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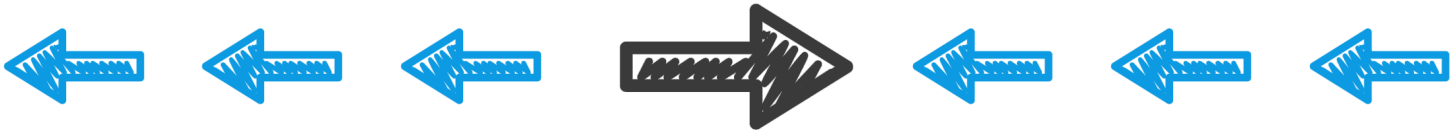

Property & Liability: Advanced Understanding of Pricing & Underwriting Negotiation

Presenter: Maureen Gallagher

Sponsored by: Burns & Wilcox

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Presented by

Professional Insurance Agents of Indiana

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Maureen Gallagher

Maureen Gallagher is the Michigan Managing Director and National Real Estate and Workers Compensation Brands Leader in the 13th largest US broker, AssuredPartners. Gallagher specializes in insurance placement, risk management and consulting. In addition, her passion for education inspired her — in 2003 — to establish Insurance Partners Academy, an educational company, where she serves as Director. Gallagher previously held the position of President and CEO of Acordia of Michigan (Wells Fargo), assuming that position after heading up her own agency, Gallagher Group, Inc., for more than ten years.

She has been featured and profiled in numerous publications, and was named by Crain's Detroit Business as one of the "Best and Brightest" and as one of "Detroit's Most Influential Women." Risk and Insurance recognized Gallagher as a "Power Broker" which identifies the best brokers in the country. In addition, Liberty Mutual honored Gallagher with the "Responsibility Leader Award" awarded to those insurance professionals that have demonstrated a commitment to their organization, profession and community. Business Insurance named Gallagher as one of their "Women to Watch" in 2011 and WorkCompCentral honored Gallagher with the Work Comp Laude Award in 2015. Gallagher was also the recipient of "Soaring Eagle Leadership Award" by The Executive Committee (TEC). TEC is an international association of Chief Executive Officers dedicated to increasing the effectiveness and enhancing the lives of chief executives and managing directors. The City of Louisville presented Gallagher with a key to the city for her commitment to leadership and education at the Women's Leadership conference in 2014 where she was the keynote speaker. Finally, in 2016, the Women's Leaders in Insurance and Finance awarded the Women of the Year Award to Gallagher in recognition of outstanding performance and achievement in the insurance industry.

Gallagher is a Licensed Insurance Counselor (LIC), Licensed Claims Adjuster (LCA), Certified Insurance Counselor (CIC), Certified Workers Compensation Professional (CWCP), Certified Risk Manager (CRM), Certified Workers Compensation Advisor (CWCA), Registered Professional Liability Underwriter (RPLU), Construction Risk and Insurance Specialist (CRIS) and Certified Integrated Leave Management Administrator (CILMA). A frequent lecturer and presenter, Gallagher is also on the National teaching faculty for the National Alliance for Insurance Education and Research. She is a featured writer for Insurance Thought Leadership and writes for Resource Magazine. Gallagher is a member of the American Bar Association and the Society of Trainers and Educators. She is the creator of the Property Risk and Insurance Specialist (PRIS), Certified Workers Compensation Counselors (CWCC), Certified Experience Modification Advisory (CXMA) and Real Estate – Certified Insurance Professional (RCIP) certification programs as well as Producer Peak Performance training. An avid long-distance runner, cyclist, swimmer, stair climber, certified exercise/spinning instructor, USA Cycling, Road Runners Club of American and USA Triathlon coach, Gallagher has qualified several times for the Sprint and Olympic distance USA Triathlon National Championships, has completed 70.3 Ironman and was named one of the "50 Fittest CEOs" by Crain's Detroit Business. She has raised over $260,000 for charities through her participation in endurance events.

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Advanced Understanding of Pricing
and
Underwriting Negotiation

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Property and General Liability Submissions
Submissions

Great submissions are critical to sales success.

Account submissions for carrier consideration are an important part of sales success and cannot be left up to the CSR. The overview (Narrative of Operations) and marketing direction should be the producer's responsibility.

The submission is a collaborative effort between the CSR and producer.

Often a producer comes back to the office with an opportunity that includes copies of policies, sales estimates, some loss information and some of the underwriting data (i.e., COPE) information. A common approach in agencies is to tell the producer we want the producer to focus on selling so the information is dumped on the CSR to put together. Although there are many CSR's capable of compiling a great submission if enough data is provided by the agent, most CSRs have not been trained to put together compelling submissions that immediately get the underwriter's attention.

Why are submissions so important?

Underwriters are positively influenced by the look and quality of submissions. Preparing quality submissions sets an agent apart from other agents to underwriters. The underwriters regard these agents as more professional and favorably. The underwriter will put these submissions to the top of the pile to work on. A by-product of quality submissions is the pride it develops with the agent and his/her staff, as every time an underwriter visits, the underwriter will compliment your staff's submissions and express appreciation for making their job so much easier.

Establish a criterion with your CSR/Team.

Create a submission "look" and do every submission EXACTLY the same way. When an underwriter receives the emailed submission, they will immediately recognize the agent's submissions and know where to look for information.

- Send the electronic submission in the same order EVERY TIME. An agency can get its staff to do this. First attach the narrative, followed by loss summaries, then industry applications. Do not send loss runs or any other data until an affirmative interest from the underwriter is given.

- Write a narrative on EVERY ACCOUNT. Summarize important facts. (See sample narratives that follow). The producer should take the lead and write it. It will help the producer understand the account thoroughly, as many issues will come up during the underwriting process. Most likely, the agent will find he/she is missing information that they will have to go back to the prospect for. While writing the narrative, the account qualities and challenges become apparent. An agent needs to put themselves in the underwriter's position. Based on the loss summary, is more information needed about individual losses? If the experience modification has gone up, what is the explanation? A producer should read A.M. Best Underwriting Guide to find out what the concerns of underwriters are going to be for this type of business. Read the website and address in the narrative items that are "marketing" for the prospects and not real exposures that will cause an underwriter concern. Often underwriters do not have the final decision. A submission has to speak to unknown parties that will be evaluating the risk. Providing a good narrative saves the underwriter time. When his/her superior asks for more information the underwriter has a detailed narrative from the agent to provide.

Be as thorough and detailed as possible.

Yes, it is hard extracting information from prospects. Help them collect the data. Memorize lines that have worked for you in the past to explain how critical the data is. (For example, "I know this is a lot of information but our experience has been, the more detailed information we can provide our underwriter, the better the price and coverage we can negotiate." OR – "Underwriters have to make conservative assumptions about exposures if the information is not available.") A producer's ability to establish trust quickly and his or her ability to extract volumes of information as painlessly as possible is one of the more important skills a producer has to develop.

Selling Underwriters is harder than selling prospects/clients.

The sale to the underwriter is as important as, and often more difficult than, the sale to the client. Underwriters should be treated with the same level of respect and care as prospects and clients. More and better information provided to the underwriter, often results in better pricing and coverage. Whining and complaining only goes so far – "We are a big agent for you. We need this favor etc". A producer needs to provide the evidence, facts or "spin" the underwriters need to evaluate the exposures, get comfortable with the risk and do what the producer is asking them to do.

Accuracy matters

All anyone has is their reputation. The insurance world is a small one. Underwriters move from carrier to carrier. Everyone seems to know everyone. If an individual has a reputation for not being forthright in submissions, it will hinder their ability to work with underwriters resulting in uncompetitive offerings and fewer sales. Just as our prospects have to learn to trust us before they will do business with us, underwriters have similar trust issues. It is okay to push the envelope in advocating for a client. Your "spin" might be over the top. It is your job to advocate for the insured. However, it is not okay to cross the line in presenting data that lacks integrity. Taking a moral, ethical and legal approach always has long-term pay off.

Manage and lead the marketing process.

As sales persons, we are taught in sales classes about overcoming objections, closing, qualifying and lead generation. However, most sales classes do not address what a producer's responsibilities should be in the other sales process – to the underwriter. Typically this is how a submission should be developed:

1. Producer writes the narrative.
2. CSR completes the ACCORD applications based on instructions from the producer. You cannot just take limits, payrolls and sales off the current policy. There needs to be a review of what they have and how you are marketing the coverage(s). This may vary in some agencies. A skilled producer (larger book of business) should have the support to get this done.

3. Whoever is responsible should order loss runs for all lines for several years (5 preferably 6). Many prospects will tell you they will provide this, but often providing authorization letters for the prospect to sign is faster. Some agencies may engage a firm to obtain loss runs.

4. On each account, Excel loss run summaries should completed. Not only does this give the underwriter a quick snap shot of the profitability of the account, it gives THE AGENT a picture of what he or she has to deal with and how difficult or not the job is going to be. Poor loss experience might mean the sales job to the underwriter is difficult, but it presents opportunities for different program structures and providing assistance to the prospect in reducing and eliminating claims. Who prepares the loss summaries will depend on your agency. It may be the agent initially.

5. Identify the individual claims that will require some explanation and get details on the claims. Producers may have claims consultants in their agency that can do this for them or the CSR may have to do it. Identify claims that may belong to locations no longer owned by the insured. Mark up loss runs eliminating these losses and create a second loss summary showing the correct experience based on currently owned businesses/locations. Speak with the insured for additional details and whether or not there has been any corrective action after the claim. Update the loss summary with a separate page explaining the large losses and any other details that help the pitch to the underwriter on why this is not an issue going forward.(i.e. the past does not equal the future).

6. If different deductible levels are being considered, create an Excel spreadsheet to help the underwriter understand the dollars that will exceed the various deductible levels. This can also be used in reverse in the proposal. What amounts will the insured be responsible for under the deductible? After all, it is the premium PLUS the claims under the deductible that represents the total cost of coverage.

7. Arrange to have a loss projection (pick) completed using the Loss Forecaster software. If your agency does not have this software you should find a way to access it. This software is easy to use and any individual can be trained to input the data and make appropriate assumptions for a loss projection. It will provide projections for general liability, workers compensation and automobile.

If the projection is favorable, you can use it to help in your discussions with the underwriter. If unfavorable, then there is an entirely different discussion with the client. The projection will help you explain how underwriters view the accounts.

8. Are there any inspections from carriers or independent consultants that would be helpful to include?
9. Order the experience modification. Prepare experience modification analysis from ModMaster.
10. Look up flood zones and provide flood mapping from a company providing software for this (i.e., Pictometry – Google Earth on steroids).
11. Write an email to your CSR/Team with instructions on what needs to get done, your strategy, opportunity, etc. Copy in appropriate individuals (i.e., marketing manager, sales supervisor.) It gets the ball rolling immediately and sets expectations and deadlines.

Price – The Elephant in the Room

A good producer knows how to evaluate price to determine if they can compete and give guidance to underwriters. Focusing on a niche gives a producer better insight to price and program required. Once preliminary information is received from the prospect, perform simple division to determine net rates for property and liability and cost per vehicle, cost per $1,000,000 in limits on the umbrella, per employee cost for WC. Compare what you have seen for other similar accounts and exposures. Factor in carriers aggressively pursuing these accounts and the overall marketplace.

Property: Total Building Values are $2,000,000. Premium is $46,000. $46,000 ÷ 20000 (per $100 in values) = 2.30 rate. Deductibles, unless very high or very low, are not a large factor in the rate. With high deductibles, it is not uncommon to start running into diminishing returns. Keep in mind different types of businesses and exposures will affect the end rate. If you do not have a good memory for ranges of rates for various exposures etc, then maintain a list for yourself.

Liability: Total sales $45,000,000. Assume the premium is $100,000. $100,000 ÷ 45000 (per $1,000 in sales) = $2.22 rate or per unit or per site or per $100 in payroll – whatever is typically used for rating for that industry.

Resources to Help Your Analysis

Agency Flood Resources

www.agencyfloodresources.com

- Write NFIP policies
- Flood Mapping
- Exclusive Buy-down product
- Elevation Certificate Coordination
- Flood Map Revision
- Flood Zone Correction

Verisk Analytics

www.verisk.com

- Sprinklers grading reports
- Inspections
- Risk Assessments
- Much more

http://www.verisk.com/iso.html

http://www.verisk.com/iso-home/automatic-sprinkler-grading-report-verisk-commercial-property.html

The full lost cost report with sprinkler information is $21.85 per report and just the RCP report is $17.50 per report.

Insurance Service Office (ISO)

The Insurance Service Office (ISO) is the God of property rating services. Although ISO provides many services, one of their functions is to provide a starting property rate for member insurance carriers for every building in the US except for those that are similar in nature (apartments, condos, etc) which are class rated. Check published or class loss costs applicable to the property to confirm that appropriate credits have been allowed and to determine whether any further credits are available. In addition, check for errors and inaccuracies that have just not been updated. Investigate the makeup of any published loss cost information on each of its locations. Sometimes there are deficiencies that could be corrected fairly easily and inexpensively with a resulting reduction in the published loss cost rate. An agent can obtain the available loss cost information from ISO or from the state property insurance rating authority.

RCP Code from ISO

One of the information pieces given when you ask for the property rates on a building is the RCP code. The RCP code is a four digit number that tells you the following: The first one is either 1 or 4. One means the building is rated non-sprinklered and 4 means the building is sprinklered. The second number is one of the following: 1 frame, 2 joisted masonry, 3 non-combustible, 4 masonry non combustible, 5 modified fire resistive, 6 fire resistive. The last two digits are the protection class.

Sample Summary of a Sprinkler Report

Location	RCP Code (1)	Miscellaneous
Mfg of Adhesive & Sealants 8457 Silver Ave Evansville, IN	**4203** 4 – Sprinklered 2 – Joisted Masonry 03 – Protection Class	Rated a Fully Sprinklered with Grading of 86 out of 100. This is excellent.
Warehousing 118 E Main Street Jackson, MI	**4403** 4– Sprinklered 4 – Masonry/Non-Combustible 03 – Protection Class	Sprinkler Grading of 66 out of 100. Still receiving credit for sprinkler system; however, 5 of the deficiency points are a result of no main drain test since 10-21-04. Soon will be losing sprinkler rating entirely if the test is not completed, witnessed and filed with ISO. Needs action to maintain sprinkler status.
Mfg of Adhesive & Sealants 84951 Comp Street Jackson, MI	**1309** 1– Non Sprinklered 3 – Metal & Masonry 09 – Protection Class	This building is rated completed non-sprinklered with zero grading. There are several issues. The water supply cannot be evaluated due to a lack of plans, drawings, calculations or other information. (No design information) and no internal exam of dry pipes. The protection class is also negatively impacted by the non-sprinklered status.

Sprinkler Report

ISO also has a sprinkler grading system from 0 to 100. Many insurance carriers will not consider a company sprinklered if their grading is below 65. Oftentimes simple adjustments may be made to the system to reinstate sprinkler status and reduced rates.

Example of how an incorrect ISO base rate affects the rate provided by all carriers and ultimately the premium:

Starting ISO Rate. This is the Rate where most of the insurance carriers start.	**Underwriter Judgment credits and debits**				Net Rate
	Got up on the right side of the bed credit	AssuredPartners took me to the KY Derby Credit	Adding additional coverage debit	I haven't made my production this month credit	
.482 Non Sprinklered	X .90	X .95	X 1.06	X .95	.4150
.323 Sprinklered	X .90	X .95	X 1.06	X .95	.2781

Rate	**Property Values (per $100)**	**Premium**
.4150	$25,000,000	$103,750
.2781	$25,000,000	$69,525

Can you see how your clients can overpay if you do not check ISO information?

Building Construction Definitions

The following are the definitions for building construction. Insureds often do not know what their construction is, so providing them a guide is helpful.

Code	Construction	Definition
1	Frame	Buildings where the exterior walls are wood or other combustible materials including construction where combustible materials are combined with other materials such as brick veneer, stone veneer, wood iron-clad, stucco on wood.
2	Joisted Masonry	Buildings where the exterior walls are constructed of masonry materials such as adobe, brick, concrete, gypsum block, hollow concrete block, stone, tile or similar materials and where the floors and roof are combustible.
3	Non-Combustible	Buildings where the exterior walls and the floors and roof are constructed of, and supported by metal, asbestos, gypsum or other non-combustible materials.
4	Masonry Non-Combustible	Buildings where the exterior walls are constructed of masonry materials as described in Code 2, with the floors and roof of metal or other non-combustible materials.
5	Modified Non-Combustible	Building where the exterior walls and the floors and roof are constructed of masonry or fire resistive material with a fire resistance rating of one hour or more but less than two hours.
6	Fire Resistive	Buildings where the exterior walls and the floors and roof are constructed of masonry or fire-resistive materials having a fire resistance rating of not less than two hours.

Warranties

Carriers are increasingly adding warranties to policies. Warranties are a "condition of coverage". If the warranty was not in compliance, the carrier can void coverage. Warranties range from the traditional protective safeguard endorsements, to fencing to self-locking gates, signage and life-saving equipment at pools to requiring the heat of unoccupied units be maintained at 55 degrees. Carriers have successfully denied claims when the warranty was not the cause of or involved in the loss.

How to Negotiate with Underwriters on Warranties

The key to securing the removal of warranties is providing the underwriter with information demonstrating the client is doing everything they can to make sure the protection the underwriter seeks is in place, being checked regularly and documented. Offer to provide monthly maintenance logs (sample in exhibits) the client completes that specifically addresses the warranty. Warranties are dangerous and should be avoided at all costs. The case law is not good for insureds. Carriers "win" on warranties as they should. The warranty language is crystal clear in the policy.

Warranties and Applications

An agent must be very careful about applications. First, avoid completing an application for an insured. Most clients will sign anything the agent completes and puts in front of them without reading it for accuracy. The insured needs to complete the application. The first year is the most difficult. In subsequent years, a copy of the prior year's application can be provided to assist them with the renewal application.

Material misrepresentations will void coverage. Material would be an insured saying they have a sprinkler system when they do not. A non-material issue would be an applicant indicating his title was COO when it was Vice President on a property or GL application. The title of the applicant really has no impact on underwriting property or general liability coverage. Misrepresentation is written into the insurance policy. However, when an application adds a section at the end of the application "warranting" everything on the application is accurate, the application now becomes part of the policy. It is difficult enough to secure coverage under the policy without expanding limitations, exclusions and the possibility of voiding coverage with the application.

The relationship between the carrier and the insured is one of utmost trust. The carrier trusts the insured to provide accurate information for the carrier to evaluate and underwrite the risk and the insured trusts the carrier to pay claims covered under the policy in a timely manner. As an agent, I will go to the ends of the earth to make sure we (the agency and insured) provide all the information needed to evaluate and provide terms and pricing but I am not going to "warrant" information. A minor mistake could void coverage. There are some lines of coverage that require a warranty application the first year (e.g. Directors and Officers Liability). In those cases, the application does indeed become part of the policy. It will be attached to the end of the policy.

Statement of Values

A statement of values is filed with insurance carriers by the insured. The statement of values outlines the properties and the replacement cost or actual cash value of the properties the insured is covering under their property policy. The below schedule of values will illustrate the various ways the limits may be insured:

Example of Scheduled Limits on File with the Insurance Carrier				
Location	**Building**	**Contents**	**Business Income**	**Total Location Values**
1	$400,000	$250,000	$75,000	$725,000
2	$300,000	$100,000	$60,000	$460,000
3	$250,000	$40,000	$45,000	$335,000
4	$600,000	$400,000	$125,000	$1,125,000
Totals	$1,550,000	$790,000	$305,000	$2,645,000

- Blanket limit of $2,645,000 based on the statement of values.

- Blanket limits as follows: $1,550,000 for buildings, $790,000 for contents, and $305,000 for business income.

- Blanket building and contents limit of $2,340,000 and a separate blanket business income limit of $305,000.

- Occurrence limit of $1,125,000. This is the most that will be paid in any one loss. This limit was determined by establishing the maximum loss possible at any one location.

- Loss Limit of $1,125,000. This is the most the policy will pay, which, once again, represents the maximum loss at any one location. However, recovery is limited to the amount shown on the statement of values. If location 1 building suffered a $450,000 loss, the most the policy would pay is $400,000 assuming there were no coinsurance issues.

- The ISO margin clause endorsement applies. The policy has a blanket limit of $2,645,000; however recovery is limited to the amount shown on the statement of values plus a margin percentage of 120%. If location 1 building suffered a total loss of $450,000, the policy would pay a maximum of $480,000 ($400,000 x 1.20) assuming there were no coinsurance issues. The insured would be paid the total loss of $450,000 less deductible.

It should be noted in *all* the above scenarios, the *premium* is based on the *total insured values (TIV)*…in this case $2,645,000.

THE BLACK COMPANY, INC.
NARRATIVE OF OPERATIONS
November 2015

Sales: $26,600,000
Payroll: $3,106,318
Employees: 65 full-time and 2 part-time
Website: www.theblackinc.com
Manufacturing & Warehouse
Established: 1966
Standard Industry Code: 3089

OVERVIEW

The Black Company's clients are growers. These growers like to do business with The Black Company because they provide a complete solution for the germination of plants. Some growers will sell retail but many grow plants to sell to stores such as Home Depot, Franks Nursery, Lowes, etc. This client can provide the containers, the mix to grow the plants in and the machinery to seed and tag the flats, as well as maintenance of the machines and technical assistant from their in-house PhD in Horticulture. It's this one stop shopping so to speak that has been the driver of their success. This is a third generation family business. They occasionally do foreign sales of Plastic Containers only. It's never represented more than 1% of their sales. Countries include Mexico and the Bahamas. The Black Company does not sell, manufacture or distribute any seed.

PLASTIC CONTAINERS (62% of Operation)

Insured manufactures plastic injection molding of seed trays and Smitty Post units used for handling, displaying and shipping bedding plants for nurseries. They manufacture over 50 different types of plastic horizontal growing containers (size 11" x 22"), as well as four types of dunnage trays for the automobile industry. Greenhouses and growers use these containers worldwide.

They purchase Polystyrene regrind or scrap plastic. This plastic, "resin", is converted into containers by an Extrusion Thermoforming process. Their employees perform this process on their machinery. The containers are trimmed in-line, with the excess plastic ground-up and recycled. The completed products are then counted, bundled and stored in their separate warehouse across the street until shipment. Some of the bundles may weigh over 40 pounds. Therefore it is an employment requirement that the line operators be able to lift 50 lbs. Forklifts are used to move the bundled product into the warehouse and from the warehouse to the loading docks for shipment. Shipping is done by common carrier, trip lease, by The Black Company (for local deliveries only) and by customer pick-up. Hand-stacking is done by employees from the incoming vehicles.

AGRICULTURAL MACHINERY & PARTS (10% of Business)

In 2009, The Black Company purchased R. Shrek, the company that manufactured various types of agricultural machinery for The Black Company according to their specifications. This company had sales of $700,000. The individual that owned the company was in his 70s and wanted to retire. In addition, The Black Company felt this business was not managed well and they often had problems with timely delivery. The Black Company has subsidized this part of the business which pays off as it drives sales in the other profitable business sectors.

The machines include seeding machines, which sow flower and vegetable seeds, tagging machines which insert descriptive plastic labels into the seed trays, soil dispenser for top-dressing growing trays with organic media, and plug dislodgers which assist in the removal of plants from the growing tray.

The machines are sold under The Black Company's name. It also tests, installs and maintains the machines, and also maintains and services tagging machines that they sold for Harrison, a company that went out of business approximately 10 years ago. Because The Black Company sold the machines to their customers, they have continued to service them.

INSTALLATION AND REPAIR (1% of Business)

In addition, it sells repair and replacement parts for the machines. They update (overhaul and replace any worn or obsolete parts) the seeding machines. This updating can occur in the field, in which case the employee would go to the customer's place of business, or the machines are crated and shipped to The Black Company's location. The household gardening machines are made to The Black Company's specifications in their name and they are very active in the design. Installation and (minor) repair labor payrolls are approximately $290,000. When The Black Company schedules a trip to a state, they call all of their customers and let them known their installation/repair technician is going to be in their area. This way they can service all customers in the same area in one trip. The repair business is not something The Black Company promotes, unlike the installation which it considers extremely important to make sure machines are set up and calibrated properly. One of The Black Company's technicians almost always accompanies a machine out to the buyer to assist in correct set up.

FERTILIZER (12% of Business)

The Black Company sells fertilizer. **Fertilizer is made by outside manufacturers; however, they are mixed at the client's direction. The Black Company employs a full time PhD in Horticulture. He provides the technical expertise with respects to plant fertilizers and soils.** They also sell a very limited amount of ammonium nitrate fertilizer salt. It's the ammonium nitrate, not the fertilizer that represents the standard concern about fertilizer manufacturers/sellers due to its potential bomb making capabilities. The Black Company's primary fertilizer sales are fertilizers with complex blends for seeding plants not for growing plants. There is nothing they use in their complex blend mix that could be use for sinister purposes. In addition, they do not sell to individuals…only large growers they have sold to for years.

AMMONIUM NITRATE $3,000 of Fertilizer Sales

The Black Comapny has a very small amount of ammonium nitrate sales each year. It averages $3,000 per year. The ammonium nitrate salt fertilizer is never touched by them. It is drop shipped directly to the growers from the manufacturer, Greencare. The state and federal government have strict regulations regarding these sales. The Black Company must maintain the bill of lading indicating which grower the product was sold to, the quantity and where it was sent. The documents are inspected by state and federal regulators. It only sells this product as an accommodation to growers they have had a long term relationship with.

SOIL (2% of Business)

The Black Company sells soil (Soil less Germination Media). This is made by an outside Manufacturer. This is superior quality dirt. It contains special ingredients to help plants grow better. Peat is a basic component used to produce greenhouse media (superior dirt). In general, most of the peat used in greenhouse media in the United States comes from bogs in Canada. Peat is harvested during each summer. Only enough Peat is harvested for the demand of the following 12 months. Depending on the weather, peat from the current years harvest becomes available in June. Peat-based media is composed of peat with one or more other components and is the standard for growing plugs in the greenhouse industry. For example, with Greenview plug media (what The Black Company sells), the components are (by volume) 50% peat, 32% #3 vermiculite, and 18% fine perlite. The pH of un-amended peat-based media is low (<4.5) because peat is typically very acidic. Lime is added to peat-based media to neutralize some of the acidity and to increase the pH up to levels acceptable for plant growth. The amount of lime needed to increase the medium pH to the same level may change every year because peat is changed (new harvest) every year.

The lime is added to the peat-based media to increase the pH over time. Typically, the pH of the medium increases for about 1 to 2 weeks, at which time it stabilizes and the grower takes over responsibility for the pH of the medium.

The Black Company uses KLX, a Canadian company to produce mixes for them. KLX mixes to it's specifications. William R. Arnott, a Ph.D. in plant nutrition (Horticulture) is the individual that would spearhead the mixing specifications. Normally a grower will buy all their requirements for one season from one source. Plants will start to grow within a six week period. That's when you know whether or not the product was effective.

ELLEPOTS (2% of Business)

Ellepots are revolutionizing the propagation industry. Developed in Denmark, The Black Company is the exclusive distributor in the US. The Ellepots allow for quicker healthier rooting of cuttings. The cylindrical Ellepots set in square trays are surrounded by air to promote rapid root development for faster transplanting.

ELLEPOT PAPER SLEEVES (10% of Business)

The Ellepot sleeve is a degradable cellulose fabric that is root/air/water permeable. The Ellepot sleeves allow cuttings to be grown in a media similar to that into which they will be planted. The transition from Ellepots to the growing-on pot is natural, with no need for special handling or irrigation schedules.

COMMISSIONS (1% of Business)

Sales Commissions paid to The Black Company by an independent salesperson that sells their fertilizer to other growers.

Miscellaneous Property Information

Building's sprinkler systems were upgraded in Sept, 2002. Larger piping was installed. Water pressure was increased from 2 gallons per square foot to 4 gallons per square foot. In addition, the number of heads was doubled. ISO rates were revised due to the upgrade. The $500,000, 24,000 square foot warehouse was built in 2003 eliminating the need for most warehousing off premises. An addition was built on to the main facility in the later part of 2014.

Miscellaneous Workers' Compensation Information:

- High Impact Poly-Styrene resins are being used for the plastic injection molding operation
- Company provides PPE (gloves, eye protection, boots)
- Machines are properly guarded
- Lock-out / tag-out procedure in place
- No regular deliveries, occasionally a sales / maintenance man will travel to a local trade show (less than 100 miles)
- Return to work program in place
- Formal safety program
- Use of designated healthcare providers
- Pre-employment drug screening through service that provides all new employees
- Company provided health insurance

Chester Corporation
Narrative of Operations
April 2015

Website: www.cc.com
Employees: 40 **Vehicles/Trailers**: 20 **Payroll**: $1,233,314
Location: Michigan
Operations: Real Estate Investment Firm - Owner & Manager of Commercial properties in Western Michigan
Total Estimated Revenues: $22,335,866
Headquarters: Portage, Michigan
Established: 1957

The Chester Corporation, a property management firm, was established approximately 57 years ago and continues to be a significant player in western Michigan real estate; not to mention a major player in the revitalization of the downtown Kalamazoo area. While Chester's operation involves the ownership and management of retail facilities, they also develop, own, and manage residential and office properties. They do not perform any construction activities.

The firm was founded by Meyer Bologna in 1948 and remains a privately held family firm - a rarity in the real estate ownership and property management business. Their longstanding tradition of integrity, with an emphasis on personal service, has been continued by the appointment of Meyer's son, Joshua Bologna, who now runs the company.

Their portfolio consists of two apartment complexes (Village Green/Harvard Courtyards), retail shops, restaurants, office space, and one of the retail locations has residential occupancy ranging from approximately 17 – 22 apartments. Some of Chester's other clients (tenants) include Dunham's Sporting Goods, Panera Bread Company, and Bed Bath & Beyond.

Chester's dedication to service is also evidenced (and continues) in their loss experience and proactive management style. With over 40 locations in their retail portfolio, prior to 2013-2014, they experienced very little loss – both on the property and casualty side. Unfortunately, during 2013-2014 they suffered more than usual losses due to unforeseen weather conditions. Their overall loss ratio likely ranges in the 20th percentile (or less) and this is over a 5 year period.

Cable Company, Inc.,
CC Real Estate Holdings, LLC
Narrative of Operations

$77,000,000 sales
$53,096,196 payroll
710 employees (all office/sales)
www.cable-company.com

Founded in 1978, Cable Company, Inc has 35 years of experience fulfilling IT staffing projects. They have 710 employees. Approximately 75 employees work in the corporate office and others on various clients' sites. Their clients include: The Auto Group, Blue Cross/Blue Shield, CareTech Solutions, AT&T, Visteon, Ford, Chrysler, General Motors and

Cable Company provides highly technical professionals to assist businesses with their information technology requirements. They specialize in e-commerce and web-enabled architectures for large-scale projects. The company is dedicated to enhancing their client's Information Technology (IT) infrastructure.

Cable Company's Professional Services Practice (PSP) provides employees to seamlessly augment their customer's IT staffing needs. They generally provide employees for projects lasting anywhere from 6 months to 3 years. Often their employees provide the technical "grunt work" of a project. The project is controlled and managed by the client. Cable Company's employees are almost always in a staffing role.

In the very few instances they are placed as project leaders, it is for a very short period of time until their client finds a permanent project leader. They may do design documents, but it is signed off on by customer. With regards to any crime exposure, insured's employees most often work in a team where there are multiple people looking over their position and work performed there. Their employees are placed with Fortune 500 companies or very large companies on large projects. Security is very tight. Everything is password protected and work can be tracked. As the work gets more delicate, security gets tighter. There will be multiple passwords along the way. The databases their employees' work on are very sophisticated. Security is high and protected by proven tools that have been around for a long time.

Awards

2013

Elite Winners of Metro Detroit's 101 Best and Brightest Companies, *101 Best & Brightest Companies to Work For*, 2013
Metro Detroit's 101 Best and Brightest, *The Best and Brightest Companies to Work For*, **2013**
101 Best and Brightest Companies to Work For (National), *101 Best & Brightest Companies to Work For*, 2013

2012

Minority Supplier of the Year – Class III, *MMSDC*, 2012
101 Best and Brightest Companies to Work For (National), *101 Best & Brightest Companies to Work For™*, 2012
Elite Winners for Employee Achievement and Recognition, *101 Best & Brightest Companies to Work For™*, 2012
Fastest-Growing Staffing Firms, *Staffing Industry Analysts*, 2012
Largest African American-Owned Businesses, *Crain's Detroit Business*, 2012
Metro Detroit's 101 Best and Brightest, *Corp!*, 2012

2011

Crain's 2011 Cool Places to Work, *Crain's Detroit Business*, 2011
101 Best and Brightest Companies to Work For (National), *101 Best & Brightest Companies to Work For™*, 2011
Minority Supplier of the Year Class III: Epitec, Inc., *MMSDC*, 2011

2010

101 Best and Brightest Companies to Work For in Southeast Michigan, *101 Best & Brightest Companies to Work For™*, 2010

2009

101 Best and Brightest Companies to Work For in Southeast Michigan, *101 Best & Brightest Companies to Work For*, 2009

2008

101 Best and Brightest Companies to Work For in Southeast Michigan, *101 Best & Brightest Companies to Work For*, 2008

R & R Holdings is an LLC which owns the condominium located in Bay Harbor. It should be noted from an exposure standpoint that many of the insured's employees are in very low risk areas. There are several areas that are basically clerical. We have included a breakdown of these employees by function. The function descriptions follow:

Administrative Support: Includes batch processing, clerical call center.
Business Analyst: Basically consulting. They gather requirements for new software and act as liaisons between the practical and programmers.
Systems Analyst: Review and Report. Look at a process (software) and determine whether they are working correctly.

Programmer: Cannot do anything until all other functions are done. Then they program. Client tests and signs off on all programming.
Data Administrator: Insured data base integrity. (Name and date in the right place etc. make software so it challenges incorrect data entry.)
Technical Writer: Writes the training books, policies and procedures. Signed off by client.
Help Desk Support: Clerical function. Answers questions when users get stuck.
Project Manager: Highly Skilled. Rarely do they run the whole program. (Only 2 folks do this for them)
Corporate Executives: Manage/clerical functions
Diagnostic Testing: Run tests per client's specifications.
Trainer: Software Training
Network Support: Hardware support. Keeping system up
Less than 5% of their employees drive from one site to another.

Smith Co.

Narrative of Operations

Payroll: $15,528,500
Revenues: $28,000,000
Employees: 129
# of Locations: 7
Website: www.smith_co.com

Smith provides actuarial and consulting services for public and, to a lesser extent, private employee benefit plans. The company has experienced steady growth in the number of new clients in large part as the result of referrals from existing clients. Currently they serve over 500 public and private clients nationwide, including retirement systems, employers, employee organizations, government agencies, attorneys and accountants. Smith is dedicated to providing services that encourage sound financing, innovative benefit design, efficient administration and effective communication of employee benefits.

Smith has its origins in A. Gabriel & Company, an actuarial practice established in 1938. In 1959, Richard Smith and Ronald Smith combined to form a partnership, Smith & Smith Company. In 1962, Smith & Smith merged with A.Gabriel & Co. resulting in a new corporation, Smith Company . In 1995 Smith merged with a Florida-based firm, Kraut, O'Connor and Lou, Inc. ("KOL"). Kraut & Lou established KOL in 1965. In 2001, the Company purchased certain assets of the sector pension consulting business of Watson Wyatt.

Competition: Smith is ideally placed in size between the large national firms and small local practices. Competition has not been a significant problem in obtaining and retaining clients. The public retirement plans that Smith specializes in have not been actively sought by many of the national firms and are beyond the capabilities of the smaller practices.

This is a non union company. Most employees are professionals. In addition to an ESOP, the employees of the company participate in a defined contribution pension plan and a fiscal year end profit sharing bonus plan.

Employees are divided into teams. Teams that service client accounts include asset consulting, record keeping, client relationship, benefits administration, health care, administrative services, and communications and software applications teams.

Smith is a leader in the actuarial field. A couple of years ago, they had suit filed against them alleging they did not fulfill their duties by giving their opinion on the actuarial findings produced to their client. Smith not only won the case, but had the ruling published, thereby reducing the risk for all insurance companies insuring actuaries.

Smith is doing well financially. They operate virtually debt free and rarely tap into their $2.6 million line of credit. They expect to have their best year ever financially.

All locations are located on high floors in the buildings as follows:
Texas – 8th
Michigan – 8th
Illinois – 24th
Florida – 5th
Colorado – 11th
They also opened a new location in St. Paul, Minnesota in 2012.

Safety is very important to them, so they have posted information on their internal website and asked employees to review the information to help them with the optimal placement of their body and equipment when using Smith computer equipment. They have asked employees to make use of the workstation stretching exercises as a way to minimize stress throughout the day. Virtually every employee has a modern spacious workstation or an office with modular furniture similar to the workstation furniture. All workstations or offices have a significant amount of workspace, individually adjustable lighting, new flat screen monitors with adjustable height settings, adjustable height keyboard and mouse surfaces and adjustable chairs. Most offices have adjustable shades to deal with lighting glare. They provide wrist rests, foot rests and document holders to employees who request them.
Smith is very responsible in all aspects of their business.

Other examples include the following:

- All subcontractors are required to sign a subcontractor agreement (which clearly spells out the duties and responsibilities of each party)
- They have a personal vehicle policy for employees that use their own vehicles on Smith business
- They order motor vehicle records on their employees.

Service breakdown

Pension Plan Consulting (76% of revenues): Actuarial work for public entity pension plans. Also, includes related consulting that would naturally go along with the actuarial report. They sold their defined contribution recordkeeping and asset consulting business in 2005. Since that time the Defined Contribution business has been a negligible amount (less than 1%). They also have Defined Benefit Administration in this revenue which is a much smaller percentage. This is where Smith has a few Florida customers where they act as the 800# for retirees to call and ask questions.

Other Post Employment Benefits (OPEB) (10% of revenues): The Government Accounting Standard Board (GASB) started requiring Actuarial reports for accountability of health plans for retirees. In the past the requirement was only for Pensions. This change happened a several years ago and has been phased in so that now all public entities must have these reports. The logical choice was to use the actuaries that were already doing their pension funds. In most instances this work is for the same clients Smith is already doing the pension actuarial work. The clients are only doing this because they have to as now required by law, therefore, Smith sees this as a growth area for them.

Health & Welfare (8% of revenue): The insured assists with designing the plans themselves. Often they will get an assignment to help change or re-align the plan to help deal with the liabilities.

Retirement Technology (6% of revenue): Pension Administration Software designed to keep track of the administration of the plan. Smith will update and change as well. They wrote the software for the State of CA quite a few years ago and CA is thrilled with the product. A more recent project is for the State of Michigan where they completely redesigned and streamlined the State of Michigan pension administration.

Investment Consulting (0%): This business was sold in 2005 and has been phased out. There were no assets or liabilities. They did not hold any investments. The client contracts are what were sold.

Smith generally loses approximately 1-2% of their clients in the bidding process each year. Since their client base (600-700 clients) is almost all municipal/state plans, they are faced with the bid/RFP process – even with current clients. To the best of their knowledge, they have not lost clients in the past five years due to dissatisfaction with their services.

Retirement Tech Process – Benefit Calculators

Smith develops software for plan sponsors to help manage final benefit calculations for participant retirees. In some cases they host the software through a Smith hosted client site (Smith Advantage™) or they may deploy the software to the client for use on their systems. They also may provide a site for participants to obtain an estimate of what their benefit may be.

The Smith Advantage™ site information along with the accompanying privacy policy is included on the Professional Liability application. Smith has done this type of work for years. At one time they had a large group that developed pension administration systems. This group was sold in 2008. The projects that Smith does now are on a much smaller scale.

Fiduciary exposure under Professional Liability policy:

Smith's Professional Liability policy must include coverage for Breach of Fiduciary duty. The reason this coverage is needed is because Smith receives a lot of pressure from some of their Florida municipal pension plan clients to agree to have fiduciary liability for the pension actuarial work that they do. Smith has approximately 650 clients with a specialty in municipalities. Their services are limited to calculating the liabilities for the pension funds annual contribution. In other words, they tell the pension funds how much money they need to make sure the fund is solvent to pay future obligations. This is not a fiduciary role as even outlined by The Department of Labor.

http://www.dol.gov/elaws/ebsa/fiduciary/q4a.htm

Smith does not manage money, does not manage the plan and does not make decisions on where they invest…in fact they do no investment advising. This is what is required to be a "fiduciary". Actuaries are not normally held to a fiduciary duty; however, a Florida attorney has advised 12 -15 municipal cities in Florida that the actuary should be held to a fiduciary capacity and are asking the actuary to acknowledge they are fiduciaries. As far as exposure goes, the worst case scenario is the fund they did work for does not have the money and they make it up the next year. (This is the most common thing they see.) Another scenario Smith sees is the trustees pay an individual more than they are entitled to under the pension. Because some of these municipalities are in small, rural areas, (many are in the Florida Panhandle) a well liked retiring police or fireman might be awarded $1,200 in lieu of what he/she was supposed to receive.. $1,000. These decisions are unknown to Smith and are learned after the fact when they come back the following year to do calculations. Smith resists this fiduciary responsibility in the proposed contracts whenever possible. In fact, they have been successful in getting changes to the contracts in a few cases but need coverage for those instances where they cannot get the client to waiver. The shareholders have board representation through the election process of the board members.

Addendum to Narrative - City of Detroit Lawsuit against Smith.

Smith has been a pension plan advisor to the City of Detroit since 1938. Currently there are three lawsuits pending against them that have been filed by employees of the City of Detroit who are vested pension plan participants and/or beneficiaries of the plan. Smith's job is to provide a mathematical analysis of what amounts are needed to fund the pensions. They are a pension plan advisor and not a plan administrator or a decision maker for the city's retirement plans. Smith has nothing to do with the actual funding and whether or not the City takes Smith's advice and does in fact properly fund the pension. Smith only provides the actuarial analysis.

The scope of work outlined in the contracts for The Wayne County Employers, Detroit Police and Fire and Wayne County are shown as Normal Actuarial and Consulting Services and not

administrators or carry any fiduciary responsibilities. In these specific lawsuits, Smith's role was limited. They did not determine the payment of benefits. They attended pension board meetings as requested, only a handful of occasions per year, and based their analysis and recommendations on unaudited data supplied by the pension systems. Smith has consistently performed its work for the Retirement Systems professionally and in keeping with industry standards.

Mountain Capital Partners

Narrative of Operations

March 2015

Website:	www.mountaincp.com
Headquarters:	Provo, Utah
Established:	2008
Number of Units:	10,833, 54 pools, and 5 spa/whirlpools
Locations:	AZ, CO, FL, GA, IA, ID, IN, KS, KY, MI, MO, NV, NM, NC, NM, OH, OK, TN, TX, UT, WA, and WV
Operations:	Real estate owner and manager of conventional market, tax credit, 55+ (senior) conventional and tax credit, and one unique student apartment properties (see below explanation).

Overview

Mountain Capital Partners (Mountain) owns over 10,833 apartment units and is in an aggressive growth mode. Currently they would describe their portfolio as B to A- properties. Their focus is on U.S. markets with strong population and employment growth with the exception of the southern coastal areas.

Mountain has an impressive and dedicated leadership/management team. BIOS of the senior leadership and owners can found on their website under "team". Mountain emphasizes curb appeal and maintaining a fresh, clean, and well-kept look. Currently, the properties are maintained by third-party management companies but Mountain insures the management companies under their general liability policies and provides waivers. Due to the outsourced management of the properties, there is very little workers compensation exposure.

Mountain has made extensive investments in capital improvements in each property they have purchased. Part of their due diligence requires property inspections with particular attention to the roof to determine the current condition. Needed repairs are adjusted from the purchase price. Since we have been their agent several properties have had new roofs, pool fencing, railings and balconies. In addition, Mountain had been installing Fire Stops (www.stovetopfirestop.com) in all units as they purchased the assets. Since learning about a better alternative, Fire Avert (www.fireavert.com), they are now installing these in new acquisitions and adding to all units with Fire Stops installed. This has been a huge success.

Apartment Location Breakdown:

State	# of Apartment Locations	# Units
Arizona	2	360
Colorado	11	1712
Florida	1	280
Georgia	4	686
Indiana	1	96
Iowa	3	138
Idaho	2	247
Kansas	5	566
Kentucky	1	272
Michigan	2	376
Missouri	1	244
Nevada	7	549
New Mexico	5	1096
North Carolina	4	714
Ohio	1	168
Oklahoma	3	496
Tennessee	4	617
Texas	4	792
Utah	7	1271
Washington	1	103
West Virginia	1	50
TOTALS:	**70**	**10,833**

33 Tax Credit
1 Student Housing
3 Senior (55+) market rate/conventional
24 Conventional / Market Rate
2 Senior (55+) tax credit
6 mixed market rate and tax credit
1 mixed market rate / income restricted

Student Housing

The Village at South Campus is student housing. Currently, this is the only property that is student housing. It should be noted, however, that there are exceptionally stringent controls in place at this property, beyond what is typically encountered in student housing. Brigham Young University (BYU) has reviewed the property and policies in place and has "approved" the apartments for their students. All unmarried BYU students are required to live in "approved" housing and are required to abide by the BYU Honor Code. As part of this, the students agree to abstain from consuming alcoholic beverages of all types, tobacco of all forms, and illegal drugs for the duration of their enrollment at BYU. Not surprisingly, for the last 15 years BYU has held the top spot on the Princeton Review's annual list of stone-cold sober schools.

While students at other schools are allowed to rent apartments at the Village, a condition of Mountain Capital's BYU approval is that all residents, regardless of affiliation, have to abide by the BYU Honor Code. The vast majority of the tenants are BYU students, but there will be approximately 20 non-BYU students at any given time. All tenants are unmarried students, but are a mix of undergraduate and graduate students, which is not tracked separately. Parental guarantees are required unless the students have a sufficient credit rating/history of their own.

The credit is also enhanced by the fact that BYU students are not issued grades, transcripts, or allowed to graduate unless they are current on their rent, which gives Mountain Capital tremendous leverage. Certainly a different risk profile than what is encountered with typical student housing.

There are no fraternities or sororities at the college.

Senior Living

These are apartment communities for 55+. It is *not* a long-term care facility. Mountain only rents apartments. There is no medical staff, no medication holding/distributing, no food preparation and no transportation. It is just an apartment complex limited to seniors.

Tax Credit Properties

All of Mountain's tax credit properties are section 42. Section 42, refers to part (Sec. 42) of the Affordable Income Housing Tax Credit Program that was passed in 1986 to help provide affordable, high-quality housing to those who could not normally afford an apartment with such features. To qualify to live in a Section 42 unit or building the household must abide by certain income requirements. This typically means that the household's income must fall below a designated percentage of the county's median income.

There is much confusion regarding the difference between Section 42 and Section 8 programs. Put as simply as possible, the difference between the two programs is to whom the government gives its money. In Section 8, the money is given to the tenant (usually via a housing authority) in order to pay his or her rent. In Section 42, the owner of the property receives the money (in the form of a tax credit) and in turn lowers the rent on the units for which they have received credits.

Income Restricted

Waterway Apartments in Florida is a mixed community with both market rate units and income restricted units. The project was originally developed with tax-exempt bond financing. The bonds have been paid off but the income-qualification restrictions remain until 11/30/2024. Of these units, 5% are required to be rented to tenants who earn 55% of AMI or less, 50% of units are to be rented to tenants earning 60% or less of AMI and the remaining units have no restrictions (market rate).

Pools

In summary, no pool has a diving board or slide; the pools are fenced with appropriate signage that the pool is used at their own risk with no lifeguards.

Exercise Facilities

The exercise facilities, if any, are typically limited to a couple of treadmills, an elliptical, as stationary bike and free weight housed in a small room. Waivers are part of the rules and regulations document.

Preventive Measures

Mountain has a layered approach to property care and inspections property.

Mountain has made extensive investments in capital improvements in each property they have purchased. Part of their due diligence requires property inspections with particular attention to the roof to determine the current condition. Needed repairs are adjusted from the purchase price. Since we have been their agent several properties have had new roofs, pool fencing, railings and balconies. They hired Kyle O'Toole, a former HUD inspector, the toughest inspector. He is the individual that identifies the capital improvements that need to be completed as soon as possible after purchase. Typically the property is inspected 2 to 3 times by O'Toole. Once the property is purchased he also performs regular tours of each asset to look for areas that need capital improvements. Our client has investors that provide the infusion for capital improvements.

Mountain's risk manager also mentioned that it is not uncommon for a resident to identify a needed capital improvement. They might report a leak, crooked step etc. Mountain will send out the regional manager to investigate. They take these calls seriously.

Regional managers are also required to walk the asset quarterly. When I was on the phone with Mountain today he said all the managers were out at properties for their quarterly walk-throughs. Property managers walk the site once per week. Smaller corrective action is completed immediately. Larger items are sent in for approval. Semi-annually a preventive maintenance inspection is performed.

Finally, all properties are walked thoroughly. Every unit and common area is inspected and a check list is completed.

Third-Party Management Companies

- Alliance
- Monarch
- Freeman
- Ginkgo
- Hammond
- JMG
- LBK
- Mountain Living, LLC

Above third party management companies are named insured under Mountain Capital's general liability insurance only as respects to the properties they manage for them. Mountain provides a waiver of subrogation. Mountain's general liability is primary and non-contributory.

Mountain requires management companies to have their own insurance but does provide primary liability under their general liability contract.

Miscellaneous Information

- No locations have aluminum wiring.
- No locations allow charcoal grills.
- All locations have dog breed restrictions.
- No locations have Automatic External Defibrillators on site.
- Insured is installing Range hood Automatic Fire Suppressor in those units where the stove has a range hood. Not all units do.
- Brookfield has two natural gas boilers. Azul has 4 natural gas boilers.
- All streets are paved.
- No roofs over 20 years old. Insured has done preventative maintenance on some and complete replacement on others, please review statement of values for details

Sample Company
Property Replacement Cost Values
May 2017

Location	Building	Improvements & Betterments	Machinery & Equipment	Furniture & Fixtures	(Inventory) Stock	Computer Hardware	Extra Expense	Property of Others	Total
Anytown, MI 48047 *Corporate Offices*	$0			5,000		15,000			20,000
Cleveland, OH 38909 *10,000 sq ft warehouse*	$0		150,000	10,000	100,000	10000	25,000	20,000	315,000
Belaire, SC 28206 *20,000 sq ft warehouse*	$0		500,000	10,000	175,000	10000	25,000	100,000	820,000
Belterra, IN 46241 *10,000 sq ft warehouse*	$310,000		400,000	10,000	100,000	10,000	50,000	50,000	930,000
Golden, NJ 08077 *8,000 sq ft warehouse & operations*	$0		100,000	10,000	120,000	10000	25,000		265,000
Lexington, KY 42101 *17,000 sq ft warehouse & operations*	$325,000		1,000,000	10,000	50,000	10000	100,000	100,000	1,595,000
Centrailia, IL 60160 *10,000 sq ft warehouse*	$0	0		10,000	100,000	10,000	25,000	10,000	155,000
Total	$635,000	0	2,150,000	65,000	645,000	75,000	250,000	280,000	**4,100,000**

Signature _____

INSURANCE PARTNERS

Sample Property Modeling

Wind catastrophe modeling (also known as cat modeling) uses actuarial science, engineering, meteorology and computer software to estimate the losses that could be sustained due to a hurricane, catastrophic windstorm and earthquake. The input into a typical wind cat model is data on the exposures being analyzed that are vulnerable to catastrophic wind damage, including:

1. The site locations, such as street address, postal code and county;
2. The physical characteristics of the property (construction, occupancy, year built, number of stories, etc.); and
3. The financial terms of the insurance coverage (coverage values, deductibles, etc.).

The modeling provides estimates of the losses associated with a particular event or set of events. The models can provide a loss distribution from which probable maximum losses and average annual losses can be calculated. Assessing the risk in a portfolio of exposures helps us guide an insurer's underwriting strategy and pricing. This type of modeling is not necessarily helpful in determining the amount of limits to buy.

Sample Property Batching Analytics

Batching helps our clients decide how much in insurance limits to purchase. We have provided maps showing exposure to hurricane (Tier 1) exposure as well as low and high hazard flood. Batching maps can be accessed by holding control and clicking on the map. Once the map is accessed, you can click on the circles to drill down to see concentration of values. We also provided a summary of total exposure to perils and policy limits on pages 2 and 3. The limits appear to be adequate. The results of our analysis shows even a catastrophic loss that would take out 100% of total values for all locations within close proximity of one another would not exceed the limits.

Despite these findings, we have provided excess flood quotations for high hazard (SFHA) flood which is currently insured for $20M in limits as follows:

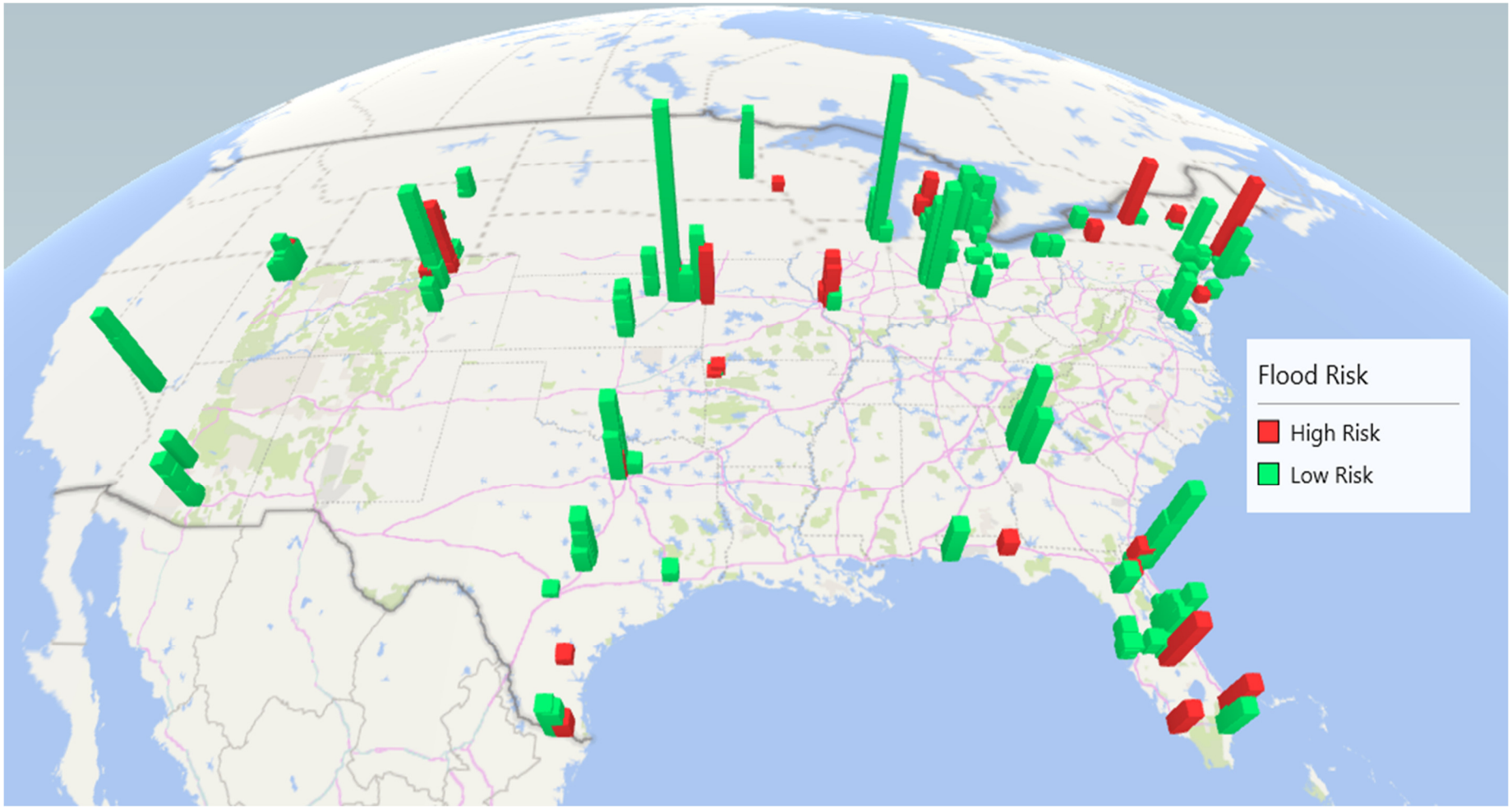
- $5M additional limits (for total $25M) would be an additional annual premium of $15,000 or $5,000 until end of policy term (10-31-17)
- $10M additional limits (for total of $30M) would be an additional annual premium of $25,000 or $8,333 until end of policy term (10-31-17)

Summary						
Column 1	*Column 2*	*Column 3*	*Column 3*	*Column 4*	*Column 5*	*Column 6*
Description	**Industry Modeling**		**Total Values Locations in Close Proximity** *(Summarized on Page 3)*	**Total Values *Entire State* with High Risk of Loss**	**State**	**Policy Limit**
	Average Loss	**Standard Deviation**				
Hurricane	$148,698	$672,409	$19,999,822	$112,867,610	Florida	$150,000,000
Earthquake	$81,676	$873,923	$11,429,926	$42,847,407	Utah	$150,000,000
Convective Storm (severe thunderstorm, tornado or hail)	$87,345	$505,599	$53,691,193	$113,209,925	Kansas	$150,000,000
All Flood *except* High Hazard (SFHA)	N/A	N/A	$46,423,685	N/A *(1)*	N/A *(1)*	$150,000,000
High Hazard (SFHA) Flood	N/A	N/A	$19,999,822	N/A *(1)*	N/A *(1)*	$20,000,000

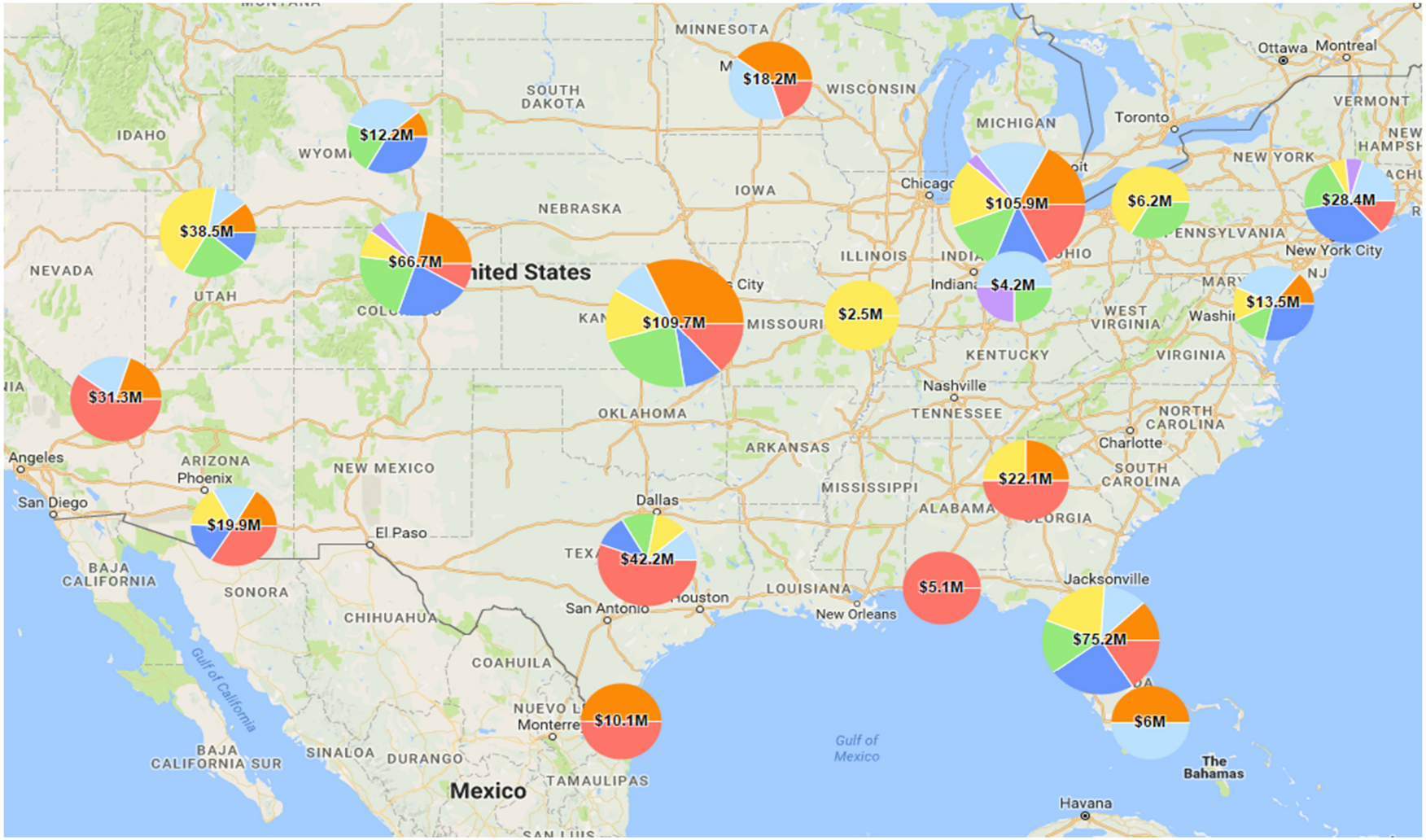
(1) Exclusively flood losses do not affect an entire state but rather one or two locations (unless in close proximity of another location – see column 3). Floods are often associated with other types of storms (e.g. hurricanes and convective storm). In this case, the limits and deductibles for Named Storm and/or hail/wind apply.

Hurricane - Top Values in Close Proximity		
Description	**Values**	**Policy Limits**
Portside, Jacksonville, FL	12,075,218	$150,000,000
Countryside Village, Jacksonville, FL	7,924,604	
Total	**$19,999,822**	
High Hazard (SFHA) Flood Top Values in Close Proximity		
Portside, Jacksonville, FL	12,075,218	$20,000,000
Countryside Village, Jacksonville, FL	7,924,604	
Total	**$19,999,822**	
Earthquake - Top Values in Close Proximity		
Camelot, North Salt Lake City, UT	4,525,167	$150,000,000
Country Club Mobile Estates, Salt Lake City, UT	3,231,834	
Riverside, Salt Lake City, UT	2,054,642	
Western Mobile Estates, Salt Lake City, UT	1,237,175	
Redwood Village, Salt Lake City, UT	381,108	
Total	**$11,429,926**	
Convective Storm (Thunderstorm/Tornado/Hail) - Top Values in Close Proximity		
Montara, Topeka, Kansas	46,423,685	$150,000,000
Ridgewood Estates, Topeka, Kansas	3,938,598	
Meadowood, Topeka, Kansas	3,328,910	
Total	**$53,691,193**	
Low Hazard Flood - Top Values in Close Proximity		
Montara, Topeka, Kansas	46,423,685	$150,000,000
Total	**$46,423,685**	

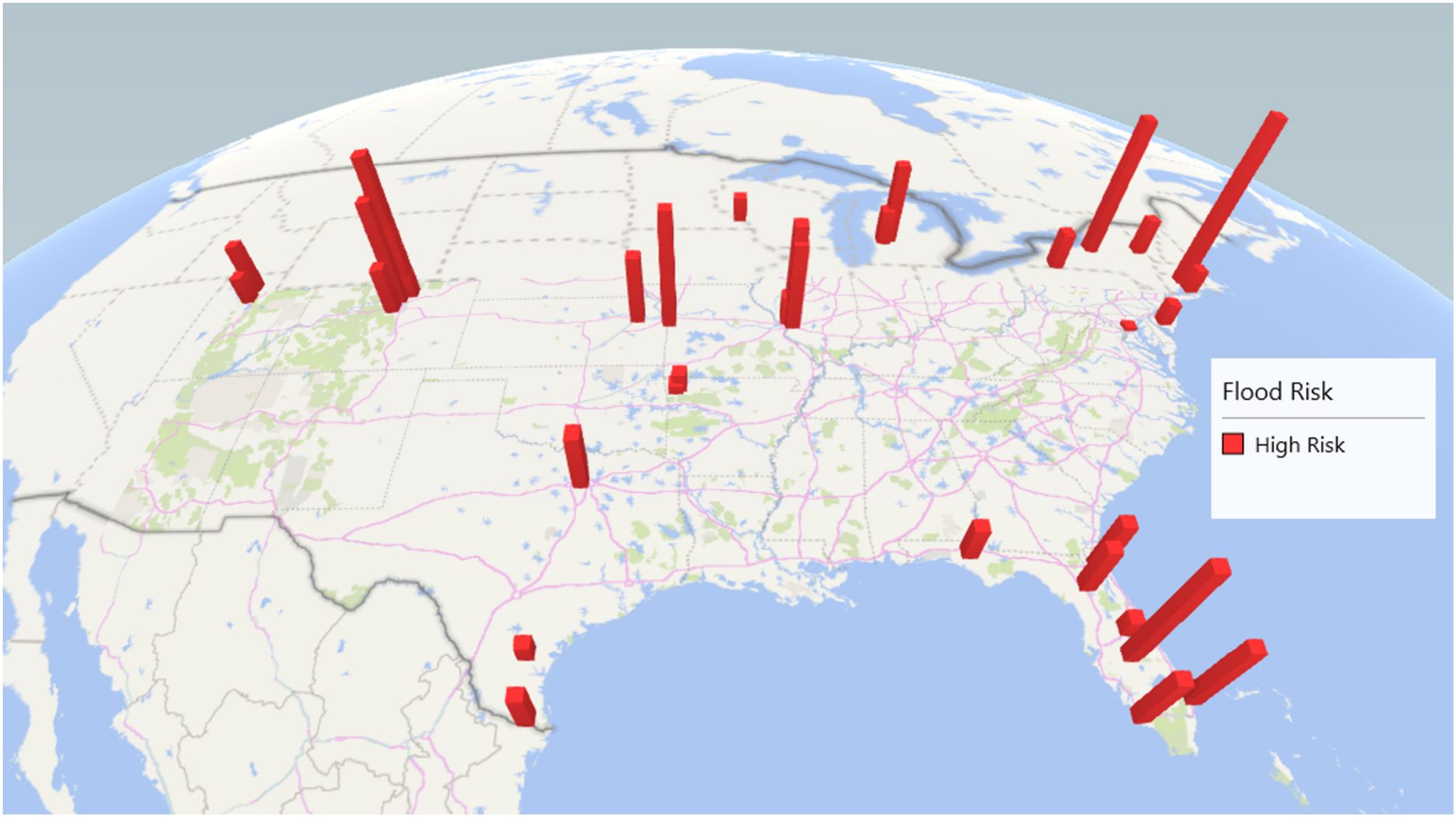
Map 1 – ALL FLOOD RISK - The following map represents all exposure to flood whether high risk (red) or low risk (green).



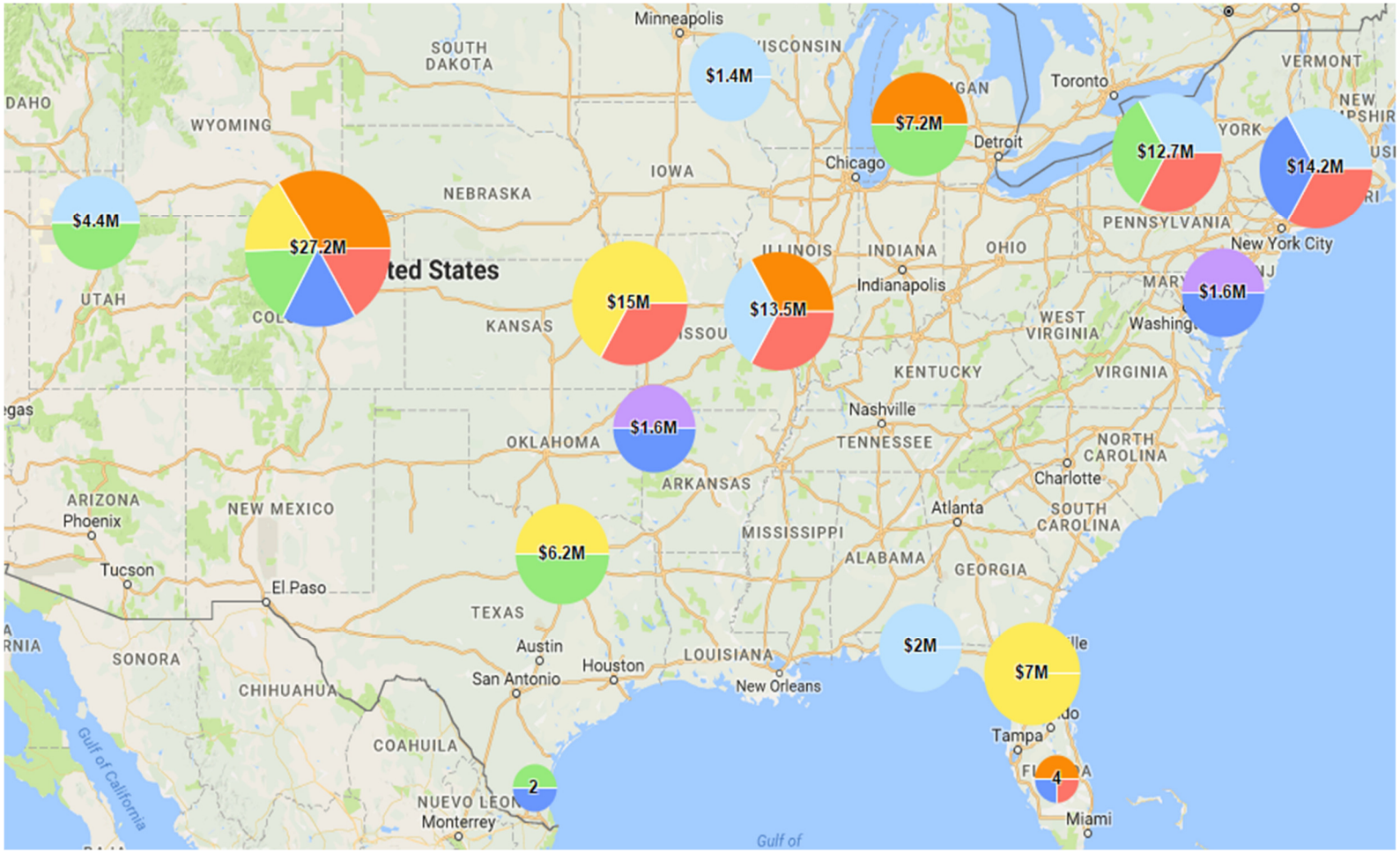
Map 1A – LOW RISK FLOOD – Batching. The following map allows you to see flood total values exposed to flood for *low risk only*. Hold control and click on map. Hit okay and drill down to specific locations.



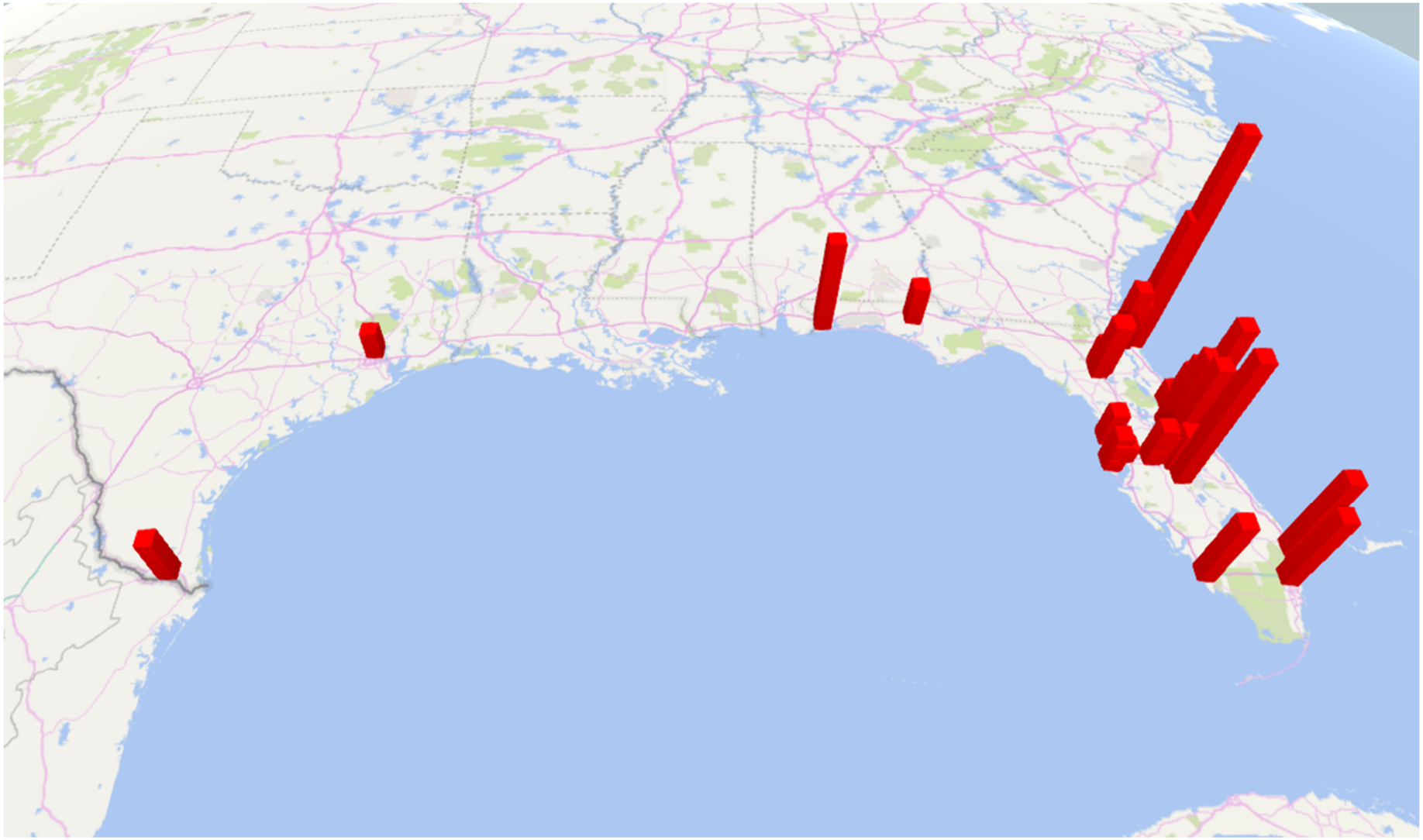
Map 2 - This map represents just where the high risk flood is located.



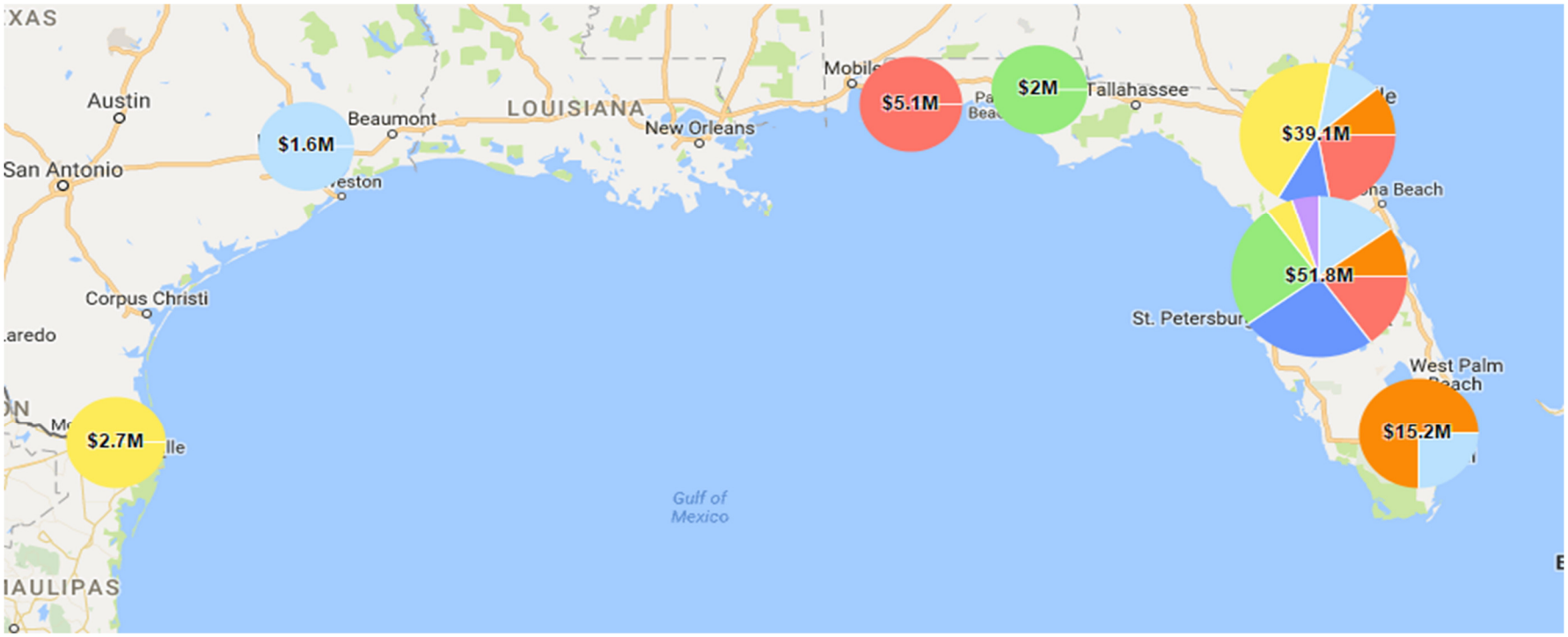
Map 2A – HIGH RISK FLOOD - Batching - We have also included a map to a batching of locations where you can see total values by area and location. By clicking on the circles you can drill down and see total exposed values. In no instance do the 100% values at communities in close proximity of each other exceed $20M, the sub-limit provided for Special Flood Hazard Area (SFHA) flood. Note the picture below clustered over several states. Hold control and click on the map, then you can drill down on actual limits.



Map 3 **– Tier 1** - Below is the map representing the exposure to hurricane (Tier l wind).



Map 3A – Tier 1 Batching – Map for batching location values where you can drill down on locations. Hold control and click on map. Click okay. No location or locations in the same proximate vicinity values exceed the $150M limits. In fact, all of Florida combined is only $100,800,000. Policy limits are $150,000,000.



Map 4 - Total Values - Batching - In order to access the map, just hold “control” and click on the map. Hit “okay”. You can then drill down on values.