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**Commercial Insurance Proposal**



Brown & Brown Insurance Services of CA, Inc. • 2401 E. Katella Ave., Suite 550, Anaheim, CA 92806 • (800) 228-7975

**Insurance Proposal Submitted For:  
City of Milpitas**



**Excess Workers' Compensation Insurance Proposal**

**Policy Term:**

**07/01/2016 - 07/01/2017**

**Submitted by:**

**Mike Bush  
Senior Vice President**



This proposal is for illustration purposes only. Please refer to the policy for actual terms/conditions.  
Coverage cannot be considered bound until a binder has been received.

Mb201607CityofMilpitasWCProposal  
June 7, 2016

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Thank you for inviting us to develop and present a Risk Solution Program to you. We welcome the opportunity to become involved with your company. We have worked to identify your needs and concerns, and to develop a program for your insurance. Brown & Brown, Inc. is the seventh largest independent agency organization nationally.<sup>1</sup> The company provides a variety of insurance products and services to corporate, institutional, professional and individual clients. Headquartered in Daytona Beach and Tampa, Florida, Brown & Brown is publicly traded on the New York Stock Exchange (BRO) and has been included in Forbes' list of the "200 Best Small Companies in America". The company handles clients' premiums in excess of \$10 Billion annually and has approximately 6,500 employees.

While size is not the sole criteria for choosing an insurance agent, it does enable us to offer our clients clout in the marketplace and unmatched service capability.

Please feel free to visit our website at [www.bbinsurance.com](http://www.bbinsurance.com).

*This brief description of insurance coverage is being provided as an accommodation only and is not intended to cover or describe all policy terms. In the event of difference, the policy will prevail. For more complete information on the scope and limits of coverage please refer to the policy document.*

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<sup>1</sup> As listed in Business Insurance magazine, July 18, 2011 edition





## Account Service Team

No matter how comprehensive or price competitive your insurance program is, it is still people who must service it to insure that coverage will respond when needed.

### Mike Bush

#### Account Executive

Phone: (714)221-1853  
Fax: (714) 221-4196  
mbush@bbsocal.com

Mike Bush is responsible for overseeing all aspects of your program.

### Peggy Coleman

#### Account Manager

Phone: (714)221-1883  
Fax: (714) 221-4196  
pcoleman@bbsocal.com

Peggy Coleman will assist with the daily servicing of your account, including endorsements, certificate requests, client services, program design, accounting, quality assurance and market relationships.

### Judith Villalobos(Backup)

#### Account Manager

Phone: (714)221-1828  
Fax: (714) 221-4128  
jvillalobos@bbsocal.com

Feel free to contact anyone on this list if you have questions or concerns regarding your insurance policy.





## IMPORTANT NOTICE DISCLAIMER

**Disclaimer:** This proposal presented is based upon the exposures to loss made known to the agency. Any changes in these exposures (i.e. new operations, new products, additional state of hire, etc.) need to be promptly reported to our agency in order that proper coverage(s) may be put in place.

The proposal contains only a general description of the coverage(s) and does not constitute a policy / contract. This brief description of insurance coverage is being provided as an accommodation only and is not intended to cover or describe all policy terms. For more complete information on the scope and limits or coverage, please refer to the policy document.

The proposal includes, but is not limited to, the terms, exclusions and conditions listed. For complete policy information, including exclusions, limitations and conditions, refer to the policy document.

Non-Admitted Carrier

Taxes: \$N/A \_\_\_\_\_

Fees: \$N/A \_\_\_\_\_

Minimum Earned Premium: N/A %

**Higher Limits may be available upon request ▼ Premiums may be subject to audit  
Premiums include Terrorism Coverage**

*Please read your policy for specific details.*



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## A.M. Best Rating of Proposed Carriers

Policy Type	Carrier	Rating
Workers Compensation	Surety National Casualty Corporation	A+ XIV; Admitted

The information obtained from A.M. Best's Rating is not in any way a warranty or guaranty by Brown & Brown, Inc. of the financial stability of the insurer and this information is current only as of the date of publication.

### General Rating:

These rating classifications reflect BEST's opinion of the relative position of each company in comparison with others, based upon averages within the Property-Casualty insurance industry. They are reflective of overall company services and standing within the industry.

A++, A+	Superior	B++, B+	Good	C++, C+	Marginal
A, A-	Excellent	B, B-	Fair	C, C-	Weak

### Financial Size Category:

The financial Size Category is an indication of the size of an Insurer and is based on reported Policyholders' surplus plus conditional or Technical Reserve Funds, such as mandatory securities valuation reserve, other investment and operating contingency funds and/or miscellaneous voluntary reserves in liabilities.

Financial Size Category (in Thousands)		
Class I	Up to	\$1,000
Class II	\$1,000	to \$2,000
Class III	\$2,000	to \$5,000
Class IV	\$5,000	to \$10,000
Class V	\$10,000	to \$25,000
Class VI	\$25,000	to \$50,000
Class VII	\$50,000	to \$100,000
Class VIII	\$100,000	to \$250,000
Class IX	\$250,000	to \$500,000
Class X	\$500,000	to \$750,000
Class XI	\$750,000	to \$1,000,000
Class XII	\$1,000,000	to \$1,250,000
Class XIII	\$1,250,000	to \$1,500,000
Class XIV	\$1,500,000	to \$1,750,000
Class XV	\$1,750,000	to \$2,000,000

This information has been provided to you so that consideration is given to the financial condition of our proposed carriers. The financial information disclosed is the most recent available to Brown & Brown Insurance Services of CA, Inc. Brown & Brown does not guarantee financial condition of the insurers listed above.



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## Claims Reporting Guidelines

Make Brown & Brown, Inc. aware of any and all incidents *immediately* after they occur, whether it be an auto accident, a theft, slip & fall, even a minor incident that appears will have no future activity. Do not wait for a police report.

Gather as much concrete information as possible. For example, police reports, company incident reports, conversation logs, medicals and pictures - anything that may assist in the handling of your claim. Send this information either by mail, e-mail or fax to:

**Brown & Brown Insurance Services of CA, Inc.**

2401 E. Katella., Suite 550,  
Anaheim, CA 92806  
(714)221-1883  
(714) 221-4196 fax  
pcoleman@bbsocal.com

If you have any questions or incur any problems, please call our office and we will be glad to assist in any way we can.





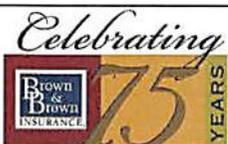
## What is an Audit?

Policies which use fluctuating values as the exposure basis, i.e.: payroll or sales are subject to an audit. The company may visit your business to examine your records or ask you to complete a voluntary "mail in" audit. If at the time of the audit your exposures are different from what you estimated at the time your policy was written, you will receive a return premium credit or an additional premium billing.

If you subcontract any work, it is essential that the subcontractor provide you with a Certificate of Insurance indicating that insurance coverage is in place for General Liability, Workers Compensation, and Automobile Liability. If at the time of audit you do not have evidence of insurance from your subcontractors, you will be charged an additional premium for the payroll of the subcontractor on your policies. We recommend you require subcontractors to carry insurance via a contract.

Audits that generate an additional premium are due upon receipt. It is important that you review audits as soon as you receive them and advise us of any discrepancies in the exposures immediately so that we may inform the insurance carrier. If payment of the audit is not received by the insurance company on a timely basis, your coverage may be canceled and could adversely affect the future placement of insurance coverage.

We recommend that you review the actual exposures as compared to your estimated exposures quarterly and advise us of any significant variance.





## Important Information

**Compensation:** In addition to the commissions or fees received by us for assistance with the placement, servicing, claims handling, or renewal of your insurance coverages, other parties, such as excess and surplus lines brokers, wholesale brokers, reinsurance intermediaries, underwriting managers and similar parties, some of which may be owned in whole or in part by Brown & Brown, Inc., may also receive compensation for their role in providing insurance products or services to you pursuant to their separate contracts with insurance or reinsurance carriers. That compensation is derived from your premium payments. Additionally, it is possible that we, or our corporate parents or affiliates, may receive contingent payments or allowances from insurers based on factors which are not client-specific, such as the performance and/or size of an overall book of business produced with an insurer. We generally do not know if such a contingent payment will be made by a particular insurer, or the amount of any such contingent payments, until the underwriting year is closed. That compensation is partially derived from your premium dollars, after being combined (or "pooled") with the premium dollars of other insureds that have purchased similar types of coverage. We may also receive invitations to programs sponsored and paid for by insurance carriers to inform brokers regarding their products and services, including possible participation in company-sponsored events such as trips, seminars, and advisory council meetings, based upon the total volume of business placed with the carrier you select. We may, on occasion, receive loans or credit from insurance companies. Additionally, in the ordinary course of our business, we may receive and retain interest on premiums you pay from the date we receive them until the date the premiums are remitted to the insurance company or intermediary. In the event that we assist with placement and other details of arranging for the financing of your insurance premium, we may also receive a fee from the premium finance company.

**Questions and Information Requests:** Should you have any questions, or require additional information, please contact this office at 1-800-228-7975 or, if you prefer, submit your question or request online at [www.bbsocal.com](http://www.bbsocal.com)

This proposal contains only a general description of the coverage(s) and does not constitute a policy/contract. For complete policy information, including exclusions, limitations, and conditions, refer to the policy document. This proposal is based upon the exposures to loss made known to the Agency. Any changes in these exposures (i.e., new operations, new products, additional states of hire, etc.) need to be promptly reported to us in order that proper coverage(s) may be put into place.



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## Wholesale Broker/Managing General Agent:

Loveland & Smart

This intermediary  is  is not owned in whole or part by Brown & Brown, Inc., the parent company of Brown & Brown Insurance Services of California, Inc. Brown & Brown entities operate independently and are not required to utilize other companies owned by Brown & Brown, Inc., but routinely do so. In addition to providing access to the insurance company, the Wholesale Insurance Broker/Managing General Agent may provide additional services including, but not limited to: underwriting, loss control, risk placement, coverage review, claims coordination with insurance company; and policy issuance. Compensation paid for those services may be up to 15% of the premium you pay for coverage, and any compensation paid for those services is derived from your premium payment. The Fee, if any, for the Wholesale Insurance Broker's/Managing General Agent's services above is \$0.00.



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## Named Insureds

The following are named insureds on your policies:

**City of Milpitas**

**(Discuss any other names as part of Named Insured)**

Please verify the accuracy of each name on this list and update if needed.





## Workers Compensation CITY OF MILPITAS

### EXCESS WORKERS' COMPENSATION 7-1-16 to 7-1-17

	Renewal 2016 / 2017	Current 2015 / 2016
COMPANY:	Safety National Casualty Corporation	Safety National Casualty Corporation
2016 BEST'S RATING:	A+: XIV; Admitted	A+: XIII; Admitted
LIMIT:	\$20,000,000 WC \$1,000,000 EL Per Occurrence/Aggregate	\$20,000,000 WC \$1,000,000 EL Per Occurrence/Aggregate
SELF-INSURED RETENTION (SIR):	\$750,000 \$1,000,000 Police and Fire	\$750,000 \$1,000,000 Police and Fire
PAYROLL:	\$39,832,495 (6.72% Increase)	\$37,325,242
RATE:	.3626 (2.00% Increase)	.3555
DEPOSIT PREMIUM:	\$144,433*	*\$132,691
MINIMUM PREMIUM	\$129,990*	*\$119,422

\*Note: No State of California Insurance Guarantee Association (CIGA) surcharge will apply for 2016/2017 or 2015/2016.



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## NOTES / OPTIONS:

1. The following options are presented for your consideration:

A. See Additional Market Options

2. Using this year's payroll (\$39,832,495) and last year's rates (.3555), the premium would have been \$141,605. This year's rate and this year's payroll produces a premium of \$144,433 (for a \$20,000,000 Limit). The City payroll increase (City) of 6.72% accounts for a premium increase of approximately \$9,048. The rate increase of 2.00% accounts for a premium increase of approximately \$2,694.

3. The California Excess Workers' Compensation marketplace, is only slightly showing the increases in rate which have been seen in 2014/2015 & prior for primary workers compensation.

4. Your rates for the current and past 13 years have been as follows:

2016/2017	.3626	\$20,000,000 Limit (2% Rate Increase)
2015/2016	.3555	\$20,000,000 Limit (0% Rate Increase)
2014 / 2015	.3555	\$20,000,000 Limit
2013 / 2014	.33858	\$20,000,000 Limit
2012 / 2013	.2954	\$20,000,000 Limit
2011 / 2012	.2710	\$20,000,000 Limit
2010 / 2011	.2710	\$20,000,000 Limit
2009 / 2010	.2710	\$20,000,000 Limit
2008 / 2009	.2960	\$20,000,000 Limit
2007 / 2008	.3939	\$5,000,000 Limit
2006 / 2007	.4113	\$5,000,000 Limit
2005 / 2006	.4244	\$1,000,000 Limit
2004 / 2005	.4610	\$1,000,000 Limit
2003 / 2004	.4424	\$1,000,000 Limit

6. The above deposit premiums are subject to an annual audit to determine the final premium.



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## PREMIUM SUMMARY

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Name: City of Milpitas

Excess Workers' Compensation

See attached Market Options

*Premium includes Terrorism*

## PREMIUM PAYMENT OPTIONS

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Pay in Full



CITY OF MILPITAS  
EXCESS WORKERS' COMPENSATION  
MARKET OPTIONS  
2016 - 2017

Estimated Payroll: \$39,832,485

INSURANCE CARRIER	RATING	ADMITTED or NON- ADMITTED	WORKERS' COMPENSATION LIMIT	EMPLOYERS LIABILITY LIMIT (PER OCC/AGG)	COMBINED LIMIT	SELF-INSURED RETENTION	*DEPOSIT PREMIUM	*MINIMUM PREMIUM	RATE PER \$100
<i>One Year Policy Option</i>									
A SAFETY NATIONAL CASUALTY CORPORATION	A+: XIV	ADMITTED	\$20,000,000	\$1,000,000	N/A	750,000 / \$1,000,000 Police & Fire	\$144,433	\$129,990	.3626
<i>Two Year Policy Option</i>									
B SAFETY NATIONAL CASUALTY CORPORATION	A+: XIV	ADMITTED	\$20,000,000	\$1,000,000	N/A	\$750,000/ \$1,000,000 Police & Fire	\$144,433	\$259,979	.3626
C ARCH INSURANCE COMPANY	A+: XV	ADMITTED	\$20,000,000	\$1,000,000	N/A	750,000 / \$1,000,000 Police & Fire	\$243,814	\$219,433	.6121
D Midwest Employers Casualty	A+: XV	ADMITTED	\$20,000,000	\$1,000,000	N/A	\$1,000,000	\$279,500	\$251,550	Indication
E ACE Insurance Company	A+: XV	ADMITTED				Unable to compete with current carrier in past years.			
F State National Ins Co	A: VIII	ADMITTED				Declined-Police & Fire Exposure Associated with the Risk			

LAST YEAR

ESTIMATED PAYROLL: \$37,325,2426	WORKERS' COMPENSATION LIMIT	EMPLOYERS LIABILITY LIMIT	COMBINED LIMIT	SELF-INSURED RETENTION	*DEPOSIT PREMIUM	*MINIMUM PREMIUM	RATE PER \$100
Safety National Casualty Corporation	\$20,000,000	\$1,000,000	N/A	\$750,000/\$1,000,000 Police & Fire	\$132,691	\$119,422	.3555

## **Terms & Conditions:**

- 1) State of operations: California
- 2) Safety National's quote is subject to their current policy form and the following attachments: Voluntary Compensation Endorsement, Policyholder Disclosure, Employers' Liability per Occurrence & Aggregate Maximum Limits of Liability-CA, Employers' Liability maximum Limit and aggregate Maximum Limit of Indemnity, Self-Insured Retention Per Occ. – Police Officers & Drivers, Premium Due Date Endorsement, Notice of Terrorism Insurance Coverage, Self-Insured Retention for CA Firefighter Class Codes, and any CA state mandatory endorsements.  
EL coverage has a per occurrence and policy aggregate limit.  
California Short Rate Cancellation Provision – Specific Excess  
Coverage includes the resources of the Best Doctors, Catcare Program which provides in-depth case review by world renowned doctors.  
**Statutory Workers Compensation limits can be requested if there is interest.**
- 3) Arch Insurance Company's option is subject to: Split Retained Limit Endorsement, CA Amendatory Endorsement.  
Losses Redefined to include Allocated Loss Adjustment Expense Endorsement, Terrorism Risk Ins. Program Reauthorization Act Endorsement.  
EL coverage has a per occurrence and policy aggregate limit.
- 4) Midwest has offered a focused indication that can be firmed if there is interest.



## Brown & Brown Insurance Services of California Spectrum Service

Brown & Brown Insurance Services of California is happy to offer all clients a full suite of service not only for your business but also for your personal insurance needs. Spectrum Service provides protection in the following areas:

Yes <input type="checkbox"/>	<b>Employee Benefits</b> Medical, dental, vision, life and disability for your employees	No <input type="checkbox"/>
Yes <input type="checkbox"/>	<b>Personal</b> Homeowners, auto, collectibles and more	No <input type="checkbox"/>
Yes <input type="checkbox"/>	<b>Contingency Planning</b> Life/Disability/Long Term Care	No <input type="checkbox"/>
Yes <input type="checkbox"/>	<b>Business Perpetuation</b> Buy-Sell/Key Man	No <input type="checkbox"/>
Yes <input type="checkbox"/>	<b>Financial Planning</b> Estate/Asset Protection • Retirement/Investment Planning	No <input type="checkbox"/>



City of Milpitas

Terms and conditions of the Safety National Two Year Policy Option

1. RATE COMMITMENT & CONDITIONS

For purposes of this Rate Commitment:

2016 Policy Period refers to the policy period of: 07/1/2016 - 07/01/2017  
2017 Policy Period refers to the policy period of: 07/01/2017 - 07/01/2018

If the below conditions are all met, Safety National agrees that there will be no change in the premium rate per exposure for the 2017 Policy Period over the rates that had been applied to the 2016 Policy Period.

- 1) The SIR and Limits will remain as expiring per the 2016 Policy Period bound with Safety National.
- 2) No certified "act of terrorism", as defined and set forth under the Terrorism Risk Insurance Act of 2002 as amended and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2015 (collectively, "the Act"), occurs during the 2016 Policy Period.
- 3) No significant change in exposure as applicable to the type of policy with "significant" being understood to mean a 15% change in exposure for any of the Policies over that for the 2016 Policy Period bound with Safety National.
- 4) No significant change in underwriting exposure through development of, or acquisition of, non-core business, with "significant" being understood to be a change that is in excess of 5% for any Policy over that in place for 2016 Policy Period bound with Safety National.

Safety National does consider any change in aircraft to be considered significant.

- 5) No material adverse change in the financial condition of the Insured, as determined by Safety National, over the 2016 Policy Period.
- 6)
  - a. No new, individual incurred loss during the 2016 Policy to exceed 50% of that Policy's applicable SIR/Retention amount with such losses to be valued as of 04/01/2017 or within 90 days prior to 07/01/2017.
  - b. No development of existing claims (DOI prior to 07/01/2016) to exceed 50% of the Policy's applicable SIR/Retention amount with such losses to be valued as of 04/01/2017 or within 90 days prior to 07/01/2017.

The parties understand and agree that, if all the above stated conditions are not met as applicable to a particular policy period renewal, the Premium Rate per payroll/exposure for the 2017 Policy Period shall not be subject to any limitation nor guarantee with respect to rate increases.

The second year payroll period we will require only the following underwriting information:

- updated payroll by class code
- updated loss information as outlined above
- updated aircraft information (we must have each year for reinsurance purposes)
- updated Employee Concentration (EC) information
- insured's agreement to work with Safety National to complete the premium audit (whether voluntary or physical) in a timely manner. We do a premium audit at the end of each 12 month policy period.