MEMORANDUM

Date: July 29, 2015

To: Administration Committee
From: Pamela A. Captain, City Attorney PAC

RE: CVMIC Update/Renewal

As the City of Menasha CVMIC representative, I attended the 2015 CVMIC Professional Development and Training Program on July 16 and 17. Over the course of the program CVMIC members were provided 2016 Insurance Products/Pricing updates, issue updates (Cyber Liability Exposures & Accessing Resources When an Exposure Occurs and Liquor Licensing), member updates, new products and member feedback discussion.

Attached for your information are the following documents:

1. Two-Year Liability Renewal Package 2017-2018
2. 2015 Liability Dividend Report dated July 17, 2015
3. 2015 Auto Physical Damage Dividend Recommendation
4. 2015 Mutual Member Participation Calculation
5. Proposed Resolution Approving the City of Menasha's Liability Insurance Renewal Through Cities and Villages Mutual Insurance Company (CVMIC)
6. State of the Marketplace Summer Meeting

LIABILITY COVERAGE

Renewal
Liability insurance renewal commitments for Cities and Villages Mutual Insurance Company (CVMIC) members are due August 15, 2015. CVMIC's multi-year pricing cycle is put together in an effort to aid municipalities' budget planning efforts.

The premium quoted amounts consider the City's current self-insured retention amount ($25,000) and for comparison purposes the next highest self-insured retention amount ($37,500). The premium quoted amounts are:

Current SIR		Optional SIR
$54,122	2016	$50,875
$55,808	2017	$52,460
$57,204	2018	$53,711

Dividend

The CVMIC board has declared a dividend at its May 20th Board of Directors Meeting payable March 1, 2016. Historically, the City has followed Option One, the default option, with dividends paid to the City at the earliest date. This year CVMIC has added a third payment option in which they hold the dividends until further directed by the City and during which time interest is paid based on the rate earned by CVMIC on its investments. If Option One is not acceptable a motion is in order to indicate which option is desired. A 2015 auto physical damage dividend has also been declared and will be paid to us on March 1, 2016.

Recommended action: Forward the attached proposed Resolution to the common council for approval to continue membership in CVMIC and accepting CVMIC's premium proposal for years 2016, 2017 and 2018.

July 17, 2015

Ms. Pamela Captain
City of Menasha
430 First Street
Menasha, WI 54952

RE: Two-Year Liability Renewal Package
2017-2018

Dear Pamela:

Cities and Villages Mutual Insurance Company (CVMIC) is pleased to provide your community with its two (2) year liability renewal package. CVMIC continues to provide your community with the best possible public entity, general liability and auto liability protection available in Wisconsin. This re-pricing continues CVMIC's approach of providing a long-term solution to your liability insurance needs.

Bickmore Risk Services has completed an actuarial review of CVMIC losses from 1988 to present. Their analysis has indicated that we continue to have very stable losses. The Board of Directors requested that Bickmore Risk Services review 2017-2018 premiums for both the current and next higher self-insured retention (SIR). Premium calculations were developed utilizing current loss data and the underwriting information members provided last fall for the reinsurance renewal.

The proposed pricing limits the experience modification to premium increases no greater than 15% and reductions no greater than 10% for 2015. Increases for 2016 will be as quoted in 2013.

Your premium options for the 2017 and 2018 policy years are set forth in Attachment One. These premiums are guaranteed for the two-year period, assuming that we achieve an adequate level of commitment for the renewal. In order to lock in these rates, we are asking that each member make their renewal commitment **by September 15, 2015**. Our general counsel, Mark Kircher of

Quarles & Brady, has provided instructions for making this two-year commitment to CVMIC (Attachment Two).

CVMIC is currently comprised of 46 member cities and villages. In addition to broad liability protection with $5 million in limits, we also provide loss control services, risk management assistance and access to other insurance products through optional group purchases. These programs provide access to needed insurance coverage at substantial savings.

The Board of Directors continues its commitment to assisting members with their risk management and loss control programs. CVMIC's loss control representatives continue to work directly with members to provide loss control assistance. In addition, we have provided a wide range of free educational programs for your employees. These seminars have proven to be very popular and are highly rated by those attending. We believe these services have had a direct impact on losses and have helped keep premiums low. We will continue to expand our training efforts and encourage member participation. The preliminary 2015-2016 fall/winter schedule has been posted on CVMIC's website.

Liability Program Dividends

On April 1, 2007 CVMIC retired the WMIC bond. This was accomplished with CVMIC paying all principal and interest payments on behalf of members. The retirement of the WMIC debt opened the door to return excess funds from the liability program to members in the form of dividends. The first dividend was declared in 2008 and paid in early 2009. At their May 20th meeting, the Board declared a liability dividend in the amount of $1,511,352.00 for the policy period ending 12/31/14. This dividend will be paid on or around March 1, 2016. Specific information regarding this dividend will be provided in a separate letter. The goal of the Board is to provide stable dividends while maintaining surplus at target levels.

Other Insurance Purchase Options

In addition to the liability insurance program, CVMIC offers a first-dollar Worker's Compensation program, Auto Physical Damage program and several top quality insurance products on a group-purchase basis. Group purchase options include Employment Practice Liability, Excess Worker's Compensation, Umbrella/Excess Liability, Crime, Boiler & Machinery and Special Events Liability Program insurance, and these programs have been offered in response to member requests to provide cost-effective options to meet their community's insurance needs. Renewal information for these programs will be provided at the summer meeting.

Ratings and Awards

We are extremely pleased to inform the membership that CVMIC has maintained its 'A' rating from AM Best. A.M. Best is the foremost source for insurer ratings in the world. Best's initial rating of CVMIC covered the five-year period ending December 31, 1992. Their rating is based on a thorough review of the company's financial strength. On the basis of that review, A. M. Best awarded CVMIC an A (VI) rating. A is for excellent which is assigned to companies which have achieved excellent overall performance when compared to the standards established by A. M. Best Company. Companies with an A rating have a strong ability to meet their policyholder and other contractual obligations over a long period of time. The financial size category (VI) represents policyholder's surplus between $25 Million and $50 Million. The A. M. Best rating is reviewed annually. We are proud to report that CVMIC has maintained an A- or better rating each year since 1992.

In 1997, we refinanced the WMIC bond and had our financial ratings reviewed by Moody's. At that time, Moody's gave CVMIC a rating of Aa2. We were very pleased with the rating and felt it reflected Moody's belief of CVMIC's strong financial position. The recognition of CVMIC's success was further enhanced when we received the Association of Governmental Risk Pools (AGRIP) Pooling Advisory Standard Recognition Award. This award demonstrates CVMIC's compliance with recommended operational practices and documentation set forth in Pooling Advisory Standards. The criteria for this recognition are reviewed every three years. CVMIC has retained this recognition for many years.

We feel the A. M. Best rating, the Moody's rating and the recognition award from AGRIP provides the membership with the assurance and peace of mind that the company is operating in a professional and financially sound manner. One of the goals when CVMIC was founded was to achieve a Best Rating of B+. The fact that we exceeded this goal by three rating categories is significant and reflects the continuing emphasis on achieving excellence by improving the way the company operates, increasing CVMIC's financial strength, expanding the level of services provided to members and strengthening the commitment of members to CVMIC. We are extremely pleased and proud of these ratings, as well as the AGRiP recognition, and continue to work hard to maintain and improve upon them.

The Board implemented the two-year pricing cycle to ensure members will always know their liability insurance cost before beginning the budget process.

To confirm your community's commitment to CVMIC for the 2017-2018 policy years as outlined in Attachment One, it will be necessary to complete and sign the acceptance form at the bottom of Attachment One and return one signed copy in the postage paid envelope provided.

We look forward to continuing working with you. If you have any questions regarding re-pricing, please contact either Ken Horner or myself.

Yours very cordially,

CITIES AND VILLAGES MUTUAL INSURANCE CO.

Michael L. DeMoss
Executive Director

Ken Horner
Director of Operations

MLD:scp
Enc.

Cities and Villages
MUTUAL INSURANCE COMPANY

City of Menasha
ANNUAL PREMIUMS
Policy Years 2016, 2017, 2018

ATTACHMENT ONE

- **Coverage includes:**
  General Liability
  Auto Liability
  Excess Liability
  Public Officials Liability
  Law Enforcement Liability

- **Self-Insured Retention ("SIR")** is available at several levels.

- **Limits of Liability:**
  $5,000,000 per occurrence excess of SIR.

- **Defense Costs are included in the SIR.**

ANNUAL PREMIUMS:

(SIR) Occurrence/Aggregate

	Current SIR	Optional SIR
	$25,000	$37,500
Policy Year	Option 1	Option 2
2016	$54,122	$50,875
2017	$55,808	$52,460
2018	$57,204	$53,711

NOTE: The premiums stated herein are based on an expected number of renewals and are subject to review, depending on the actual number of renewals. With that qualification, they are guaranteed for the three-year policy period 2016, 2017 and 2018.

ACCEPTANCE

The City of Menasha agrees to continue as a member of CVMIC for the policy years 2016, 2017 and 2018 as outlined in Option 1 _____ ($25,000) [or] as outlined in Option 2 _____ ($37,500) (*please indicate*) at the corresponding guaranteed premiums set forth on the previous page.

ACCEPTED AND AGREED TO this _____ day of _____, 2015.
City of Menasha

By _____
Name

Its _____
Title

Cities and Villages
MUTUAL INSURANCE COMPANY

Quarles & Brady LLP

411 East Wisconsin Avenue
Suite 2350
Milwaukee, Wisconsin 53202-4426
414.277.5000
Fax 414.271.3552
www.quarles.com

Writer's Direct Dial: 414.277.5347
E-Mail: mark.kircher@quarles.com

Attorneys at Law in
Chicago
Indianapolis
Madison
Milwaukee
Naples
Phoenix
Tampa
Tucson
Washington, D.C.

June 30, 2015

To: CVMIC Members

From: Quarles & Brady LLP

Re: Membership Commitment for Years 2017-2018

Attachment Two

Ladies and Gentlemen:

Mr. DeMoss has asked us to provide instructions as to how members may commit for the next two year period.

First, note that there is no affirmative City Council/Village Board action which CVMIC requires in order for you to continue your membership. The letter from Mr. DeMoss which accompanies this Memorandum sets forth the guaranteed annual premiums which CVMIC offers in exchange for a two year commitment of continued membership. All CVMIC requires is that you select your SIR and return a copy of Attachment 1 with the Acceptance Form executed by an authorized officer. If City Council/Village Board action is required for you to make the commitment, we suggest the following authorization language either in the form of a motion or resolution:

> **RESOLVED**, that ____(City/Village)____ accepts the Liability Insurance Proposal dated June 30, 2015, from Cities and Villages Mutual Insurance Company ("CVMIC") and agrees to continue its membership in CVMIC for policy years 2017 and 2018 based on the premiums guaranteed by CVMIC for said policy years.

Please contact me if you have any questions or if we can be of assistance in this regard.

Very truly yours,

QUARLES & BRADY LLP

Mark A. Kircher

QB\35637030.1

Cities and Villages
MUTUAL INSURANCE COMPANY

DATE: July 17, 2015

TO: Ms. Pamela Captain, City of Menasha

FROM: Mike DeMoss, Executive Director
Ken Horner, Director of Operations

RE: 2015 Liability Dividend Report

The purpose of this letter is to provide information regarding payment of the 2015 liability program dividend. This packet includes the following information:

- 2015 Liability Program Dividend Recommendation.
- Notification of Liability Dividend Declared by the Board of Directors for the Policy Year Ending 12/31/2014. Note: This document includes the amount of the dividend to be paid to your community.

We feel it is important that all members understand the dividend process. This letter will be distributed as part of a presentation at the 2015 Summer Meeting and will be sent via email to all member representatives that do not attend the Summer Meeting. If you have any questions, or if any aspect of the process is unclear, please do not hesitate to ask for clarification.

Background: On May 20, 2015, the CVMIC Board of Directors approved a liability program dividend in the amount of $1,511,352. This dividend was based upon operating results of the liability program for the period ending 12/31/14 and will be paid on or after March 1, 2016. The attached 2015 Liability Dividend Recommendation outlines the criteria the Board followed in declaring the current dividend. The methodology is consistent with that of 2014.

Each member has the option of determining when they receive the dividend payment. A copy of the "Notification of Liability Dividend Declared by the Board of Directors for the Policy Year Ending 12/31/14" form is attached. Please review this form and return it to the CVMIC office no later than November 1, 2015. This form must be signed by the Member Representative, Mayor or other individual with the authority to sign on behalf of your community. If you fail to return the form by the stated deadline, payment will be issued based on Option 1. You are

encouraged to review this form and contact Mike DeMoss or Ken Horner if you have any questions.

Michael L. DeMoss, Executive Director
Direct: 414-831-5999
Email: mld@cvmic.com

Kenneth A. Horner, Director of Operations
Direct: 414-831-6000
Email: kah@cvmic.com

Cities and Villages
MUTUAL INSURANCE COMPANY

City of Menasha

Notification of Liability Dividend Declared
by the Board of Directors
for the Policy Year Ending 12/31/14

The Liability divided calculation is based on the General Liability, Auto Liability, Excess Liability, Public Official Liability and Law Enforcement Liability Coverage's.

The Liability dividend paid to your community is based on the financial condition of the company for the year ending 12/31/14. The first 50% of the dividend declared is paid on a level basis, and the balance is based on the loss history of your community. This calculation is reviewed and updated annually, as of December 31st.

Dividend Authority: Section 9. Dividends from the by-laws states "The Board of Directors may declare dividends from surplus held in excess of all liabilities. Dividends shall be in such amount as the Board of Directors shall determine is fair and reasonable and shall not be made contingent upon the continuance or renewal of the policy".

Recommended Dividend: Staff recommended to the Board of Directors a total dividend of $1,511,352. This recommendation has been reviewed and approved by the company's actuary prior to the final approval by the Board of Directors. This dividend was approved by the Board of Directors at their May 20th 2015 Board of Directors Meeting to be payable March 1, 2016. Your community's share of this declared dividend is $20,271.00.

Dividend Options: As part of this Liability Dividend declared by the Board of Directors, there are three payment options available to your community. The intention of these options is to provide your community with the broadest possible financial choices. These options are outlined below. **We request that the Member Representative sign, date and return this notification to CVMIC by November 1, 2015**. If this form is not returned by 11/1/15, CVMIC will pay the dividend as outlined in Option One. *Note: Option One is the default option if CVMIC has not received this signed form.*

The City of Menasha has reviewed the dividend options that are available and instructs the CVMIC staff to account for the dividend as marked.

Option 1: _____ Pay all dividends to my community on March 1, 2016.

Option 2: _____ Pay all declared dividends to my community as soon as possible after

_____ (specify date).

Option 3: _____ Hold dividends declared for the liability program until you are provided further instructions. I understand that interest will be paid based on the rate earned by CVMIC on its investments. I further understand that I will get an annual accounting regarding any open balance.

Accepted and Agreed to This _____ day of _____, 2015.

City of Menasha

By _____
Name

Its _____
Title

Cities and Villages
MUTUAL INSURANCE COMPANY

2015 Auto Physical Damage Dividend Recommendation

Background

In 2007 Cities and Villages Mutual Insurance Company (CVMIC) began writing Auto Physical Damage Insurance. During the first two years of the program the loss ratio was much higher than historic averages and no dividend was recommended. For the years 2009-2013, loss results continued to improve to a point that staff can again recommend a dividend for the 2014 participants of that program that are still members as of the date of declaration.

2014 Auto Physical Damage Dividend Recommendation

1. As part of closing of the books at the end of each fiscal year, staff develops an estimate of the funds to be set aside as Dividend's Declared and Unpaid. For the year ending December 31, 2014 it is our recommendation that $226,250 be set aside for this purpose. This represents the 5th dividend to be paid for this program.
2. The following steps must be completed before the dividend can be declared.
    a. Completion of the 2014 financial audit by Clifton Larson Allen LLP.
    b. Actuarial review and approval of reserves shown on the Annual Statement (Bickmore Risk Services).
    c. Establish a dividend payout calculation that includes a level dividend to be paid to all participants and a loss dividend that will be paid to those members with a loss ratio below 60%. The dividend payout calculation will be reviewed with Bickmore Risk Services and included as a part of their final recommendation to the Board.
3. Bickmore Risk Services has completed their review of the 12-31-14 financial and loss picture of the company. Based on this review they will develop a recommendation for the Board of Directors regarding the Auto Physical Damage Program dividend.

4. These steps were completed and a final dividend recommendation presented for review and approval by the Board of Directors at the May 20, 2015 Board meeting.
5. Following Board approval, management will present the calculation to the membership for the summer meeting detailing each participating member's share of the declared dividend.

APD Dividend Payable to City of Menasha, payable 3/1/16: $5,334.00

2015 Mutual Member Participation Calculation

MENASHA

	Premium-(A)	Claims-(B)	SIR-(C)
1988	$73,925	$0	$10,000
1989	$73,925	$0	$10,000
1990	$73,925	$0	$10,000
1991	$39,272	$43,308	$17,500
1992	$40,341	$0	$17,500
1993	$41,702	$7,882	$17,500
1994	$33,749	$79,552	$25,000
1995	$34,593	$0	$25,000
1996	$35,458	$8,140	$25,000
1997	$37,231	$0	$25,000
1998	$38,162	$0	$25,000
1999	$39,116	$0	$25,000
2000	$39,767	$0	$25,000
2001	$40,562	$0	$25,000
2002	$41,373	$55,885	$25,000
2003	$41,787	$0	$25,000
2004	$42,832	$0	$25,000
2005	$43,560	$0	$25,000
2006	$44,649	$26,331	$25,000
2007	$47,250	$0	$25,000
2008	$48,432	$0	$25,000
2009	$46,623	$0	$25,000
2010	$47,672	$0	$25,000
2011	$48,782	$0	$25,000
2012	$50,002	$0	$25,000
2013	$50,752	$0	$25,000
2014	$52,020	$200,000	$25,000
Total	$1,247,462	$421,098	$607,500
Total-10 Years	$479,742	$226,331	$250,000
	(A-1)	(B-1)	(C-1)

CVMIC Net Premium-(D)	$34,534,221
CVMIC SIR-(E)	$25,315,000
Total Assets-(F)	$50,607,089
Total Liabilities-(G)	$15,652,033
Min Permanent Surplus-(H)	$14,000,000
Unencumbered Reserve (I)	$16,028,221

Premium Calculation

Member Premium-(A-1)	$479,742
15% of Claims-(B-2)	$33,950
Member Net Premium-(J)	$445,792
CVMIC Net Premium-(D)	$34,534,221
Percentage-(K)	1.291%

SIR Calculation

Member SIR-(C-1)	$250,000
CVMIC SIR-(E)	$25,315,000
Percentage-(L)	0.988%

Participation Percentage:-(M) 1.200%

Participation Calculation

	Amount		Member Percentage		Mutual Member Position	
Unencumbered Reserve	$16,028,221	(I)	1.200%	(M)	$192,319	(N)

Origional Principal Amount-(O)	Principal Retired by CVMIC-(P)
$1,031,220	$1,031,220

This is an estimate while every effort has been made to present an accurate calculation. Numbers used in the calculation are subject to change and there may be rounding errors and other discrepancies.

NOTES FOR MEMBER PARTICIPATION* – CALCULATION STEPS

Data Used for Calculation:

A. Total premium paid to CVMIC for all years.
A-1 Total premium paid to CVMIC for the last 10 years
B. Total incurred claims (paid & reserved including expenses) excess of a member's SIR for all years.
B-1 Total incurred claims excess of a member's SIR for the last 10 years.
B-2. 15% of incurred claims excess of Member's SIR.
C. Total per occurrence SIR for all years.
C-1 Total per occurrence SIR for the last 10 year.
D. CVMIC Net Premium equals the total of all premium collect for the last 10 years, minus 15% of all incurred claims (paid and reserved including expenses) excess of a Member's SIR for the last 10 years.
E. CVMIC SIR is the total per-occurrence SIR for the last 10 years, for all Members.
F. Total Assets equals the amount shown in the 12/31/14 audited financial statement.
G. Total Liabilities equals the amount shown in the 12/31/14 audited financial statement for Losses and Loss Adjustment Expenses.
H. Minimum Permanent Surplus is the minimum surplus required by the Board of Directors.
I. Unencumbered Reserves equals the total Surplus as regards policyholders as shown in the 12/31/14 audited financial statement minus Minimum Permanent Surplus (H).
J. Member's Net Premium equals Member's Premium (A-1) minus 15% of Claims (B2).
K. Premium Calculation Percentage is developed by dividing the Member's Net Premium (J) by CVMIC's Net Premium (D).
L. SIR Calculation – Percentage Ownership is developed by dividing the Member SIR (C) by CVMIC SIR (H).
M. Participation Percentage is developed by taking the Premium Calculation Percentage (K) multiplied by seven-tenths (.7), plus SIR Calculation (L) multiplied by three tenths (.3).
N. Participation Calculation is calculated by taking the Unencumbered Reserves (I) times the Participation Percentage (M).
O. Bonds delivered to CVMIC at the time of joining.
P. Principal Paid is the amount of Bond that has been retired.

*Refer to CVMIC Article VII of the Articles of Incorporations for details regarding Distribution on Dissolution.

EVERY EFFORT HAS BEEN MADE TO PRESENT AN ACCURATE CALCULATION; HOWEVER, THERE MAY BE MINOR ERRORS OR DISCREPANCIES DUE TO ROUNDING.

RESOLUTION R - - 15

RESOLUTION APPROVING THE CITY OF MENASHA'S LIABILITY INSURANCE RENEWAL THROUGH CITIES AND VILLAGES MUTUAL INSURANCE COMPANY (CVMIC)

Introduced by Mayor Merkes

WHEREAS, the City of Menasha has been a charter member of Cities and Villages Mutual Insurance Company (CVMIC) since 1988; and

WHEREAS, the renewal for 2016-2018 has been received from CVMIC;

NOW THEREFORE, BE IT RESOLVED, that the City of Menasha Common Council with the Mayor concurring elect to continue to participate in CVMIC; and

BE IT FURTHER RESOLVED that the City of Menasha accepts the proposal dated July 17, 2015 from Cities and Villages Mutual Insurance Company (CVMIC) and agrees to continue its membership in CVMIC for policy years 2016, 2017 and 2018 based on the premiums guaranteed by CVMIC for said policy years with the Self-Insured Retention at $25,000.

Passed and approved this ___ day of _____, 2015.

_____
Donald Merkes, Mayor

_____
Deborah A. Galeazzi, City Clerk

For More Information:

Susan Blankenburg, Area Senior Vice President
1255 Battery Street, Suite 450
San Francisco, CA 94111

susan_blankenburg@ajg.com
office: 415-536-8417

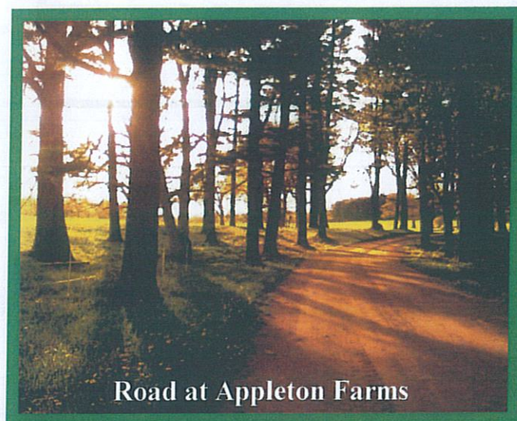
Gallagher | PUBLIC SECTOR

1255 Battery Street, Suite 450
San Francisco, CA 94111
www.ajg.com

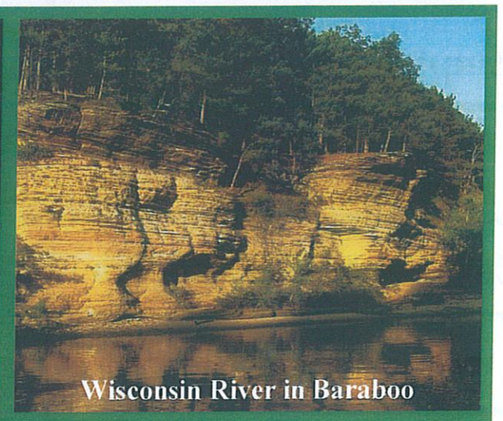
State of the Marketplace

Summer Meeting

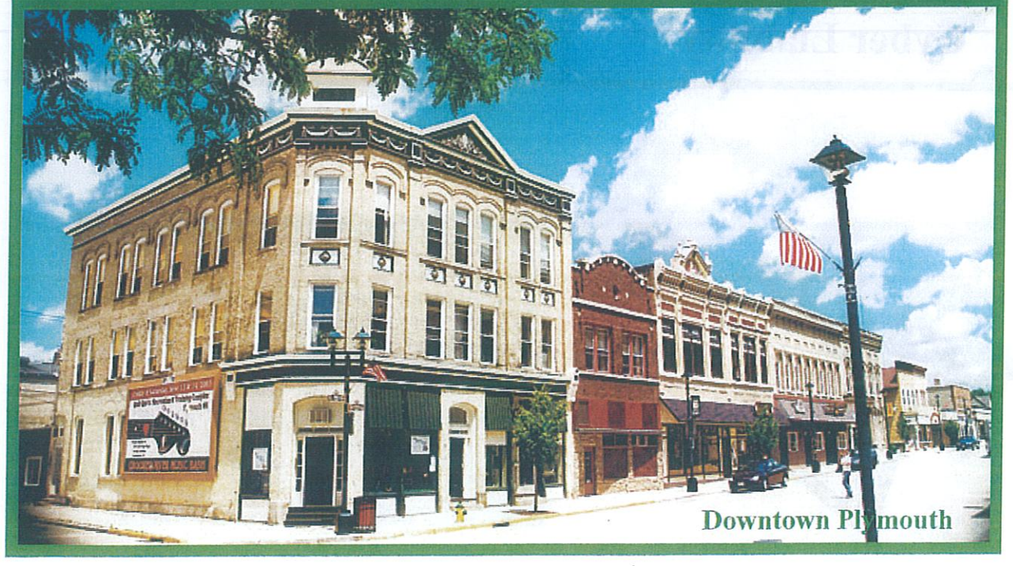
For: **Cities & Villages Mutual Insurance Company**
July 17, 2015



Road at Appleton Farms



Wisconsin River in Baraboo



Downtown Plymouth

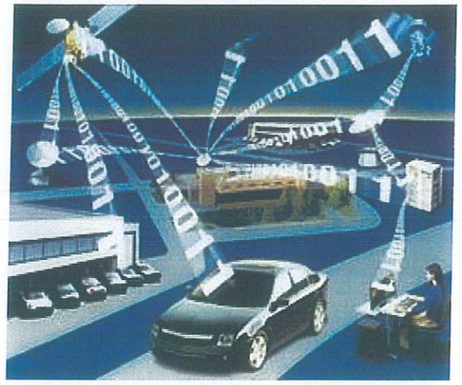
Forecast

CVMIC Premium Forecast 2016-2017

Excess Liability	10-15%
Worker's Compensation	Flat
Employment Practices	TBD
Automobile Physical Damage	5%
Equipment Breakdown	5%
Crime	5%
Cyber Liability	5%

INDUSTRY UPDATE – Telematics Overview

Telematics Definition:
Telematics is an overview term used to describe a GPS – like system that can be placed into vehicles to evaluate driver performance.



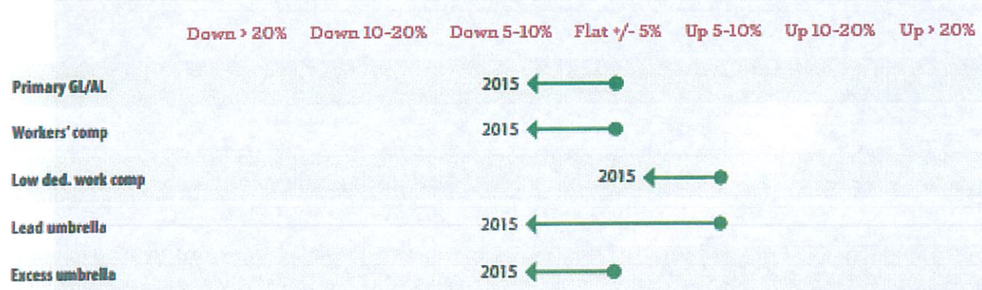
How Cities Use Telematics:

- Efficiently fleet dispatch
  - San Francisco's police and fire dispatchers can see who's nearest to a call at a glance
- Keep track of driver behavior in company cars
  - Helps identify "problem" drivers by tracking hard braking, cornering and speeding events to allow for implementation of training programs to improve performance
- Reduces claims
  - Prove through vehicle diagnostics that the city employee was not at fault in a traffic collision
- Minimize maintenance costs
  - Live diagnostics and vehicle use tracking makes preventive maintenance more feasible and cost effective. Fix the issue before it causes a problem!

Liability

The Market Today: Primary liability capacity remains high for all lines with the exception of automobile liability. Furthermore, we are seeing markets willing to deploy their capacity more aggressively than in prior years, spurring competition.

Topical Issues: Companies in guaranteed cost or low deductible program structures should begin a detailed analysis of the benefits and challenges of a loss sensitive program such as a large deductible program structure or other alternatives in which they assume more risk themselves in exchange for lower premiums.



Forecast:

- Clients with low deductibles and good experiences: Flat to 5% decrease.
- Clients with high deductibles and good experiences: Flat to 10% decrease.

Terrorism on the Rise in 2015

Terrorism attacks within the U.S. from Jan, 2015 to Present

- **January: In Colorado Springs, CO,** an unidentified male detonated an IED outside the NAACP's local chapter, fortunately, no PD or injuries
- **January: Cincinnati, OH,** a suspected IS sympathiser was arrested for allegedly plotting to bomb the Columbus Capitol building and shoot at staff
- **February: In Houston, TX,** unidentified suspects burned down one of the three buildings at the Quba Islamic Institute, no injuries were reported
- **February: Austin, TX,** the police arrested a man who allegedly threated to bomb a Middle Eastern restaurant and an Islamic centre
- **March: At the Hermantown Area Family Resource Centre, MN,** the police made safe a viable pipe bomb that was planted nearby, the school was evacuated
- **March: At Chapman University, CA,** the police made safe a pipe bomb that was found to be inoperable due to the lack of filler or a fuse
- **March: At New Orleans Airport, LA,** a man carrying a bag filled with six petrol bombs attacked security guards with a machete, before being shot dead
- **March: In Austin, TX,** a woman was arrested after she threw a Molotov cocktail at a group of anti abortion activists protesting outside an abortion clinic
- **March: The FBI** arrested a soldier and his cousin for allegedly planning to carry out a jihadist attack on a National Guard facility in **northern Illinois**
- **April: In Queens, New York City, NY,** the police arrested two self proclaimed IS supported who were planning to build a bomb with propane gas
- **April:** Near **Fort Riley, Military base, in Kansas,** a man was arrested for attempting to detonate a car bomb during a sting operation
- **April: At Hamilton College, NY,** a suspicious package was examined by police and determined to be safe after a telephone bomb threat was made
- **April: At Cinderella Head Start center in Williamson, WV,** the police made safe a low grade IED, that had been planted in the are by unknown suspects
- **April: At Wichita South High School, KS,** a student was arrested after being found in possession of a low grade Molotov cocktail
- **April: In El Monte, CA,** three people were killed when a local business was targeted in a suspected Molotov cocktail attack by unknown suspects
- **April:** The FBI was probing a possible IS inspired plot in California, which had included a threat to **Los Angeles International Airport**
- **May:** At the **Curtis Culwell Center in Garland TX,** two men shot and injured a man outside an event depicting cartoons of Muhammad, before being shot dead
- **May: Near the University of the Pacific, Stockton, CA,** the police made safe with water cannon a pipe bomb that was discovered in a shed

Total Number of Incidents to Date: 18

Workers' Compensation

The Market Today: The market will remain relatively static or experience moderate rate decreases throughout 2015.

Market Capacity: Total workers' compensation (WC) market capacity will be static to slightly down in 2015 as some of the top national WC insurers will reduce their writings as a percentage of their total book of business.

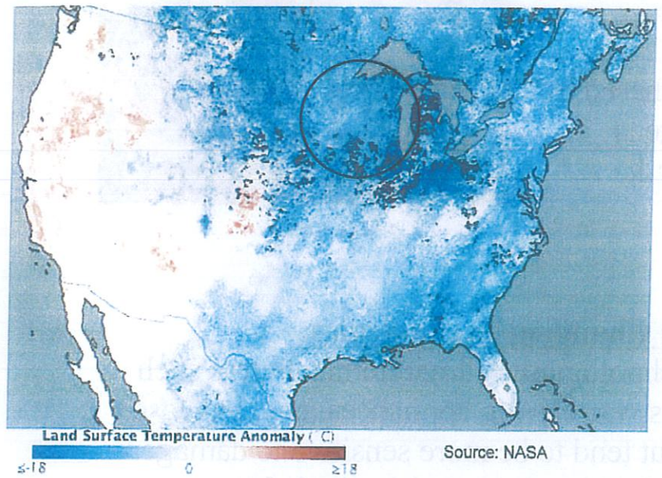
Topical Issues: Despite reforms in many states, medical inflation and medical spending continue to increase.

Forecast:

- Clients with guaranteed cost program structures: 5% increase to 10% decrease.
- Clients with low deductibles: 5% increase to 5% decrease.
- Clients with high deductibles: Flat to 10% decrease.
- **Public Entity market place remains very limited.**

Property, continued

Winter Storm Patterns



The figure to the left depicts the concentration of heavy winter storms within the Wisconsin area. Minimum temperatures in most locations were the lowest they have been in 20 years. Several significant frozen precipitation events occurred across the Eastern United States.

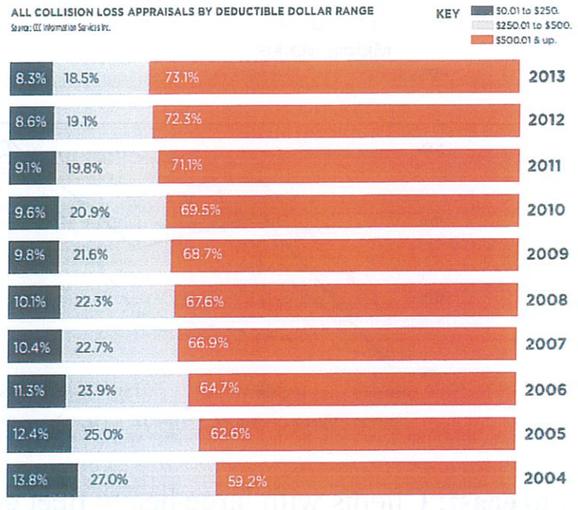
Future Market Predictions: By the end of 2015, interest rates are predicted to slowly increase. This benefits the insurance industry because the majority of their assets are invested in financial markets, and the yields on these investments will likely increase. This being said, the value of insurance companies is likely to increase with the interest rate. This coupled with a great deal of unused capacity drives rates down further.

Auto Physical Damage

The Market Today: The auto physical damage industry continues to move quickly as severe weather patterns, regulatory factors, advancements in auto-safety and repair technology, and consumer preferences for eco-friendly products and services evolve.

Market Capacity: There is plenty of capacity through numerous markets but being deployed more selectively for clients with large fleets.

Topical Issues: Lower accident frequency, older vehicle fleet, and a slower economy are all factors that have been tied to consumer choice for higher deductibles. With higher deductibles consumers are more likely to opt to cash-out versus repair a damaged vehicle or not even file a claim if the damage is less than the deductible.

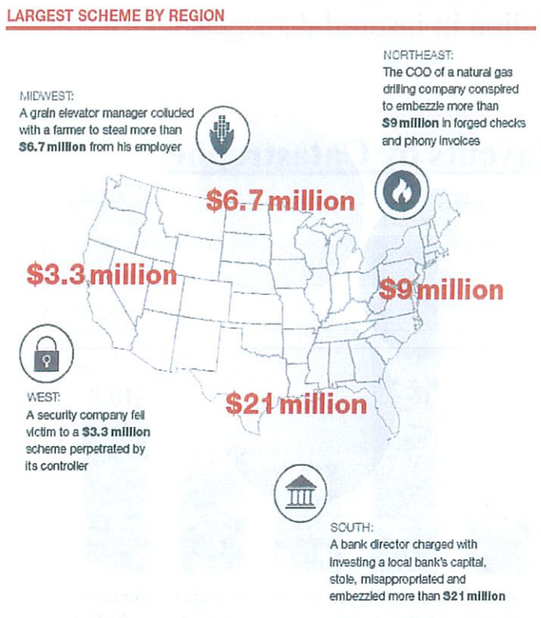


Forecast: Clients with good experience will see flat rates to modest increases up to 5%

Crime/Employee Dishonesty

Coverage: Crime insurance policies provide first-party coverage for direct financial loss due to crimes such as employee theft, forgery or alteration, counterfeiting, fraudulent transfer of funds, or computer fraud.

Common Claim Types: The most common crime insurance claims involve payroll schemes, fraudulent invoicing or other vendor tactics, foreign claims, theft of precious metals, and embezzlement. On average, frauds last for 18 months before they are discovered.



Fun Facts:

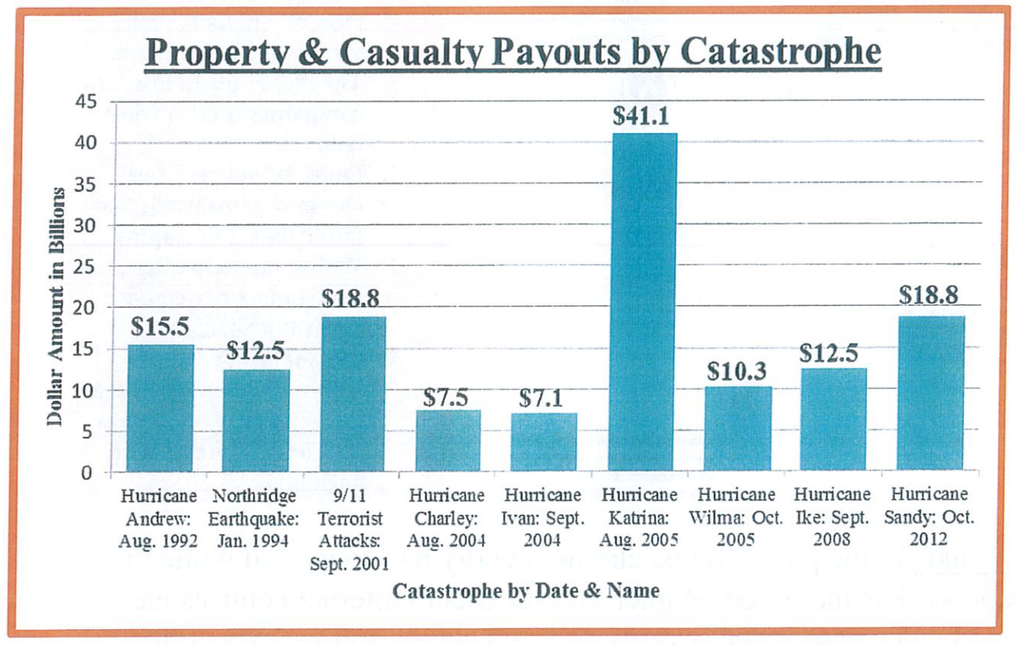
1. The typical organization loses 5% of its revenue each year due to fraud.
2. The global fraud losses to companies totals to $3.7 trillion.
3. Four out of every five victim organizations had fewer than 100 employees
4. Within municipalities, the median loss per claim totaled to $422,000
5. 63% of crime claims within municipalities are committed by employees who have management positions.

Forecast: In the past 4 years, claims severity has decreased while the frequency has increased. Higher investments in internal controls has created a decrease in the severity of fraud claims and we expect this trend to continue

Property

Coverage: Basic property insurance policies typically cover explosions, fire, lightning, windstorm, hail, smoke, aircraft or vehicle damage, vandalism, sprinkler leakage and sinkhole collapse. Some other coverage lines can be added to the policy, such as water damage, damage from the weight of snow or ice, or falling objects.

Concerns in Wisconsin: Flood, tornados, and severe winter storms are the biggest concerns for cities in Wisconsin. In 2014, the eastern United States, Wisconsin included, experienced its coldest winter in over a decade. This resulted in over $2.3 billion in insured damages.

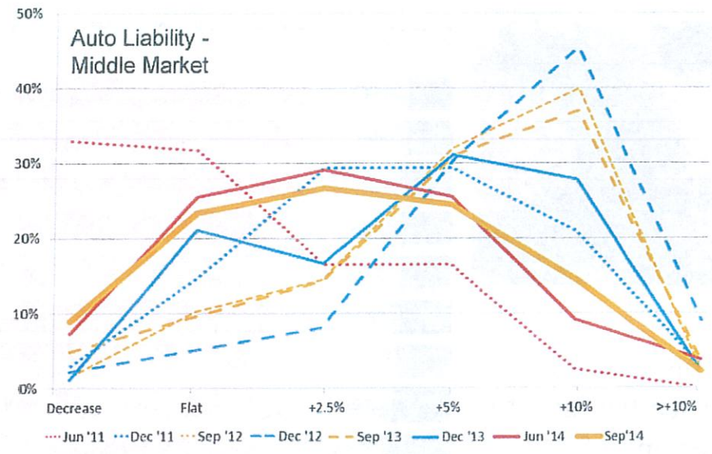


Automobile Liability

The Market Today: Higher auto retentions were a requirement of most insurers in 2014 and prior years, especially for insured customers with large fleets composed of heavy vehicles. Although the market has softened a bit, we do not expect insurers to begin lowering retention levels dramatically. If they do, the additional premium costs will likely be prohibitive.

Market Capacity: There is plenty of capacity through numerous markets but being deployed more selectively for clients with large fleets.

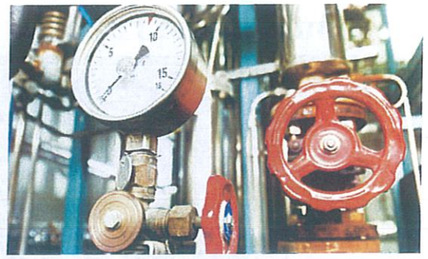
Topical Issues: Although volume of claims has decreased, the severity of the claims has increased due to rising medical costs.



Forecast: Clients with large heavy fleet counts: 5% increase/decrease.

Equipment Breakdown

Coverage: Equipment breakdown coverage is a form of insurance covering an accident occurring that involves larger equipment purchased by the client. This kind of coverage is sometimes referred to as Boiler & Machinery Insurance.



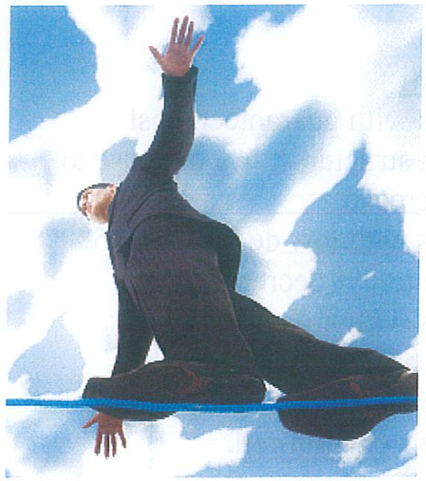
Higher Risks Associated with Changing Technologies:

- Improved computer technologies used within machinery such as boilers, energy plants, various big appliances, etc., increase overall functionality, but tend to be more sensitive to damage.
- This has caused a growth in breakdown risks, both for insurance carriers and the equipment owners.
- An increased dependency on equipment and machinery has also increased risk.

Employment Practices Liability

The Market Today: While many carriers offer EPLI, the market tightened in 2014 due to deteriorating industry-wide loss experience.

Market Capacity: Overall market capacity is mostly abundant either as a stand-alone coverage or as part of a package that can include other products.



SIGNIFICANT EMPLOYMENT CLAIMS FOR 2014

AutoZone, Inc.	Discrimination & Harassment: Gender/Sexual - pregnancy discrimination alleged by store manager allegedly demoted after employer was made aware of pregnancy	$185,872,720 awarded November 17, 2014, in US District Court for the Southern District of California. $185 million in punitive damages.
City of New York	Discrimination & Harassment: Racial – 1,500 black firefighters alleged discrimination in applicant process	$98,000,000 settlement on March 18, 2014
City of New York	Discrimination & Harassment: Gender/Sexual – pay discrimination for female safety agents	$38,000,000 settlement on August 26, 2014
Staples, Inc.	Discrimination & Harassment: Age – supervising manager allegedly harassed plaintiff based on age	$26,000,000 awarded February 26, 2014, in Los Angeles Superior Court. $22.8 million in punitive damages.
City of Los Angeles	Discrimination & Harassment: ADA – five police officers denied transfers to city jobs while recovering from job related injuries	$12,304,368 awarded May 5, 2014, in Los Angeles Superior Court
Microsoft Corporation	Wrongful Termination & Defamation: plaintiff alleged manager forced him out of a job after their romantic relationship ended	$11,623,064 settlement on May 7, 2014, in Travis County (TX) District Court

Topical Issues: Fair Labor Standards Act (FLSA) litigation is increasingly problematic for many employers as "wage and hour" claims are typically not covered under most EPLI policies.

Forecast: Flat to modest single digit rate increases.

Largest 2013 Jury Verdicts US

Top 5 Jury Verdicts of 2014 total: $24.4 billion
($23 billion from one verdict against R.J. Reynolds Tobacco)
Top 5 Jury Verdicts of 2015 total (so far): $1.08 billion

1. **Smartflash LLC awarded $532,900,000 from Apple for copyright infringement**: $532,900,000 **Smartflash LLC v. Apple Inc.**

2. **PLO ordered to pay out $218,500,500 to families of 33 victims killed in attacks from over a decade ago**: $218,500,500 **Sokolow v. Palestinian Liberation Organization**

3. **Fedex pays out $165,000,000 to family after 22 year old mother and 4 year old daughter are killed in collision with delivery truck. 19 month old son was the only survivor:** $165,000,000 **Venegas v. FedEx Corp.**

4. **Chrysler LLC pays out $150,000,000 after boy is killed when the jeep he is riding in bursts into flames after being rear ended:** $150,000,000 **Walden v. Chrysler Group LLC**

5. **Portfolio Recovery Associates LLC pays out $82,000,000 in punitive damages after erroneously suing her for outstanding credit card debt:** $82,000,000 **Alcantara v. Portfolio Recovery Associates LLC**

Introduction

Market Overview: 2015 should provide a stable to somewhat competitive environment for business insurance. The insurance market for public institutions looks relatively stable. Profitability within the insurance markets has increased significantly, and net written premiums have grown modestly. Policyholders' surplus has reached an all-time high, and net returns for the insurance industry have increased as well. We expect the market to improve throughout 2015, which will hopefully create more competitive rates for our clients.