



Polk County Board of County Commissioners

2010 E Georgia St,
Bartow, FL 33831

Executive Summary

Property Renewal

April 1, 2024-2025

Arthur J Gallagher Risk Management Services, Inc.

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Your Team

Your Gallagher team is a true partner. We have the expertise to understand your business and we are here to service and stay alongside you, every step of the way.

Name/Title	Phone	Email	Role
Primary Service Team			
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Scott Clark, AAI Area Senior Vice President, Claim Advocate for Southeast Region	561.998.6815	Scott_Clark@ajg.com	Property Claim Advocate
Senior Resources			
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Dave Marcus, ARM-P Area Chairman	561.998.6800	Dave_Marcus@ajg.com	Senior Management

State of the Market

Property

Market Conditions as we head into 2024, the property market remains challenging. However, we have begun to see signs of softening and anticipate a slowdown in the pace of rate increases for most insureds. We also expect the upcoming reinsurance renewal season to be much more organized than last year, with retention levels stabilizing and rates staying at or near where they are currently.

We are confident underwriting discipline and risk selection will prevail. Perils once considered secondary will continue to face higher scrutiny while the definition of CAT exposure across the U.S. will be re-examined. At the same time, the effect of RMS modeling revisions has yet to be fully vetted and contemplated within reinsurer and carrier model results. Accounts with better risk characteristics (e.g., construction, losses, geographic location, industry class, etc.) will achieve better results overall.

Valuation will remain an important underwriting factor; however, we do not expect the same drastic increases we've seen over the past few years. Most markets have implemented guidelines around insurance to value (e.g., imposing minimums or using proprietary forms of measurement). It will be critical to maintain proper valuation that considers inflation and property values alike. Of course, there are – and will continue to be – certain classes of business and geographic areas that will face higher rates as well as more restrictive terms and conditions. CAT-exposed accounts will continue to face challenges as carriers continue to manage their aggregate. And while there is new capacity entering the market, it is too early to appreciate the full impact to the market and its effect on competition.

Public entities remain one of the more challenged classes when it comes to property coverage. We expect rates will continue to rise on primary coverage and markets will remain unwilling to quote or offer full capacity without significant deductible increases. Reinsurance treaty renewals are expected to be difficult as well. Underwriting will be thorough, with underwriters focused on adequate valuation rather than simply indexing values year over year. Risk managers must be able to detail the valuation process or be prepared for a margin clause.

There is limited excess capacity for severe convective storm exposures, which is of concern for this sector as public entities often have significant exposures in a small geographical area. Excess carriers are either seeking higher attachment points, requiring significant rate increases or both. For Named Windstorm (NWS) aggregates, we are seeing significant upward pricing pressure from markets, which will likely force public entities to purchase less NWS limit than they have in previous years. While a deceleration of rate increases in 2024 is hoped for, the extent to which that will happen—if at all—will be driven by geography and historical loss history.

Exposure Analysis

PROPERTY VALUES COMPARISON

Property	2023	2024	% Change	\$ Change
Building	\$818,701,518	\$846,626,370	3%	\$27,924,852
Contents	\$69,036,850	\$71,564,092	4%	\$2,527,242
Misc.	\$26,700,000	\$28,495,000	7%	\$1,795,000
Leased/Owned EDP	\$9,875,000	\$10,175,000	3%	\$300,000
Vehicles & Heavy Equipment	\$68,875,259	\$68,875,259	0%	\$0
Builders Risk Utility	\$20,706,923	\$14,146,510	-32%	-\$6,560,413
Builders Risk Non-Utility	\$9,233,722	\$66,867,827	624%	\$57,634,105
Total Insurable Values	\$1,023,129,272	\$1,106,750,058	8%	\$83,620,786

THE 5 LARGEST VALUED LOCATIONS

Location	Address	City	Zip Code	2024 Values
Polk County Courthouse	255 North Broadway Ave	Bartow	33830	\$123,271,080
South County Jail - Main Compound	1103 HWY 98 W	Frostproof	33843	\$56,515,140
Neil Combee Administration Building	330 W. Church St.	Bartow	33830	\$35,380,740
Correctional Main Housing Unit	2390 Bob Phillips Rd	Bartow	33830	\$31,725,060
Indigent Health Care Bldg.	2135 Marshall Edwards Dr	Bartow	33830	\$27,345,180

Wind Modeling

Hurricane Including Storm Surge

Polk County has approximately \$1.1 billion 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 Probability	Return Period (years)	2024	
		Ground Up Loss AIR WS 1	Ground Up Loss RMS WS 1
0.01%	10,000	250,415,187	227,564,009
0.02%	5,000	179,989,987	187,667,801
0.10%	1,000	70,430,815	113,418,402
0.20%	500	44,302,802	85,842,929
0.40%	250	34,194,692	60,481,506
1.00%	100	19,593,161	31,362,331
2.00%	50	11,404,048	14,568,895
4.00%	25	5,573,061	4,475,055
10.00%	10	1,389,979	294,298
20.00%	5	71,062	773
Average Annual Loss		952,905	1,157,189
Standard Deviation		5,482,229	8,320,685

Glossary of Terms/Acronyms:

Risk Management Solutions (RMS) – Catastrophe Modeling Software

AIR Worldwide Corporation (AIR) - 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.

Occurrence Exceedance Probability (OEP): The probability that a single occurrence will exceed a certain threshold.

Marketing Efforts

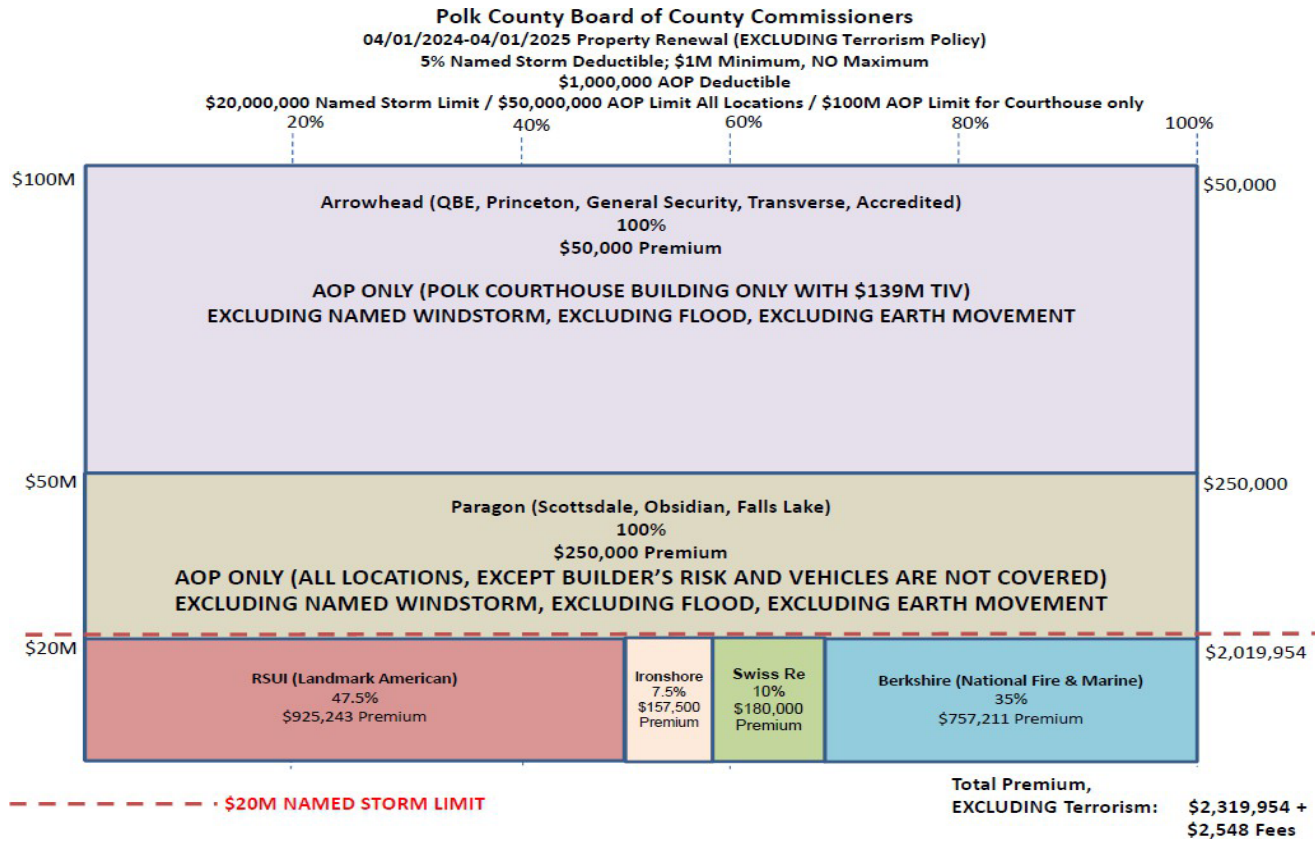
Based on the difficult insurance marketplace, we have conducted an extensive marketing search for carriers that were interested in school boards, and in particular Polk County. Below is a list of the markets we approached and their responses:

Market	Policy Line	Status
Travelers	Boiler & Machinery	Quoted
AJG UK Limited	Standalone Terrorism & Active Assailant	Quoted
Allianz Global	Property	Declined- Would Need to attach excess of \$100M
Allied World Assurance Company	Property	No Response
Amwins Bermuda	Property	No response
Amwins Global Risks	Property	Indicated- 12.5% of \$20M Primary at \$2,100,000 Layer
ARCH Insurance Group (Incumbent)	Property	No Response
Arrowhead Insurance Risk Managers, LLC (Incumbent)	Property	Quoted- 100% of 50M AOP for Courthouse Only at \$50,000 premium: - 7.5% rate decrease
Aspen Insurance	Property	No Response
AXA XL, a division of AXA	Property	Declined- Terms- would need scheduled limits. Cannot do Blanket limits.
AXIS Insurance (Incumbent)	Property	Indicated- 7.5% of \$20M primary at \$2,150,000 layer
Beazley USA	Property	Declined- Can't get close to targets
Berkshire Hathaway Specialty (Incumbent)	Property	Quoted 45% of 20M primary at \$2,163,461 Layer; Flat Rate
CNA	Property	No Response
Core Specialty Insurance Holdings (Incumbent)	Property	No response
Crum & Forster	Property	Declined- Not targeting this class of business
Everest National Insurance	Property	No Response

Market	Policy Line	Status
Golden Bear Insurance Company	Property	Declined- Due to Named Wind Storm Exposure
HDI Global Insurance Company	Property	Declined due to 100% Florida Exposure.
Hudson Insurance Group	Property	Wind Exposure
Intact Insurance	Property	Declined- Have to attach above 10% of the values in any one county
Ironshore (Incumbent)	Property	Quoted-7.5% of \$20M Primary at \$2,100,000; -3% Rate Decrease
James River Insurance Company	Property	Declined- Too big for them to consider
Kemah Capital LLC	Property	Decline- Pricing too high
Kinsale Insurance Company	Property	Decline- Can only consider excess including NWS
Lancashire Insurance Company (UK) Limited	Property	Declined- Too Large for their appetite
Lexington Insurance Company	Property	No Response
Markel	Property	Decline- Can only consider excess layers including NWS. AOP only layers do not work for their minimum premiums.
Mitsui Sumitomo Insurance	Property	Decline- Pricing too High/ attachment too low
Munich Re America	Property	Declined- \$20M Primary pricing is over \$3,000,000 for the layer
Navigators Insurance Company	Property	Declined- Would be significantly higher than our target for the \$20M Primary. Can consider excess including NWS, if needed.
Old Republic Specialty Insurance Underwriters	Property	Declined- I will have to decline as this is out of the appetite for us due to the NWS exposure,
Paragon Insurance Holdings, LLC	Property	Quoted- 100% of \$30M xs \$20M AOP Only, excluding NWS/Flood/Earthquake at \$250,000 layer, -7.5% Rate Decrease
Risksmith Insurance Services	Property	No Response
Rivington Partners	Property	Declined-Out of Aggregate in this area
RLI Insurance Company	Property	Declined-Too Large

Market	Policy Line	Status
RSUI (Incumbent)	Property	Quoted- 47.5% of \$20M Primary at \$1,947,880 Layer, Flat Rate
Sompo International	Property	No Response
SRU	Property	No Response
Starr Companies	Property	Declined- Can't get close to pricing needed
Swiss Re	Property	Quoted- 10% of \$20M Primary at \$1,800,000 Layer
Velocity Risk Underwriters	Property	Indicated- \$20M Primary at \$2M-\$2.2M Layer
W/R/B/Specialty	Property	Can only consider excess including NWS
Waypoint (AmRisc)	Property	Declined-Multiples of target pricing
Westchester, A Chubb Company	Property	No response
Westfield Specialty Insurance Company	Property	No response
Zurich North America	Property	No response

2024 Renewal Program Structure



2024 Renewal Results

Property

Property	2023-2024 Expiring	2024-2025 Renewal	% Change
Limit of Liability for All Locations Incl Named Storm, Flood, Earthquake	\$20,000,000	\$20,000,000	No Changes
Limit of Liability for All locations except Builders Risk excl Named Storm, Flood, Earthquake	\$50,000,000	\$50,000,000	No Changes
Limit of Liability for Polk County Courthouse excl Named Storm, Flood, Earthquake	\$100,000,000	\$100,000,000	No Changes
Deductible	\$1,000,000	\$1,000,000	No Changes
	5% Named Storm	5% Named Storm	No Changes
TIV	\$1,023,129,271	\$1,106,750,057	8%
Rate	\$0.2158	\$0.2096	-2.85%
Premium	\$2,205,000	\$2,319,954	5%
EMPA + Surcharges	\$2,544	\$2,548	0%
Total Cost	\$2,207,544	\$2,322,502	5%

The program we have secured for the County includes a \$50 Million All Other Peril Loss Limit, including \$20 Million Named Storm Limit for all locations (The Courthouse has a \$100 Million AOP Loss Limit). Highlights of the program are as follows:

- Total Insured Values are \$1,106,750,057
- Deductible: 3% per-unit, subject to \$1,000,000 per occurrence minimum, Named Storm
- \$1,000,000 all other covered perils (including Flood) deductible
- Vehicles will be covered while on insured premises only.
- Historic (where applicable) and Green Building Valuation included.
- Flood coverage included (sub limited to \$10M for zones A&V, \$20M for all other zones)
- Priority of Payments: FEMA Committed Properties
- Property Values have increased by 8%
- Rate has decreased by -2.85%
- Premium is \$2,319,954
- EMPA and Surcharges: \$2,548
- **Total Property Program Cost: \$2,322,502**
- Please refer to the proposal for a summary of terms, conditions and exclusions
- Please note that Florida State Surcharges are estimated, and subject to change.

2024 Premium Summary

	Expiring	Renewal	% Change
Coverage	2023-2024	2024-2025	
Property	\$2,205,000	\$2,319,954	5%
Property Terrorism	\$51,500	\$60,000	17%
Boiler & Machinery	\$40,097	\$38,522	-4%
Total	\$2,296,597	\$2,418,476	5%
EMPA + Surcharges	\$2,544	\$2,548	0%
Grand Total	\$2,299,141	\$2,421,024	5%

*EMPA & Surcharges will be determined as we finalize pricing.

Conclusion

The renewal presented to the Polk County Board of County Commissioners is quite favorable considering current market conditions. We are continuing to negotiate with carriers and will advise of further changes to the program.

We have enjoyed our partnership and appreciate the continued time, support and confidence you have placed in us as your risk management team.

We help you face your future with confidence.



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Gallagher's holistic approach keeps your total cost of risk—and your best interest—in focus. With expertise where you most need it, Gallagher delivers the solutions that let businesses grow. Communities thrive. And people prosper.

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\$5B

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850+

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150+

Countries served

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Environmental
Enterprise Risk Management
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Law Firms
Management Liability

Private Client Services
Property
Risk Management
Trade Credit & Political Risk
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OUR APPROACH TO RISK.



CORE360™ is our unique, comprehensive approach of evaluating our client's risk management program that leverages analytical tools and diverse resources for customized, maximum impact on six cost drivers of their total cost of risk.

22+ INDUSTRY PRACTICES



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Gallagher has been designated as one of the "World's Best Employers" by Forbes Magazine for 2018.

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25 tenets that have guided a team-oriented culture for 30+ years

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Benefits and HR Consulting

Similar to our **CORE360™** approach, which focuses on the actual and potential costs that drive total cost of risk, our Benefits and HR consultants focus on more than just placing benefits insurance. They help clients with their total organizational wellbeing and talent risk management.

We would love the opportunity to introduce Gallagher Benefit Services to you to demonstrate the full power of Gallagher to improve your profitability and organizational wellbeing.

Gallagher Better WorksSM

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You start by building a better workplace. One that attracts, engages and retains top talent at the right cost. That's why the Gallagher Better WorksSM comprehensive approach to organizational wellbeing aligns your people strategy with your overall business goals.

It centers on strategically investing in your people's health, talent, financial wellbeing and career growth at the right cost structures to support a multigenerational workforce. And it utilizes data, helping you gather insights and apply best practices that promote productivity and growth.

As you develop and sustain a wellbeing-centric culture, you'll optimize your annual talent investment and mitigate organizational risk to maximize profitability. Best of all, you'll gain a competitive advantage as a workplace that simply works better.

Because while your best is finite, your better is never finished.

Expertise and Solutions to Help You Optimize Your People Strategy

- 2018 Benefits Strategy and Benchmarking Survey: <https://www.ajg.com/lp/us-benefits-strategy-benchmarking-survey/>
- and 2017 Best-in-Class Benchmarking Analysis: https://www.ajg.com/lp/best-in-class/?utm_source=Misc&utm_medium=Press_release&utm_campaign=GBS_BIC2017Q4
- Thought leadership across multiple touchpoints through our Human Capital Insights report; visit <https://www.ajg.com/lp/human-capital-insights/> for a copy
- A full spectrum of solutions to help employers to recruit, retain and engage top talent
- Focus on benefits, compensation, retirement, employee communications and workplace culture

Gallagher's team of benefits and HR consultants paired with risk management and insurance consultants can serve your organization as a strategic business partner, uniquely positioned to help you:

- Take a holistic approach to reducing your total cost of risk
- Tackle any risk or challenge from multiple angles taking into account both the human capital and property perspectives

