

INSURANCE ADVISORY BOARD MINUTES
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Wednesday, March 7, 2007 – 8:00 a.m.

Board Members	Meeting Attendance	1/07 – 12/07 Cumulative Attendance	
		P	A
Joseph Cobo, Chair	P	3	0
Mark Schwartz, Vice Chair	P	3	0
Randy Swensen	A	2	1
Ted Hess	P	3	0
Cristopher Prestera	P	2	1
Roger Bond	P	3	0
Joe Piechura Sr.	P	2	1

Staff and Guests

Betty J. Burrell, Director of Finance

Marilyn Mullen, Employee Benefits Coordinator

John Walsh, Risk Manager

Dave Fortune, Consultant

Jennifer Lindsey-Rutherford, Broker of Record for City of Fort Lauderdale

Robert G. Schmelzer, Account Manager, FM Global

Eddie Edwards Jr., Recording Clerk

Roll Call

The meeting was called to order by Chair Joseph Cobo at 8:02 a.m.

Approval of Minutes – February 7, 2007

Motion made by Vice Chair Schwartz and seconded by Mr. Bond to approve the minutes of the February 7, 2007 Board Meeting. Motion passed unanimously.

Update on Group Life Plan

Marilyn Mullen stated that the Commission approved on February 20, 2007 through the Consent Agenda the award of the group life insurance to the Standard Insurance Company which would become effective on April 1, 2007. Everyone would be carried over and provided the opportunity to make changes after April 1, 2007.

Old Business

FM Global-Property Damage Update

Betty Burrell stated that this item got held up in the Law Department because there had been some concern whether accepting the advance payment would prejudice getting what was due and payable to the City. Therefore, they were working on the appropriate language and to have the funds appropriated.

It was stated that the City Attorneys agreed that they would not be prejudicing their client by accepting this. The other issue was whether the City could accept the money without a budget amendment and that caused the delay.

Ms. Burrell stated that the City so far has paid in excess of \$500,000 and there was a place to allocate the money. She stated that Finance would continue pushing this through and possibly it could be listed on the March 20th City Commission agenda.

It was stated that this happened in the private sector daily.

RiskMaster Software

John Walsh, Risk Manager, stated they were reviewing this as to whether a second part of it should be purchased which would cost the same amount as if they were going to upgrade the RiskMaster. It was decided to review other alternatives that might be more cost effective and which would work better. A report should be submitted by the end of this week. It was stated that some programs could be leased instead of purchasing them.

At the present time, they have an outdated form of RiskMaster, and it would be prudent to review all available alternatives. The current program was workable, but it was difficult to extract data. The Workers' Compensation data comes from the Gallagher System and quarterly reports were provided.

Mr. Walsh asked what type of information this Board wanted to see moving forward.

The Board Members stated they wanted to see the types of incident trends and dollar value.

Mr. Walsh stated that he would provide a summary at the Board's next meeting that would show recent trends.

It was stated that training was needed to reduce the claim experience increasing. Mr. Walsh agreed and stated that they also needed to work with various departments in order to report losses timely. He stated that 50% of the incidents and claims came from two departments which were the Fire and Police. Out of that 50%, 75% of the loss experience came out of the two departments. They were reviewing their costs per claim, and the PERI System would provide such information. The Gallagher System would also provide a report and they would be able to compare how they stood within the state and nationally. A comparison would also be done by industry.

It was asked if the City had a back to work policy. Mr. Walsh confirmed and stated there was a program in place, but he believed it needed to be reviewed. He further stated that they needed to meet with the Chiefs and provide them with some overall data for their review. He added that with the collective bargaining agreements that were in place, it was difficult to control the losses.

It was stated that they were not going to be able to adjust a loss through collective bargaining, but could do so based on the merits of the industry.

It was stated that part of the problem was there appeared to be a lag in the reporting of the claims, and therefore, the injured person had begun treatment. The lag was over 20 days, and the average overall was seven days.

Mr. Walsh explained that it was the unit that was late in reporting, not the injured employee. He stated that in regard to collective bargaining, the problem was overall policy because many employees would not return to work because it would not be advantageous for them to do so. This was presenting being discussed with the Fire Department because this affects the overall losses.

It was stated that the City had a very rich donated sick leave program that provided a disincentive for an injured person to recuperate and return to the job.

Chair Cobo stated that something was not working.

It was stated that City emergency workers had a statutory provision in this State that provided if they had any stress-related injury, such as heart attack or stroke, they would be eligible for compensation. This did not occur in the private sector. There needed to be more of an incentive provided to get the employees back to work.

It was stated that was part of the collective bargaining process over which they had little or no control.

Ms. Burrell explained that the State law was beyond the collective bargaining. It was stated that there were some things that could be done to improve the situation, but it would never be totally "fixed." Ms. Burrell advised that the City Manager was being very proactive with respect to the collective bargaining contracts that were in their infant stages of negotiation. Assignments were given to various department heads regarding the contracts. She stated the City Manager reiterated that they needed to work with the unions.

It was asked if there was any way to draw correlation between the donated sick pay and what was occurring in the Fire Department. If so, could that be negotiated in their contract or would that be precedent setting. Ms. Burrell stated that was something that should be considered because this was truly a rich benefit.

Mr. Walsh stated that there were a number of things they could do in risk management and were going to do. One of those things was training and education of the departments.

Police & Fire Accidental Death & Dismemberment Insurance

Ms. Burrell stated that they had been looking at an RFP, but the contract was not up for expiration. The renewal date was May 1st for another year.

New Business

Property Renewal Quote

Chair Cobo stated that Jennifer Lindsey-Rutherford would deal with this matter.

Ms. Lindsey stated that she would e-mail her recommendation to the Board because she was not able to get into the City's network.

Robert Schmelzer, Lead Underwriter from FM Global, stated that he was to maintain the relationship and price the contract negotiations. He explained that they were a different type of insurance company having 4,000 employees with 1500 of them being field engineers. He further stated that they helped their clients to reduce their losses. Windstorms were a big issue in Florida. They wanted to get a risk improvement plan on track which had worked well in the past, and they had reduced the City's wind exposure through improvements in roof retrofits and some other basic engineering concepts. There was a lot of retained retention in the account which was typical in this State. Down the road, he saw the opportunity to help the City reduce exposure with the new City Government Center.

Mr. Schmelzer stated that they would be able to support the design process of the facility and go beyond the code. The wind code had improved significantly over the years, but there could be more done to get to a higher standard.

Mr. Schmelzer further stated that regarding the renewal the wind capacity was maintained at \$25 Million, along with the major term and conditions, including stability in the wind storm deductible portion, and even though pricing had gone up, they were still competitive. An offset to the pricing was the membership credit. All clients were owners in FM Global which was a mutual insurance company with no stockholders. There had been success over the last five years, and they were filing back about \$325 Million in premium credits to their clients. This offset some of the price changes. The membership credit for the City of Fort Lauderdale was \$202,000.

Mr. Schmelzer explained that some of the key issues in moving forward were that they would be working with Ms. Lindsey and Ms. Burrell to confirm and update the schedule of locations they insured. Another key issue was terrorism because the Terrorism Risk Insurance Act was the Federal back-up for insurance companies to provide terrorism coverage which had a sunset, and would probably disappear at the end of 2007. They have in place a plan to continue with significant terrorism coverage after that plan expired.

Ms. Lindsey stated that the limit went from \$50 Million to \$100 Million, and she asked for some further explanation regarding terrorism coverage.

Mr. Schmelzer explained further that they had the option of not purchasing the terrorism coverage. There was a base line coverage, and at the end of the proposal there were optional terrorism coverages being made available. There were two options which

significantly increased the limits. The certified terrorism coverage was what they were required to offer by the Federal Government. The second option was non-certified terrorism coverage and that was what they offered outside of what was required by the Federal Government. He explained that the term certified terrorism was an act of terrorism committed of foreign origin which was declared by the Federal Government as an act of terrorism. 9/11 was an example of this type of terrorism. An example of non-certified terrorism was Timothy McVeigh blowing up the Federal Building since that was of domestic origin.

It was asked if it was fair to say that the non-certified coverage included everything else. Mr. Schmelzer confirmed.

It was asked how the \$325 Million compared to last year's number. Mr. Schmelzer stated they trended them up by about 7% and applied regionally appropriated inflationary cost trends. Costs of construction materials had increased significantly. Ms. Lindsey explained that the difference in values was about approximately a 7% increase with another \$2.1 Million in actual property that was not included in the original schedule. She stated they were not close to having a creditable schedule, but some things had been added.

Ms. Lindsey further stated that many of the City Parks had been excluded because they had not been on the schedule, and she asked how would they know they had an insurable amount of real property in the parks. Mr. Schmelzer stated that he did not have that information. The question being addressed was that there were currently four parks on the City's schedule, and the web showed dozens of parks. He explained that he needed to know what existed so they could be properly underwritten.

It was stated that a significant number of new locations had not been added to the list, and there had been very little turn over.

Ms. Lindsey stated they need a reconciliation between the City's fixed assets, what properties they insure, and what was listed on the real estate records. This had not been done to date, but they were working toward this now, and it would be a document that would have to be continually updated.

Dave Fortune stated that in the past when they reviewed the property values, they were less than one-half of what the deductibles were.

It was stated that the exclusion for the parks should be removed.

Mr. Schmelzer stated that he did not have a problem with moving that exclusion provided he received a better comfort level of what was out there.

Ms. Lindsey stated that the windstorm coverage had a \$15 Million deductible, which was the same as last year. It was standard to have high-wind deductibles in the State of Florida. The problem was that they were seeing per location percentage or per building percentage deductibles. If a major storm hits and there was very little damage to buildings based on the quality of the structures, then a claim would not be filed. But the same storm could damage lighter construction and lower value buildings and because the amount did not reach \$15 Million, they would not receive any recovery. If there was a

per building deductible or at least an option or percentage per building, the City would be able to immediately identify on the schedule where their biggest potential financial loss would occur. In working with the FM Global underwriters, they would be able to focus more on each building and what needed to be done.

Mr. Walsh stated that the City had been working on physical improvements on all buildings that needed them. The City recognized that as the deductible rose more and more of the money came out of its pocket, and therefore, it made sense to make the necessary improvements.

Ms. Lindsey stated that FM should be involved in the process so the monies could be used to lower the deductibles and form a partnership with the carrier.

Mr. Schmelzer stated that the engineering service was not changed as a result of the deductible rising. Progress on the risk improvement plan was related to this. He reiterated that at this point they wanted to focus on putting together a plan to address the most current issues that existed, and as part of that they were planning on increasing the frequency of inspections at the facilities, and addressing the point of the exposures at each of the buildings. Re-evaluations had been done on the facilities. He added that they had found a significant area of exposure at the Museum of Discovery and Science and it was presently insured with another company at this time. There was an opportunity to significantly reduce the City's exposure and to improve the risk and receive better terms and conditions. He explained that some windows and the roof had been the issue.

Dave Fortune explained that he believed the City did not own the building, but they had been required in their lease to insure it, and it was done in conjunction with the Museum Board.

Ms. Lindsey stated that they needed to either change the lease or insure the building. She explained there had been a 7% increase in values and a 10% increase in rate which she believed to be excessive in a no claims year. She asked how much of the premium was for windstorms and flood. She stated that FM provided very limited flood coverage with a \$15 Million deductible for wind coverage which were the two biggest exposures. She stated that she wanted to know how much this City was paying for wind coverage and flood coverage under this program.

It was asked how this related to what legislation had done regarding insurance. Ms. Lindsey stated that she did not believe the legislation had yet been published, but according to the articles she read they did not specifically state homeowner's coverage. But in regard to the carriers referenced, it talked about Chubb's attitude and Traveler's.

Chair Cobo stated that if they were restricted as to price, then it could cause problems in the market. Ms. Lindsey agreed.

Businesses needed customers or they would not exist. Many people were dropping their insurance. Ms. Lindsey reiterated that she did not feel there was any company that would make more money by moving out of Florida. Florida is driving down rates to crazy low levels when there was no wind or flood exposure.

It was asked if the City had a back-up in regard to the \$15 Million deductible. Mr. Schmelzer stated that they relied on FEMA. Ms. Lindsey stated that there was no limit as to what could be filed with FEMA, but the problem was filing the claim and in addition FEMA required one to buy insurance on the peril they would be filing the claim against or show that such coverage was not available.

Chair Cobo stated that he believed they needed to ask what was their deductible in relation to their overall property exposure. Ms. Lindsey stated she was not calling anyone who did not have an excess of \$300,000,000 or \$400,000,000 in values. Some places had per location deductibles, but for an apartment complex that could be huge. Chair Cobo stated that such a comparison could not be made.

It was asked for such figures to be brought back to the Board next month and the property printout included also.

Ms. Lindsey stated that the problem was that they did not have a creditable statement of values.

Mr. Schmelzer stated that he would research the appraisals and what work had been done in the past.

Motion made by Mr. Piechura and seconded by Vice Chair Schwartz authorizing staff to further negotiate the terms of the proposal and to look for the schedule of properties. Board unanimously approved.

Schedule April, 2007 Meeting

The next meeting was scheduled for April 4, 2007.

Motion was made to adjourn the meeting.

There being no other business to come before the Board, the meeting was adjourned at approximately 9:08 a.m.

MEMORANDUM

Date: March 7, 2007

To: City of Fort Lauderdale Insurance Committee

From: Jennifer Lindsey - The Rutherford Companies

Cc: Betty Burrell - Finance Director
John Walsh - Risk Manager

Re: City Property Insurance Renewal Comments and
Recommendations

Attached to this memo is a copy of the renewal proposal from FM Global, The City's property insurance carrier.

The problem continues to be the lack of a credible statement of values, that includes not only addresses and appraised values, but true replacement costs, and age and square footage of buildings along with detailed information on electrical upgrades, roof age, etc.

This is actually the single largest issue in obtaining alternative quotations for coverage. This must be a priority in 2007.

FM is a solid long-term carrier. The City has been "grandfathered" as FM, not unlike other standard carriers is not seeking to expand their writings in Florida. There should be hesitation in placing our coverage elsewhere. Our only other alternative will be a layered program in the excess and surplus lines market. There is absolutely no indication that this will change in the next few years. I don't know that another carrier (or group of carriers) could save us money, - if we can it wouldn't be much, and may actually turn out to be more expensive. However, for what we are paying now we really are not getting the coverage, that in my opinion, we really need.

(1) FM has given very low limits (\$2,000,000) on Flood zones A & V. This could actually be a larger exposure than the wind. A considerable amount of values are in Zone A, and there could be a considerable exposure from heavy rainfall due to a hurricane rather than the wind damage from the event itself. This limited coverage, I believe, should be something that we should focus on.

(2) The wind deductible is far too restrictive. The \$25mm sublimit and \$15mm deductible are for all wind and wind driven objects (not just named storms - which could be an area to improve the program). Secondly, the flat deductible is tough to swallow. While \$15mm is roughly 5% of the values, if we had 5%

per bldg, that would be very different. It is not uncommon in Florida for insureds to have a per building deductible, subject to a minimum deductible.

Let me suggest a realistic example:

We sustain damage from a Catastrophic 3 hurricane when it makes land fall. On the current schedule, locations #1, 2, 4, 8 sustain little to no damage (water treatment facilities and parking garage) so no claim is reported. The total insured values of these buildings are approximately \$204mm.

However, we do not sustain damage on other - smaller valued buildings - lighter construction. The remaining values on the schedules $\$325M - \$204M = \$121M$. We have a total of \$25M of damage on this schedule. With FM, we collect \$10M on the claim. With a 5% per bldg ded, we collect $\$25M - (\$119M * 0.05 \text{ or } \$5.9M) = \$19.1M$. In this common situation, we walk away with an extra \$9.1M over what FM might have paid (which does not contemplate any flood cover we might pick up in a separate cover we may have through FEMA on any one building) over the FM coverage as noted in #1 above.

It all comes down to the quality of the available information. If we are to really benchmark FM, at a minimum we need a credible schedule.

Recommendation: Considering the condition of the insurance marketplace as a whole, combined with the lack of a credible statement of values, I suggest we request the Commission to allow us to renew with FM Global for the policy term April 1, 2007 to 2008.

Respectfully submitted;

Jennifer Z. Lindsey
The Rutherford Companies

Proposal

City of Fort Lauderdale



Presented by:

Robert G. Schmelzer
Account Manager

Factory Mutual Insurance Company

In cooperation with:

Jennifer Lindsey

Rutherford

Presented on:

March 7, 2007

This Proposal Expires:

March 19, 2007

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

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All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

Key Business Objectives for City of Fort Lauderdale

- After a major wind event, consistently providing the following to the community and tax base:
 - Uninterrupted availability of city facilities
 - Providing continued and timely services to customers today while...
- Maintaining and building an infrastructure to accommodate both today and tomorrow's needs.
- Providing a stable infrastructure to help attract new taxpayers and new business to the community.
- Maintaining a stable risk management program.

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FM Global's Support of City of Fort Lauderdale Key Business Objectives

- Periodic loss prevention engineering visits to all key locations
 - Summary of findings in Risk Report
 - Quantification of exposures, including Windstorm
 - Focus on the hazards which drive losses for City of Fort Lauderdale
 - Windstorm
 - Flood
 - Fire
 - Equipment Breakdown
- Engineering plan review and project follow-up services for key projects
 - Includes windstorm and fire protection design support for the proposed City Government Center
- Annual presentation of engineering findings
 - Coordinated by Account Engineer
 - Trends
 - New Hazards
 - Prioritization of recommendations
 - Risk improvement plan
- Providing a stable, long term property insurance program, including:
 - Large windstorm capacity
 - Broad, flexible coverages
 - Builder's risk coverage automatically provided at existing locations

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FM Global's Client Service Strategy

- Team Strategy Meeting
- Implement Action Plan
- Team Assessment
- Develop Proposal
- Bind/Renew
- Client Service Plan*
- Manage & Monitor Performance

*The Client Service Plan will consist of agreed upon objectives that support your key business objectives and that can be measured and quantified. This plan should be formalized within 60 days after renewal

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Summary of Proposed Insurance Program

This Proposal is based on the FM Global Advantage Gross Earnings North America Rev. 2006 policy form currently in use by the Company.

Named Insured and Address:	City of Fort Lauderdale 100 N. Andrews Avenue Fort Lauderdale, FL
Policy Dates:	Effective Date: 1-April-07 Expiration Date: 1-April-08
Territory:	Canada The United States of America The Commonwealth of Puerto Rico
Insured Location:	Any location: Listed on a Schedule of Locations attached to this Policy. Covered as a Miscellaneous Unnamed Location. Covered as a Miscellaneous Scheduled Location. Covered under the terms and conditions of the Automatic Coverage or Errors and Omissions provisions.
Currency:	US Dollars, except in Canada, Canadian Dollars
Premium Payable:	City of Fort Lauderdale
Value Reporting Provisions:	Property Damage Values as of: April-01 Due date: January-01
Loss Adjustment/Payable:	City of Fort Lauderdale
Cancellation/Non-Renewal	60 Days, except 10 Days for non-payment of premium

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

Coverages and Limits

Coverage	Limit
Policy Limit	USD 325,000,000
Accounts Receivable	USD 10,000,000
Automatic Coverage	90 Days, but not to exceed USD 5,000,000
Civil Authority	30 Days, 1,000 Feet
Consequential Reduction in Value	Policy Limit
Data, Programs or Software and Computer Systems – Non Physical Damage	USD 10,000,000 Combined
Debris Removal	USD 10,000,000
Decontamination Costs	Policy Limit
Deferred Payments	USD 10,000,000
Delay in Start Up	Policy Limit
Demolition and Increased Cost of Construction	Policy Limit
Dependent Time Element Locations of a direct or indirect customer, supplier, contract manufacturer or contract service provider.	USD 2,000,000
Earth Movement* Excluding California, Hawaii, Alaska, the Commonwealth of Puerto Rico, the New Madrid Seismic Zone, and the Pacific Northwest Seismic Zone Zones from all coverages and locations within the Policy	USD 100,000,000
Errors and Omissions	USD 10,000,000
Expediting Costs and Extra Expense	USD 2,000,000 Combined
Fine Arts	USD 10,000,000

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Coverages and Limits

Coverage	Limit
Flood*	USD 25,000,000
	Except for:
Miscellaneous Unnamed Locations:	USD 1,000,000
Properties Located in Flood Zone A:	USD 2,000,000
Lohmeyer (Location 4):	USD 2,000,000
Gross Earnings	Excluded
Ingress/Egress	30 Days, but not to exceed USD 2,000,000
Land and Water Contaminant or Pollutant Cleanup, Removal and Disposal*	USD 50,000
Leasehold Interest	USD 250,000
Miscellaneous Named Locations	USD 10,000,000 per location
Miscellaneous Personal Property	USD 10,000,000 per location
Miscellaneous Unnamed Locations	USD 10,000,000 per location
Off Premises Storage for Property under Construction	USD 10,000,000
On Premises Services – Property Damage Only	Policy Limit
Operational Testing Excluding stock or material manufactured or processed by the Insured	Policy Limit
Professional Fees	USD 25,000 plus 50% of the amount recoverable under this coverage in excess of USD 25,000
Protection and Preservation of Property	Policy Limit
Related Reported Values	Policy Limit
Rental Insurance	USD 250,000

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Coverages and Limits

Coverage

Service Interruption

Incoming services consisting of electricity, gas, fuel, steam, water, refrigeration or from the lack of outgoing sewerage service by reason of any accidental occurrence to the facilities of the supplier of such service

Limit

USD 10,000,000 Property Damage Only

Soft Costs

USD 10,000,000

Tax Treatment of Profits

Policy Limit

Temporary Removal of Property

Policy Limit

Terrorism and Non Certified Act of Terrorism*

Coverage applies at locations specifically described on the Schedule of Locations, at Miscellaneous Unnamed Locations and property covered under Miscellaneous Personal Property and Off Premises Storage for Property under Construction.

USD 5,000,000, but not to exceed USD 1,000,000 per occurrence Property Damage and Time Element Combined, but not to exceed:

Excluding Dependent Time Element; Ingress/Egress; Protection and Preservation of Property; and Service Interruption.

USD 1,000,000 for Miscellaneous Unnamed Locations, Miscellaneous Personal Property, Off Premises Storage for Property under Construction and Temporary Removal of Property Combined for Property Damage and Time Element Combined

These limits shall not include the Actual Cash Value portion of fire damage caused by Terrorism.

See optional quotes for Certified Terrorism and increased Non-Certified Act of Terrorism following the Premium section of this proposal.

USD 1,000,000 for Flood Property Damage and Time Element Combined when caused by or resulting from Terrorism and Non Certified Act of Terrorism Combined

Time Element limit:
12 month period of liability, subject to the Terrorism and Non Certified Act of Terrorism limit shown above

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Coverages and Limits

Coverage	Limit
Transportation	USD 10,000,000
Valuable Papers and Records	USD 10,000,000
Wind	USD 25,000,000

* Limits shown are policy year aggregates.

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Waiting Periods

Computer Systems – Non Physical Damage	48 Hours
Data, Programs or Software	48 Hours for malicious introduction of a machine code or instruction
Service Interruption	24 Hours

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Deductibles

Policy Deductible

USD 100,000 Combined all Coverages

except as follows:

Computer Systems – Non Physical
Damage

2 Day Equivalent Combined All Coverages

Includes all Locations where Time Element loss ensues, subject to a minimum of USD 100,000 Combined all Coverages

Data, Programs or Software as respects
loss or damage caused by the malicious
introduction of a machine code or
instruction

2 Day Equivalent Combined All Coverages

Includes all Locations where Time Element loss ensues, subject to a minimum of USD 100,000 Combined all Coverages

Flood

USD \$500,000 Combined All Coverages per Location

Terrorism coverage and the Actual Cash
Value portion of the fire damage caused
by Terrorism **if both of the Optional
Terrorism Coverages outlined below in
this proposal are accepted.**

Per Location:
The greater of the Policy Deductible, or if applicable, the
location deductible

Terrorism coverage and the Actual Cash
Value portion of the fire damage caused
by Terrorism **if either of the Optional
Terrorism Coverages outlined below in
this proposal are rejected.**

Per Location:

1% Separate Property Damage/Time Element

Includes all Locations where Time Element loss ensues, subject to a minimum of the greater of \$100,000 Combined All Coverages, or the Policy Deductible, or, if applicable, the location deductible.

Upon the expiration of the Terrorism Risk
Insurance Act of 2002, Terrorism
coverage and the Actual Cash Value
portion of the fire damage caused by
Terrorism

Per Location:

1% Separate Property Damage/Time Element

Includes all Locations where Time Element loss ensues, subject to a maximum of USD1,000,000 Combined All Coverages.

Transportation

USD 10,000 Combined All Coverages

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Deductibles

Wind

USD 15,000,000 per occurrence Combined All Coverages

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Special Conditions

This proposal is based on the expiring schedule of locations, which have been trended to reflect inflationary trends. The locations and values should be confirmed by the City of Fort Lauderdale by 4/1/07

The following changes will apply which are not applicable under the current contract:

- Terrorism
 - The limit for the optional Non Certified Terrorism Coverage has been increased to USD100,000,000
 - Terms and conditions that will become effective upon the expiration of TRIA have been added
- Increased Policy Limit to USD325,000,000
- Extended coverage for certain infrastructure items while within the property lines of Scheduled Locations
- The following are excluded, but can be added back subject to satisfactory review of underwriting data
 - City park property not included in the reported values
 - Vehicles not included in the reported values
- Miscellaneous Unnamed Locations limit has been reduced to USD1,000,000
- A Miscellaneous Scheduled Locations limit of USD10,000,000 has been added
- The Expediting Costs and Extra Expense limit has been reduced to USD 2,000,000. This results in the limits for the following coverages also being reduced to USD 2,000,000
 - Dependent Time Element
 - Ingress/Egress

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Special Conditions

Exclusions of Note on renewal policy (as per expiring):

- City infrastructure is excluded from the policy as follows:
 - Tunnels, trestles, canals, seawalls, piers, boardwalks, wharves or jetties.
 - Roads, sidewalks, street lighting, rail transportation systems, traffic control lights and associated equipment, signs not attached to buildings, bridges, electrical transmission distribution lines and associated equipment, and underground mains (water, sewer, and gas) except while within the property lines of Scheduled Locations attached to the Policy.
- Landscaping Exclusion:
 - Loss or damage to landscaping, lawns, shrubs, trees and flowers caused by the action of wind including substance driven by wind. But, if such loss or damage directly causes physical damage insured by this Policy to insured property other than landscaping, lawns, shrubs, trees and flowers, then only that resulting damage is insured.
- Coverage is Excluded for
 - Orioles Stadium (#12), Lockhart Stadium (#16), and the Museum of Science and Discovery.
 - Jail, prison or house of correction properties, condemned real property, or real property acquired through eminent domain or tax receivership proceedings unless such property is a scheduled Location in this policy.

Concurrent Flood/Wind Deductible

- In the event an occurrence involves loss or damage caused by or resulting from both Flood and Wind and there is a specific Flood deductible and a specific Wind deductible applying, such Flood and Wind loss or damage shall be adjusted separately from each other with each being subject to its respective deductible.

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

Definitions

Wind:

Direct action of wind including substance driven by wind.

Flood:

Flood; surface waters; rising waters; waves; tide or tidal water; the release of water, the rising, overflowing or breaking of boundaries of natural or man-made bodies of water; or the spray there from; or sewer back-up resulting from any of the foregoing; regardless of any other cause or event contributing concurrently or in any other sequence of loss. However, physical damage by fire, explosion or sprinkler leakage resulting from Flood is not considered to be loss by Flood.

Flood Zone A:

Locations designated by the Federal Emergency Management Agency (FEMA) as subject to a flood frequency up to and including the 100 year frequency; except when the finished floor elevation is determined to be above the level of the 100 year flood, or when such location is protected by dams, levees, dikes or walls which (a) protect such areas from at least the level of the 100 year flood, and (b) have no openings or flood gates, and (c) were built by and are either maintained or inspected by the Army Corps of Engineers.

Day Equivalent:

An amount equivalent to the number of days stated times the 100% daily Time Element value that would have been earned following the occurrence at the Location where the physical damage occurred and all other Locations where the Time Element loss ensues.

Waiting Period:

Those hours or fractions thereof between the time when an interruption of service occurs from an insured loss, to the time when the interruption of such service reaches the specified hours or fractions thereof designated as the waiting period.

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

Definitions

New Madrid Seismic Zone:

Arkansas: Counties of Arkansas, Ashley, Chicot, Clay, Craighead, Crittenden, Cross, Desha, Drew, Fulton, Grant, Greene, Independence, Izard, Jackson, Jefferson, Lawrence, Lee, Lincoln, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Pulaski, Randolph, Saline, Sharp, St. Francis, White, Woodruff

Illinois: Counties of Alexander, Bond, Calhoun, Christian, Clark, Clay, Clinton, Coles, Crawford, Cumberland, Edwards, Effingham, Fayette, Franklin, Gallatin, Greene, Hamilton, Hardin, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Macoupin, Madison, Marion, Massac, Monroe, Montgomery, Morgan, Perry, Pike, Pope, Pulaski, Randolph, Richland, Saline, Sangamon, Scott, Shelby, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson

Indiana: Counties of Crawford, Daviess, Dubois, Gibson, Greene, Knox, Lawrence, Martin, Orange, Perry, Pike, Posey, Spencer, Sullivan, Vanderburgh, Warrick

Kentucky: Counties of Ballard, Breckinridge, Butler, Caldwell, Calloway, Carlisle, Christian, Crittenden, Daviess, Fulton, Graves, Hancock, Henderson, Hickman, Hopkins, Livingston, Logan, Lyon, Marshall, McCracken, McLean, Muhlenberg, Ohio, Simpson, Todd, Trigg, Union, Warren, Webster

Mississippi: Counties of Alcorn, Benton, Bolivar, Calhoun, Carroll, Chickasaw, Choctaw, Clay, Coahoma, De Soto, Grenada, Holmes, Humphreys, Issaquena, Itawamba, Lafayette, Lee, Leflore, Lowndes, Marshall, Monroe, Montgomery, Oktibbeha, Panola, Pontotoc, Prentiss, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica, Union, Warren, Washington, Webster, Yalobusha, Yazoo

Missouri: Counties of Audrain, Bollinger, Butler, Callaway, Cape Girardeau, Carter, Cole, Crawford, Dent, Dunklin, Franklin, Gasconade, Howell, Iron, Jefferson, Lincoln, Madison, Maries, Marion, Miller, Mississippi, Montgomery, New Madrid, Oregon, Osage, Pemiscot, Perry, Phelps, Pike, Pulaski, Ralls, Reynolds, Ripley, Scott, Shannon, St. Charles, St. Francois, St. Louis, St. Louis City, Ste. Genevieve, Stoddard, Texas, Warren, Washington, Wayne

Tennessee: Counties of Benton, Carroll, Cheatham, Chester, Crockett, Decatur, Dickson, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Hickman, Houston, Humphreys, Lake, Lauderdale, Lawrence, Lewis, Madison, McNairy, Montgomery, Obion, Perry, Robertson, Shelby, Stewart, Tipton, Wayne, Weakley

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

Definitions

Pacific Northwest Seismic Zone – Group A Listing

Oregon, counties of:

Benton, Clackamas, Clatsop, Columbia, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, Yamhill

Washington, counties of:

Clark, Cowlitz, Pacific, San Juan, Wahkiakum

British Columbia includes Vancouver Island:

South of 50° N latitude and west of 120° W longitude excluding Vancouver and its suburbs included under Group B below.

Pacific Northwest Seismic Zone – Group B Listing

Washington, counties of:

Clallam, Grays Harbor, Island, Jefferson, King, Kitsap, Lewis, Mason, Pierce, Skagit, Snohomish, Thurston, Whatcom

Vancouver, British Columbia and the following suburbs of Vancouver, British Columbia:

Abbotsford, Burnaby, Coquitlam, Langley, Maple Ridge, Mission, New Westminster, Pitt Meadows, Port Coquitlam, Port Moody, Richmond, Surrey

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

Premium

USD 2,550,000 based on total insurable values of USD 325,276,940

A membership credit of USD 202,110 will be deducted from the total premium on the renewal invoice.

Payment is due upon receipt of invoice or on the date coverage begins, whichever is later.
Policies will be subject to cancellation for non-payment of premium bills.

Premium does not include various fees, taxes**, surcharges or brokerage commission.

**Premium includes the Florida Guaranty Association Surcharge, but does not include the Florida Hurricane Catastrophe Fund Surcharge..

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

U.S. Terrorism

The Terrorism Risk Insurance Act of 2002 (“TRIA”) requires that insurers advise Clients, prior to the renewal date of their current policy of their option to elect or reject terrorism coverage under the act as part of their property renewal policy. It also requires insurers to disclose the cost of such coverage for the policy term. As a brief reminder, the act provides licensed, admitted carriers with a substantial federal reinsurance backstop for internationally instigated terrorism acts that are certified by the Secretary of the Treasury of the United States as covered events (known as “certified” losses). Generally speaking, the act responds strictly to events that take place within the United States, its protectorates, territories, and possessions.

Attached please find the following document(s):

Policyholder Disclosure Notice of Terrorism Coverage

Please note the following important condition that requires your action:

The Disclosure form must be completed, signed and returned to Robert G. Schmelzer prior to renewal policy effective date of 4/1/07, indicating your choice to accept or reject certified coverage as part of your renewal policy.

Our quotation for Certified Terrorism follows. The premium quoted corresponds with the annual premium stated on the Disclosure Notice of Terrorism Coverage form and does not include applicable taxes or surcharges.

While the coverage afforded under the Terrorism Risk Insurance Act of 2002 represents a significant enhancement of terrorism coverage, it does not respond to all types of terrorism events. The act provides coverage for certain types of events that occur in the U.S., its territories, and protectorates, when committed by individuals acting on behalf of foreign people or interests as “certified” by the Secretary of the Treasury of the United States. To supplement this federally backed coverage for certified acts, FM Global also offers, as part of the property insurance policy, optional expanded coverage limits for non-certified terrorism exposures. This supplemental coverage applies to locations in the U.S., its territories, and protectorates, subject to policy terms and conditions relating to terrorism.

Our quotation for Non Certified Terrorism follows. The annual aggregate limits quoted are inclusive of, and not in addition to, one another and any other terrorism annual aggregate limit(s) for locations outside the U.S., its territories, and protectorates. The premium does not include applicable taxes and surcharges. Our quotation remains valid until 3/19/07.

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

Optional Terrorism Quotes

Coverage

Limit

Terrorism - Certified per the Terrorism Risk Insurance Act of 2002 ("TRIA").

Policy Limit

The limit shown is per occurrence.

The Policy deductible would apply.

NOTE: If this offer for Certified Act of Terrorism is rejected, the limit for Terrorism and Non Certified Act of Terrorism shown in the Coverages and Limits and the deductible for Terrorism shown in the Deductibles will apply as respects a Certified Act of Terrorism.

Additional Annual Premium for Certified Terrorism:

USD9,352

Optional Terrorism Quotes

Coverage

Terrorism and Non Certified Act of Terrorism*

Non Certified Act of Terrorism applies within the United States, its territories and possessions, and Puerto Rico.

Coverage applies at locations specifically described on the Schedule of Locations and Miscellaneous Unnamed Locations only.

Excluding Dependent Time Element; Ingress/Egress; Protection and Preservation of Property; and Service Interruption.

These limits shall not include the Actual Cash Value portion of fire damage caused by Terrorism.

NOTE: If this optional offer for Terrorism and Non Certified Act of Terrorism is rejected, the limit for Terrorism and Non Certified Act of Terrorism shown in the Coverages and Limits and the deductible for Terrorism shown in the Deductibles will apply.

Limit

USD100,000,000 Property Damage and Time Element Combined, but not to exceed:

USD5,000,000 annual aggregate limit, but not to exceed
USD1,000,000 per occurrence for Locations outside the United States.

USD1,000,000 for Miscellaneous Unnamed Locations, Miscellaneous Personal Property, Off Premises Storage for Property Under Construction, and Temporary Removal of Property Combined for Property Damage and Time Element Combined

USD1,000,000 for Flood Property Damage and Time Element combined when caused by or resulting from Terrorism and Non Certified Act of Terrorism Combined

Time Element limit:
12 month period of liability, subject to the Terrorism and Non Certified Act of Terrorism limit shown above

Additional Annual Premium for Non Certified Acts of Terrorism:

USD5,611

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

Optional Terrorism Quotes

Coverage

Limit

Upon the expiration of the Terrorism Risk Insurance Act of 2002, the aforementioned Limits of Liability for Terrorism – Certified per the Terrorism Risk Insurance Act of 2002, and Terrorism and Non Certified Act of Terrorism will be considered null and void and replaced with the following Limits of Liability for Terrorism.

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

Terrorism:

Coverage applies at locations specifically described on the Schedule of Locations, at Miscellaneous Unnamed Locations and property covered under Miscellaneous Personal Property and Off Premises Storage for Property under Construction.

Excluding Dependent Time Element; Ingress/Egress; Protection and Preservation of Property; and Service Interruption.

These limits shall not include the Actual Cash Value portion of fire damage caused by Terrorism.

For property located in the United States (except the State of New York), its territories and possessions and the Commonwealth of Puerto Rico:

USD100,000,000 Property Damage and Time Element Combined

But not to exceed the following limits in the Aggregate During Any Policy Year:

USD1,000,000 for Miscellaneous Unnamed Locations, Miscellaneous Personal Property, Off Premises Storage for Property under Construction and Temporary Removal of Property Combined for Property Damage and Time Element Combined

USD1,000,000 for Flood Property Damage and Time Element combined when caused by or resulting from Terrorism

Time Element limit:
12 month period of liability, subject to the Terrorism limit shown above

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

Terrorism: - contd.

For property located outside the United States, its territories and possessions and the Commonwealth of Puerto Rico, USD5,000,000 annual aggregate limit, but not to exceed USD1,000,000 per occurrence, but not to exceed the following limits in the Aggregate During Any Policy Year:

USD1,000,000 for Miscellaneous Unnamed Locations, Miscellaneous Personal Property, Off Premises Storage for Property under Construction and Temporary Removal of Property Combined for Property Damage and Time Element Combined

USD1,000,000 for Flood Property Damage and Time Element combined when caused by or resulting from Terrorism

Time Element limit:
12 month period of liability, subject to the Terrorism limit shown above

NOTE: If the offer of Certified Terrorism and/or increased Non Certified Act of Terrorism is accepted, the Terrorism Limits of Liability shown above will apply. If the offer of Certified Terrorism and increased Non Certified Act of Terrorism are both rejected, the limits for Terrorism shown in the Coverages and Limits section will apply.

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.

POLICYHOLDER DISCLOSURE NOTICE OF TERRORISM INSURANCE COVERAGE

Insured Name: City of Fort Lauderdale

Date: 3/5//07

Account Number: 32655

Insurer Name: Factory Mutual Insurance Company

The Terrorism Risk Insurance Act of 2002, gives you the right as part of your property renewal policy to elect or reject insurance coverage for locations within the United States or any territory or possession of the United States for losses arising out of acts of terrorism, as defined and certified in accordance with the provisions of the act.

YOU SHOULD KNOW THAT COVERAGE FOR LOSSES CAUSED BY ACTS OF TERRORISM WILL BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. UNDER THIS FORMULA, THE UNITED STATES PAYS 90 PERCENT OF COVERED TERRORISM LOSSES EXCEEDING A STATUTORILY ESTABLISHED RETENTION BY THE INSURER REFERENCED ABOVE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW.

SELECTION OR REJECTION OF TERRORISM INSURANCE COVERAGE: UNDER FEDERAL LAW, YOU HAVE THE RIGHT TO ACCEPT OR REJECT THIS OFFER OF COVERAGE FOR TERRORIST ACTS COVERED BY THE ACT AS PART OF YOUR RENEWAL POLICY. IF WE DO NOT RECEIVE THIS SIGNED DISCLOSURE FORM PRIOR TO THE RENEWAL POLICY EFFECTIVE DATE OF 4/1/07, THEN YOUR RENEWAL POLICY WILL REFLECT YOUR DECISION NOT TO PURCHASE THE TERRORISM COVERAGE PROVIDED BY THE ACT.

_____ I hereby elect to purchase coverage for terrorist acts covered by the act for an annual premium of USD 9,352. This premium does not include applicable taxes or surcharges.

_____ I hereby reject this offer of coverage for terrorist acts covered by the act.

Policyholder/Applicant's Signature

Print Name

Date

All insurance coverage references and descriptions contained in this proposal are intended to identify types of coverage and generally describe specific coverage features of your insurance policy. Refer to policy for actual coverage terms and conditions.