



Ector County ISD Renewal Presentation

June 11, 2019 – **Odessa, TX**

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Gallagher

Insurance | Risk Management | Consulting

Today's Agenda

1. Introductions
2. Service Team
3. AJG Facts & Figures
4. Public Sector Practice Facts & Figures
5. State of the Scholastic Insurance Market (TX)
6. Consultant RFQ
7. Broker RFP
8. RMS Cat Modeling Report
7. RFP Results
8. Next Steps/Questions

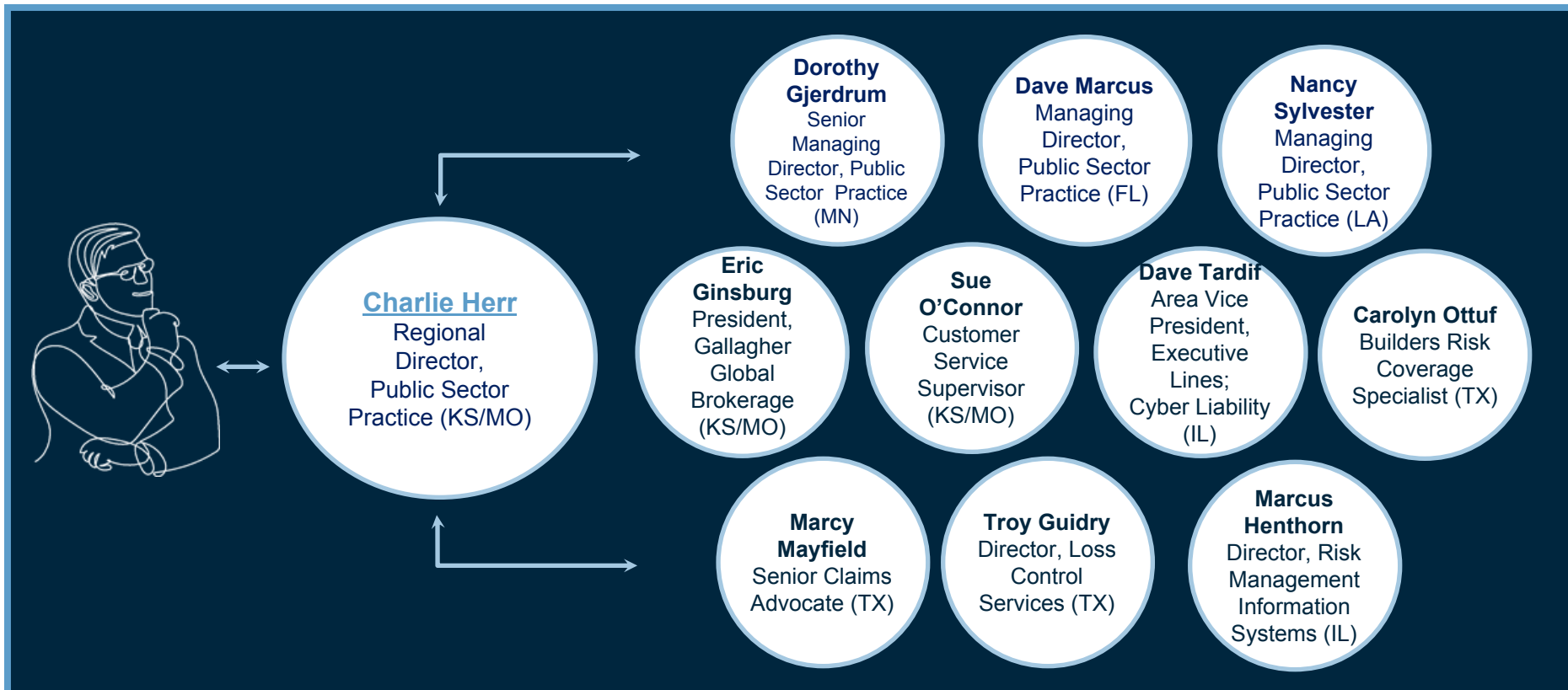


Gallagher's Linchpin Service Model

LINCHPIN

Noun | linch·pin

: an irreplaceable person who creates vital solutions and interactions



Facts & Figures: Arthur J. Gallagher & Co.

Arthur J. Gallagher & Co. is one of the largest insurance risk management firms in the world. Gallagher was **founded in 1927** and is publicly **traded on the NYSE** under the symbol "AJG." Gallagher has over 85 years of experience in the insurance brokerage and risk management industry. We have offices and affiliates in over **150 countries** and are responsible for the placement and administration of approximately **\$20 billion in written premium (\$964 million specific to public entity clients)**

Arthur J. Gallagher & Co.	
Home Office	The Gallagher Centre 2 Pierce Place Itasca, IL 60143-3141
Local/Service Office	Arthur J. Gallagher & Co. 2345 Grand Blvd, Suite 400 Kansas City, MO
Size	World's fourth largest insurance broker
Revenues	\$6.9 Billion in Total Revenues in 2018 9% EBITDAC Growth in 2018
Employees	32,000+
Sales & Service Offices	680+ in 150+ countries with client service capabilities
Approximate Number Public Entity Clients	13,000+
Area of Specialization	Gallagher has more than two-dozen industry and coverage practice groups servicing industries ranging from Education, Public Sector, Healthcare, Construction, Real Estate, Automotive/Transportation, Environmental, Marine, and Religious and Not-for-Profit Institutions.

Arthur Gallagher



Family Founder

Robert "Bob" Gallagher



Publicly Traded

Patrick Gallagher, Jr.

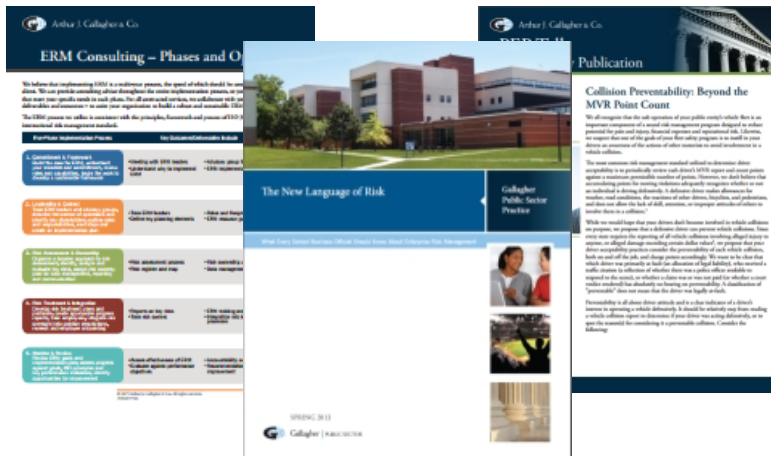


Family Run

Facts & Figures: Gallagher Public Sector

Gallagher has structured its operations around the ability to provide **tailored solutions** to specific industries. Our value proposition is built on the concept that by devoting our best talent, corporate resources, and time into **specializing in municipalities**, we can provide measurable value to our clients in helping them **understand and manage their total cost-of-risk.**

Education Practice	
Size	World's largest insurance broker for Public Entities and K12 Schools
Approximate Number of Clients	<ul style="list-style-type: none"> • 7,500+ Municipalities • 1,000+ Quasi Governmental Entities • 5,500+ Schools
Public Sector Practice Headquarters	The Gallagher Centre 2 Pierce Place Itasca, IL 60143-3141
TX School Clients	100+
Public Sector Practice Resources	<ul style="list-style-type: none"> • ERM consultants specifically focused on municipal operations • Former public entity risk managers on staff • 385+ sales experts across the US
Gallagher Public Sector Publications	<ol style="list-style-type: none"> 1. "The New Language of Risk" whitepaper 2. Monthly risk management e-newsletter



State of the Insurance Market

2nd Quarter Property Market Report – CRC Insurance Services



After a record-breaking 2017 hurricane season caused nearly \$100 billion in insured losses from Harvey, Irma and Maria, 2018 brought lower, but still significant losses, with California wildfires doing the most damage. Total global insured catastrophe losses of \$80 billion for 2018 were above the \$41 billion average of the last 30 years, but significantly below the \$140 billion in losses in 2017, Munich Re reports.³



MUNICIPAL

Municipalities face tougher market conditions in hail-prone areas. Municipal buildings with large roofs are particularly challenging. This is particularly true for inland Texas through Oklahoma and Colorado, where buyers may see higher rates than in coastal areas. Multi-year deals that are coming up for renewal may see significant changes. For many inland school districts, there are no single-carrier solutions, and deals are being done on a quota-share basis with much higher retentions. The risk pools that have handled many of these risks traditionally are dealing with losses.

State of the Insurance Market

2nd Quarter Property Market Report – CRC Insurance Services



CONVECTIVE STORMS

Across the Midwest, carriers are putting greater scrutiny on potential losses from convective storms, especially hail. A tornado that tore a mile-wide path of destruction through central Alabama and killed nearly two dozen people in March of this year showed the dangers posed by such sudden, powerful storms.⁶ Damages from hail storms can easily reach into the billions, including the \$2.3 billion in insured losses for a May 2017 Colorado storm,⁷ and \$1 billion for a June 2018 Dallas-area storm.⁸ Tornadoes caused about 40 percent of catastrophe losses from 1997 through 2016, according to Property Claims Services.⁹

Many carriers have adopted strict underwriting guidelines excluding certain classes of business in convective-storm-prone states such as Colorado, Texas, and Oklahoma, and all carriers continue to push higher, percentage deductibles. Many standard, and even excess and surplus markets, are no longer writing buildings with rooflines in excess of 50,000 to 100,000 square feet, most notably lessors' risk and warehousing. Dealers open lot and multi-family housing are particularly difficult to place in these states due to poor loss performance. Primary markets are either reducing their capacity or withdrawing from the classes altogether; insureds should expect to experience significant premium increases even with clean loss history.

Convective storm models are also playing a greater role as insurers seek to better quantify potential losses. While predictive models for severe thunderstorms have been available for years, carriers are now making greater use of them. The models calculate the overall risk to a property along with a building's ability to withstand damage. Insureds in areas classified by the models as high hazard or with large roof areas or a history of losses from hail, tornadoes and straight-line winds should expect greater scrutiny.

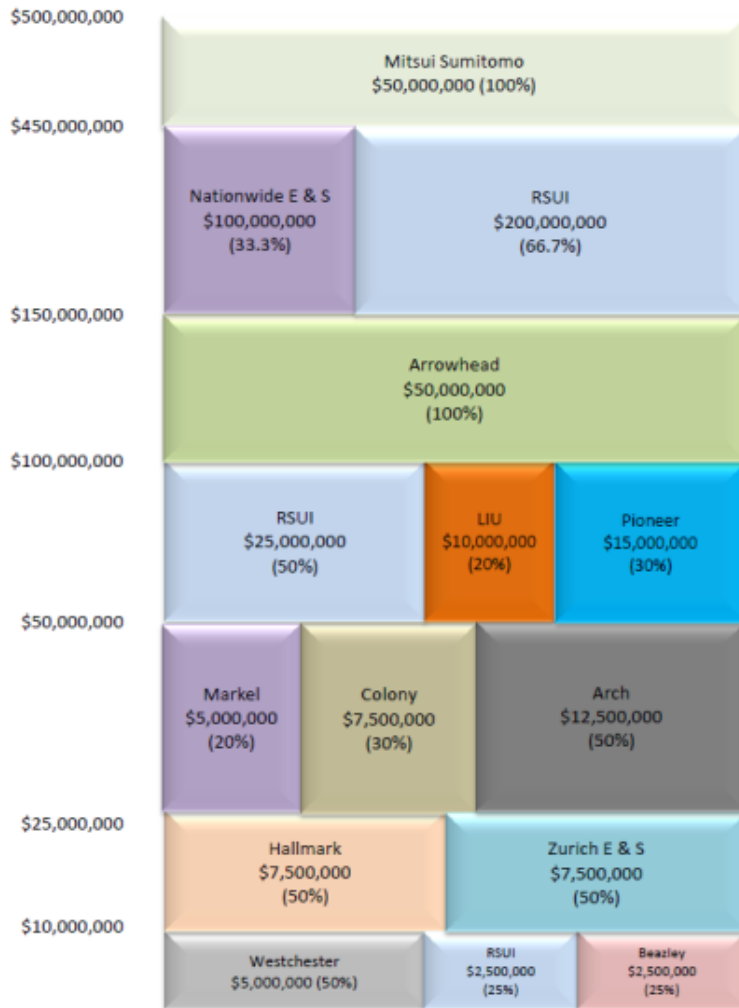
The RFQ

Accessing the Wholesale Brokerage Market to put together a Property Program

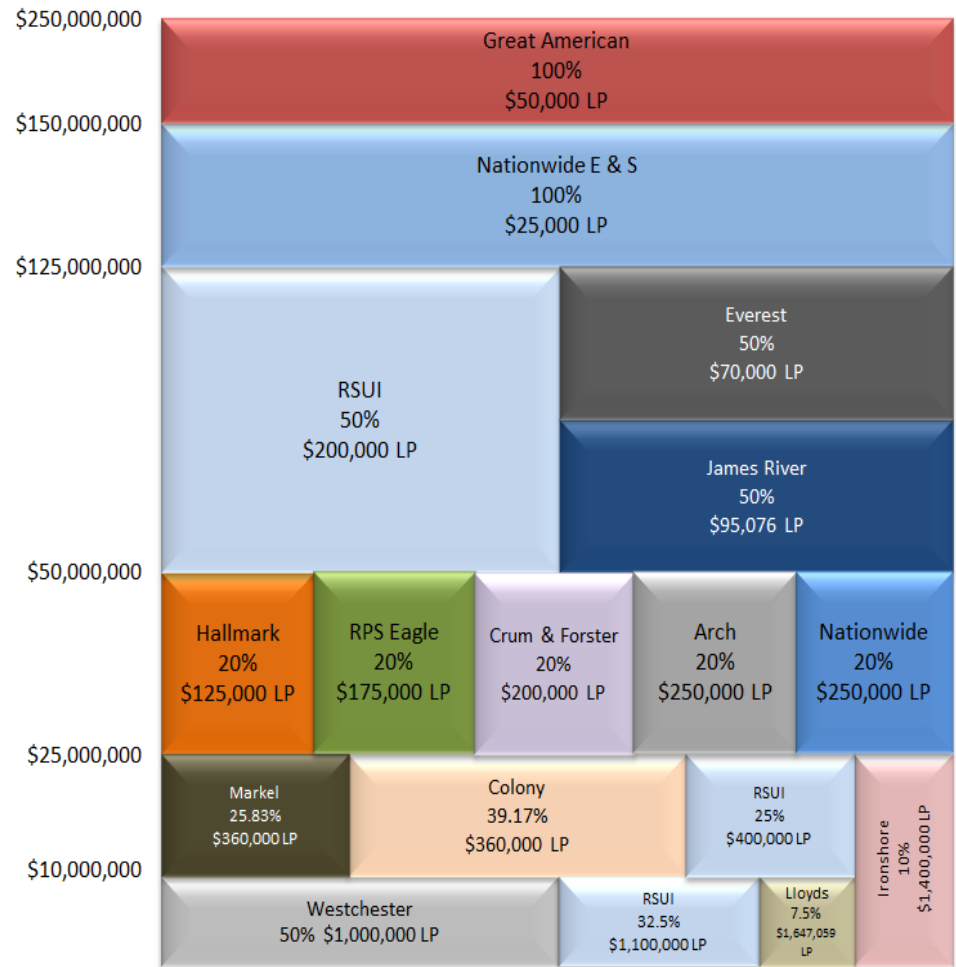
- Old v New Market
- Consultant v. Broker
- Importance of Analytics
- Fee for Services

The RFP

Stressing the Importance of a singular “consultant”

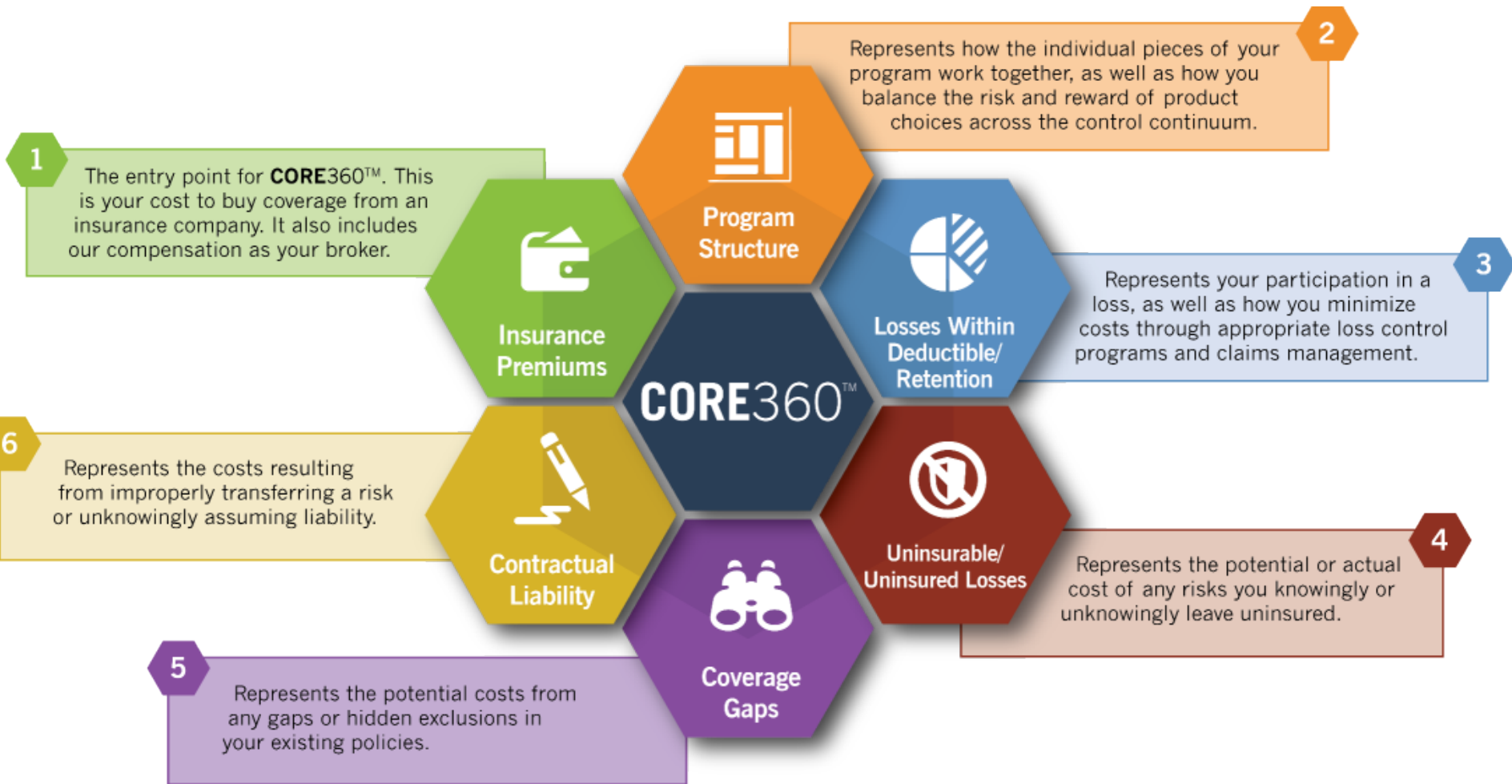


Ector County Independent School District
2019-2020



CORE360™ What's It All About?

Evaluating and Minimizing our Clients' Total Cost of Risk



Introduction: Listed below are the products, services, tools and resources that support each of the cost drivers in the Public Sector Practice's CORE360™ approach.



Insurance
Premiums

1. Gallagher Exclusive Products (Integrated Excess, Cyber, etc.)
2. Carrier Relationships With Experienced Markets
3. “Go to Market Strategy”
4. Quality Submissions
5. Transparency (retail and wholesale)
6. Cat Modeling
7. Budget Projections
8. Chatter (Internal Social Networking Group)



Program
Structure

1. Control Continuum
2. Optimize Limits and Deductibles
3. MLP Limits Analysis
4. RMIS Tools
5. Umbrella Benchmarking Tool
6. CAT Modeling



Losses Within
Deductible/
Retention

1. Gallagher's Loss Control Services
2. Strategic Risk Assessment
3. Gallagher Disaster Management Product
4. Gallagher's Claims Advocacy Services
5. AJG Relationships w/ Carrier Claims Teams
6. Topical Webinars
7. eRisk Hub



Uninsurable/
Uninsured
Losses

1. Practice Group Collaboration
2. Public Sector Practice Risk Tips/White Papers
3. Violent and Malicious Acts Coverage
4. Terrorism Plus
5. Business Continuity Planning
6. Drone Coverage
7. Environmental Risk Placement
8. TCOR Analysis
9. ERM Risk Assessment



Coverage
Gaps

1. Gallagher Integrated Excess Liability
2. International Liability & Trip Cancellation
3. Builders Risk Preferred
4. Quote Negotiation
5. Fine Arts Coverage
6. Advantage Products: MLP, Umbrella
7. Whitespace Analysis
8. Gallagher Policy Analysis (GPA)



Contractual
Liability

1. Tenant User Liability Insurance Program (TULIP)
2. Certificate Issuance
3. AJG Legal Department
4. Certificate Tracking
5. Contract Review
6. Indemnification Review
7. Asset Titling Evaluation

CORE360™ : Addressing *Your* Cost Drivers

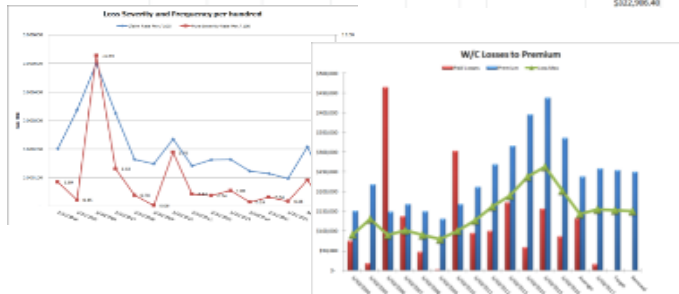
How GPS Evaluates YOUR Risk and Customizes a Comprehensive Program to YOU

Step 3: Benchmarking and Self-Insurance Analysis

Gallagher currently has over 7,500 municipal clients across the country, the most of any broker in the USA. We are by far and away the largest Public Entity, and State Government, specific practice group... for a reason. Our experience in this space has given us the ability to compile a very large database of information that we utilize to our advantage in helping our municipal clients benchmark their insurance programs against others in the US. While local ordinances create a varying difference in how municipalities structure their insurance programs, this data is a vital resource in determining the city's "Go To Market" strategy.



Self Insured Retention		Cost Analysis			Projected Cost Analysis			
Policy Years	Claims Count	\$500,000	Policy Year Cost + Additional Costs	Comparative TMR	Premium	Net Position	Decrease in Claims Value (-5%)	New Net Position
33/2/2019	112	\$943,113	\$911,113	\$803,939		-\$7,714	\$776,349.21	\$12,805.75
2018	181	\$938,837	\$1,188,837	\$803,939		-\$384,798	\$1,129,938.28	-\$24,945.11
2016	137	\$111,438	\$847,438	\$803,939		\$215,771	\$939,438.80	\$246,147.45
2014	181	\$139,467	\$628,467	\$803,939		\$217,815	\$846,193.81	\$239,489.35
33/1/17 - 3/31/18	42*	\$602,407	\$911,607	\$803,939		-\$109,868	\$887,652.87	\$63,453.69
Additional Costs								\$417,603.79
Broker/Agent Control Fee		\$40,000						
(Estimated) TIA Cost		\$80,000						
(Estimated) Bonus Premium		\$100,000						
(Estimated) First Dollar Premium		N/A						
(Estimated) Additional Costs		\$100,000						
							Decrease in Claims Value (-30%)	New Net Position
							\$736,393.50	\$73,455.20
							\$1,669,521.30	-\$245,921.39
							\$111,840.20	\$292,533.00
							\$541,828.30	\$490,676.79
							\$821,418.90	\$17,859.35
								\$322,986.49



RMS 18 – Cat Modeling Report

Probable Maximum Loss Study

Severe Convective Storm

The tables below illustrate 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 1,000-10,000yr event loss probability is commonly used by the insureds as a gauge for coverage limits.

SCS Exposed Value	\$846,585,849
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Critical Prob.	Return Period	RMS Ground Up
0.01%	10,000	\$52,800,353
0.10%	1,000	\$13,652,338
0.20%	500	\$8,347,442
0.40%	250	\$5,370,626
1.00%	100	\$3,011,393
AAL		\$234,330

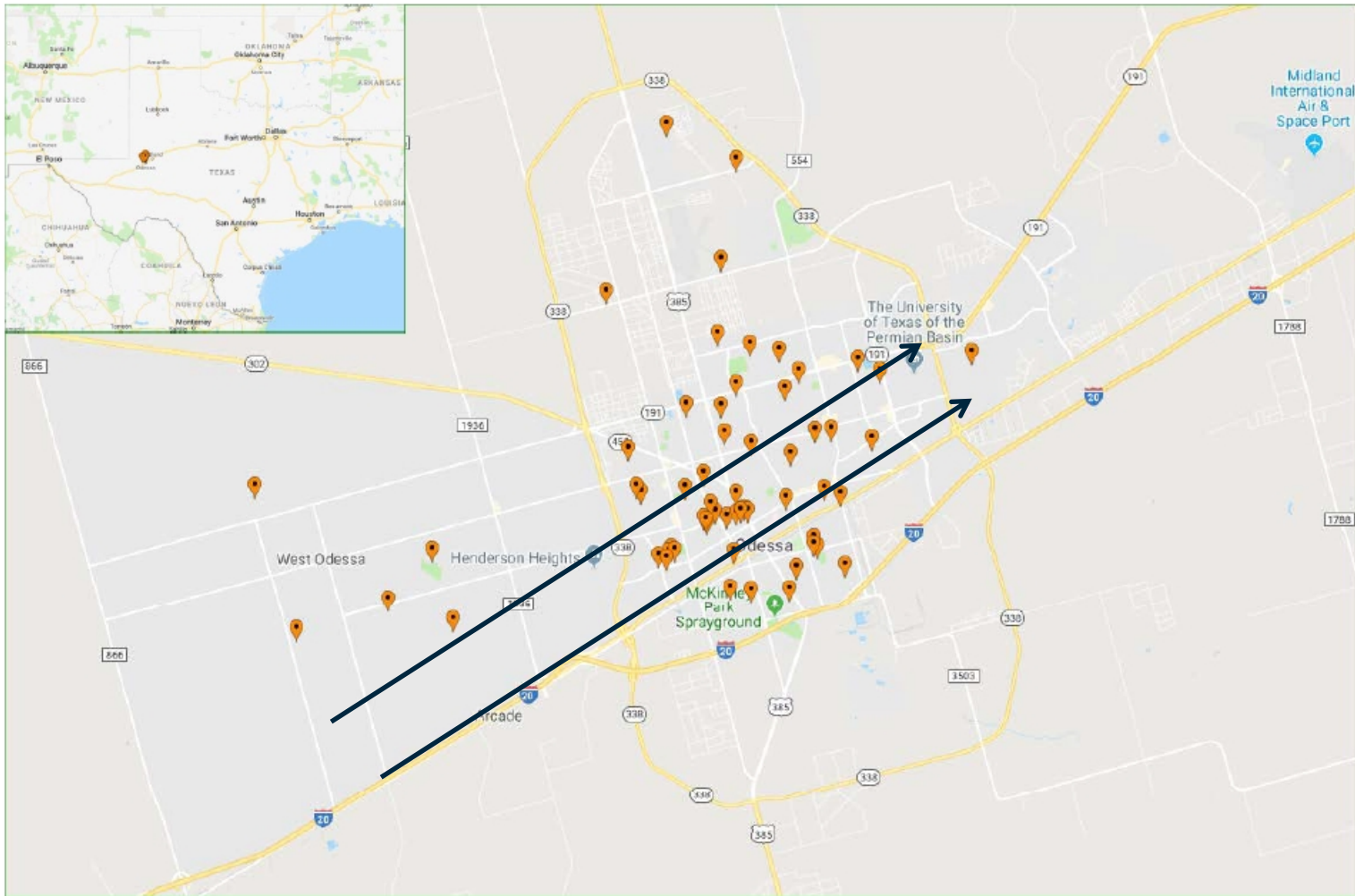
DRIVERS OF LOSS

Locations listed below are the Top 5 key drivers of loss.

Loc ID	Address	AAL
48	1800 East 42Nd Street, Odessa, TX 79762	\$29,465
46	1301 Dotsy Avenue, Odessa, TX 79763	\$22,281
54	300 East 29Th Street, Odessa, TX 79762	\$13,993
23	809 West Clements Street, Odessa, TX 79763	\$12,299
49	2201 West Yukon Road, Odessa, TX 79764	\$8,588

RMS 18 – Cat Modeling Report

Probable Maximum Loss Study – The Eye Test



RMS 18 – Cat Modeling Report

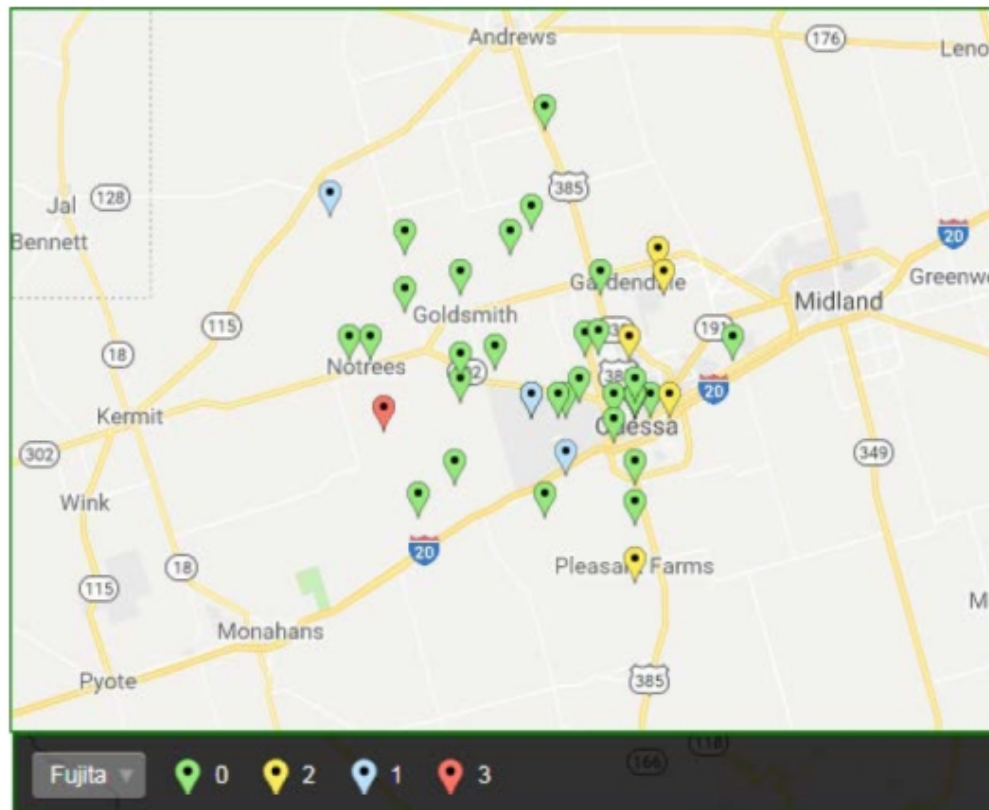
Probable Maximum Loss Study – Historical Tornadoes

Historical Tornado

Ector County, TX – 1957-2016

Longest Path – 28 Miles

Fujita	# Tornadoes
0	34
1	4
2	5
3	1
Total	44



RFP Results

Property Renewal Summary



Risk Placement Services, Inc.

Knowledge. Relationships.
Trust and Confidence.

Quote Cover Page

Named Insured: Ector County Independent School District

Effective Date: 7/1/2019 **Term:** Annual

Limit of Insurance: \$250,000,000 per occurrence, annual aggregate applies to Flood and Earthquake

Perils: All-Risks of Direct Physical Loss or Damage including Flood and Earthquake
(Sublimits apply)

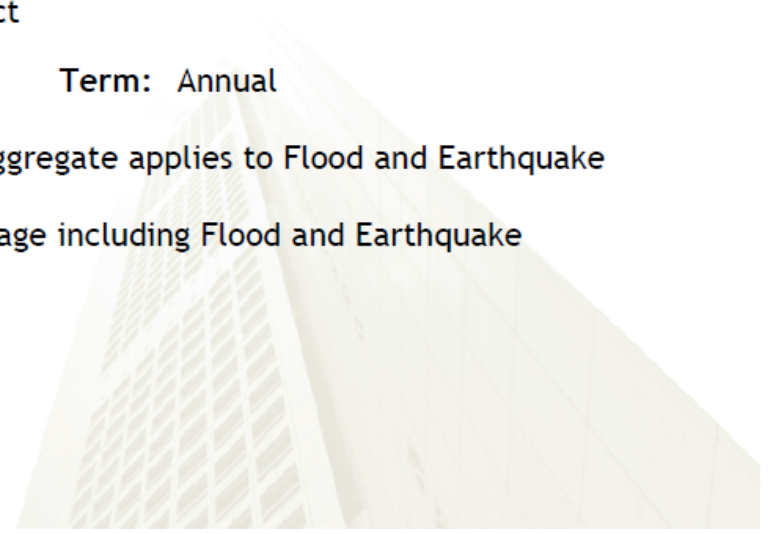
Premium: \$1,812,567.00

Carrier Fees: \$1,250.00

Estimated Taxes: \$86,440.87

Home State: Texas

Total: \$1,899,008.30



RFP Results

Property Renewal Summary- Surplus Lines TAXES

[<<Prev Rule](#)

[Next Rule>>](#)

Texas Administrative Code

TITLE 34	PUBLIC FINANCE
PART 1	COMPTROLLER OF PUBLIC ACCOUNTS
CHAPTER 3	TAX ADMINISTRATION
SUBCHAPTER GG	INSURANCE TAX
RULE §3.822	Basis and Reporting of Surplus Lines Premium Tax, the Allocation of Premium for Surplus Lines and Independently Procured Premium Tax, and Multiple Agent Transactions for Surplus Lines Insurance

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

- (1) Exempt premiums--If a surplus lines policy covers risks or exposures that are properly allocated to federal waters, international waters, or risks or exposures that are under the jurisdiction of a foreign government, then the premiums on such policies or portions of such policies are not taxable in Texas.
- (2) Federal preemptions to state taxation for surplus lines insurance--Federal preemptions from state taxation exist for premiums on policies that are issued for the following entities:
 - (A) The Federal Deposit Insurance Corporation (FDIC), when it acts as the receiver of a failed financial institution that holds the property being insured;
 - (B) The National Credit Union Administration; and
 - (C) A federally chartered credit union.

Questions? Thank You!

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