Executive Summary

Indian River County Board of County Commissioners

Attn: Risk Manager
1800 27th Street
Vero Beach, FL 32960

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Erica Connick, AAI, ARM-P, CSRM
Area Senior Vice President
Arthur J. Gallagher Risk Management Services, Inc.
200 S. Orange Avenue
Orlando, FL 32801
(407) 370-2320
Erica_Connick@ajg.com

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Executive Summary

We are very pleased to present Indian River County BOCC with a comprehensive property and casualty insurance proposal effective May 1, 2023 – May 1, 2024. This executive summary provides a high-level overview of our renewal accomplishments and alternatives for consideration. It is broken into the following components:

- Marketplace Analysis – current insurance industry conditions
- Property Program Analysis
- Casualty Program Renewal

The Big Picture

2023 PROPERTY MARKET OUTLOOK & GALLAGHER STRATEGY

WHAT IS HAPPENING?

- **A true hard market** defined by more demand for insurance than supply – the market shift for property insurance and reinsurance in catastrophic zones of the U.S. will be similar to shifts occurring after 2005 Katrina, Rita, Wilma Hurricanes, and 9/11 attacks in 2001

WHY IS IT HAPPENING?

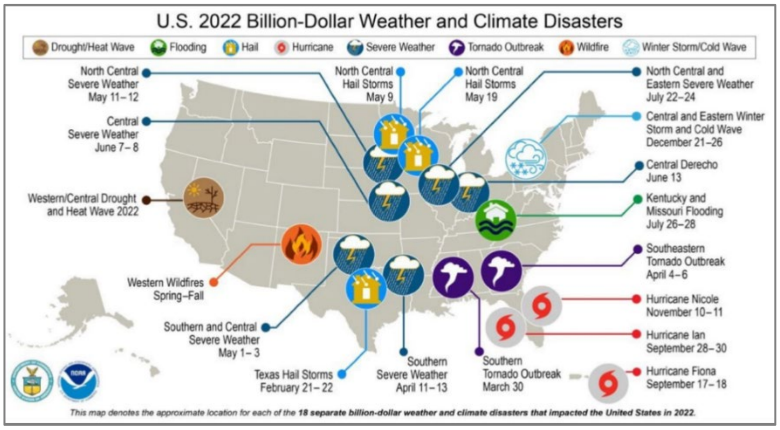
- **Unprofitable Property Insurance Books for Carriers** – there has been a prolonged period of poor investor return (5 years of negative property insurance returns) – Hurricane Ian was the straw that broke the camel's back, heightening this underlying pressure

- **Cost of Capital / Interest Rate Movement** – investors now have risk-free returns of 4%+ therefore have not entered the market in droves like happened following other market corrections – it is likely reinsurers and insurers will have to prove they can make money for material new investor capital to enter the CAT property business

- **Reinsurance Correction** – the backstop insurance supporting commercial carriers (called reinsurance) has had a severe correction, impacting direct insurers. Most insurers are facing a 2023 reality of doubled retentions and 30-50% rate increases from reinsurers.

- **Inflation Driving Demand for Capacity** – reinsurers are demanding every insurer is providing adequate property valuation across their portfolio including the impact of inflation on the current costs of construction – this has led to circa +10% inflation-driven exposure growth (aka additional demand while supply is already constrained)

- **Climate Change** – insurers and reinsurers are increasing their expectations of both the frequency and severity of property losses – from large events like hurricanes as well as"secondary perils" of winter freezes, tornados, wildfires, etc.



HOW WILL IT IMPACT YOUR PROPERTY INSURANCE PROGRAM?

- Simplistically, it will lead to **significantly higher costs and reduced capacity** (property insurance limits) available to clients with significant catastrophic exposures. The worst of this pressure is being seen for Florida hurricane exposures

- Smaller programs will be impacted more significantly than larger – the reason for this is capacity is a strained commodity in 2023 – in many ways clients will be paying for aggregate limit which does not equally scale down with a smaller client's size

- New carriers have limited new business capacity – thus far, we have seen "grandfathering" by incumbent carriers generally offering lower costs and better terms than new markets

HOW ARE PUBLIC SECTOR CLIENTS RESPONDING?

- For 3/1 renewals, **Gallagher has seen nearly every client retain more risk** – either through increased deductibles, reduced limits (chosen by buyers), or co-participation in the property program (again chosen by buyers to reduce cost)

- We anticipate this trend to continue throughout 2023 in the public sector

Type of Entity	Expiring TIV	Renewal TIV	TIV % Change	Renewal Wind Limit	2023 Wind Limit Reduction	Renewal Wind Deductible	% Premium Change	Expiring Rate	Renewal Rate	% Change
South FL School	$412,888,287	$ 486,036,804	17.72%	$ 2,500,000	-38%	5%, $10m min	29%	$ 0.6733	$ 0.7121	6%
West FL County	$1,262,131,044	$ 1,303,953,458	3.31%	$ 75,000,000	-25%	5%	37%	$ 0.2800	$ 0.3700	32%
West FL City	$806,249,080	$ 862,858,308	7.02%	$ 50,000,000	-33%	5%	49%	$ 0.3600	$ 0.5000	39%
Northeast FL School	$3,212,117,819	$ 4,153,309,046	29.30%	$ 70,000,000	-53%	5%	57%	$ 0.0911	$ 0.1008	11%
Central FL County	$4,185,175,842	$ 4,703,591,665	12.39%	$ 50,000,000	-50%	5%	55%	$ 0.0959	$ 0.1305	36%
West County	$808,806,702	$ 893,700,109	10.50%	$ 50,000,000	-33%	5%	54%	$ 0.3323	$ 0.4582	38%
Southeast County	$3,639,328,501	$ 3,857,807,205	6.00%	$ 150,000,000	-25%	$50mil Flat	12%	$ 0.4205	$ 0.4423	5.2%
				AVERAGE	**-29%**		**47%**			

HOW CAN RISK MANAGERS HELP?

- **Accurate Property Valuation is #1 –** insurers are taking a very aggressive approach toward undervaluation in 2023 – if your cost per square foot is low compared to peers, some markets will not entertain your risk, or they will charge you a surplus should insurers view your risk as undervalued

- For hurricane and loss affected clients, narratives around efforts to mitigate losses, such as pre-vetted disaster contracts, around the clock patching of facilities, as well as facility hardening efforts that prevented additional loss is important to differentiate your risk quality to insurers

HOW IS GALLAGHER ADVOCATING FOR CLIENTS?

- **All Hands on Deck** - we've initiated a bi-weekly task force of our entire Public Sector team to share market intelligence, insurer-specific results, alternative risk financing approaches, as well as client strategies to combat the market correction

- **Creativity –** we are actively exploring every potential option for clients, including re-alignment of insurance layers, program carve-out opportunities, alternative deductible & co-participation options as well as alternatives to traditional insurance.

- **Access to All Available Forms of Capacity in Every Domicile Globally –** Gallagher is the only broker with in-house access to all forms of available capacity, including traditional insurance, facultative (FAC) reinsurance, treaty reinsurance & capital markets in every global market, including the U.S., London, Bermuda, Continental Europe and Asia. **We are leveraging our global footprint to enhance the level of competition and benefit your property insurance renewal.**

- **"No Surprises" –** we are actively working to make sure you as our client are informed on a continual basis. Our team places over $200 Billion of insured property values – as soon as market changes are seen we are able to leverage this data for the benefit of all of our clients

Public Sector & K-12 Education Market Update

The Big Picture

- Public entities and K-12 schools continue to face rate increases, capacity issues and for some, difficulties obtaining coverage.
- The challenges vary by region and line of coverage.
- A confluence of factors continue to challenge the industry, including:
    - Social inflation—the trend of rising insurance costs as a result of increased litigation
    - Plaintiff-friendly judgments and "nuclear" jury awards
    - Increased storm activity and pandemic-related losses (although not reaching carriers' worst-case scenarios, pandemic-related losses are still a factor)
- Rate increases are moderating for some lines. Insurance companies' books of business are in a better position following several years of raising rates, restricting limits and increasing deductibles.

General Liability – All Lines

- Umbrella and Excess Liability coverage continues be a struggle in certain geographic areas of the country due to state immunity statutes and statewide litigation and claims trends. We continue to see rate increases, and they are larger for public entities and K-12 schools than for other classes of business. The median rate change for clients in general was 5.4% in Q4 2022; for a sampling of public sector clients, it was 9.7%.
- Auto Liability rates are still climbing, with 82% of public sector clients experiencing an increase. The total miles driven are almost back to pre-pandemic levels. High jury awards, social inflation and third-party litigation are driving up claims costs. Claim costs are also influenced by inflation, supply chain delays and labor shortages.
- 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, especially in states that have rolled back claims reporting dates in order to revive old claims. This will continue to be a difficult line of coverage for months if not years to come.
- Law Enforcement Liability continues to be a challenging placement. There is a lot of flux regarding law enforcement liability reform and shortages of trained and qualified staff. Many insurance carriers have reduced limits and increased premiums accordingly.

Excess Workers' Compensation

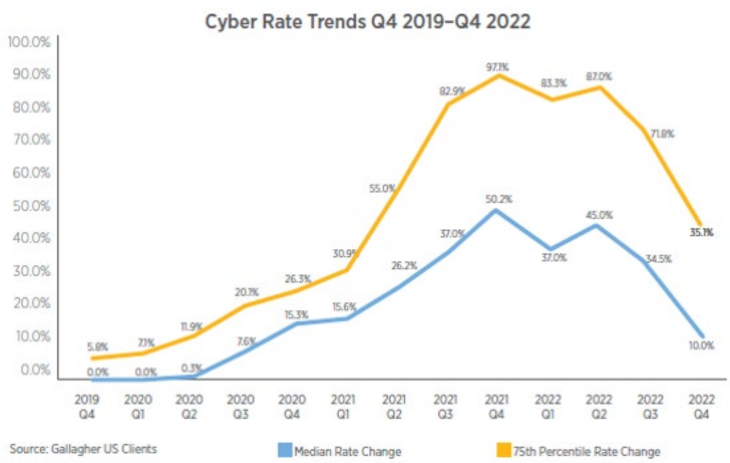
- Our review of select public sector and K-12 clients indicate that 45% experienced a rate increase, 4% were flat, and 51% enjoyed rate reductions. The medium rate change in Q4 2022 was -.8%
- There are a limited number of carriers that will write this coverage for public sector. That reduced competition contributes to higher rates, in comparison to the larger decreases seen in the broader market.
    - In Florida, we really only have two major carriers and four carriers that will even consider Florida exposure. Florida's presumption laws is an undesirable market for carriers to write governments with Police or Fire exposure. Most of our accounts our grandfathered in below market retentions therefore were unable to create competition and drive rates down. Arch who has

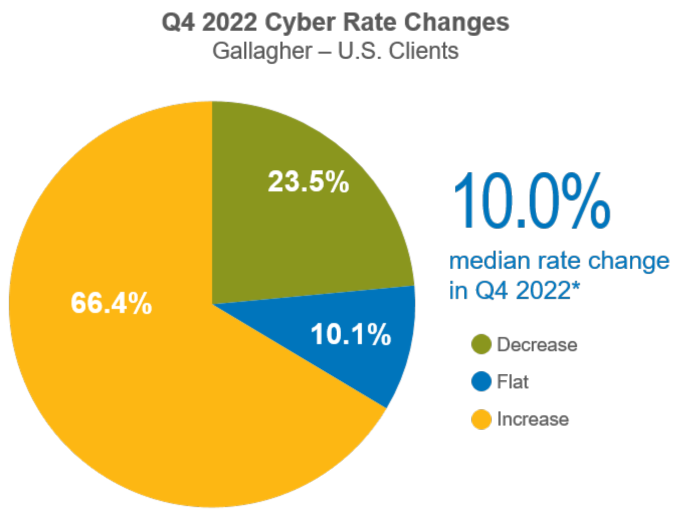
significant market share will not write new business with Fire or Police below $2 million retention.

Cyber

WHERE WE'VE BEEN (THROUGH Q4 2022)

- Last year, the cyber market experienced massive premium increases, a trend that began in prior years and continued unabated.
- Underwriters became more strict about individual client cybersecurity controls (i.e., multifactor authentication).
- Through 2022, many organizations continued remote working environments, while cyberthreat actors continued to exploit inherent data security weaknesses.
- Loss ratios for carriers improved over the last 18 months as they applied sublimits to ransomware cases.
- While there was a noted decrease in the number of ransomware attacks in 2022, we noted an increase in litigation related to wrongful data collection. This trend is one we are watching closely, as regulators seem to be more focused on it and several states are following California in passing more robust privacy laws.





WHERE WE ARE

- The cyber market continues to remain hard; however, we are seeing more modest increases and, in some rare cases, flat renewals or slight decreases as the market has continued to stabilize.
- More carriers continue to express concern with systemic cyber risk and remain focused on quantifying how a systemic cyber loss may

impact a book of business. We are seeing a focus on modeling tools that may help illustrate the effects of events such as cloud outages, cyber war between nation-states and cyber attacks on critical infrastructure. Many primary cyber carriers have modified policy language to impose sublimits in the event of a systemic cyber incident. For example, some carriers may impose sublimits as low as 10% for systemic losses, which means they may only provide 10% of the policy limit in case of a widespread or systemic cyber loss. For ransomware attacks, sublimits restricting coverage to 50% of the limit are now common. In some cases, coinsurance is applied to ransomware cases, where the insured shares part of the cost up to the sublimit. In addition, underwriters are growing more concerned with rising regulatory risk related to wrongful data collection, and some have modified policy language to constrict coverage for regulatory risk.

- Cyber carriers continue to be laser-focused on cybersecurity controls, and the level of cyber protection continues to have a direct and significant impact on policies offered. Multifactor authentication, privileged access management, endpoint detection and response, and patch management programs remain at the top of the wish list for many cyber underwriters.
- The median increase in Q4 2022 for cyber policies was 10.0%, with 66.4% taking an increase.

WHERE WE'RE GOING

- Underwriters are looking for verification of controls and may move toward formal validation by an independent third party. This is driven, at least in part, by increasingly complex and ambiguous underwriting questions applicants must now answer as part of the application process.
- While we have not seen a significant number of carriers leave the marketplace, we see a continued strain on capacity, as demand for limits generally outweighs supply.
- As significant amounts of cyber premium continues to be ceded to reinsurers, reinsurers are in turn seeking out capacity via insurance-linked securities. We see both the reinsurance community and capital markets as key to increasing capacity, and the overall growth of the cyber insurance market in this quarter and beyond.

Property Program Overview

Catastrophe Model Results Non-Utility Program

In order to assist in selection of an appropriate named windstorm limit of insurance, we have included the windstorm catastrophe model. **The County's valuation is a concern for many markets this year. We will need to revisit the appraisal conversation prior to 2024 renewal.**

		Including Utilities Program 2020	Excluding Utilities 2022	Excluding Utilities 2023
Critical Prob.	Return Period	PML	PML	PML
		Ground Up	After Deductible ($5M Max)	After Deductible (No Max)
0.10%	1,000	$ 74,676,490	$ 43,422,001	$ 47,099,841
0.20%	500	$ 53,260,282	$ 30,062,963	$ 32,788,628
0.40%	250	$ 34,723,816	$ 18,981,905	$ 20,822,019
1.00%	100	$ 15,563,417	$ 8,022,250	$ 8,916,423
AAL		$ 555,558	$ 299,812	$ 330,512

2017 Property Overview

In 2016 the County has submitted a claim for Hurricane Mathew which exceeded the 40% loss ratio the rate agreement was subject to. The claim was still in its early stages during renewal negotiations and the adjuster was still collecting data to properly value the claim and evaluating coverage. As a result, we approached your incumbent markets early and they all agreed to the rate agreement in place. We also negotiated to extend the flat rate agreement to 2018 renewal subject to the 40% loss ratio. However the rate agreement was not applicable to the 2018 renewal due to 2017 and 2018 losses.

Historical Results

The chart below shows the annual changes in limits, values, premiums, rates and named storm limit back to 2007.

	Exposure	Premium	Annual Rate	Limits Purchased	Named Storm Limit
03-04	$152,645,263	$474,116	$0.31	$152,645,263	$152,645,263
04-05	$161,495,446	$475,474	$0.29	$161,495,446	$161,495,446
10/1/05-4/1/07	$222,607,714	$994,076	$0.45	222,607,714	222,607,714
07-08	$342,013,377	$2,387,500	$0.70	150,000,000	50,000,000
08-09	$414,241,373	$1,950,350	$0.47	150,000,000	50,000,000
4/1/09-5/1/10	$426,623,770	$1,412,500	$0.33	175,000,000	25,000,000
10-11	$301,589,497	$1,350,000	$0.45	200,000,000	50,000,000
11-12	$347,436,734	$1,049,302	$0.30	200,000,000	50,000,000
12-13	$332,426,422	$1,316,000	$0.40	200,000,000	25,000,000
13-14	$333,657,066	$1,264,537	$0.38	200,000,000	25,000,000
14-15	$342,345,764	$1,205,000	$0.35	200,000,000	35,000,000
15-16	$343,203,562	$994,238	$0.29	200,000,000	35,000,000

	Exposure	Premium	Annual Rate	Limits Purchased	Named Storm Limit
16-17	$352,048,567	$948,446	$0.27	200,000,000	40,000,000
17-18	$365,509,174	$984,710	$0.27	200,000,000	40,000,000
18-19	$381,676,150	$1,221,337	$0.32	200,000,000	40,000,000
19-20	$372,933,092	$1,324,438	$0.36	200,000,000	40,000,000
20-21	$533,312,836	$1,794,080	$0.34	225,000,000	70,000,000
21-22	$538,208,775	$2,002,133	$0.37	225,000,000	70,000,000

Prior to 2008 the First Primary $1,000,000 of Property Coverage provided in Package policy and not included in premium above. In 20-21 the program was split into two towers, above includes the combined overall results.

In 20-21 we recommended spitting the program into two towers (utility and non-utility), the above includes the combined results.

2020 Property Overview

The County's total insurable values for the 20-21 renewal increased from $381,605,432 to $548,820,748, a total increase of 47%. The increase was due to an appraisal the County completed in 2019. The appraisal allowed us to identify the County had enough Utility assets to carve out and approach Star Tech, an MGA that specializes in Utility programs.

We offered several program options and the County decided to go with the two separate program towers:

- **Standalone Layered Program (Non-Utility Assets) with Star Tech (Utility Assets)**
    - Total Premium excluding Fees $1,876,307,
    - Additional premium of $549,313 expiring, a 3.92% decrease in rate.

Two major advantages gained by providing coverage for the Utility assets on a separate policy are a cost savings as well as an increase in the total overall limits and Named Storm limits available in catastrophic loss.

2022

The County elected to trend their building values by 3%. The renewal premium was $1,511,638, which is a 5.9% rate increase. The majority of the limits and deductibles remain unchanged except:

1. Installation Coverage – No coverage provided, expiring $250,000
2. Personal property outside of U.S.A – No coverage provided, expiring $250,000 however each carrier has their own definition of territory therefore not all carriers agreed in 2021
3. Underground Property – No coverage provided, expiring $500,000

Westchester reduced their capacity on your primary layer from 40% of $25 million to 20%. Westchester has been a long-term partner providing the same capacity since 2016. We also replaced AmRisc as they were pushing for a 29% rate increase. The Primary $25 million is oversubscribed. We added to the program Everest at 10% and Lloyds for 17.5% of the primary $25 million.

2023 Non-Utility Renewal Overview
This year we approached 7 direct markets, 35 via domestic wholesaler and 71 syndicates via international wholesaler. The renewal is based off a total insured value of $338,660,163; an 8.4% increase.

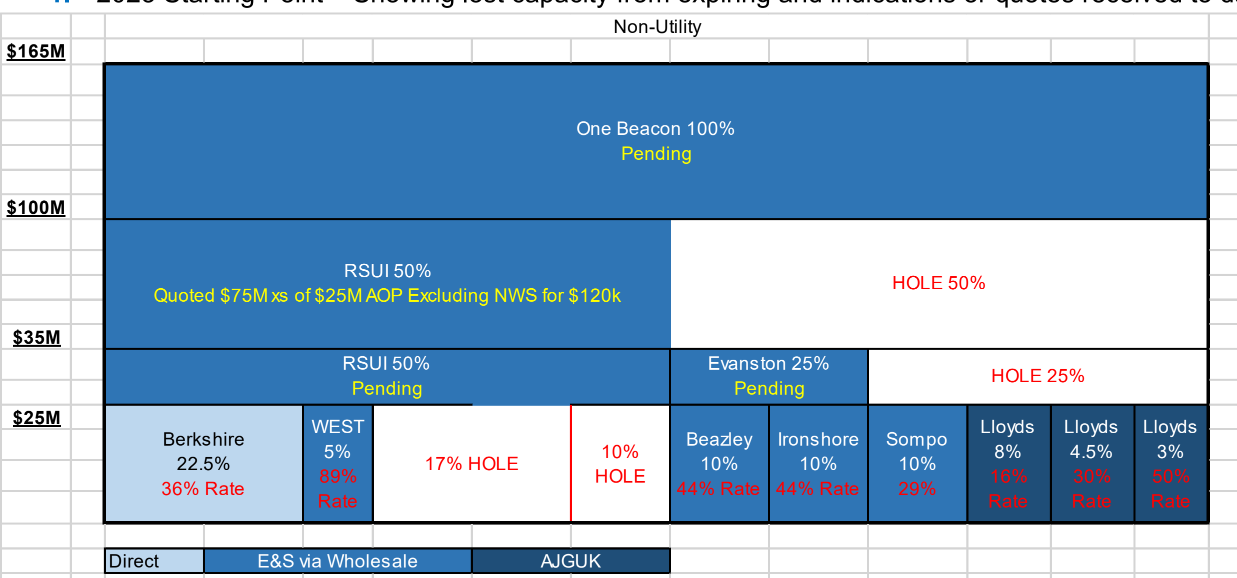
As outlined in the previous pages of this summary, this year is shaping up to be one of the hardest markets the insurance industry has experienced in recent years. Going into the County's renewal, we knew there would be challenges given the marketplace. This year carrier's use tools to determine if an account has valuation issues. If valuation is below their tools, they push for a margin clause, scheduled coverage or charge a rate increase over and above the market average. Below is snap shot of the County's approach to values since 2020:

Value Trend HISTORY	
2020	47%
2021	1%
2022	3%
2023	5%

We also experienced many carriers reducing their capacity to much smaller line sizes and increasing their rates in conjunction. New capacity is coming to the table rather slowly, and comes in at significantly high rates relative to the expiring program.

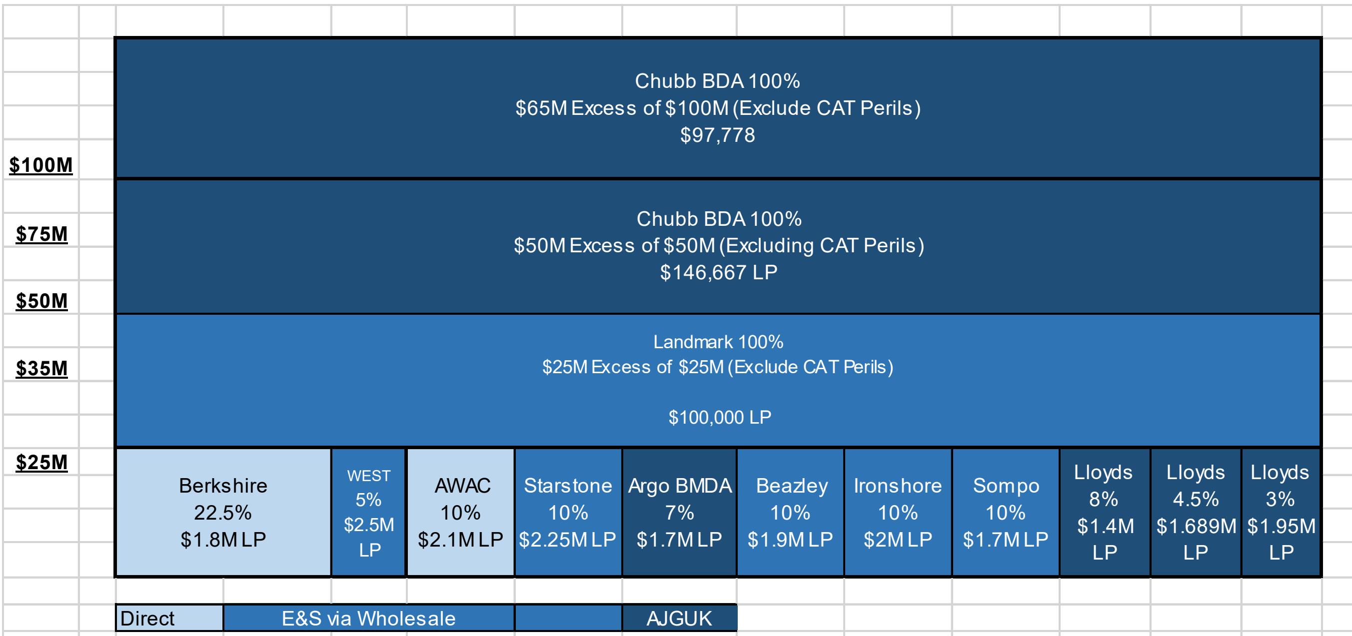
The following page will show two separate mud maps/schematics:

1. 2023 Starting Point – Showing lost capacity from expiring and indications or quotes received to date:



Non-Utility Deductibles
All Perils $100,000 except
SFHA 5% of the value per unit of insurance, minimum $100k per occurrece ~~and max $5M any one occurrence~~
Named Storm 5% of the value per unit of insurance, miminmum $100k ~~and max $5M Per Occ~~
Waiting Period 24 Hours

2. $165M AOP / $25M CAT Perils Program Option – *Will provide final mud map on binding proposal*



Non-Utility Deductibles
All Perils $100,000 except
SFHA 5% of the value per unit of insurance, minimum $100k per occurrece
Named Storm 5% of the value per unit of insurance, miminmum $100k
Waiting Period 24 Hours

Based on conversations with the County, we agreed to explore the below options. The premium reflected is not final and is a not to exceed:

All Other Perils Per Occurrence	Named Storm Per Occurrence	Flood & Earthquake Aggregate	Premium (not to exceed)	Premium %	Rate %
$165,000,000	$25,000,000	$25,000,000 Each except SFHA $10,000,000	$2,255,000	49.14%	37.58%
$100,000,000	$25,000,000	$25,000,000 Each except SFHA $10,000,000	$2,157,000	42.67%	31.61%
$50,000,000	$25,000,000	$25,000,000 Each except SFHA $10,000,000	$2,011,000	32.99%	22.68%

Program Term Changes

Based on the two quotes received or items communicated with indications, below are the material changes and additional terms may change once the program is final:

1. County has decided to consider reducing Named Storm coverage from $40 million to $25 million based on rate increases
2. Hurricane Deductible changed to Named Storm – The previous Named Hurricane deductible only applied if wind speeds exceeded 74 mph or greater and was declared by NOAA to be a Hurricane. A Named Storm deductible includes tropical depressions (max sustained winds 38 mph or less) and tropical storm (max sustained winds 39 to 73 mph).
3. Maximum Deductible Cap for Named Storm or Special Flood Hazard Area removed
4. Scheduled coverage or a Margin Clause – Coverage will be limited to value reported in your statement of value for each item or 110% of the reported value

5. $10,000,000 Debris Removal sublimit added or 25% of the loss, whichever is lesser
6. Dedicated $5,000,000 Expediting Expense sublimit removed and now included with the $5,000,000 sublimit for all Time Element Coverages (Business Income, Extra Expense and Expediting)
7. Added $10,000,000 sublimit for Protection and Property
8. Special Flood Hazard Area deductible to be applied to locations partially within zone vs. "wholly"
9. Unintentional Errors and Omission – Reduced from $10 million to $2.5 million
10. Swing Clause – reduced from 5% to 2.5%
11. Coordinating Adjuster – Your current adjuster is retiring. We will need to make a change at renewal. Do you want to talk to a few adjusters before determining who to go with?

We have also received a quote from Swiss Re for 10% of a Primary $40 million for $1.4 million. The caveat is we would have to change to their form. We suspect surge will be moved into Flood which would be aggregated and other terms would be in the carrier's favor. We our working on a quote comparison and will share it once it is complete. The above not to exceed premiums assumes we do not use their capacity.

Utility Historical Overview

	Exposure	Premium & Fees	Annual Rate Excludes Fees	Limits Purchased	Named Storm Limit
2020	$240,987,448	$579,247	$.2348	$60,000,000	$30,000,000
2021	$242,955,795	$650,004	$.2634	$60,000,000	$30,000,000
2022	$248,919,888	$736,424	$.2890	$60,000,000	$30,000,000
2023	$259,128,905	$880,691	$.3332	$60,000,000	$20,000,000

2023 Utility Renewal Overview
The County's renewal based on a total insured value of $259,128,905; a 4.1% increase in values. The rate is still about 50% less than the Non-Utility Tower.

Description	2022	2023
Policy Limit – Any One Occurrence	$60,000,000	$60,000,000
Earth Movement – Aggregate	$25,000,000	$25,000,000
Flood (including storm surge) - Aggregate	$10,000,000	$10,000,000
Special Flood Hazard Area – Aggregate	$1,000,000	$1,000,000
Named Windstorm – Any One Occurrence	$30,000,000	$20,000,000
Premium and Fees	$736,424	$880,691
Difference from expiring		20%

The renewal will include scheduled coverage therefore, recoveries will not exceed the amount reported on your statement of values for the asset or item damaged. We recommend spot appraisals and/or full appraisals prior to 2024 obtain blanket coverage.

Flood
The Starr Tech Utility Property program includes $1,000,000 Aggregate in Special Flood Hazard Area (SFHA). The County Utility schedule has $35,133,145 in SFHA. In 2020, we recommended the County purchase a blanket flood coverage for four specified buildings at South Central WWTP the renewal premium is $9,843. This is an 8.56% increase. This policy is primary and provides an additional $1,250,500 in additional flood limit, and includes a $25,000 Per Building Deductible.

Equipment Breakdown

In 2020, the County's Equipment Breakdown policy came off a three-year rate agreement. We received two quotes and we recommend the County remain with the Incumbent, Travelers. Travelers made the below material changes:

1. Added Water Damage sublimit of $100,000, expiring policy provided up to policy limit.
2. Removed Deductible Waiver – This waived your deductible if the claim also triggered your Property policy and exceeded your property deductible.
3. Removed Underground Pressure Vessel and Piping coverage – This exclusion was removed, as the exposure no longer applies to the assets being covered. This exclusion carried forward from 2019 when the program included Utility assets.

The Equipment Breakdown policy with Travelers is for the non-utility assets as presented in our Property section with a total insured value of $338,660,163 and the policy provides a $100 million limit. The renewal premium is $12,206 plus $244 FIGA surcharge. This is a $1,700 increase, which is a 15.81% premium increase.

The Utility Assets Equipment Breakdown coverage is included in Star Tech / ACE American Ins. Co.

Inland Marine – Vehicles over $100,000, Contractors Equipment, Rented & Leased Equipment and Golf Carts

In 2021, we fully marketed the program on your behalf and received various declinations stating they could not compete with your current program or provide coverage requested. Auto Physical Damage has become more difficult to place due to carriers our concerned with concentration of vehicles or equipment. Your carrier added a $2,500,000 sublimit for each peril of Named Wind Storm and Flood. The 2020 program included Named Windstorm and Flood up to the $20,000,000 policy limit. We did offer alternatives with purchasing excess Named Windstorm and Flood, which would add an additional $100,000 in premium to the program to increase limits to $20 million.

This year we approached five markets direct and six through a wholesaler. The renewal exposure is up 9.3% and the renewal premium is $120,000. There is no material changes to forms.

Historical Overview

	Exposure	Premium	Annual Rate
14-15	$14,816,005	$45,854	$0.3095
15-16	$19,531,041	$53,032	$0.2715
16-17	$21,970,630	$53,606	$0.2440
17-18	$22,973,220	$51,771	$0.2254
18-19	$25,088,873	$59,790	$0.2383
19-20	$29,592,882	$67,193	$0.2271
20-21	$34,365,792	$74,954	$0.2181
21-22	$35,439,055	$94,513	$0.2667
22-23	$39,594,962	$106,048	$0.2719
23-24	$43,275,554	$120,000	$0.2772
% Change	*9.3%*	*13.15%*	*1.9%*

The County will need to continue the audit the current policy and the County will need to provide the rental expenditure for leased equipment.

Terrorism Property, NCBR Property & Terrorism Liability including NCBR

The County's Terrorism policy provides $100 million in property damage & NCBR policy provides $10 million in property damage. Both policies cover all locations currently reported on your Property program, and inland marine schedule. The rating basis is the total insured value for this renewal which is $640,954,870, a 6.66% exposure increase. The renewal premium is $53,500; a 22.33% increase. The increase is due to market conditions specifically the war in Ukraine. We did also request a quote from Liberty however to date they have not provided an alternative.

The Terrorism policy will remain on the Vehicle A form which follows your all risk placement with sublimits that override the all-risk in respect to terrorism only. These sublimits include Claims Preparation, Transit, Seepage Contamination and Pollution / Clean-up, etc. The policy provides financial loss as a result of a threat, loss of attraction including non-damage to the insured out to a 2.5 mile radius from an insured location and denial of access including non-damage out of 2.5 mile radius from an insured location.

The NCBR Property Damage and Liability coverage form was updated in 2021 and remains unchanged in 2022. The prior policy only provided coverage if the chemical, biological, nuclear or radiological weapons were result of terrorism or sabotage. The new form provides coverage to scheduled property as long as the damage is a result of chemical, biological, biochemical, radiological or nuclear material.

Crime

In 2021 we marketed your policy as the County was coming off a three year policy with Hanover and they had paid a $288,200 loss during the multi-year term. The County remained with Hanover and opted for a three year term with annual installments. The 2022 installment premium is $6,597.

Last year, Hanover has updated their Government form from an ISO 2006 to the latest 2015 edition. They also increased the County's deductible from $5,000 to $25,000.

Public Entity Excess Liability

In 2020, the County was coming off a rate agreement with Brit (now Ambridge). We marketed your program to five markets and coverage remained with Brit for a 7% rate increase. In 2021 based on expiring marketing, we approached Safety National. Safety declined to quote based on current premium.

In 2021, Ambridge moved to a new coverage form and below were the material changes:

1. Our current policy has nine coverage sections. The new form has ten coverage sections.
2. The intent is liability limits cannot be stacked, loss is recoverable under ONE coverage section
3. Added exclusion for: Any liability arising out of the flooding, cracking, seepage, accidental discharge, partial or complete structural failure or over-topping of a DAM for which the INSURED is legally liable. A DAM is defined as: DAM means any artificial barrier, including, but not limited to, spillways, berms or reservoirs that have the ability to impound water for the purpose of storage and/or control of water that is greater than 25 feet in height with storage capacity of more than 15 acre-feet or greater than 6 feet in height with storage capacity of more than 50 acre-feet. DAM also means levees and any dam classified as high hazard.
4. The Law Enforcement Liability now includes an exclusion for Auto Liability. This ensures Auto Liability claims addressed within Auto Liability coverage section.
5. Your expiring Errors & Omissions, Law Enforcement and General Liability sections included coverage for Sexual Abuse and Sexual Harassment. Sexual Abuse now has its own claims made coverage form and dedicated limit. The new coverage form requires potential claims be reported within 180 days after initial discovery of any actual, attempted or pending allegation. Many insured historically had Occurrence coverage within their General Liability and this is a trend we are seeing across the industry. The retro date for this section is May1, 2021. Prior Sexual Abuse coverage for the County was written on an Occurrence form.

6. Extended Reporting Period changed from 100% max annual premium to 200% max annual premium
7. Added Exclusion for Communicable Disease

In 2022, due to the challenges we would be facing with the Workers Compensation we recommended marketing. We approached five markets:

1. Old Republic – Indicated 30%+ more
2. Berkley - $275,000 to $300,000
3. Safety - $250,000 to $300,000, we would need the EMS retention to equal the General Liability retention
4. Munich - $275,000 to $300,000

Ambridge offered a renewal premium of $207,500, which is a $25,400 increase from expiring. This was a 14% premium increase. Ambridge has two new material changes:

1. Added an endorsement clarifying that their limit is subject to the County paying the total loss and they would reimburse the County.
2. Named Insured – Per my email on March 8, Ambridge is trying to get away with each policy have different "manuscript" named insured endorsements. As a result, the below language will be removed in 2022

It is here by noted and agreed that the NAMED ASSURED is Indian River County Board of County Commissioners and all persons who were, now are or shall be lawfully elected or appointed officials or employees while acting for or on behalf of the Public Entity; Current or former Boards, Commissions, Councils Authorities, Agencies, or other entities of the County, even if newly created and current or former elected or appointed officials, members of Boards, Commissions, Councils, Authorities or Agencies, etc. and employees of the County, even if newly elected, appointed, hired, etc. and Volunteers acting for or on behalf of, and at the direction of, the Public Entity, not including any person working on a retainer or as an independent contractor; Officials and employees of the Public Entity appointed at the request of the Public Entity to serve with an outside tax exempt entity.

Other entities or persons, to the extent required by agreement, contract or lease with the County or Boards, Commissions, Councils, Authorities, Agencies, etc. of the County.

Other entities, persons or organizations providing service to you under any mutual aid or similar agreement.

This year we approached Ambridge and Berkley. We received feedback from Berkley they be approximately $215,000. We don't recommend considering their indication based on the small difference in premium and their overall coverage form includes three coverage parts vs. six therefore Ambridge provides additional limit.

Ambridge has offered a renewal premium of $222,000 a 6.99% premium increase. Ambridge also offered an option to remove the Law Enforcement Liability coverage which would result in a credit of $27,800.00.

Below you will find the exposure changes year over year:

	2022	2023	
Employees	1,661	1,721	3.6%
Vehicles	470	493	4.8%
Payroll	92,767,841	$101,302,483	4%

The renewal includes three material changes:

1. EMS Operations SIR will be increased from $25,000 to $50,000; we can expect this to be increased in future renewals until it is $200,000

2. New Exclusion – PFAS and Chemicals Exclusion New form outlining that the Policy does not insure against any loss arising out of or in any way attributed to **PFAS** (Per- and Polyfluorinated Substances) or the **PFAS** content of any substance or product.
3. General Policy Condition 7 Claims, Occurrences or Suits Amendment - This updated form outlines the County's responsibilities to provide timely reporting of losses and what happens if the carrier rights to assume control of the investigation, defense or settlement.

   Underwriters shall have the right, but not the obligation, to be associated with the **INSURED** in, and/or assume control of, the investigation, handling, defense or settlement of any **CLAIMS**, **SUITS** or proceedings relative to an **OCCURRENCE** or **CLAIM** where in the sole opinion of the Underwriters, Underwriters' liability under this Policy is likely to be involved. In the event Underwriters assume control of the investigation, handling, defense or settlement of any **CLAIMS**, **SUITS** or proceedings relative to an **OCCURRENCE** or **CLAIM**, then **DEFENSE COSTS** incurred are part of, and not in addition to, the **ULTIMATE NET LOSS** and the **INSURED'S** obligation to pay the **SELF INSURED RETENTION**, and any applicable **MAINTENANCE DEDUCTIBLE** or any other applicable deductible or deduction under this Policy, will remain unchanged.

Brit continues to require Johns Eastern to follow their TPA guidelines to address how they expect them to manage and communicate claims.

Excess Workers Compensation

The Excess Workers Compensation market continues to be limited in Florida for entities that have Police and/or Fire exposures, which are subject to presumption laws. As a result many entities our forced to take spit retentions with Police/Fire retentions of $750,000 to $1 million. In 2015, we were successful in negotiating $650,000 retention for all classifications except $1 million for USL&H and Jones Act. The County was on a rate agreement with Safety from 2016 through 2020.

In 2016, we negotiated on your behalf a flat rate with Safety as well as a rate agreement for 2017, 2018, 2019 and 2020. In 2021, Safety pushed for a 12.3% rate increase. At that time, the County had one large with a total incurred of $820,000, which involved an employee airlifted to the hospital.

In 2022, we anticipated a tough renewal based on four open claims. We approached your incumbent, Arch and Midwest. Arch indicated a minimum SIR for Fire and Police at $2 million and $1 million all other classes. Midwest indicated the lowest SIR they would consider is $1.5 million and the premium would be $350,000. The carrier pushed the County's SIR from $650,000 to $850,000 to mitigate the premium increase. We also offered a SIR buy down however the County opted not to purchase.

The County's payroll reported for the 2023 term is a 4% increase. The carrier offered two options on renewal

Renewal Options

Option	SIR	Premium	% Premium Change	Rate	% Rate Change
A	$850,000 except $1M for USL&H / Jones Act	$329,233	13.38%	$.325	9.02%
B	$1,000,000	$272,808	-6.05%	$.2693	-9.66%

Cyber / Excess Cyber Liability

The County obtained its first Cyber Liability policy in 2014. The carrier was AIG and they provided a $1,000,000 limit with a $25,000 Deductible. In 2020, moved to Travelers for a savings of $7,035. That same year, the County suffered a security incident and used True Digital to respond to the event. True Digital is not an approved vendor under Traveler's policy.

We started to see rates increase in 2021 and markets pull away from offering coverage to Public Entities. The County received one of the lowest increases at 25% and was able to maintain its $25,000 deductible. We requested True Digital be approved as the County's Forensic Vendor for future incidents. However based on the volatility of the market, the carrier does not want to approve prior to an event. By October, Travelers started requiring a multi-factor authentication attestation form. As soon as we saw this change, we communicated to the County to expect a 2022 challenging renewal.

In 2022, we split up the submission into two submissions based on lack of controls. The County's overall premium increase in 2022 was 41%.

1. Indian River County Board of County Commissioners,
   Property Appraiser of Indian River County
   Supervisor of Elections of Indian River County

2. Indian River County Clerk of Circuit Court and Comptroller – We received declinations due to lack of MFA, class of business, outside guidelines or revenue size. We recommend the Comptroller implement MFA as required. Once they have the proper controls we go out to market again and/or request for Travelers to add mid-term.

We did not include coverage in 2022 for the below constitutionals:
- Indian River County Sheriff's Department
- Clerk of the Circuit Court and Comptroller of Indian River County
- Tax Collector of Indian River County

This year we marketed your coverage to 11 markets and received three quotes.

COVERAGE	2022	2023 Travelers	2023 Star	2023 Crum & Forster
CyberRisk Policy Aggregate	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Liability				
- Privacy and Security	$1,000,000	$1,000,000	$1,000,000	$1,000,000
- Payment Card Costs / PCI	$1,000,000	$1,000,000	$1,000,000	$1,000,000
- Media	$1,000,000	$1,000,000	$1,000,000	$1,000,000
- Regulatory Proceedings	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Breach Response				
- Privacy Breach Notification	$1,000,000	$1,000,000	$1,000,000	$1,000,000
- Computer and Legal Experts	$1,000,000	$1,000,000	Included above	
- Betterment	$100,000	$100,000	Excluded	

COVERAGE	2022	2023 Travelers	2023 Star	2023 Crum & Forster
- Cyber Extortion	$1,000,000	$1,000,000	$1,000,000	$1,000,000
- Data Restoration	$1,000,000	$1,000,000	$1,000,000	$1,000,000
- Public Relations	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Cryptojacking	Not Provided	Not Provided	$100,000 / $50k retention	**Included**
Cyber Crime				
- Computer Fraud	$1,000,000	$1,000,000	Not Provided	Not Provided
- Funds Transfer Fraud	$1,000,000	$1,000,000	Not Provided	Not Provided
- Social Engineering Fraud	$100,000	$100,000	$100,000	**$250,000**
-Telecom Fraud	$100,000	$100,000	$100,000	
Business Loss				
- Business Interruption	$1,000,000	$1,000,000	$1,000,000	$1,000,000
- Dependent Business Interruption	$1,000,000	$1,000,000	$1,000,000	$100,000
- Dependent Business Interruption - System Failure	$1,000,000	$1,000,000	$1,000,000	
- Dependent Business Interruption - Outsource Provider	$1,000,000	$1,000,000	$250,000 for CBP Security Failure or $250,000 CBP	
-Dependent Business Interruption - Outsource Provider - System Failure	$1,000,000	$1,000,000		
- Reputation Harm	$250,000	$250,000	$250,000	
- System Failure	$1,000,000	$1,000,000	$1,000,000	
Deductible	$25,000	$25,000	Not Available	Not Available
Premium (excluding surcharges)	$42,870	$58,349.11	NA	NA
% Change over expiring		36.10%		
Increase deductible to		$50,000	NA	$50,000
Premium		$53,002	NA	$44,192
Savings for increased deductible		($4,203)		
Increase deductible to		$100,000	$100,000	
Premium		$50,728	$35,101	
Savings for increase deductible		($6,477)		

Crum & Forster offered additional options:

A. $2,000,000 limit with $200,000 Dependent Business sublimit and $50,000 Deductible for $61,869
B. $3,000,000 limit with a $300,000 Dependent Business sublimit and $50,000 Deductible for $75,126
C. $3,000,000 limit with a $300,000 Dependent Business sublimit and $100,000 Deductible for $68,365

Each quote has subjectivities that need addressed prior to binding. Once we determine which option you want to go with we will forward the subjectivities.

Ancillary Policies

Watercraft Protection & Indemnity / Hull
In 2022, we marketed your program to three carriers and received one competing quote. The County remained with their incumbent and this year we approached them for a renewal quote. The decrease is due to the removal of the 1998 Caroline Skiff.

	Great American Expiring	Great American Renewal
Premium (excluding FIGA)	**$8,288**	**$5,951**
P&I Limit	$1,000,000	$1,000,000
P&I / BI/ PD Deductible	$2,500	$2,500
Hull Deductible		
Boston Whaler	$5,000	$5,000
Twin Yamaha Motors	$1,000	$1,000
Nautica Fire Boat	$750	$750
Aluminum Jon Boat	$500	$500
Carolina Skiff	$1,000	$1,000
Carolina Skiff	$1,000	Removed

Statutory AD&D (Firefighters & Sheriff)
In 2021, this policy paid out a statutory benefit of $75,000 and the total written premium for the last five years was $55,464. In 2022, we marketed your program to AIG (incumbent), Chubb, Hartford and Zurich. Zurich declined, as they were not able to offer the Florida Statutory Benefits, Chubb indicated over $25,000 and Hartford indicated $50,000.

The two-year annual installment premium is $12,362. This is the last year of the two year policy.

	2021	2022
Law Enforcement	497	547
Fire	300	594
EMT/Paramedic ONLY	5	0
TOTAL	802	1,141
	Difference	*42%*

New Coverage for Consideration

Active Shooter
We obtained an Active Assailant and a Workplace

	Active Assailant
Form	Claims Made Indemnity Form
Primary Coverage or Excess	Primary
Liability Coverage	Included
Limit Policy Aggregate	$1,000,000
	A. active assailant event occurring at your premises; or B. specific threat being made to carry out an active assailant event at your premises;

	Active Assailant
First Party Property Damage up to policy limits	Included
Business Interruption	Reimbursement for your actual loss sustained during this time up to 120 indemnity period state within the policy, 6 hour waiting period
Lost of Attraction	Includes cover for an incident occurring off premises within one mile from your premises
Scheduled Owned Coverage	Yes
Off-Site	No, if off-site premises coverage desired an additional premium of 25%
Threat Coverage	Reimburse you for your actual loss sustained during the indemnity period as a direct result of an interruption to your business activities caused directly by any specific threat first made during the period of the policy to carry out an active assailant event at your premises.
Victim Compensation & Extra Expense	Covers Funeral Crisis Counseling Bodily Injury for any employee or third party
Victim Per Sublimit	$100,000
Event Responders (Vendors)	Access to the services of a panel of Event Responders: US based risk management entity that operates in safety and security, emergency preparedness, disaster management and public safety counseling services
Specific Locations Excluded	court houses; detention centres; juvenile correction facilities; police stations; police training facilities; prisons; sheriff departments; and shooting ranges.
Deductible	$10,000 Liability $1,000 Property & Business Interruption
Premium	**$7,600 plus $250**
Premium	
$5,000,000	
$10,000,000	
Off Premises Coverage	**25% of the above premium**

<u>County overview of expiring vs. renewal program for all coverages</u>

The following table provides an overall snapshot of the 2022 vs. 2023

Policy Coverage	Policy Limits	Current Premium	Renewal Premium	Premium Increase	Premium Change
Property (Non-Utility)	$100 Mil/$25Mil	$1,511,642	$2,157,000	$645,358	42.69%
Property (Utility)	$60 Mil	$736,424	$880,691	$144,267	19.59%
Flood	Multi	$9,067	$9,843	$776	8.55%
Equipment Breakdown	$100 Mil	$10,750	$12,450	$1,700	15.81%
Terrorism	$100 Mil	$17,025	$20,000	$2,975	17.47%
NCBR PD & Liability	$10 Mil	$26,710	$33,500	$6,790	25.42%
Inland Marine	$20Mil/$2.5 Mil	$106,048	$120,000	$13,952	13.15%
Crime	$1 Mil	$6,597	$6,597	$0	0%

Policy Coverage	Policy Limits	Current Premium	Renewal Premium	Premium Increase	Premium Change
Public Entity Excess Liability	$2 Mil/$4Mil	$207,500	$222,000	$14,500	6.98%
Excess Workers Comp	Statutory Max	$290,368	$329,233	$38,865	13.38%
D&B	$1 Mil	$42,870	$58,349.11	$15,479	36.1%
Hull/P&I	$1 Mil	$8,288	$5,951	-$2,337	-28.20%
Statutory AD&D	$75,000	$12,362	$12,362	$0	0%
AJG Brokers Fee		$175,000	$175,000	$0	0%
Total		$3,160,651	$4,042,976	$882,325	27.91%

Conclusion

We look forward to reviewing this proposal with you in detail and truly appreciate your business. In the following pages we will review the results, changes, enhancements and options by each line of coverage:

Michael Gillon
Area President

Erica Connick, ARM-P
Area Senior Vice President

Service Team

Erica Connick has primary service responsibility for your company. We operate using a team approach. Your Service Team consists of:

Name / Title	Phone	Email
Primary Service Team		
Erica Connick, AAI, ARM-P, CSRM Area Senior Vice President	(407) 563-3554 D (407) 744-1775 M	Erica_Connick@ajg.com
Michael Gillon, ARM Area President, Branch Manager	(407) 563-3550 D (407) 538-4751 M	Michael_Gillon@ajg.com
Sandra Sierra, Client Service Manager	(407) 563-3531 D (407) 463-0152 M	Sandra_Sierra@ajg.com
Backup Service Team		
Carmen Bishop, AAI Senior Client Service Manager	(407) 563-3546 D	Carmen_Bishop@ajg.com
Monica Storts, CRM Client Service Manager	(407) 563-3542 D	Monica_Storts@ajg.com
Ann Mullen Client Service Manager	(407) 563-3516 D	Ann_Mullen@ajg.com
Surplus Lines Agent		
Michele Montgomery, CPCU, ARM-P, AINS Area Senior Vice President	(407) 563-3517	Michele_Montgomery@ajg.com
Claims & Loss Control		
Bart Douglas Managing Director - Gallagher Claim Advocacy Practice Group, Claims Advocate (P&C)	(305) 639-3121 D (305) 807-1128 M	Bart_Douglas@ajg.com
Jim Smith Regional Loss Control Leader	(561) 998 6809 D (561) 310-1747 M	Jim_Smith@ajg.com

Arthur J. Gallagher Risk Management Services, Inc.
Main Office Phone Number: (407) 370-2320