



Insurance | Risk Management | Consulting

July 18, 2019

Patrick Young
Ector County Independent School District
802 N Sam Houston
Odessa, TX 79761

RE: Additional Property Premiums for the 2019-2020 Policy Year

Dear Patrick:

While negotiating the property insurance capacity structure for Ector County Independent School District (ECISD), leading up to July 1st, the Microsoft Excel schematic that the wholesale broker, Risk Placement Services (RPS), works from changes every day depending on insurance company's responses, pricing, capacity, etc... When the schematic (pricing summary page) was built for ECISD, RPS and Gallagher broke down each insurance company's participation by layer and then summed up that individual layer into a "layer price". At the bottom of the schematic workbook the total of each layer is pulled using a formula to calculate the total premium for the district.

In the \$15M xs \$10M layer, at some point, RPS and Gallagher were able to get RSUI to give us additional capacity to help fill out the layer at a lower premium spend for ECISD. To do so we inserted a row in the \$15M xs \$10M layer, but the formula for the total layer premium did not pick up the information that we input into the new cell... so the layer SUM was inaccurate. Unfortunately, this carried forward the bottom where the total premium was calculated, and then again on coverage page of the quotation issued to ECISD. The quotes attached therein, by insurance company, were all accurate and accounted for, but the figure on the cover page was the carry-over from the formula error in the \$15M xs \$10M layer within the schematic workbook. As a result, the total premium listed on the cover page of the quote that Gallagher received from RPS was short by \$107,999.58 of what was intended. Given the shortfall from the previous quote listed, Gallagher and RPS are requesting approval from the board for an additional payment of \$117,433.58. The difference in the two costs listed is the premium associated with the boiler and machinery insurances (\$9,444).

With how busy every market, wholesaler, and broker are during this difficult property market, a mistake or two is bound to happen. July 1st is the busiest effective date for the entire E & S industry and every sizable account had to be restructured all at once. Unfortunately, this mistake was made relative to ECISD's quote. That said, this is something that RPS and Gallagher should have caught in our review of all of the information. We would like to express our sincerest apologies for the lack of oversight and want to thank you, David and the rest of the ECISD staff and school board for your understanding.

Sincerely,

A handwritten signature in black ink, appearing to be 'CH' followed by a stylized flourish.

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