTU, have taken significant steps to make operations as safe as possible and these efforts should be apparent in future operations and claims experience. Additionally, Midwest Employers provides quality claims and loss control services that the City's previous carriers did not offer. Midwest will provide resources and assistance in the event of a catastrophic loss and also will work with the City to reduce the cost of risk within the retained layer. They help policyholders reduce the cost of their workers' compensation programs through a variety of mechanisms, focusing on early identification, medical management tools, and settlement strategies. Their claims analyst will work closely with the City's Third Party Claims Administrator, they have full -time staff Attorneys devoted exclusively to claims resolution, and nurse case managers devoted to best in class medical outcomes.

McGriff also received information from another carrier regarding a potential buffer layer on the Excess Workers' Compensation retention. A buffer layer is essentially a means to lower the City's self-insured retention by purchasing a separate layer of insurance beneath the Excess Workers' Compensation carrier. The carrier indicated a premium of $187,219 for a layer of $500,000 of insurance (this would reduce the City's SIR to $2,000,000 on Midwest's $2,500,000 SIR option) or a premium of $315,826 for a layer of $750,000 of insurance (this would reduce the City's SIR to $1,750,000 on Midwest's $2,500,000 SIR option). McGriff does not recommend the City consider a buffer layer as the premium cost is excessive compared to the insurance coverage received. The City could better use those premium dollars to pay possible losses.

We recommend the City purchase its Excess Workers' Compensation Insurance with Midwest Employers Casualty Company with a SIR of $2,500,000 and $20,000,000 Specific Loss Limit for a total premium of $150,990.

Excess Casualty Coverage

The City received eight quotes from four different carriers for Excess Casualty coverage to include General Liability, Automobile Liability, Law Enforcement Liability, Public Officials and Employment Practices Liability and Employee Benefits Liability. After thorough evaluation of all quotes received, McGriff has determined the quote provided by Illinois Union Insurance Company to be the most advantageous with the best premium, terms, and conditions. This coverage provides $5,000,000 in limits by line of liability above with a $500,000 retention per occurrence. Additional favorable terms and conditions include:

- Defense Costs are in addition to the limits.
- Defense Costs apply to the Self-Insured Retention.
- Policy includes Blanket Additional Insureds and Blanket Waivers of Subrogation.
- Policy includes broad coverage for Employment Practices Liability.
- Includes a $1,000,000 Sublimit for Failure to Supply (Utilities)

We recommend the City purchase its Excess Casualty Insurance with Illinois Union Insurance Company with a $500,000 SIR and $5,000,000 Loss Limit for a total premium of $209,367.

Please see attached comparisons of market responses and quotes received.

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McGriff, Seibels and Williams of Texas, Inc. is proud to serve the City of Bryan. Please contact us if you have any questions regarding this evaluation and recommendation.

Sincerely,

Johnny L. Fontenot, CPCU, AIC, ARM
Executive Vice President
McGriff, Seibels and Williams of Texas, Inc.

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EXCESS LIABILITY MARKET RESPONSES

Company/Carrier	Response
AmTrust – Associated Industries	Declined
ACE – Illinois Union Insurance Company	Quoted
Starr Indemnity	Quoted
Genesis	Declined
Texas Municipal League	Declined
Certain Underwriters at Lloyds – Brit	Quoted
Berkley – Gemini Insurance Company	Quoted

EXCESS WORKERS' COMPENSATION MARKET RESPONSES

Company/Carrier	Response
AmTrust – Associated Industries	Declined
ACE	Declined
Arch	Declined
New York Magic	Declined
Texas Municipal League	Declined
Safety National	Declined
Midwest Employers Casualty	Quoted

City of Bryan

Excess Casualty Coverage Comparison 2014

Coverage	Illinois Union Ins. Co.	Illinois Union Ins. Co.	Starr Indemnity	Gemini Ins. Co.	Gemini Ins. Co.	Gemini Ins. Co.	Lloyds (Brit)	Lloyds (Brit)
	Recommended							
Commercial General Liability to include Law Enfocement Activities								
$5,000,000 Occurrence	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
$15,000,000 Aggregate	$5,000,000	$10,000,000	$5,000,000	Yes	Yes	Yes	Yes	Yes
Occurence Form?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Automobile Liability								
$5,000,000 Each Accident	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Public Officials & Employment Practices Liability								
$5,000,000 Each Occurrence	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
$15,000,000 Aggregate	$5,000,000	$10,000,000	$5,000,000	Yes	Yes	Yes	Yes	Yes
Occurrence Form?	Yes	Yes	Yes	No	No	No	No	No
Self Insured Retetention								
$500,000 General Liability	Yes	Yes	Yes	Yes	$750,000	$1,000,000	Yes	$750,000
$500,000 Law Enfocement Liability	Yes	Yes	Yes	Yes	$750,000	$1,000,000	Yes	$750,000
$500,000 Automobile Liability	Yes	Yes	Yes	Yes	$750,000	$1,000,000	Yes	$750,000
$500,000 Public Officials Liability	Yes	Yes	Yes	Yes	$750,000	$1,000,000	Yes	$750,000
$500,000 Employment Practices Liability	Yes	Yes	Yes	Yes	$750,000	$1,000,000	Yes	$750,000
Terms & Conditions								
Defense Costs In Addition To the Limit	Yes	Yes	No	Yes	Yes	Yes	No	No
Defense Costs Inlcuded with on Retained Limit	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Failure to Supply Coverage	$1,000,000 Occ/Agg.	$1,000,000 Occ/Agg.	Yes	No	No	No	No	No
Jail Operations Covered	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Fellow Employee Coverage	Yes	Yes	No	No	No	No	No	No
Knowledge of Occurrence	Yes	Yes	No	Yes	Yes	Yes	No	No
Waiver of Subrogation	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Additional Insureds	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Notice of Cancellation	60 Days	60 Days	60 Days	60 Days	60 Days	60 Days	90 Days	90 Days
Punitive Damages Exclusion	Yes	Yes	No	Yes	Yes	Yes	No	No
Incidental Medical Malpractice	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GL Includes Coverage for Employee Benefits	Yes	Yes	Yes	Yes	Yes	Yes	Yes - Claims Made	Yes - Claims Made
Who is an Insured Include Volunteers	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pollution include coverage for Hostile Fire	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pollution remove Exclusion for Mace, etc.	Yes-$1,000,000 Sublimit	Yes-$1,000,000 Sublimit	Yes	No	No	No	No	No
EPL Wrongful Act								
Wrongful Termination	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Misrepresentation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Violation of Federal, State or Local Laws of Employment or Discrimination in Employment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sexual Harassment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Wrongful Deprivation, Failure to Employ	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Wrongful Discipline	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Negligent Evaluation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Failure to Adopt Adequate Policies	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Employment related Libel, Slander, Defamation or invasion of Privacy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Retaliation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Personal Injury Includes:								
False Arrest	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
False Imprisonment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Wrongful Detention	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Malicious Prosecution	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

City of Bryan

Excess Casualty Coverage Comparison 2014

Coverage	Illinois Union Ins. Co.	Illinois Union Ins. Co.	Starr Indemnity	Gemini Ins. Co.	Gemini Ins. Co.	Gemini Ins. Co.	Lloyds (Brit)	Lloyds (Brit)
Libel, Slandar, Defamantion of Character	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Wrongul Eviction	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Wrongful Entry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Services								
Risk Management Services	EPL Assist	EPL Assist	No	No	No	No	No	No
Loss Control Services	No	No	Claims Training/ Review	No	No	No	No	No
Annual Premium excluding TRIA including Tax & Fee	$209,367	$235,072	$219,000	$225,557	$204,275	$178,347	$206,673	$178,347

City of Bryan
2014 - 2015 Excess Workers' Compensation Coverage Comparison

Coverages	**Associated Industries**	**Midwest Employers**	**Midwest Employers**
	Expiring Carrier	Recommended	
A.M. Best Rating	A X	A+ XV	A+ XV
Excess Liability & WC			
Workers' Compensation	$25,000,000 Aggregate/ $5,000,000 Occ. EL with a $10,000,000 benefit limit for any one person for WC	$20,000,000 Specific Limit/$1,000,000 EL	$20,000,000 Specific Limit/$1,000,000 EL
Self Insured Retention	$500,000	$2,500,000	$3,000,000
90 Day Notice of Cancellation	Yes	60 Days	60 Days
Broad Named Insured	Yes	Yes	Yes
Auditable	No	Yes	Yes
Rate Guarantee	No	No	No
Premiums:			
Workers' Compensation	Included	$150,990	$131,983
Premium:	**$194,164**	**$150,990**	**$131,983**

City of Bryan
2013-2014 Excess Casualty Workers' Compensation Coverage Comparison

Coverages	Expiring Terms	Associated Industries	Midwest Employers	Safety National	TML	Starr Indemnity
	2013	2014	WC only	WC only	WC only	Liability only
A.M. Best Rating	A- IX	A X	A+ XV	A XIV	Not Rated	A XIV
Excess Liability & WC						
Auto Liability	$5,000,000 Occ.	$5,000,000 Occ.	Not Quoted	Not Quoted	Not Quoted	$5,000,000 Occ./Agg.
General Liability	$5,000,000 Occ.	$5,000,000 Occ.	Not Quoted	Not Quoted	Not Quoted	$5,000,000 Occ./Agg.
Law Enforcement Liability	$5,000,000 Occ.	$5,000,000 Occ.	Not Quoted	Not Quoted	Not Quoted	$5,000,000 Occ./Agg.
Public Officials Liability	$5,000,000 Occ.	$2,500,000 Occ. Agg.	Not Quoted	Not Quoted	Not Quoted	$5,000,000 Occ./Agg.
Employee Benefits	$5,000,000 Occ.	No	Not Quoted	Not Quoted	Not Quoted	$5,000,000 Occ./Agg.
Workers' Compensation	Statutory / $5,000,000 Occ. EL	Statutory / $5,000,000 Occ. EL with a $10,000,000 benefit limit for any one person for WC	Statutory/$1,000,000 EL	Statutory/$1,000,000 EL	Statutory/$1,000,000 EL	Not Quoted
Umbrella	NA	Not Quoted	Not Quoted	Not Quoted	Not Quoted	Not Quoted
Policy Aggregate	$15,000,000 Agg.	$10,000,000 Except $4,000,000 For Public Officials	Not Applicable	Not Applicable	$1,500,000 Annual Aggregate Retention and $1,000,000 Aggregate Limit of Liability after Aggregate Retention Reached	$5,000,000 Agg. Per Line of Coverage
Self Insured Retention	$250,000	$500,000	$1,250,000	$1,250,000	$500,000 Deductible	$500,000
90 Day Notice of Cancellation	Yes	Yes	60 Days	60 Days	60 Days	60 Days
Broad Named Insured	Yes	Yes	Yes	Yes	Yes	Yes
Knowledge of Occurrence	Yes	Yes	Yes	Yes	Yes	No
Notice of Occurrence	Yes	Yes	Yes	Yes	Yes	No
Errors & Omissions	Yes	Yes	Yes	Yes	Yes	Yes
Right to Choose Counsel	Yes	Yes	NA	NA	NA	No
Single SIR applies to all lines of coverage	Yes	Yes	N/A	N/A	N/A	No
Punitive Damages	Included	Included	Not Applicable	Not Applicable	Not Applicable	Included
Auditable	No	No	Yes	Yes	Yes	No
Rate Guarantee	Three Years	No	No	No	No	No
Premiums:						
General Liability	$185,233	$194,164	Not Covered	Not Covered	Not Covered	$225,000
Auto Liability	Included	Included	Not Covered	Not Covered	Not Covered	Included
Law Enforcement Liability	Included	Included	Not Covered	Not Covered	Not Covered	Included
Public Officials Liability	Included	Included	Not Covered	Not Covered	Not Covered	Included
Employee Benefits	Included	Not Covered	Not Covered	Not Covered	Not Covered	Included
Workers' Compensation	Included	Included	$97,734	$198,769	$65,409	Not Covered
Umbrella	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered	Not Covered
Loss Fund Deposit	NA	NA	NA	NA	$36,500	NA
Premium:	**$185,233**	**$194,164**	**$97,734**	**$198,769**	**$101,909**	**$225,000**

Total Package Premium:	**$185,233**	**$194,164**	**$322,734**	**$423,769**	**$290,409**	**Various**