

**Commercial Insurance Proposal for  
ISD #763 MEDFORD**

Presented By: LeRoy Taggart

Presented On: May 17, 2016

Policy Term: 07/01/16 to 07/01/17

Proposal Expires On: 07/01/16

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## Property

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### COVERAGE:

Coverage is provided on a Special Cause of Loss basis subject to all Policy Conditions, Limitations and Exclusions.

|  |                       |                                 |
|--|-----------------------|---------------------------------|
| <b>BLANKET BUILDINGS, BUSINESS PERSONAL PROPERTY &amp; PROPERTY IN OPEN:</b> | \$37,447,126          | Includes Equipment Breakdown    |
| <b>BLANKET BUSINESS INCOME &amp; EXTRA EXPENSE:</b>                          | \$1,000,000           |                                 |
| <b>BACKUP OF SEWER &amp; DRAIN:</b>  | \$100,000             |                                 |
| <b>EARTHQUAKE:</b>   | \$150,000             |                                 |
| <b>FLOOD:</b>  | \$150,000             |                                 |
| <b>DEDUCTIBLE:</b>   | \$2,500               | Property                        |
|  | \$5,000               | Earthquake                      |
|  | \$5,000               | Flood                           |
| <b>PROPERTY VALUATION:</b>   | Replacement Cost      |                                 |
| <b>INFLATION GUARD:</b>  | 4%                    |                                 |
| <b>COINSURANCE:</b>  | Agreed Amount         | Building                        |
|  | Agreed Amount         | Business Personal Property      |
|  | Actual Loss Sustained | Business Income / Extra Expense |

NOTE: The insured is responsible for verifying their property limits are accurate and sufficient

## Crime

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| <b>COVERAGE - LOSS SUSTAINED FORM</b>                 | <b>LIMIT</b> | <b>DEDUCTIBLE</b> |
|---|--------------|-------------------|
| Employee Dishonesty (Form A) – Blanket                | \$25,000     | \$250             |
| Theft, Disappearance & Destruction (Form C) – Blanket |              |                   |
| Inside The Premises                                   | \$10,000     | \$250             |
| Outside The Premises                                  | \$10,000     | \$250             |

Loss Sustained Form: Applies to losses that result from acts committed during the policy period and discovered during the policy period or during the Extended Period to Discover Loss.

Extended Period to Discover Loss: 1 year from the date of termination

## Inland Marine

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| <b>COVERAGE</b>  | <b>LIMIT</b>            |
|--|-------------------------|
| SCHOOL COVERAGE PROPERTY FORM CP7123                   | Blanket limit \$500,000 |
| BAND UNIFORMS  |                         |
| MUSICAL INSTRUMENTS                                    |                         |
| ATHLETIC EQUIPMENT                                     |                         |
| COMMERICAL ARTICLES                                    |                         |
| FINE ARTS  |                         |
| SIGNS (ATTACHED AND UNATTACHED)                        |                         |
| - subject to a \$2,500 deductible at actual cash value |                         |
|  |                         |
| COMPUTER HARDWARE                                      | Included in BPP         |
| COMPUTER SOFTWARE                                      | Included                |
| COMPUTER EXTRA EXPENSE                                 | Included                |
| - subject to a \$2,500 deductible                      |                         |

## Inland Marine - Data Compromise Coverage Option

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|  |  |
|--|--|
| <b>DATA COMPROMISE COVERAGE</b><br>- subject to a \$1,000 deductible | Response Expenses Coverage \$50,000<br>Defense & Liability Coverage \$50,000<br>Identity Recovery \$25,000 |
|--|--|

### COVERAGE OVERVIEW

**Response Expenses Coverage:** includes a legal and forensic information technology review of the breach, notification to the affected individuals, and services for the affected individuals, including a toll-free help line, credit monitoring and identity restoration case management.

**Defense and Liability Coverage:** provides coverage for data compromise defense and data compromise liability in the event that affected individuals sue the insured. There must first be a covered loss under the response expenses coverage before defense and liability coverage becomes effective.

**Identity Recovery Coverage:** provides expense reimbursement and case management services caused by an identity theft for key individuals within the insured organization. Expenses include various legal costs, lost wages, child and elder care costs, mental health counseling and other miscellaneous unnamed costs. Insureds who are victims of covered identity thefts are assigned a case manager who provides them with a wide range of identity recovery services, including letter writing, phone calls, credit report requests, follow-up and record keeping.

## General Liability

| <b>COVERAGE - OCCURRENCE FORM</b>                                 | <b>LIMIT</b>                         |
|---|--------------------------------------|
| General Aggregate   | \$2,000,000                          |
| Products & Completed Operations Aggregate                         | \$2,000,000                          |
| Personal & Advertising Injury                                     | \$1,000,000                          |
| Each Occurrence   | \$1,000,000                          |
| Damage To Premises Rented to You                                  | \$300,000                            |
| Medical Expense   | \$10,000                             |
|   |                                      |
| Sexual Misconduct & Molestation Liability – Each Loss / Aggregate | \$1,000,000 / \$2,000,000            |
| Innocent Party Aggregate Defense Expense Amount                   | Included in GL form                  |
|   |                                      |
| Violent Event Response Coverage – Person / Aggregate / Event      | \$25,000 / \$1,000,000 / \$1,000,000 |
|   |                                      |
| <b>COVERAGE – CLAIMS MADE FORM</b>                                | <b>LIMIT</b>                         |
| Employee Benefits Liability - Each Employee                       | \$1,000,000                          |
| Employee Benefits Liability - Aggregate                           | \$2,000,000                          |
| Retro Date  | July 1, 2007                         |
| Deductible  | \$1,000                              |

| <b>CLASS CODE</b> | <b>CLASSIFICATION</b>  | <b>15-16<br/>PREMIUM<br/>BASIS</b> | <b>16-17<br/>PREMIUM<br/>BASIS</b> |
|-------------------|--|------------------------------------|------------------------------------|
|                   | Volunteer's incl. as Additional insd. Fellow RR exclusion deleted. Extension endt CG7255 included. | 1                                  | 1                                  |
| 49452             | Vacant Land-3rd Ave, SE Medford  | 16                                 | 16                                 |
| 41716             | Day Care Centers-not for profit only   | 32                                 | 29                                 |
| 47471             | Schools-Public-Elementary, Kindergarten or Jr High   | 610                                | Included                           |
| 47473             | K-12 Students  | 291                                | 863                                |
| 44194             | Grand Stands or Bleachers  | 1                                  | 1                                  |
| 47469             | Faculty Liability for Corporal Punishment of Pupils  | 86                                 | 91                                 |
|                   | Coverage for volunteers Included   |                                    |                                    |

## General Liability (Continued)

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**COVERAGE EXCLUSIONS/LIMITATIONS** *(Exclusions/Limitations included but not limited to the following. Please refer to your policy for a complete list of Exclusions/Limitations):*

- Pollution Liability Exclusion
- Employment - Related Practices Exclusion
- Lead Exclusion
- Fungi/Mold or Bacteria Exclusion
- Law Enforcement Exclusion
- Trampoline Exclusion

**COMMENT:**

- This policy is subject to annual audit.



## School Leaders Errors & Omissions Liability

| <b>COVERAGE – CLAIMS MADE FORM</b> | <b>LIMIT</b> |
|------------------------------------|--------------|
| Each Wrongful Act                  | \$1,000,000  |
| Aggregate                          | \$2,000,000  |
| Deductible – One Wrongful Act      | \$1,000      |
| Retro Date                         | July 1, 2012 |
|                                    |              |

### WHO IS PROTECTED:

Educational Institutions  
 Trustees, Board Members or Commissioners  
 Employees and Student Teachers  
 Volunteer Workers  
 Administrators

### AREAS OF COVERAGE:

Wrongful acts reported during the policy period, subject to policy conditions and exclusions

### DEFENSE COSTS:

Defense costs are in addition to the limit of liability for an amount equal to the limit of liability

### EXCLUSIONS:

|  |  |
|--|--|
| Libel, Slander, Defamation of Character  | Intentional Fraudulent, Dishonest or Criminal Acts |
| Bodily Injury or Property Damage         | Asbestos   |
| Sexual Abuse or Molestation of Students  | Pollution  |
| Cross Claims or Counter Claims           | Lead   |
| Hazardous Properties of Nuclear Material | Punitive Damages                                   |
| Pending & Prior Litigation               | Salary Awards                                      |

## Business Automobile

| COVERAGE                   | VEHICLES COVERED                   | LIMIT       |
|----------------------------|------------------------------------|-------------|
| Liability                  | Any Auto                           | \$1,000,000 |
| Personal Injury Protection | All Autos Subject to No-Fault Laws | Basic       |
| Uninsured Motorist         | Owned Autos Subject to UIM Laws    | \$1,000,000 |
| Underinsured Motorist      | Owned Autos Subject to UIM Laws    | \$1,000,000 |
| Hired/Non-Owned Liability  | Hired/Non-Owned Autos              | Included    |
| Physical Damage            |                                    |             |
| Comprehensive Coverage     | Specifically Described Autos       | \$100       |
| Collision Coverage         | Specifically Described Autos       | \$500       |
| Hired Car Physical Damage  | Hired Autos                        | \$75,000    |
| Comprehensive Deductible   |                                    | \$500       |
| Collision Deductible       |                                    | \$500       |
| Coverage Enhancement:      | Form #:CA7317 (01/13)              |             |

### COVERED AUTOS:

| YEAR | MAKE        | MODEL      | VIN #             | GARAGING LOCATION | COMP  | COLL  |
|------|-------------|------------|-------------------|-------------------|-------|-------|
| 1999 | Continental | Cargo TRLR | 4X4TSE614XN008002 | Medford, MN       | \$100 | \$500 |

NOTE: Mobile Equipment that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law in the state it is licensed or garaged is now deemed an auto and must be scheduled under the Automobile Policy.

**\*\*Effective 5/16/2016 Added 2015 Ford Taurus as drivers education vehicle. Additional premium for this vehicle is not in renewal numbers.**

## Workers' Compensation

### EMPLOYER'S LIABILITY:

|                            |               |           |
|----------------------------|---------------|-----------|
| Bodily Injury by Accident: | Each Accident | \$500,000 |
| Bodily Injury by Disease:  | Per Policy    | \$500,000 |
| Bodily Injury by Disease:  | Each Employee | \$500,000 |

### STATES:

MN

### SCHEDULE OF OPERATIONS:

| STATE | CODE | CLASSIFICATION    | 15-16<br>PAYROLL | 16-17<br>PAYROLL | 15-16<br>RATE | 16-17<br>RATE                           | PREMIUM         |
|-------|------|-------------------|------------------|------------------|---------------|---|-----------------|
| MN    | 8868 | Professional-EE's | \$4,056,000      | \$4,159,474      | .62           | .63                                     | \$26,205        |
| MN    | 9101 | All Other EE's    | If Any           | If Any           | 4.87          |   | \$0             |
|       |      |                   |                  |                  |               | <b>Manual Premium</b>                   | <b>\$26,205</b> |
|       |      |                   |                  |                  |               | Increased Limit Factor                  | 210             |
|       |      |                   |                  |                  |               | Experience Mod (1.08)                   | 2,113           |
|       |      |                   |                  |                  |               | Schedule Credit ( )                     | -11,411         |
|       |      |                   |                  |                  |               | Premium Discount                        | -363            |
|       |      |                   |                  |                  |               | Expense Constant                        | 180             |
|       |      |                   |                  |                  |               | Terrorism                               | 832             |
|       |      |                   |                  |                  |               | <b>Estimated Annual Premium</b>         | <b>\$17,766</b> |
|       |      |                   |                  |                  |               | MN Special Compensation Fund Assessment | 1,027           |
|       |      |                   |                  |                  |               | <b>*Total Estimated Cost:</b>           | <b>\$18,793</b> |

\* This Workers' Compensation policy is subject to an annual audit. The final premium is determined after the audit has been completed.

## Workers' Compensation (Continued)

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### EXPERIENCE MODIFICATION FACTOR:

| POLICY TERM | EXPERIENCE MOD. |
|-------------|-----------------|
| 2016-2017   | 1.08            |
| 2015-2016   | 1.11            |
| 2014-2015   | 1.07            |
| 2013-2014   | .83             |
| 2012-2013   | .87             |

- The Minnesota Department of Commerce approved the 2013 Minnesota Ratemaking Report **effective April 1, 2014**. Formula increases in the minimum and maximum individual weekly remuneration for executive officers, partners, sole proprietors and members/owners of limited liability companies will be phased in over the next three years. The intent is to gradually align MWCIA and Minnesota ratings with NCCI ratings in other states.
  - **Effective January 1<sup>st</sup>, 2016 or April 1<sup>st</sup>, 2016 for assigned risk carriers** the maximum annual remuneration for executive officers, partners, sole proprietors and members/owners of limited liability companies increases from \$199,888 to **\$205,712**. Minimum annual remuneration will also increase from \$49,972 to **\$51,428**.

## Workers' Compensation (Continued)

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### NOTATIONS:

- Workers' Compensation quotation contemplates exposures in the states listed above. Some carriers are not licensed in all states. Therefore, you must notify us if you have any operations or plan to hire any employees to work in states other than those listed above.
- If a closely held corporation with less than 22,880 total payroll hours (equivalent to 11 full-time employees), coverage is excluded and the owners must elect coverage.
- Beginning January 1, 2003, the information page on your Workers' Compensation policy will show a surcharge for Minnesota's Special Compensation Fund assessments. Until now, the amount of the assessment has been built into your rates and included in the total estimated annual premium amount. New state law does not consider the SCF assessment as premium and requires insurers to take the assessment out of their rate and identify it separately.
  - This new "SCF assessment" line item on your policy information page does not represent a new charge to you.
  - The SCF assessment used to be built into your insurance rate. Now it will be displayed separately.
  - The separately displayed amount should be comparable to what you paid last year, assuming the factors that go into figuring your estimated premium are also comparable.
  - The SCF, administered by the Minnesota Department of Labor and Industry, pays benefits to injured workers of uninsured employers and supplemental benefits to certain low-wage workers. It also pays the cost of operating the state's worker's compensation system, including the Office of Administration Hearings, the Workers' Compensation Court of Appeals and certain department divisions including MN OSHA.
- You may be required under the Workers' Compensation law of your state to include liability for compensation to employees of contractors (or subcontractors) as well as to contractors (or subcontractors) without employees performing work for you. However, this does not apply if the contractor (or subcontractor) has furnished you with a Certificate of Insurance indicating he has Workers' Compensation coverage

## Umbrella

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| LIMIT OF LIABILITY | LIMIT       |
|--------------------|-------------|
| Each Occurrence    | \$2,000,000 |
| Annual Aggregate   | \$2,000,000 |
| Retention          | \$0         |

### COVERAGE:

The policy agrees to *pay on behalf of* the Insured for all sums, which they are obligated to pay as damages resulting from all operations. The Limit of Liability is over the policy limits of the primary insurance.

### COMMENTS:

- This policy includes a Fungi/Mold or Bacteria Exclusion.
- This policy is not subject to audit

### UNDERLYING SCHEDULE:

| COVERAGE                    |                                 | LIMIT       |
|-----------------------------|---------------------------------|-------------|
| General Liability           | Each Occurrence                 | \$1,000,000 |
|                             | General Aggregate               | \$2,000,000 |
|                             | Products Aggregate              | \$2,000,000 |
|                             | Personal and Advertising Injury | \$1,000,000 |
| Automobile Liability        | Combined Single Limit           | \$1,000,000 |
| Employers Liability         | B.I. Each Accident              | \$500,000   |
|                             | B.I. by Disease Policy Limit    | \$500,000   |
|                             | B.I. by Disease each Employee   | \$500,000   |
| Employee Benefits Liability | Each Employee                   | \$1,000,000 |
|                             | Aggregate                       | \$2,000,000 |
| Public Official Liability   | Each Loss                       | \$1,000,000 |
|                             | Aggregate                       | \$2,000,000 |

## Premium Summary & Comparison

| <b>COVERAGE</b>                        | <b>2015 - 2016<br/>(EMC)<br/>ANNUALIZED<br/>EXPIRING PREMIUMS</b> | <b>2016 - 2017<br/>(EMC)<br/>PROPOSED<br/>RENEWAL PREMIUMS</b> |
|--|---|--|
| Property                               | \$16,598.45   | \$14,515.74  |
| General Liability                      | \$5,440.00  | \$4,989.00   |
| Educators Legal Liability              | \$3,116.00  | \$1,867.00   |
| Data Compromise                        | \$372.00  | \$372.00   |
| Crime                                  | \$1,023.00  | \$1,023.00   |
| Equipment Breakdown                    | Included  | Included   |
| Automobile                             | \$898.00  | \$370.00   |
| Workers' Compensation                  | \$18,591.00   | \$18,793.00  |
| Umbrella                               | \$1,698.00  | \$1,636.00   |
| MN Fee's                               | Included  | Included   |
| Terrorism                              | <u>Included</u>   | <u>Included</u>  |
| <b>Total Estimated Annual Premium:</b> | <b>\$47,736.45</b>  | <b>\$43,565.74</b>   |

*Expiring premium does not include endorsements processed during the policy term*

### TERMS AND CONDITIONS:

- EMC Enhancements on next page
- Data Compromise & Cyber Quote on page 17

### PAYMENT TERMS & PLAN(S):

- Direct Bill - Currently Monthly Pay Plan

## Coverage Options

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### OPTIONS:

- Per our audit we have moved all enrollment to 97473 due to all students located in one building.
- I have added our EMC general liability Elite extension endorsement for schools (CG7699), copy of brochure is attached.
- We have updated the general liability and work comp exposures per last years audit. Please let me know if revisions are needed?
- Note that we have a key person special expense endorsement available for schools (CG7690). The forms file includes this form for your reference. Below are the premiums for this form for each limit option if desired:
  - \$25k limit: \$125
  - \$50k limit: \$250
- Keep in mind we have a loss of salary or fringe benefits endorsement (CL7130.1) available on our Linebacker policies. Below are the premiums for the limit options:
  - \$50k each loss/\$100k aggregate: \$268
  - \$75k each loss/\$150k aggregate: \$335
- We currently do not have CyberSolutions coverage on the policy which offers a comprehensive suite of coverages that combines Cyber, Data Compromise and Identity Recovery to help insureds react and recover from a cyber-attack or data breach. I included a brochure for this in the marketing items file if helpful or you can also refer to [our website](#) for this coverage. We currently only have data compromise on the policy. Many schools don't think they have much of a cyber or data compromise exposure, but we have incurred claims from our school insureds under this coverage form. Below is a quick example of a claims scenario that we came across recently that may be worth discussing with your insured. Feel free to reject this quote when binding if not desired.
  - Example: our insured district was on spring break. During that time someone hacked into their computer system, wiping their system and compromising all private student and faculty personal data. We did quote data compromise at last year's 7/1 renewal date and the district declined the coverage. They are now looking at a long, expensive process that they will have to deal with themselves with no coverage on our end.



## Coverage Options

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|   |                             |
|---|-----------------------------|
| Data Compromise Coverage -                    |                             |
| Response Expenses Limit                       | \$ 50,000 Annual Aggregate  |
| Legal Review Sublimit                         | \$ 5,000                    |
| Forensic It Review Sublimit                   | \$ 5,000                    |
| Named Malware Sublimit                        | \$ 50,000                   |
| Public Relations Sublimit                     | \$ 5,000                    |
| Deductible                                    | \$ 1,000                    |
| <br>  |                             |
| Data Compromise Defense And Liability Limit   | \$ 50,000 Annual Aggregate  |
| Named Malware Sublimit                        | \$ 50,000                   |
| Deductible                                    | \$ 1,000                    |
| <br>  |                             |
| Identity Recovery Coverage -                  |                             |
| Identity Recovery Limit                       | \$ 25,000 Annual Aggregate  |
| Expense Reimbursement Deductible              | \$ 250                      |
| <br>  |                             |
| Cyber Coverage -                              |                             |
| Computer Attack Limit                         | \$ 100,000 Annual Aggregate |
| Data Re-Creation Sublimit                     | \$ 5,000                    |
| Loss Of Business Sublimit                     | \$ 10,000                   |
| Public Relations Sublimit                     | \$ 5,000                    |
| Deductible                                    | \$ 10,000                   |
| <br>  |                             |
| Network Security Defense And Liability Limit  | \$ 100,000 Annual Aggregate |
| Deductible                                    | \$ 10,000                   |
| <br>  |                             |
| Data Compromise And Identity Recovery Premium | \$ 372.00                   |
| Cyber Premium                                 | \$ 347.00                   |
| -----   |                             |
| <b>Total Policy Premium</b>                   | <b>\$ 719.00</b>            |

## Direct Bill Payment Terms

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Your policy is what we refer to as Direct Bill. This means that you are billed directly by the insurance company, instead of making payments to Marsh & McLennan Agency.

You will receive all future bills from your insurance company, and will make out your checks directly to them.

You will be given a number to call with any billing questions you might have, but you are welcome to call us for help in resolving your billing questions.

### PREMIUM DEPOSIT:

We must receive the required deposit premium from you before coverage can be put in force. All future installments under the payment plan will be billed to you even if the policy has not yet been issued. You will be provided with "binders" as proof of coverage once the deposit is paid.

### INSTALLMENTS:

Future installments will be billed to you by the insurance company in advance of the day they are due. They should be mailed in time to be received by the insurance company by the due date. It is important that you pay your premiums on time because some carriers are eliminating the existing pay plan if there are too many late payments.

### ENDORSEMENTS (POLICY CHANGES):

For most policy changes, you will not be billed until the change (endorsement) is processed by the insurance company. Then, depending on the insurance company and the amount, it will either be due in thirty (30) days, or split out over your remaining installments. If you have problems understanding the bill, call us.

### AUDITS:

Certain policies (usually Workers' Compensation and General Liability) are auditable policies. This means that the premium you are charged throughout the year is based on the estimates of payroll, sales, etc. that were included on the application. After the policy period ends, you will be contacted by someone representing the insurance company to do an audit of your actual payroll or sales figures.

These audited figures are used to re-figure your premium. You may either owe additional premium or have money coming back. Audit billings are usually due immediately. Audits should be reviewed in detail to be sure they are correct. Audits should get prompt attention when you get them. (Make sure to ask for a copy of the auditor's work papers before they leave. This can help you understand an audit and will also help determine if people are included under the correct classification codes.)

We thank you for your business.

## Compensation Disclosure & Limitation of Liability

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Marsh & McLennan Agency (“MMA”) prides itself on being an industry leader in the area of transparency and compensation disclosure. We believe you should understand how we are paid for the services we are providing to you. We are committed to compensation transparency and to disclosing to you information that will assist you in evaluating potential conflicts of interest.

As a professional insurance services provider, MMA and its subsidiaries facilitate the placement of insurance coverage on behalf of our clients. In accordance with industry custom, we are compensated either through commissions that are calculated as a percentage of the insurance premiums charged by insurers, or fees agreed to with our clients.

MMA receives compensation through one or a combination of the following methods:

- **Retail Commissions** – A retail commission is paid to MMA by the insurer (or wholesale broker) as a percentage of the premium charged to the insured for the policy. The amount of commission may vary depending on several factors, including the type of insurance product sold and the insurer selected by the client. Retail commission rates can vary from transaction to transaction.
- **Client Fees** – Some clients may negotiate a fee for MMA’s services in lieu of, or in addition to, retail commissions paid by insurance companies. Fee agreements are in writing, typically pursuant to a Client Service Agreement, which sets forth the services to be provided by MMA, the compensation to be paid to MMA, and the terms of MMA’s engagement. The fee may be collected in whole, or in part, through the crediting of retail commissions collected by MMA for the client’s placements.
- **Contingent Commissions** – Many insurers agree to pay contingent commissions to brokers who meet set goals for all or some of the policies the brokers place with the insurer during the current year. The set goals may include volume, profitability, retention and/or growth thresholds. Because the amount of contingent commission earned may vary depending on factors relating to an entire book of business over the course of a year, the amount of contingent commission attributable to any given policy typically will not be known at the time of placement.
- **Supplemental Commissions** – Certain insurers and wholesalers agree to pay supplemental commissions, which are based on a broker’s performance during the prior year. Supplemental commissions are paid as a percentage of premium that is set at the beginning of the calendar year. This percentage remains fixed for all eligible policies written by the insurer during the ensuing year. Unlike contingent commissions, the amount of supplemental commission is known at the time of insurance placement. Like contingent commissions, they may be based on volume, profitability, retention and/or growth.

## Compensation Disclosure & Limitation of Liability

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- **Wholesale Broking Commissions** – Sometimes MMA acts as a wholesale insurance broker for certain transactions. In these placements, MMA is engaged by a retail agent that has the direct relationship with the insured. As the wholesaler, MMA may have specialized expertise, access to surplus lines markets, or access to specialized insurance facilities that the retail agent does not have. In these transactions, the insurer typically pays a commission that is divided between the retail and wholesale broker pursuant to arrangements made between them.
- **Other Compensation** – From time to time MMA may be compensated by insurers for providing administrative services to clients on behalf of those insurers. Such amounts are typically calculated as a percentage of premium or are based on the number of insureds.

We will be pleased to provide you additional information about our compensation and information about alternative quotes upon your request. For more detailed information about the forms of compensation we receive please refer to our Marsh & McLennan Agency Compensation Guide at

<http://res.cloudinary.com/mma/image/upload/v1437281898/ayzkoij0jzsqcy6rzom6.pdf>

MMA's aggregate liability arising out of or relating to any services on your account shall not exceed ten million dollars (\$10,000,000), and in no event shall we be liable for any indirect, special, incidental, consequential or punitive damages or for any lost profits or other economic loss arising out of or relating to such services. In addition, you agree to waive your right to a jury trial in any action or legal proceeding arising out of or relating to such services. The foregoing limitation of liability and jury waiver shall apply to the fullest extent permitted by law.

We appreciate your business and look forward to your instructions regarding the placement of your coverage on the terms outlined in this proposal.

## Disclaimer

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No coverage is provided by this summary, nor can it be construed to replace any provision of the policy. Refer to the actual policy for complete information on the coverages provided. If there is a conflict between the policy and this summary, the provisions of the policy shall govern.

This proposal contains a brief outline of coverages and not a complete explanation of insurance being presented. It is intended to provide a summary of coverage for your review. Only the policy itself can provide a detailed description of the terms conditions, exclusions and endorsements of coverage. A complete specimen policy form will be made available upon your request. For details of coverage refer to the policy itself when issued. This document is neither a binder nor a legal interpretation of the insurance coverage.

In evaluating your exposures to loss, we are dependent upon information provided by you. You ultimately choose the values elected. If there are any areas that need to be evaluated prior to binding coverage, or should any of your exposures change after coverage is bound, such as the beginning of new operations, hiring employees in new states, buying additional property, autos, equipment, etc., please let us know so coverage can be discussed. While we will strive to place your insurance with reputable, highly rated companies, we cannot guarantee the financial stability of an insurance company.

In order to ensure that your important changes are properly communicated, please contact us as questions arise and or exposure changes occur. We must discuss how they affect your insurance program.

The changes in exposure that have an impact on your insurance program include, but are not limited to, those listed below:

1. Changes to any operation such as expansion to another state, new products, etc.
2. Mergers and/or acquisitions of new companies
3. Any assumed contractual liability, granting of indemnities, or hold harmless agreements
4. Circumstances which may require an increase in liability insurance limits
5. Any changes to fire or theft protection, such as installation or disconnection of sprinkler system, burglar alarms, etc. This includes alterations to same.
6. Any changes to scheduled equipment such as contractors' equipment, computer equipment, etc.
7. Property, of yours that is in transit, unless we have previously arranged for this insurance.
8. Any changes in existing premises including vacancy, whether temporary or permanent, alterations, demolition, etc. Also, any new premises purchased, constructed, or occupied.
9. Any new exposures or plans for foreign travel or operations

Your insurance program will only be as good as the communication between your organization and Marsh & McLennan Agency.

## Terrorism Risk Insurance Act

### COMPARISON OF THE FEDERAL TERRORISM INSURANCE BACKSTOP LEGISLATION AS OF JANUARY 8, 2015

|  | TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT OF 2007 (EXPIRED)   | TERRORISM RISK INSURANCE PROGRAM REAUTHORIZATION ACT OF 2015   |
|--|--|--|
| TERMINATION  | December 31, 2014  | December 31, 2020  |
| MAKE-AVAILABLE PROVISION   | Must make coverage available for certified acts of terrorism on same terms and conditions as for other covered risks.                | No change.   |
| COVERED ACTS   | Foreign and domestic terrorism in the US and on US interests abroad. Includes an act of war for workers' compensation policies only. | No change.   |
| CERTIFICATION LEVEL  | \$5 million  | No change.   |
| CERTIFICATION  | Act of terrorism must be certified by the Secretary of Treasury, Attorney General, and the Secretary of State                        | The Secretary of Treasury must consult with the Secretary of Homeland Security (removes the Secretary of State and Attorney General).  |
| PROGRAM TRIGGER  | \$100 million in insured loss in a program year.   | Phased in increase starting on January 1, 2016:<br>2015 - \$100 million    2017 - \$140 million    2019 - \$180 million<br>2016 - \$120 million    2018 - \$160 million    2020 - \$100 million  |
| COVERED LINES  | Commercial property/casualty insurance (including excess insurance, workers' compensation, and directors and officers insurance).    | No change.   |
| INSURER DEDUCTIBLE (PERCENT OF DIRECT EARNED PREMIUM)            | 20%  | No change.   |
| FEDERAL REINSURANCE QUOTA SHARE                                  | 85%  | Phased in decrease starting on January 1, 2016.<br>2015 - 85% / 15%    2017 - 83% / 17%    2019 - 81% / 19%<br>2016 - 84% / 16%    2018 - 82% / 18%    2020 - 80% / 20%  |
| INSURANCE INDUSTRY RETENTION FOR MANDATORY RECOUPMENT            | \$27.5 billion   | Increases the current mandatory recoupment amount of \$27.5 billion by \$2 billion each calendar year until the mandatory recoupment amount reaches \$37.5 billion<br><br>Once the insurance marketplace aggregate retention amount reaches \$37.5 billion, the Treasury Secretary is to issue a final rule to annually revise the amount so that is equal to the annual average of the sum of insurer deductibles for all insurers participating in the program for the prior three calendar years. |
| RECOUPMENT AMOUNT  | 133%   | 140%   |
| RECOUPMENT TIMING  | For acts occurring on or after January 1, 2012, recoupment by September 30, 2017.  | For acts occurring on or before December 31, 2017, recoupment by September 30, 2019.<br><br>For acts occurring in 2018, 35% of amount must be collected by September 30, 2019, and the remainder by September 30, 2024.<br><br>For acts on or after January 1, 2019, recoupment by September, 30, 2024.  |
| CAP ON LIABILITY   | \$100 billion  | No change.   |
| TIMING OF CERTIFICATION  | Not addressed.   | Final rules to be issued by the Secretary of Treasury within nine months of its report to Congress, which will include a certification timeline.   |
| NUCLEAR, BIOLOGICAL, CHEMICAL, AND RADIOLOGICAL (NBCR) TERRORISM | No separate treatment of NBCR terrorism.   | No change.   |
| DATA COLLECTION  | Not addressed.   | Beginning in 2016, requires Treasury to collect data from insurers on terrorism insurance, including premiums and take-up rates.   |
| RISK SPREADING MERCHANISMS                                       | Not addressed.   | Advisory committee to encourage development of private market risk spreading mechanisms.   |
| DISCRETIONARY RECOUPMENT   | Surcharges to not exceed 3%  | No change.   |

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## Best Financial Ratings

| COMPANY  | A.M. BEST RATING | WEBSITE                         | RATING DATE |
|--|------------------|---------------------------------|-------------|
| Accident Fund                                      | A – XI           | www.accidentfund.com            | 11/7/14     |
| Acuity   | A+ XIII          | www.acuity.com                  | 12/9/14     |
| Affiliated FM Insurance Co.                        | A+ XV            | http://www.affiliatedfm.com     | 9/25/14     |
| Allied Insurance Group                             | A+ XV            | www.alliedinsurance.com         | 3/19/15     |
| American Compensation Ins Co. (RTW)                | A- XII           | www.rtw.com                     | 4/28/15     |
| American Interstate                                | A IX             | www.amerisafe.com               | 2/27/15     |
| Capitol Indemnity                                  | A VIII           | www.capitolindemnity.com        | 4/24/15     |
| Chartis  | A XV             | http://www.chartisinsurance.com | 2/27/15     |
| Chubb  | A++ XV           | www.chubb.com                   | 4/16/15     |
| CNA  | A XV             | www.cnacentral.com              | 12/16/14    |
| Continental Western                                | A+ XV            | www.continentalwestern.com      | 1/22/15     |
| Crum & Forster                                     | A XIII           | http://www.cfins.com/           | 6/4/15      |
| Dakota Truck Underwriters (member of Dakota Group) | A- VI            | www.rascompanies.com            | 5/28/15     |
| EMC  | A XIII           | www.emcinsurance.com            | 5/1/15      |
| Firemans Fund                                      | A XV             | www.firemansfund.com            | 7/18/14     |
| Hanover  | A XV             | http://hanover.com              | 5/22/15     |
| Harleysville                                       | A+ XV            | www.harleysvillegroup.com       | 3/19/15     |
| Hartford   | A+ XV            | www.thehartford.com             | 5/1/15      |
| Hartford Steam Boiler                              | A++ X            | www.hsb.com                     | 2/6/15      |
| Indiana Insurance (member of Liberty Mutual)       | A XV             | www.indiana-ins.com             | 9/24/14     |
| Indiana Lumbermens Mutual                          | A- VIII          | www.ilmgroup.com                | 2/2/15      |
| Lexington  | A XV             | http://www.chartisinsurance.com | 2/27/15     |
| Liberty Mutual                                     | A XV             | http://www.libertymutual.com    | 9/24/14     |
| Markel   | A XIV            | www.markelcorp.com              | 5/15/15     |
| Medmarc  | A VIII           | www.medmarc.com                 | 2/11/15     |
| Pennsylvania Lumbermens Mutual                     | A- VIII          | www.plmins.com                  | 2/2/15      |
| Philadelphia                                       | A++ XV           | www.phly.com                    | 6/4/15      |
| QBE  | A XIV            | www.qbena.com                   | 1/15/15     |
| Society Insurance (WI only)                        | A- VIII          | www.societyinsurance.com        | 3/17/15     |
| SFM  | Not Rated        | www.sfmic.com                   | n/a         |
| Travelers  | A++ XV           | http://travelers.com            | 5/28/15     |
| United Fire & Casualty (WI)                        | A X              | www.unitedfiregroup.com         | 4/23/15     |
| United Heartland (see Accident Fund)               |                  |                                 |             |
| Virginia Surety                                    | A- IX            | http://www.thewarrantygroup.com | 11/13/14    |
| Wausau (member of Liberty Mutual)                  | A XV             | www.wausau.com                  | 9/24/14     |
| West Bend Mutual Insurance/NSI                     | A XI             | www.wbmutual.com                | 5/6/15      |
| Western National Insurance                         | A IX             | www.wnins.com                   | 2/6/15      |
| Westfield Ins. Co.                                 | A XIV            | www.westfield-cos.com           | 11/19/14    |
| Zurich   | A+ XV            | www.zurichna.com                | 11/26/14    |

### Secure Best's Ratings Scale

| Secure Best's Ratings Scale |           | Vulnerable Best's Ratings |          |
|-----------------------------|-----------|---------------------------|----------|
| A++ and A+                  | Superior  | B and B-                  | Fair     |
| A and A-                    | Excellent | C++ and C+                | Marginal |
| B++ and B+                  | Very Good | C and C-                  | Weak     |
|                             |           | D                         | Poor     |

### Financial Size Category

|         |             |          |            |         |                |          |                    |
|---------|-------------|----------|------------|---------|----------------|----------|--------------------|
| FSC I   | less than 1 | FSC V    | 10 to 25   | FSC IX  | 250 to 500     | FSC XIII | 1,250 to 1,500     |
| FSC II  | 1 to 2      | FSC VI   | 25 to 50   | FSC X   | 500 to 750     | FSC XIV  | 1,500 to 2,000     |
| FSC III | 2 to 5      | FSC VII  | 50 to 100  | FSC XI  | 750 to 1,000   | FSC XV   | greater than 2,000 |
| FSC IV  | 5 to 10     | FSC VIII | 100 to 250 | FSC XII | 1,000 to 1,250 |          |                    |

## Risk Prevention Service Team

### Property & Casualty

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## Risk Prevention Service Team

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