

**Property, Equipment Breakdown and Hull
Insurance Proposal**

January 1, 2016 – January 1, 2017



All. Together. Certain.

Table of Contents

- ◆ **Executive Summary**
- ◆ **Property and Equipment Breakdown**
- ◆ **Hull**
- ◆ **Equipment Breakdown**
- ◆ **Property Loss Exhibit**
- ◆ **Market Security Analysis**
- ◆ **Consumer Disclosure**

This renewal proposal document is furnished as a matter of information for your convenience. It only summarizes the proposed policies, and does not reflect all of the terms, conditions, and exclusions of said policies. Moreover, the information contained herein reflects proposed coverage as of the effective dates of the proposed policies, and does not include subsequent changes. This document does not alter, amend, or extend the coverage afforded by the insurance policies themselves.

The foregoing quotation for coverage is subject to modification or withdrawal by the Company if, before the proposed inception date, any new, corrected or updated information becomes known which relates to any proposed Insured's claim history or risk exposure or which could have otherwise changed the underwriting evaluation of any proposed Insured, and the Company, in its sole discretion, determines that the terms of this quotation are no longer appropriate.

As respects coverage placed on claims made contracts, coverage is provided for claims first made against the Insured during the policy period. Any claim made against an Insured must be reported during that policy period. Hays Companies highly recommends ensuring all events which trigger the definition of Claim within the policy, even if they are under the retention/deductible, are reported to the current insurance carrier under the current policy period prior to expiration.



Executive Summary

INSURANCE MARKET UPDATE

Hays Companies is pleased to present this property insurance proposal for the combined property and equipment breakdown options for City of Milwaukee policies renewing January 1, 2016.

Property / Equipment Breakdown

- In the commercial marketplace, we continue to see property rates as low as they have been for quite a few years; the market has benefited tremendously due to the lack of catastrophic losses. Capacity is generally abundant for non-catastrophe exposed accounts. Commercial property rates have historically been higher than rates charged by the Wisconsin’s Local Government Property Insurance Fund (LGPIF).
- After marketing the Equipment Breakdown coverage for the 1-1-2015 renewal to the incumbent Hartford Steam Boiler (HSB), Zurich and Travelers, we negotiated a 3-year rate guarantee and a 19.6% premium reduction with the incumbent Equipment Breakdown insurer, Hartford Steam Boiler (HSB). While insured values increased by 2.5%, HSB agreed to keep the renewal premium flat at \$40,791, which is effectively a 2.5% rate reduction given the increased values. The rate guarantee requires that losses be lower than a specific loss ratio, and with no losses, the rate guarantee remains in effect. The 2016-2017 policy would be the second year of the 3-year rate guarantee period. As part of the coverage, HSB provides required jurisdictional object permit inspections.
- The City of Milwaukee currently obtains property insurance coverage (not including Equipment Breakdown) through the Local Government Property Insurance Fund (LGPIF), which, historically, has charged premium rates significantly below commercial market rates. During Spring 2015, the continuing operations of the LGPIF were in question as a result of proposed State of Wisconsin budget cuts. In July 2015, it was announced that the LGPIF will continue to operate as the proposed elimination of the LGPIF was taken out of the State of Wisconsin budget. While the LGPIF will continue to operate, historical LGPIF losses have had significant impact, and LGPIF is implementing premium increases. The City’s premium increase of 240% from the LGPIF for the 2016 property renewal is significantly larger than the 85% average rate increase mentioned by the LGPIF in correspondence to members earlier this year, warning of renewal rate increases.

With the significant rate increases coming from the LGPIF, we marketed the District’s property insurance to a number of insurers.

Quoting insurers	Declining insurers	Insurers with non-competitive indicated pricing
<ul style="list-style-type: none"> • LGPIF • Municipal Property Insurance Company (MPIC) • AIG • Travelers 	<ul style="list-style-type: none"> • Affiliated FM • AXIS • Chubb • Liberty Mutual 	<ul style="list-style-type: none"> • CNA – 6-7.5 cent rate • Zurich – 7-8 cent rate • SwissRe – 5-6 cent rate • Allianz – 6-7 cent rate

We have negotiated options for your consideration, one of which has important pricing and coverage advantages over a renewal of the incumbent insurance programs with LGPIF and Hartford Steam Boiler.

Executive Summary

Important Considerations

The LGPIF and MPIC property insurance programs do not include Equipment Breakdown coverage; selecting LGPIF or MPIC as your property insurer would be coupled with continuing Equipment Breakdown coverage with HSB.

The quotes from AIG and Travelers include Equipment Breakdown coverage. We are presenting the AIG quote only, as it is the most competitive of the commercial insurer programs quoted. Interestingly, AIG reinsures the Equipment Breakdown exposure back to HSB, and if the City selected the AIG program, the continuity of service for jurisdictional inspections through HSB will be maintained.

In addition to competing on rate, property insurance in the commercial insurance market provides substantially broader coverage than that provided by the LGPIF or MPIC. These differences are highlighted in our coverage comparison. Important coverage enhancements from commercial insurers include Earth Movement and Flood, both of which are excluded from LGPIF and MPIC coverage forms.

The LGPIF does provide certain coverage that many commercial insurers do not provide. One such issue is coverage for watercraft (hull) coverage. Our cost comparison between property renewal options also takes into account the additional cost to insure hulls under your separate P&I policy when comparing costs between property renewal options. Please note that related additional costs for Condition & Value (C&V) Surveys for certain vessels would be incurred; this is estimated at \$700 to \$1200 per required vessel survey. Survey results could impact the quoted premium cost. In addition, any vessel in the water during the “lay-up” period may result in additional premium, as the hull insurance underwriter’s quote assumes that the vessels will be out of the water and not at risk during the lay-up period.

The LGPIF and MPIC programs limit their liability in any one occurrence to the total of reported values, which is approximately \$1.5 billion. The commercial option has a \$1 billion in any one occurrence limit. The City has no single location with more than \$200 million in reported values, and the City’s insured property is dispersed and not concentrated in a single location. The 11 largest locations total less than \$1 billion in insured value. The remaining 133 locations have reported values between zero and \$25 million, and total approximately \$500 million in value. In evaluating policy limits, you may wish to consider the likelihood of a single occurrence approaching the \$1 billion any one occurrence limit. We also explored lower policy limit options at \$750 million and \$500 million. AIG would not provide any premium reduction for moving to a lower policy limit.

Location	Address	Total Insured Values
Central Library	814 W. Wisconsin Avenue	\$187,527,000*
Linnwood Purification Plant	3000 N. Lincoln Memorial Drive	\$143,818,386
Howard Avenue Purification Plant	3929 South 6 th Street	\$111,776,567
City Hall	200 East Wells	\$105,735,000
Zeidler Municipal Building	841 N. Broadway	\$ 76,396,700

**Includes scheduled fine arts.*

LGPIF is increasing rates this year, and has indicated that additional rate increases may be implemented in future years to address the many years of below-market pricing. AIG has offered a two-year rate guarantee which is an important issue to consider. If the loss ratio under the first policy year is under 50% and there is no material change in the risk, AIG will maintain the rate for the second year.

In lieu of standard commission on the AIG property policy of \$55,000, the Hays service fee is \$27,000.

Executive Summary

Effective January 1, 2015, LGPIF introduced a new policy form which created a different “Basis of Recovery” for “historical buildings.” Historical buildings are defined as any building on a national or state historic building register; both City Hall and the Central Library are considered historic buildings under the LGPIF. The new language limited coverage for damage to such historic buildings:

- In the event of a total loss of a historic building, coverage would be limited to “... the cost to replace the damaged property ... with a **less costly building that is functionally equivalent** to the damaged ‘historic building.’”
- In the event of a partial loss to a historic building, coverage would be limited to “... the cost to repair or replace the damaged portion ... with **less costly material** in the architectural style that existed before the loss ...”

The new historic building basis of valuation eliminated the previously provided replacement cost valuation, which insured for “... the cost of replacing the damaged property ... **with property of like kind and quality...** .” However, for an additional premium, LGPIF will endorse their new form to provide the broader replacement cost coverage for historic buildings.

The following is a brief renewal comparison of the expiring program, demonstrating the significant rate increase imposed by LGPIF.

2015-2016 Property with LGPIF Equipment Breakdown with HSB	2016-2017 Property with LGPIF Equipment Breakdown with HSB
Total insured values: \$1,492,897,955	Total insured values: \$1,517,263,431
LGPIF Premium: \$213,062* HSB Premium: \$40,791 TOTAL: \$253,853	LGPIF: \$510,478 (+240%) HSB: \$40,791 (flat) TOTAL: \$551,269
LGPIF Property Deductible: \$100,000 Each Occurrence, \$200,000 Annual Aggregate	
Effective combined rate per \$100: \$0.0170	Effective combined rate per \$100: \$0.0363 (+215%)
Quoted Cost to add back Historical Buildings coverage enhancement for “like kind and quality”: \$16,653 (not purchased, not included above)	Quoted cost to add back Historical Buildings coverage enhancement for “like kind and quality” at renewal: \$40,244 (not included above)
* LGPIF annual premium adjusted to reflect Monies and Securities coverage mid-term deletion. Annual expiring premium for Monies and Securities coverage was \$45,550.	

Our more detailed comparison of combined property and equipment breakdown options starts on page 6.

Another important coverage enhancement available through AIG is the “capital expenditures” claim recovery option. Property policies will limit recovery to the depreciated “Actual Cash Value” if a policyholder does not rebuild, repair and replace insured property after an insured loss. However, the AIG policy will provide the replacement cost valuation of such a loss if the proceeds are used on unplanned capital expenditures related to your operations at another of your covered locations. The intent is to allow the policyholder flexibility with the insurance proceeds to improve their other real property. Please see policy language for specific wording.

Property and Equipment Breakdown

PROPERTY TOTAL INSURED VALUES		
DESCRIPTION	Excluding Watercraft	Including Watercraft
Building	\$1,133,428,287	\$1,040,729,795
Contents	\$314,482,663	\$469,723,132
Watercraft under LGPIF Contractors Equipment schedule*		\$6,133,397
Contractors Equipment excluding Watercraft	\$15,163,752	\$15,163,752
Property in the Open not including sculptures	\$31,091,004	\$31,091,004
Fine Art – Property in the Open – sculptures and outdoor art	\$8,143,328	\$8,143,328
Fine Art - Schedule	\$8,821,000	\$8,821,000
TOTAL	\$1,511,130,034	\$1,517,263,431
BUSINESS INTERRUPTION	None reported	None reported
GRAND TOTAL	\$1,511,130,034	\$1,517,263,431

These values are based on the Statement of Values derived from the October 7, 2015 LGPIF insured values downloaded with permission of City of Milwaukee for insurance marketing purposes. The data was adjusted to remove all property entries with an indicated Status of “REMOVED” or “REMOVAL REQUESTED.”

If City of Milwaukee stops participating in the LGPIF, the City should consider alternate methods of tracking insurable values. We would be happy to share insight into replacement cost valuation and trend factors, as well as insurance carrier expectations in reporting replacement cost values.

***Watercraft scheduled under LGPIF do not match Watercraft provided by City of Milwaukee for P&I coverage.**

Property and Equipment Breakdown Premium and Coverage Comparison Summary

POLICY TERM:	1-1-2015/2016	1-1-2016/2017		1-1-2016/2017	1-1-2016/2017	
PROPERTY INSURER:	LGPIF	LGPIF		MPIC	AIG (net of commission)	
EQUIPMENT BREAKDOWN INSURER:	HSB	HSB		HSB	AIG (reinsured by HSB)	
HULL INSURER:	LGPIF	LGPIF		MPIC	Atlantic Specialty Option #3 (includes commission)	
Premium		@ \$100,000 deductible	@ \$250,000 deductible	@ \$100,000 deductible	@ \$100,000 deductible	@ \$250,000 deductible
Property	\$213,062	\$518,880	\$473,734	\$577,492	\$495,897	\$449,772
Equipment Breakdown	\$40,791	\$40,791	\$40,791	\$40,791	Included	Included
Cost to insure Hull*	Included	Included	Included	Included	\$27,984	\$27,984
Hays Property Fee		\$12,500	\$12,500	\$12,500	\$27,000	\$27,000
Premium Cost Comparison	\$253,853	\$572,171	\$527,025	\$630,783	\$550,081	\$504,756
Combined Rate per \$100	.0170	.0377	.0347	.0416	.0364	.0333
Renewal Rate Guarantee	None	None		None	1st renewal rate – no increase if loss ratio is less than 50%	
Policy Limit–Property Perils	\$1.5 Billion	\$1.5 Billion		\$1.5 Billion	\$1 Billion	
Policy Limit – Boiler Perils	\$100 Million	\$100 Million		\$100 Million	Included	
Flood Limit – non high hazard	EXCLUDED	EXCLUDED		EXCLUDED	\$50 million	
Flood Limit – high hazard	EXCLUDED	EXCLUDED		EXCLUDED	\$5 million	
Earth Movement Limit	EXCLUDED	EXCLUDED		EXCLUDED	\$100 million	
Foundations	EXCLUDED	EXCLUDED		EXCLUDED	Silent	
Historic Buildings Valuation	Functional equivalent	Replacement cost		Functional equivalent	Replacement Cost	
Asbestos damage from insured peril	INCLUDED	INCLUDED		\$100,000	INCLUDED	
Deductibles – each occurrence unless otherwise described						
Property	\$100,000 each occurrence; \$200,000 annual aggregate	\$100,000	\$250,000	\$100,000	\$100,000	\$250,000
Contractor Equipment	\$5,000	\$5,000		\$5,000	\$5,000	
Transit	\$100,000	\$100,000		\$100,000	\$10,000	
Equipment Breakdown – combined all coverages	\$25,000	\$25,000		\$25,000	\$25,000	

*Cost to insure Hull – additional costs for hull surveys, and potential additional premium for hull condition or hull use during lay-up period may apply; see page 14.

Property and Equipment Breakdown

COVERAGE	LGPIF / HSB	MPIC / HSB	AIG
Equipment Breakdown policy limit	\$100 million (HSB)	\$100 million (HSB)	\$1 billion
Hull	Hull Included for Replacement Cost	Hull Included for Replacement Cost	Excluded under AIG Insured for Actual Cash Value under Atlantic Specialty (IMU)
Accounts Receivable	Excluded	Excluded	\$2,500,000
Arson or Theft Reward	Not covered	Not covered	\$100,000
Asbestos Removal	Policy covers asbestos physically incorporated in an insured building that is damaged by an insured peril. No sub-limit applies.	Policy covers asbestos physically incorporated in an insured building that is damaged by an insured peril. \$100,000 sublimit.	Policy covers asbestos physically incorporated in an insured building that is damaged by an insured peril. No sub-limit applies.
Building Foundations	EXCLUDED	EXCLUDED	Silent
Business Interruption / Rental Income	Not covered on Property \$10 million under Equipment Breakdown (HSB)	Not covered on Property \$10 million under Equipment Breakdown (HSB)	Included in policy limit Includes 30 days of Ordinary Payroll
Cancellation / Non-Renewal Provision	Not applicable	60 days except 10 days for non-payment of premium	90 days except 10 days for non-payment of premium
Civil Authority	NOT COVERED	NOT COVERED	30 days, up to \$5,000,000
Claim Data Expense (Costs to Prove a loss)	NOT COVERED	NOT COVERED	\$250,000
Crisis Management	NOT COVERED	NOT COVERED	30 days to a maximum of \$1,000,000

Property and Equipment Breakdown

COVERAGE	LGPIF / HSB	MPIC / HSB	AIG
Computer Virus (Electronic Vandalism to Electronic Data and Media)	NOT COVERED	NOT COVERED	\$100,000 Cyber Perils
Contingent Business Interruption and Extra Expense	NOT COVERED	NOT COVERED	\$5,000,000
Contractor's Equipment	As reported Equipment Rental Expense not included	As reported Equipment Rental Expense not included	Up to \$3,500,000 per item and \$7,000,000 per occurrence
Debris Removal	Included	Included	Greater of \$20,000,000 or 25% of direct physical loss to all covered property
Earth Movement	EXCLUDED	EXCLUDED	\$100,000,000 annual aggregate
Electronic Data Processing Equipment & Media	Included	Included	Equipment Included to Policy Limit Data and Media - \$5,000,000
Errors or Omissions	Language addresses coverage for unintentional non-reporting	Language addresses coverage for unintentional non-reporting	\$10,000,000
Exhibition, Exposition, Fair or Trade Show	Not excluded	Not excluded	\$100,000

Property and Equipment Breakdown

COVERAGE	LGPIF / HSB	MPIC / HSB	AIG
Expediting Expense	NOT COVERED	NOT COVERED	\$5,000,000
Extended Period of Indemnity (Business Income)	NOT COVERED	NOT COVERED	90 days
Extra Expense	\$5,000,000	\$5,000,000	\$5,000,000
Fine Arts	Per Schedule	Per Schedule	\$10,000,000
Fire Department Service Charge	\$5,000 each premises, no deductible	\$5,000 each premises, no deductible	\$500,000
Flood	EXCLUDED	EXCLUDED	\$50,000,000 annual aggregate except: \$5,000,000 Flood annual aggregate for FEMA SFHA (high hazard zones)
Fungus, Mold, Mildew, Wet Rot and Dry Rot	Property Damage: <ul style="list-style-type: none"> • \$15,000 per occurrence • \$50,000 annual aggregate 	Property Damage: <ul style="list-style-type: none"> • \$15,000 per occurrence • \$50,000 annual aggregate 	\$500,000
Ingress/Egress	NOT COVERED	NOT COVERED	Lesser of Actual Loss Sustained for 30 Consecutive Days or \$5,000,000 Covered cause of loss must be within 1 mile of insured location

Property and Equipment Breakdown

COVERAGE	LGPIF / HSB	MPIC / HSB	AIG
Leasehold Interest	NOT COVERED	NOT COVERED	\$250,000
Miscellaneous Unnamed Locations	See policy language	See policy language	\$1,000,000
<u>Newly Acquired / Constructed Locations</u> - Real and Personal Property	Up to \$500,000 if reported by renewal Over \$500,000 if reported within 90 days	Up to \$500,000 if reported by renewal Over \$500,000 if reported within 90 days	\$10,000,000 Newly Acquired Property Must be reported within 365 days
Off-Premises Service Interruption – Property Damage and Time Element Combined	Property covered under LGPIF (no business interruption coverage) Equipment Breakdown under HSB policy subject to \$10,000,000 sublimit	Property covered under MPIC (no business interruption coverage) Equipment Breakdown under HSB policy subject to \$10,000,000 sublimit	\$10,000,000 Property Damage \$25,000,000 Time Element
<u>Ordinance or Law</u>			
- Demolition of Undamaged Portion	\$2,000,000 any one occurrence	\$2,000,000 any one occurrence	Included to policy limit of \$1 billion
- Demolition	Included in Undamaged Portion (\$2,000,000 shared)	Included in Undamaged Portion (\$2,000,000 shared)	\$10,000,000
- Increased Cost of Construction	Included in Undamaged Portion (\$2,000,000 shared)	Included in Undamaged Portion (\$2,000,000 shared)	\$10,000,000

Property and Equipment Breakdown

COVERAGE	LGPIF / HSB	MPIC / HSB	AIG
Outdoor Property including Debris Removal (plants, trees, shrubs, paved surfaces)	A maximum of \$5,000 for unscheduled (Named Perils Coverage Only) Trees or shrubs \$500 per item, lawn damage \$1,000 including debris removal, up to a maximum of \$5,000 Excludes pavements more than 100 feet from a “covered” building or structure	A maximum of \$5,000 for unscheduled (Named Perils Coverage Only) Trees or shrubs \$500 per item, lawn damage \$1,000 including debris removal, up to a maximum of \$5,000 Excludes pavements more than 100 feet from a “covered” building or structure	\$1,000,000
Personal Property of Employees and Officers	\$500 per employee to a maximum of \$10,000 per occurrence for personal property on premises	\$500 per employee to a maximum of \$10,000 per occurrence for personal property on premises	Included
Pollutant Clean-up and Removal from land/water	\$10,000 per occurrence/annual aggregate	\$10,000 per occurrence/annual aggregate	\$250,000 per occurrence/annual aggregate
Property in Transit	Silent	Silent	\$1,000,000
Seepage	EXCLUDED, except sewer, septic system or sump pump backup that is contained within a building or structure is covered (sewer and sump backup still excluded if resulting from Flood.)	EXCLUDED, except sewer, septic system or sump pump backup that is contained within a building or structure is covered (sewer and sump backup still excluded if resulting from Flood.)	Included – <ul style="list-style-type: none"> Underground water seepage, natural or man-made source Sewer and drain back-up

Property and Equipment Breakdown

COVERAGE	LGPIF / HSB	MPIC / HSB	AIG
Surface Water	\$1,500,000 for a qualifying event	Excluded	Included in Flood sublimits
Terrorism	Included	Included	Included
Valuable Papers	Included	Included	\$10,000,000

Property and Equipment Breakdown

DEDUCTIBLES – EACH OCCURRENCE			
	LGPIF / HSB	MPIC / HSB	AIG
Deductible, per occurrence Except:	\$100,000	\$100,000	\$100,000
Contractor's Equipment	\$5,000	\$5,000	\$5,000
Equipment Breakdown	\$25,000 (HSB)	\$25,000 (HSB)	\$25,000
Earthquake	NO COVERAGE	NO COVERAGE	\$100,000
Flood			
FEMA SFHA High hazard locations	NO COVERAGE	NO COVERAGE	5% of Total Insured Value per location subject to a minimum of \$1,000,000
All Other Locations	NO COVERAGE	NO COVERAGE	\$100,000
Property in Transit	\$100,000	\$100,000	\$10,000
VALUATION			
Property Damage	Replacement Cost	Replacement Cost	Replacement Cost
Business Interruption	Actual Loss Sustained	Actual Loss Sustained	Actual Loss Sustained
Data and Media	Cost to reconstruct/recreate	Cost to reconstruct/recreate	Cost to reconstruct/recreate
Valuable Papers	Cost to reconstruct/recreate	Cost to reconstruct/recreate	Cost to reconstruct/recreate
Contractor's Equipment	Replacement Cost	Replacement Cost	Agreed Value (as reported on SOV)
Property Damage not repaired or replaced	Actual Cash Value	Actual Cash Value	Capital Expenditure option at Replacement Cost valuation – otherwise, Actual Cash Value

Hull

NAMED INSURED & ADDRESS	City of Milwaukee 200 E, Wells Street c/o Office of the City Attorney Milwaukee, WI 53202
POLICY PERIOD:	01/01/2016 - 01/01/2017

Terms and Conditions			
Carrier:	Atlantic Specialty Insurance Company (IMU)		
Form	Taylor Hull Form and Strike Riot & Civil Commotion (SR&CC) Endorsement		
Lay-up period	December 1 – March 31, both dates inclusive. Any hulls in the water during the lay-up period to be reported and an additional premium will be due.		
Condition & Value (C&V) Survey Required within 60 days of binding:	C&V Survey required on yellow highlighted hulls in the Schedules for Options 1, 2 and 3.* If the bill of sale/invoice can be provide for the Workboat Joey D, then the required survey for that vessel will be waived.		
Vessels included	See Premium Option Schedules 1, 2 and 3		
Deductible	1.5% of vessel FMV subject to \$1,000 minimum (See Schedules)		
Premium Options:	Option 1 Schedule All Vessels**	Option 2 Schedule All Vessels greater than \$75,000 FMV**	Option 3 Schedule High Value Police & Fire and new Workboat Joey D**
Annual Hull Premium	\$34,589	\$33,678	\$26,728
TRIA Terrorism	\$786	\$766	\$628
SR&CC Endorsement	<u>\$786</u>	<u>\$766</u>	<u>\$628</u>
Total Premium	\$36,161	\$35,210	\$27,984
Minimum Earned Premium	Premium is 90% fully earned during navigation season.		
Commission	15% brokerage commission		
*The results of the C&V Surveys could cause the premium to change. The C&V Surveys will need to be performed within 60 days of binding coverage by an approved independent surveyor at an estimated cost of \$700 to \$1200 per vessel.			
**See Schedules on pages 15-16 for specific hulls covered under each Premium Option			

Hull Option 1 Schedule

Site/Dept	Description	Model	Model Year	Actual Cash Value	Deductible	Rate	Annual Premium
999/Public Works	01 Metal Barge - 52'LX18'BX5'D Not Self- Propelled. No engines, no fuel. Gross Tonnage: 35.		1950	\$201,159	\$3,000	1.25	\$2,514
999/Public Works	02 Metal Barge - 38'LX12'BX7'D Not Self- Propelled. No engines, no fuel. Gross Tonnage: 15.		1950	\$167,633	\$2,500	1.25	\$2,095
999/Public Works	03 Metal Barge-24'LX10'BX4'D Not Self- Propelled. No engines, no fuel. Gross Tonnage: 11.		1950	\$87,168	\$1,500	1.25	\$1,090
999/Port of Milwaukee	50X15 Work Boat - Self propelled 250 HP motor (Harbor Seagull)			\$100,000	\$1,500	1.25	\$1,250
Milwaukee Fire Dept	0584 14' Inflatable Boat	F470	1989	\$9,138	\$1,000	1.25	\$114
Milwaukee Fire Dept	0583 13' Inflatable Boat	MKIIGR	2004	\$5,250	\$1,000	1.10	\$58
Milwaukee Fire Dept	0585 17" Inflatable Assault Boat w/ 30hp & 60hp motors	FC 530	2010	\$33,367	\$1,000	1.00	\$334
Milwaukee Fire Dept	0429 Fire Boat	Marine	2006	\$899,377	\$15,000	1.10	\$9,893
Milwaukee Police Dept	30' Aluminum Hull With Cabin Patrol Boat (Unit #1597)	3010	1988	\$135,500	\$2,000	1.25	\$1,694
Milwaukee Police Dept	30' Aluminum Hull Inflatable With Cabin Patrol Boat (Unit #1596)	920 Hurricane	2006	\$227,000	\$2,500	1.10	\$2,497
Milwaukee Police Dept	19' Rigid Hull Inflatable (Unit #1598)	590 OB Rescue	1991	\$13,500	\$1,000	1.25	\$169
Milwaukee Police Dept	27' Aluminum Hull Inflatable with Cabin (Unit #1595)	VC Commander	2007	\$174,000	\$2,500	1.10	\$1,914
Milwaukee Police Dept (NEW ADDITION)	23' Aluminum Hull with Center Console (Unit #1599)	23TT	2013	\$173,013	\$2,500	1.00	\$1,730
Milwaukee Police Dept	15' Inflatable Boat	G470	2003	\$15,000	\$1,000	1.25	\$188
Milwaukee Police Dept	13' Fiberglass Boat	TRI-130		\$2,000	\$1,000	1.25	\$25
999/ Port Work Boat	Work Boat - Joey D	BHC-CONT643	2012	\$900,000	\$15,000	1.00	\$9,000
999/ Port Survey Boat	14 Foot Aluminum boat with 15 HP outboard motor	?	before 1965	\$1,500	\$1,000	MP	\$25
As respects Hull Coverags, each vessel deemed separately insured.				\$3,144,605			\$34,589

Hull Option 2 Schedule

Site/Dept	Description	Model	Model Year	Actual Cash Value	Deductible	Rate	Annual Premium
999/Public Works	01 Metal Barge - 52'LX18'BX5'D Not Self- Propelled. No engines, no fuel. Gross Tonnage: 35.		1950	\$201,159	\$3,000	1.25	\$2,514
999/Public Works	02 Metal Barge - 38'LX12'BX7'D Not Self- Propelled. No engines, no fuel. Gross Tonnage: 15.		1950	\$167,633	\$2,500	1.25	\$2,095
999/Public Works	03 Metal Barge-24'LX10'BX4'D Not Self- Propelled. No engines, no fuel. Gross Tonnage: 11.		1950	\$87,168	\$1,500	1.25	\$1,090
999/Port of Milwaukee	50X15 Work Boat - Self propelled 250 HP motor (Harbor Seagull)			\$100,000	\$1,500	1.25	\$1,250
Milwaukee Fire Dept	0429 Fire Boat	Marine	2006	\$899,377	\$15,000	1.10	\$9,893
Milwaukee Police Dept	30' Aluminum Hull With Cabin Patrol Boat (Unit #1597)	3010	1988	\$135,500	\$2,000	1.25	\$1,694
Milwaukee Police Dept	30' Aluminum Hull Inflatable With Cabin Patrol Boat (Unit #1596)	920 Hurricane	2006	\$227,000	\$2,500	1.10	\$2,497
Milwaukee Police Dept	27' Aluminum Hull Inflatable with Cabin (Unit #1595)	VC Commander RAM	2007	\$174,000	\$2,500	1.10	\$1,914
Milwaukee Police Dept (NEW ADDITION)	23' Aluminum Hull with Center Console (Unit #1599)	23TT	2013	\$173,013	\$2,500	1.00	\$1,730
999/ Port Work Boat	Work Boat - Joey D	BHC-CONT643	2012	\$900,000	\$15,000	1.00	\$9,000
As respects Hull Coverags, each vessel deemed separately insured.				\$3,064,850			\$33,678

Hull Option 3 Schedule

Site/Dept	Description	Model	Model Year	Actual Cash Value	Deductible	Rate	Annual Premium
Milwaukee Fire Dept	0429 Fire Boat	Marine	2006	\$899,377	\$15,000	1.10	\$9,893
Milwaukee Police Dept	30' Aluminum Hull With Cabin Patrol Boat (Unit #1597)	3010	1988	\$135,500	\$2,000	1.25	\$1,694
Milwaukee Police Dept	30' Aluminum Hull Inflatable With Cabin Patrol Boat (Unit #1596)	920 Hurricane	2006	\$227,000	\$2,500	1.10	\$2,497
Milwaukee Police Dept	27' Aluminum Hull Inflatable with Cabin (Unit #1595)	VC Commander RAM	2007	\$174,000	\$2,500	1.10	\$1,914
Milwaukee Police Dept (NEW ADDITION)	23' Aluminum Hull with Center Console (Unit #1599)	23TT	2013	\$173,013	\$2,500	1.00	\$1,730
999/ Port Work Boat	Work Boat - Joey D	BHC-CONT643	2012	\$900,000	\$15,000	1.00	\$9,000
As respects Hull Coverags, each vessel deemed separately insured.				\$2,508,890			\$26,728

Equipment Breakdown

NAMED INSURED & ADDRESS	City of Milwaukee 200 E, Wells Street c/o Office of the City Attorney Milwaukee, WI 53202
POLICY PERIOD:	01/01/2016 - 01/01/2017

All Dates at 12:01a.m. at the Insured's Address

PROPERTY LOCATIONS
Per 2015 Statement Of Property Values Provided By The City Of Milwaukee

MACHINERY & EQUIPMENT COVERAGE		
COVERAGE	2015-16 HSB	2016-17 HSB
Equipment Breakdown Limit	\$100,000,000	\$100,000,000
Business Income	\$10,000,000 (Coinsurance Waived Until 1/1/2016)	\$10,000,000 (Coinsurance Waived Until 1/1/2017)
Perishable Goods – Spoilage (Includes Ammonia Contamination)	\$1,000,000 – No Distance Limitation for Business Interruption / Extra Expense Service Interruption	\$1,000,000 – No Distance Limitation for Business Interruption / Extra Expense Service Interruption
Data Restoration	\$500,000	\$500,000
Property Damage	Included On Repair Or Replacement Basis	Included On Repair Or Replacement Basis
Demolition	\$5,000,000	\$5,000,000
Ordinance or Law	\$5,000,000 Including Increased Cost Of Construction	\$5,000,000 Including Increased Cost Of Construction
Contingent Business Interruption	\$5,000,000	\$5,000,000
Expediting Expense	\$5,000,000	\$5,000,000
Extra Expense	\$10,000,000	\$10,000,000
Hazardous Substance	\$5,000,000	\$5,000,000

Equipment Breakdown (Continued)

EQUIPMENT BREAKDOWN COVERAGE		
COVERAGE	2015-16 HSB	2016-17 HSB
Service Interruption	\$10,000,000 Property Damage And Time Element With No Distance Limitation. <u>Covered Utilities Including:</u> <ul style="list-style-type: none"> ▪ Electricity ▪ Water ▪ Heating ▪ Gas ▪ Steam ▪ Outgoing Sewer ▪ Refrigerants ▪ Communications ▪ Air Conditioning 	\$10,000,000 Property Damage And Time Element With No Distance Limitation. <u>Covered Utilities Including:</u> <ul style="list-style-type: none"> ▪ Electricity ▪ Water ▪ Heating ▪ Gas ▪ Steam ▪ Outgoing Sewer ▪ Refrigerants ▪ Communications ▪ Air Conditioning
Drying Out of Electrical “Covered Equipment” Due To Flood, Mudslide, Backup of Sewer, Drain or Sump	Included – limited to the Actual Cash Value of the affected “covered equipment.”	Included – limited to the Actual Cash Value of the affected “covered equipment.”
Errors & Omissions in describing or including a location	Included	Included
Newly Acquired Locations / Including Expansion Or Remodeling	Included. Must Be Reported Within 365 Days	Included. Must Be Reported Within 365 Days
Miscellaneous Un-Named Locations (Applies To Locations You Own Or Lease That Are Not Listed On The Schedule Of Locations.)	\$1,000,000	\$1,000,000
Off Premise Property Damage – Coverage For Portable Equipment Taken Off-Site	\$5,000,000	\$5,000,000
Testing	Policy Only Specifically Excludes Loss Incurred Due To An Electrical Insulation Breakdown Test (Hot Testing) And Hydrostatic, Pneumatic Or Gas Pressure Tests.	Policy Only Specifically Excludes Loss Incurred Due To An Electrical Insulation Breakdown Test (Hot Testing) And Hydrostatic, Pneumatic Or Gas Pressure Tests.

Equipment Breakdown

(Continued)

EQUIPMENT BREAKDOWN COVERAGE		
COVERAGE	2015-16 HSB	2016-17 HSB
Liberalization Clause	Included	Included
Covered Equipment	Electrical & Communications Equipment, Air Conditioning, Refrigeration, Diagnostic Equipment, Fiber Optic Cables, Computer Equipment, Elevators, Furnaces, Pressure Vessels & Boilers	Electrical & Communications Equipment, Air Conditioning, Refrigeration, Diagnostic Equipment, Fiber Optic Cables, Computer Equipment, Elevators, Furnaces, Pressure Vessels & Boilers
Civil Authority Coverage	Included for 21 days - Expands business income and extra expense coverage to include coverage for loss resulting from a civil authority denying access to your business as a result of a covered breakdown to a business located within 1 mile of your location.	Included for 21 days - Expands business income and extra expense coverage to include coverage for loss resulting from a civil authority denying access to your business as a result of a covered breakdown to a business located within 1 mile of your location.
Environmental, Safety and Efficiency Improvement – Increased Valuation for Requirement Replacement of Covered Equipment	150% of Replacement Cost	150% of Replacement Cost
Green Coverage - additional costs to repair/replace damaged equipment with environmentally friendly equipment.	\$250,000	\$250,000
Mold Coverage - cost to repair or replace and clean up or dispose of covered property contaminated by mold resulting from a breakdown	\$100,000	\$100,000

Equipment Breakdown

(Continued)

EQUIPMENT BREAKDOWN		
Conditions	2015-16 HSB	2016-17 HSB
Joint Or Disputed Loss Agreement	Included	Included
Notice Of Cancellation	90 Days, Other Than For Non-Payment which is 10 Days	90 Days, Other Than For Non-Payment which is 10 Days
Extended Period Of Restoration	90 Days Applies To Business Interruption, Service Interruption & Extra Expense	90 Days Applies To Business Interruption, Service Interruption & Extra Expense
Omnibus Wording	Included	Included
Jurisdictional Inspections	Included	Included
Three Year Rate Guaranteed Endorsement	Included – 30% Cumulative Loss Ratio Trigger (1 st year)	Included – 30% Cumulative Loss Ratio Trigger (2 nd year)
Endorsement modifying definition of “Covered Property”	“Covered Property” does not include transmission and distribution lines (Added due to Wind Turbine)	“Covered Property” does not include transmission and distribution lines (Added due to Wind Turbine)

	EXPIRING	RENEWAL
DEDUCTIBLE	Direct and Indirect Damage – Combined: \$25,000 Interruption Of Service Waiting Period – 24 Hours	Direct and Indirect Damage – Combined: \$25,000 Interruption Of Service Waiting Period – 24 Hours

	EXPIRING	RENEWAL
PREMIUM:	\$40,791 Premium	\$40,791 Premium (Flat)
	Terrorism is not excluded	Terrorism is not excluded

Loss Exhibit

Policy Period	Date of Loss	Loss Summary Description of Claim	Claim Status	Deductible	Loss Paid to Policyholder
1-1-10/11	7/20/2010	Water damage resulting from power outage at Riverside Pumping Station (Property)	C	\$50,000*	\$303
1-1-11/12		None			
1-1-12/13		None			
1-1-13/14		None			
1/1/14-15		None			
1/1/15-16		None to Date			

Market Security Analysis

(as of November 12, 2015)

INSURER	LINE OF COVERAGE	A.M. BEST RATING	FINANCIAL STRENGTH RATING OUTLOOK	CREDIT RATING OUTLOOK
Hartford Steam Boiler	Equipment Breakdown	A++, X	Stable	Stable
American Home Assurance (AIG)	Property and Equipment Breakdown combined	A, XV	Stable	Stable
Local Government Property Insurance Fund	Property	Not Rated*	Not Rated	Not Rated
Municipal Property Insurance Company	Property	Not Rated*	Not Rated	Not Rated
Atlantic Specialty Insurance Company (IMU)	Hull	A, X	Stable	Stable

*We are aware that LGPIF and MPIC purchase reinsurance from rated insurers to support their issued policies.

Market Security Analysis (Continued)

Best's Rating System:

A. M. Best's Insurance Reports provides financial solvency ratings for insurance companies. The following chart explains Best's rating system.

<u>Financial Size Category</u>	<u>Adjusted Policyholder's Surplus (\$000's)</u>		
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	2,000,000
Class XV	2,000,000	or	Greater

Market Security Analysis (Continued)

Ratings

A++, A+	Superior
A and A-	Excellent
B++, B+	Very Good
B and B-	Good
C++, C+	Fair
C and C-	Weak
D	Below Minimum Standards
E	Under Regulatory Supervision
F	In Liquidation
S	Rating Suspended

Rating Modifiers

U	Under Review The rating may change in the near term typically within 6 months. Generally is event driven, with positive, negative or developing implications.
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Rating Outlooks

Assigned to an Interactive Financial Strength Rating (A++ to D) to indicate its potential direction over an intermediate term, generally defined as 12 to 36 months.

Positive: Indicates possible rating upgrade due to favorable financial/market trends relative to the current rating level.

Negative: Indicates possible rating downgrade due to unfavorable financial/market trends relative to the current rating level.

Stable: Indicates low likelihood of a rating change due to stable financial/market trends.

Consumer Disclosure

DISCLOSURE OF SOURCES OF COMPENSATION

Hays Companies may be compensated for our work in a variety of ways, including the following:

1. **Client Fees.** In some cases, our clients pay us negotiated fees for handling their insurance needs. Any such fees to be paid by the client are set forth in the written agreement between the Hays Companies and our client.
2. **Regular Commissions:** Insurance companies with which we place business generally pay us commissions for the placement or renewal of policies. In most cases, such commissions are calculated as a percentage of the premium paid to the insurance company for the specific policy and are included in our client's premium cost. Occasionally the commission may be a fixed amount negotiated between us and the insurer. In some cases where clients pay us fees in connection with the placement and servicing of their insurance business, commissions may be credited against any fee to be paid by the client; if so, this will be set forth in our written client agreement.
3. **Contingent Commissions and Other Incentive Payments:** Most of the insurers that the Hays Companies represent grant us the opportunity to receive contingent commissions or supplemental income. Unlike regular commissions, contingent commissions and supplemental income are not tied to a specific policy, but rather are generally tied to various criteria relating to the overall business we place with those insurers, typically measured on an annual basis. These contingent commissions and supplemental income may be based on a number of factors relating to the business placed by our agency with the insurance company, including growth in premium, loss ratios, total written premium, premium volume, retention of business, profitability, and/or other criteria. Further, in connection with the placement of insurance, we may also receive compensation from intermediaries, such as wholesalers, other agencies and brokers, or re-insurers. In addition, some insurance companies may offer our agency other incentives or payments, such as marketing or administrative support, promotional fees, educational costs, and/or prizes, gifts, or awards (e.g. meals, trips, etc). In some cases, we may enter into relationships with an insurance company whereby we provide the insurer with additional services for which we receive a fee, such as premium finance contracts, policy or claims administration, or loss control services. In some cases, we may own stock in a particular insurance company or reinsurance company
4. **Interest Income:** In some cases where our clients pay for insurance policies through the agency (instead of by direct payment to the insurer which issued the policy), the agency may receive income from interest accruing on amounts held for payment to insurers.

This synopsis provides an overview of our general compensation practices. Because it is only a general overview, there may be exceptions not addressed above. The Hays Companies will disclose to our clients at their request the actual or anticipated compensation we receive in connection with the issuance or placement of insurance business and will upon request provide more information about our contingency fee and supplemental income arrangements with particular insurers.