

City of Columbus



Prepared By:

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IMPORTANT: THIS PROPOSAL IS AN OUTLINE OF THE COVERAGES PROPOSED BY THE INSURERS, BASED ON THE INFORMATION PROVIDED BY YOUR COMPANY. IT DOES NOT INCLUDE ALL THE TERMS, COVERAGES, EXCLUSIONS, LIMITATIONS, OR CONDITIONS OF THE ACTUAL CONTRACT LANGUAGE. THE POLICIES THEMSELVES MUST BE READ FOR THOSE DETAILS. POLICY FORMS FOR YOUR REFERENCE WILL BE MADE AVAILABLE UPON REQUEST.

IMPORTANT DISCLOSURES

The proposal is an outline of the coverages proposed by the insurers, based on the information provided by your company. It does not include all the terms, coverages, exclusions, limitations, or conditions of the actual contract language. The policies themselves must be read for those details. Policy forms for your reference will be made available upon request.

The information contained in this proposal is based on the historical loss experience and exposures provided to Arthur J. Gallagher & Co. - Cleveland. This proposal is not an actuarial study. Should you wish to have this proposal reviewed by an independent actuary, we will be pleased to provide you with a listing of actuaries for your use.

One of the core values highlighted in *The Gallagher Way* states, "We are an Open Society," and our open society extends to the compensation Gallagher receives. On request, each client's Gallagher representative can describe the compensation arrangements Gallagher and its subsidiaries and affiliates receive in relation to the coverages placed for that client.

In general, Gallagher may be compensated as follows:

1. Gallagher companies are primarily compensated from the usual and customary commissions or fees received from the brokerage and servicing of policies handled for a client's account. As permitted by law, Gallagher companies occasionally receive both commissions and fees.
2. Gallagher companies may also receive investment income on fiduciary funds temporarily held by them, such as premiums or return premiums. Fees for arranging premium financing for clients with third parties may also be paid to Gallagher companies.
3. Gallagher companies may access other facilities, including wholesalers, reinsurance intermediaries, captive managers, underwriting managers and others that act as intermediaries for both Gallagher and other brokers in the insurance marketplace. Some of these facilities may be owned, in whole or in part, by Gallagher companies. If such a facility was utilized in the placement of a client's account, it may have earned and retained customary brokerage commission or fees for its work.
4. Prior to January 1, 2005 Gallagher companies had contingency commission agreements with insurance companies that provided for additional compensation if certain underwriting, profitability, volume and retention goals were achieved. Although these types of agreements were common in the past, Gallagher has voluntarily declined to enter into any such new agreements on a retail basis as of January 1, 2005.

For more information on Gallagher's compensation arrangements, please visit www.ajg.com/compensation.

CITY OF COLUMBUS
2005 PROPERTY RENEWAL

CONFIDENTIALITY

We consider as confidential any information presented by Arthur J. Gallagher & Co. in our written response to **CITY OF COLUMBUS** insurance program renewal, as well as any subsequent verbal or written communications between our organizations.

We ask that other brokers not have access to our material and that information presented in this proposal be shared only with those who have a need to know within **CITY OF COLUMBUS**.

We make our commitment to you that information already received from you, and additional to follow, will be treated with the same high level of respect and confidentiality.

This proposal of coverage is intended to facilitate your understanding of the insurance we have arranged on behalf of **CITY OF COLUMBUS**. It is **not** intended to replace or supersede your insurance policies.

CITY OF COLUMBUS

2005 PROPERTY RENEWAL

MARKET REVIEW

OPTION I

Coverages	St. Paul Travelers Ins. Co.
Property / \$100,000,000 Loss Limit	\$183,655
Engineering / Loss Control / Gallagher Service Fee	\$10,000
Terrorism	Included
Grand Total	\$193,655

OPTION II

Coverages	St. Paul Travelers Ins. Co.
Property Blanket Limit	\$206,967
Engineering / Loss Control / Gallagher Service Fee	\$10,000
Terrorism	Included
Grand Total	\$216,967

OPTION III

Coverages	C.N.A. Ins. Co.
Property Blanket Limit	\$194,282
Engineering / Loss Control / Gallagher Service Fee	\$10,000
Terrorism	Included
Grand Total	\$204,282

CITY OF COLUMBUS
2005 PROPERTY RENEWAL

GUIDE TO AM BEST'S RATINGS

Proposed Carrier Ratings and Admitted Status

Proposed Carriers	A. M. Best's Rating (Effective Date)	Admitted / Non-Admitted
St. Paul Travelers Ins. Co.	A+:XV	Admitted
C.N.A. Ins. Co.	A -:XV	Admitted

If the above indicates coverage is placed with a Non-Admitted Carrier, the carrier is doing business in the state as a surplus lines or non-admitted carrier. As such, this carrier is not subject to the same regulations which apply to an admitted carrier, nor do they participate in any insurance guarantee fund applicable in that state.

Rating Levels and Categories

Level	Category	Level	Category	Level	Category
A++, A+	..... Superior	B, B-	..... Fair	D	..... Poor
A, A-	..... Excellent	C++, C+	..... Marginal	E	..... Under Regulatory Supervision
B++, B+	..... Very Good	C, C-	..... Weak	F	..... In Liquidation
				S	..... Rating Suspended

Financial Size Categories

(In \$000 of Reported Policyholders' Surplus Plus Conditional Reserve Funds)

FSC I		Up to	1,000	FSC IX	250,000	to	500,000
FSC II	1,000	to	2,000	FSC X	500,000	to	750,000
FSC III	2,000	to	5,000	FSC XI	750,000	to	1,000,000
FSC IV	5,000	to	10,000	FSC XII	1,000,000	to	1,250,000
FSC V	10,000	to	25,000	FSC XIII	1,250,000	to	1,500,000
FSC VI	25,000	to	50,000	FSC XIV	1,500,000	to	2,000,000
FSC VII	50,000	to	100,000	FSC XV	2,000,000	or more	
FSC VIII	100,000	to	250,000				

Best's Insurance Reports, published annually by A.M. Best Company, Inc., presents comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States are assigned a Best's Rating which attempts to measure the comparative position of the company or association against industry averages.

Copies of the Best's Insurance Reports on the insurance companies are available upon your request.

Arthur J. Gallagher & Co. uses A.M. Best & Co.'s rating services to evaluate the financial condition of insurers whose policies we propose to deliver. The rating of the carrier and the year of publication of that rating are indicated. Arthur J. Gallagher & Co. makes no representations and warranties concerning the solvency of any carrier, nor does it make any representation or warranty concerning the rating of the carrier, which may change.

SERVICE TEAM/SERVICE COMMITMENT

The primary servicing responsibility for your company will be by **(Enter producer's name)**. We operate on a team approach. Your team consists of:

<u>TITLE</u>	<u>NAME</u>	<u>PHONE NUMBER</u>
AREA VICE PRESIDENT	David Gosiewski	800.272.3495 ext.114
ACCOUNT EXECUTIVE	Mae Fulkerson	800.272.3495 ext.124
CLIENT SERVICE REPRESENTATIVE	Pat Buckland	800.272.3495 ext.112

*** You can contact any of the above individuals to assist you in your service needs. ***

Our office hours are Monday through Friday, 8:30 a.m. to 4.30 p.m. During other times your calls will be received by our voice mail system. Your recorded calls will then be returned during business hours.

COMMERCIAL PROPERTY POLICY

CITY OF COLUMBUS

2005 PROPERTY RENEWAL

1. PROPERTY & BUSINESS INCOME

PERILS: Special Causes of Loss
LIMITS:

OPTION I

\$100,000,000 Loss Limit Building & Contents
\$20,000,000 Flood Annual Aggregate
\$20,000,000 Earthquake Annual Aggregate

OPTION II

\$265,341,780 Blanket Building & Contents
\$20,000,000 Flood Annual Aggregate
\$20,000,000 Earthquake Annual Aggregate

DEDUCTIBLES:	\$100,000	Flood
	\$100,000	Earthquake
	\$100,000	All Other Perils, except Blind School \$10,000 Deductible applies
	12 Hours	Service Interruption – Time Element

COMMERCIAL PACKAGE POLICY

VALUATION CLAUSES:

- **Agreed Amount** – co-insurance deleted pending receipt of signed statement of values.
- **Replacement Cost** – HPR Locations, including Buildings and Personal Property
- **Actual Cash Value** – Non-HPR Locations, including Buildings and Personal Property (as per expiring policy)
- **Cost of Transcription – Valuable Papers and Records** not exceeding their value blank, plus actual cost of transcription
- **Cost of Reproduction – Data Processing and Production Equipment**, not exceeding the actual cost of reproducing such media form duplicates or originals, but excludes cost of gathering such information
- **Actual Loss Sustained – Business Income\Rental Value\Extra Expense**
- **Invoice – Transit**

CITY OF COLUMBUS

2005 PROPERTY RENEWAL

COMMERCIAL PACKAGE POLICY

ADDITIONAL COVERAGES AND SUB-LIMITS:

\$100,000	Debris Removal (Applies to removal of all debris from a covered cause of loss, not just debris of covered property)
\$5,000,000	Extra Expense
\$1,500,000	Electronic Data Processing Media
\$100,000	Property at undescribed premises
\$5,000,000	Newly Acquired – Real Personal, business Income – 120 days
\$5,000 per employee / \$100,000 per occurrence	Personal effects of officers and employees
\$1,000,000	Off-Premises Power Failure – Direct Damage, INCLUDING OVERHEAD TRANSMISSION LINES, WATER SUPPLY, COMMUNICATION SUPPLY AND POWER LINES
Included	Off-Premises Service Coverage – Business Income, INCLUDING OVERHEAD TRANSMISSION LINES
\$1,000,000	Accounts Receivable-Non Reporting
\$2,000,000	Valuable Papers and Records
\$10,000,000	Ordinance or Law Coverage – Demolition Costs, Increased Cost of Construction, Increased Time to Rebuild
\$5,000,000	Unintentional Errors or Omissions
\$500,000	Fine Arts, per occurrence
\$100,000	Pollutant Clean-up, <i>any one occurrence and annual aggregate</i>
\$100,000	Debris Removal
\$100,000	Property in transit
Included	Miscellaneous Property
\$5,000 per item / \$100,000 total	Any one tree shrub or plant

COMMERCIAL PACKAGE POLICY

COVERAGE EXTENSIONS:

- **Additional Insureds:** Mortgagees, Lenders and/or Lessors.
- **Agreed Amount Endorsement** – no co-insurance pending receipt of signed report of values.
- **All Property** while on the described premises and within 1,000 feet thereof.
- **Buildings Laws and Ordinances** coverage to for loss to real property resulting from the enforcement of ordinances or laws involving undamaged portion of building.
- **Electronic Data Processing Equipment & Media Coverage** does not insure against loss due to electronic or magnetic injury to or erasure of electronic recordings, except by direct loss or damage by lightning.
- **Extended Business Income** – 30 consecutive days.
- **Improvements and Betterments** coverage included within the blanket amount for loss.
- **Liberalization Clause** broadens the coverage provided under the Property-Gard Select Coverage Section or the policy without additional premium within 45 days prior to or during the policy period.
- **Loss Payable Clause**
- **Newly Acquired** – automatic up to **120 days** for date of acquisition, real or personal property and business interruption. Flood and earthquake are excluded.
- **Off-Premises Power Failure** – coverage provides for property damage and business income loss resulting from damage by a covered cause of loss to off-premises utility equipment **including overhead transmission lines**, including but not limited to the supply of water, communications, except overhead communication lines, electricity, steam or gas.

COMMERCIAL PACKAGE POLICY

COVERAGE EXTENSIONS (CONTINUED::

- **Personal Property** of officers and employees of the insured, other than motor vehicles.
- **Policy Territory** includes the United States of America (its territories and possessions), Puerto Rico and Canada.
- **Protective Safeguards** – none are required.
- **Vacancy and Unoccupancy** – permission granted to cease operations or to remain vacant or unoccupied **up to 30 consecutive days** for loss or damage caused by fire or lightning and **up to 60 consecutive days** for all other causes of loss or damage.
- **120 Days Notice of Cancellation** – non-renewal or material change.
- **10 Days Notice of Cancellation** – non-payment.

COVERAGE EXCLUSIONS:

- **Broad Form Nuclear Contamination**
- **Delay or loss or market, or any other consequential or remote loss of any kind.**
- **Dishonest criminal acts by you, your partners, employees, directors or anyone to whom you entrust the property for any purpose.**
- **Errors in Machine Programming or Instructions to Machines.**
- **Loss or damage as a result of insects, vermin, birds, or other animals.**
- **Loss of Earnings to Finished Stock**, including time required to reproduce.
- **Unexplained or Mysterious Disappearance**

GALLAGHER BROKERAGE SERVICES

Our objective is to consistently provide superior service through thoughtful planning, efficient organization and effective monitoring procedures. We, Arthur J. Gallagher & Co. of Ohio, Inc., provide outstanding service and this separates us from other brokers.

MINIMUM SERVICES PROVIDED:

- Administrative:**
 - Binder Issuance
 - Certificates of Insurance/Auto ID Cards
 - Policy Checking and Delivery
 - Endorsement Handling
 - Contract Analysis
 - Billing Services (Invoices, Financing, Allocations)
 - Client Review Meetings

- Loss Control:**
 - Loss Analysis
 - Loss Prevention Program
 - Client Review Meetings

- Claims Services:**
 - Claim Reporting
 - Large or Open Claim Audits
 - Client Review Meetings

GALLAGHER BROKERAGE SERVICES

ANNUAL ACCOUNT REVIEW provides an in-depth examination and analysis of the following areas:

- Current descriptions of all facilities, operations and activities.
- Current exposures to loss and any changes or other developments anticipated (internal or external) that might have a significant impact on Risk Management needs.
- The financial condition and capacity (and willingness) to retain risk.
- An updated insurance coverage audit.
- Historical loss data.
- Review of large, outstanding or otherwise significant losses.
- Ultimate expected loss projections (when practical).
- The adequacy of all services (brokerage, risk management, claims, loss control) and service procedures.
- A strategy and timetable for marketing or other major activities anticipated and a discussion of the state of the marketplace and renewal strategy.

GALLAGHER BROKERAGE SERVICES

CLIENT SERVICE STATUS RECORDS greatly reduce the misunderstandings and other communication breakdowns. These forms will list all outstanding service commitments to **CITY OF COLUMBUS**. They record staff assignments dates, deadline dates and the current status of various activities being tracked. Accurate running records of service status will prevent service items from falling through the cracks. They can also serve as agendas for scheduled meetings.

SERVICE TIME LINE form is a tool used to properly and systematically plan the services to be provided. It summarizes in one place the major activities to be provided and should reflect the activities and services that are important to **CITY OF COLUMBUS**.

ANNUAL CLIENT STEWARDSHIP REPORT thoroughly analyzes everything that has transpired concerning **CITY OF COLUMBUS** during the preceding year and determines what should be done for the year ahead. These reports ensure a consistently high level of professional service. This annual report concisely recaps insurance costs and losses, significant activities, problems and achievements for the immediate preceding year and discusses projected losses, expenses, prospects and plans for the coming year.

CLAIM TEAM APPROACH of communication and partnership is used to accomplish the task of interacting with the carrier claim personnel and the claims adjuster. It is our intent to establish and maintain an open line of communication between **CITY OF COLUMBUS** and the claim adjuster. So, if and when adverse situations are presented, our experience and knowledge will facilitate resolution of appropriate issues.

GALLAGHER BROKERAGE SERVICES

LOSS PREVENTION/SAFETY SERVICES is essential to a successful risk management program at **CITY OF COLUMBUS**. Risks should be avoided whenever possible, but those risks retained or transferred by insurance mechanisms should be controlled and reduced to make **CITY OF COLUMBUS's** Risk Management Program most cost effective.

An overview of the plan for **CITY OF COLUMBUS** consists of the following:

- Analysis of loss information reports
- Coordination and distribution of loss analysis reports
- Development of loss control objectives
- Coordination of appropriate loss control resources to address identified and potential loss producing situations.
- Additional services such as; current legislation, general liability surveys, management safety audits; OSHA requirements; loss control program policies and procedures and training programs.

AUTOMATION of **CITY OF COLUMBUS**, by using a variety system resources we have the ability to: (1) Maintain client policy and billing data; (2) Produce coverage and endorsement binders; (3) Produce Certificates of Insurance for vendors; (4) Automate premium allocation by location, facility, department, coverage, etc.; (5) Generate claim exhibits by coverage, facility, department or any other breakdown desired.

The primary **CITY OF COLUMBUS** information and billing system will use the AMS systems program. This is a well-developed system designed for insurance brokers to maintain client policy, location, exposure and billing information. It allows significant flexibility to handle diverse needs of simple to complex client programs.

Using Excel we can create custom premium allocation programs for **CITY OF COLUMBUS** in order to distribute Deductible, Self-Insured Retention, Premium and/or Loss costs on a profit center basis. We can also estimate costs for potential acquisitions and bill pro-rata additions or deletions.

GALLAGHER BROKERAGE SERVICES

Our Smart-Comp software enables us to calculate **CITY OF COLUMBUS's** prospective Workers' Compensation modifications, develop modifications for profit centers and estimate the premium savings generated by expenditures for safety equipment.

All of these programs enable us to prepare custom presentations for **CITY OF COLUMBUS** to help analyze and address the exposures to loss that you have. The detailed information provided makes it possible to select the appropriate level of self insurance and what significant risk exposures to transfer in the most cost effective manner.

CLIENT AUTHORIZATION TO BIND COVERAGE

After careful consideration of your proposal dated July 15, 2004, we accept your insurance program.

AGREEMENT

THIS AGREEMENT is made and entered into and effective this 15th day of July, 2004 by and between City of Columbus and ARTHUR J. GALLAGHER & CO. - CLEVELAND a Corporation ("Gallagher").

TERM AND TERMINATION

This Agreement will remain in effect until terminated by either party upon thirty (30) days prior written notice.

OBLIGATIONS OF GALLAGHER

Gallagher will provide insurance brokerage services to CITY OF COLUMBUS and will use its best efforts to secure insurance required for the proper administration of CITY OF COLUMBUS's business. In the event an insurance company cancels or refuses to place the necessary insurance, Gallagher will use its best efforts to obtain the coverage from another insurance company.

OBLIGATIONS OF CITY OF COLUMBUS

- A. Gallagher shall receive its usual and customary brokerage commission for the services provided hereunder. In addition to or in lieu of Gallagher will charge a fee of \$XXXX. This fee will not: (a) be calculated as a percentage of Gallagher's commission; or (b) be refunded, forgiven, waived, offset or reduced by a commission; or (c) or the obligation to pay the fee, cannot be conditioned on the occurrence of any future event. This fee is not required to be charged by either Gallagher, the insurer, or the State of Ohio. (Ohio Revised Code §3905.55)
- B. In addition to the fees and commissions provided herein, Gallagher may also receive investment income on fiduciary funds temporarily held by it, such as fees for arranging premium financing for clients with third parties. Other parties, such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, underwriting managers, captive managers and similar parties, some of which may be owned in whole or in part by Gallagher's corporate parent, may earn and retain usual and customary commissions and fees in the course of providing insurance products to clients. Any such fees or commission will not constitute compensation to Gallagher under Section III.A above.
- C. Gallagher has also entered into contingent commission agreements with insurers providing for compensation, in addition to commissions, to be paid by such insurers to Gallagher or its affiliates, based on, among other things, the volume of premium, growth of premium and/or underwriting profitability of the insurance coverages written through Gallagher by such insurers.
- D. Client is responsible for payment of premiums for all insurance placed by Gallagher on its behalf. If any amount is not paid in full when due, including premium payments to insurance companies, that nonpayment will constitute a material breach of the Agreement that will allow

CITY OF COLUMBUS

2005 PROPERTY RENEWAL

Gallagher to immediately terminate this Agreement, at is option, without notice to CITY OF COLUMBUS.

INDEMINIFICATION

Gallagher agrees to indemnify and hold CITY OF COLUMBUS harmless from any loss, cost, damage or expense (including reasonable attorney's fees) arising from the negligent acts or omissions of Gallagher.

CITY OF COLUMBUS agrees to indemnify and hold Gallagher harmless from any loss, cost, damage, or expense (including reasonable attorney's fees) arising from the negligent acts or omissions of CITY OF COLUMBUS including any financial obligation to pay premiums to any insurance company.

SUBCONTRACTING

Gallagher may subcontract any or all of the Services required to be provided by it under this Agreement.

It is understood this proposal provides only a summary of the details; the policies will contain the actual coverages.

We confirm the values, schedules, and other data contained in the proposal are from our records and acknowledge it is our responsibility to see that they are maintained accurately.

Please provide us with a binder(s) and invoices(s) for the coverages agreed upon at your earliest convenience.

Agent Signature

Client Signature

Dated

Dated