

To: Dr. Nancy McGinley
From: Mike Bobby, CFOO
Re: Insurance Resources Interview and Selection and Insurance Rate Update
Date: 30 March 2012

Working with the special procurement protocol approved by the Board of Trustees on February 13, 2012, a committee conducted interviews for a Property, General Liability and Workers Compensation Insurance Broker. The committee included:

- Mike Bobby, CFOO
- John Emerson, General Counsel
- Terri Shannon, Executive Director Finance
- Dana Enck, Director Risk and Safety
- Woody Doossche, Interim Safety Manager
- Jim Britt, Consultant

Both incumbent resources and one new candidate with extensive schools work in the Carolinas were invited for interviews:

- SC School Boards Insurance Trust (SCSBIT)/ Willis – Property and Liability incumbent
- Arthur J. Gallagher – Workers Compensation incumbent
- Surry Insurance - contender for Workers Compensation based upon extensive experience in the Carolinas

The committee conducted comprehensive interviews with the three candidate organizations. Each dialogue was supported by a candidate power point slide show and handout. Scoring was on a 50 point scale with 10 criteria of 5 points max each. The composite results were:

Surry - 16. Their reputation is favorable but they are not equipped to bring suitable strategies to CCSD vs. their typical fully insured, smaller district Workers Compensation client.

- Gallagher – 39.4. They placed first in 4 of the 10 rating categories. There was concern among the majority of the committee members regarding the ability of the designated team leader to implement the recommended program with appropriate leadership. There was also a lingering concern that the extensive utilization of wholesaler property broking would create higher commission costs.

- SCSBIT/Willis – 39.8. In addition to a slightly higher composite score than Gallagher, this resource team placed first in 6 of the 10 rating categories. There was a consensus from the committee that this team was best qualified to secure all the insurance placements. This team demonstrated a total estimated saving of \$10million in the four years they have handled the property/liability vs. the Gallagher program in place in the year prior to the change.

Mike Bobby asked Jim Britt to advise each of the candidates of their status. This was completed on March 3. Each of the losing candidates was thanked for their interest in being of service to CCSD. In the case of SCSBIT/Willis, they were complimented on their compelling proposal and demonstrated cost savings. They were further advised that the committee wanted to award them the full insurance program with their commitment to several caveats the committee deemed essential:

- SCSBIT must include CCSD as a “Pilot” (Beta) for their forthcoming enhanced claim software which will be more interactive for member districts.
- Willis must include strategic loss control/safety consulting within their proposed Workers Compensation remuneration. This will provide further direction for CCSD to elevate solutions for both liability and employee safety. An introductory meeting with a Willis Loss Control Team from Atlanta has been scheduled with Dana Enck on May 4.
- Willis must be willing to include Risk Management Information System (RMIS) consulting within their Workers Compensation remuneration. The strategy will be to leverage integration of SCSBIT data, CCSD data and miscellaneous data into a strategy for an integrated RMIS platform for the district. The horizon for this will be fiscal year ‘14.

SCSBIT and Willis each committed to their respective caveat engagement requests as part of the award for their serving CCSD.

Next steps will include negotiating a service agreement to both SCSBIT and Willis. This will supplement or be an addendum to the membership agreement in place for the former and the corporate service agreement for the latter.

The committee agreed that Risk Management and Safety go forward with three year agreements with two one year options. SCSBIT and Willis agreed to this time frame.

Previously, in January, SCSBIT advised clients, hence we advised the Board, that the property market was moving toward a 10% to 20% rate increase. SCSBIT representatives provided a status update to Dana Enck on March 27, as this is

proving to be one of the more turbulent markets we have seen in the last several years. Willis and SCSBIT are driving the domestic and international reinsurance markets very aggressively to provide CCSD the most competitive program. Based on the information that Willis is receiving from the market and what they have encountered for 1st quarter property renewals, SCSBIT now suggests that CCSD budget for a 20% to 35% rate increase for property based on the following circumstances.

- The market continues to harden as carriers try to improve from an avg. combined ratio of 116% in 2011
- Carriers struggle to digest the new rating model (RMS 11) and the impact on their S&P ratings
- \$108B in global insured losses in 2011
- A shift in several incumbent market's appetite (Lexington possibly dropping from \$25m participation to \$10m, Endurance & CNA exiting the market) these changes alone require us to replace a potential \$33.5M in capacity.

As for Casualty, the picture appears to be much better and CCSD should expect consistent renewal terms.

The table below tabulates the projected range for insurance increases.

	2011-2012 Premium	2012-2013 Premium Range	
		Low	High
Property	\$3,632,000	\$4,500,000	\$5,100,000
General Liability & Crime	\$436,212	\$445,000	\$452,000
Head Start addition			
General Liability	\$11,092	\$11,300	\$11,600
Property	\$4,822		
Total	\$4,084,126	\$4,956,300	\$5,563,600