



	Approved	Denied
Date Action Taken:	7/24/06	
Other:		
Verified by: <i>K. Mites</i>		

WASILLA CITY COUNCIL ACTION MEMORANDUM

AM No. 06-41

TITLE: Council Approval of the Award of City of Wasilla's Insurance (Property, Liability, Automobile, and Worker's Compensation) to the Alaska Public Entity Insurance, Difference in Conditions Insurance to Mt. Hawley Insurance Company and Pacific Insurance Co., and Aviation Insurance to ACE Property & Casualty Insurance Co. through Marsh USA, Inc.

Agenda of: July 34, 2006

Date: July 13, 2006

Originator: Ted Leonard, Director of Finance and Administrative Services

Route to:	Department	Signature/Date
X	Finance, Risk Management & MIS Director Purchasing	<i>[Signature]</i>
X	Deputy Administrator Planning, Economic Development, Human Resources	<i>[Signature]</i>
X	City Clerk	<i>[Signature]</i>

REVIEWED BY MAYOR DIANNE M. KELLER:

[Signature: Dianne M. Keller]

FISCAL IMPACT: yes \$525,624 or no

Funds Available yes no

Account name/number: Various

Attachments: Broker analysis.

SUMMARY STATEMENT: The City awarded the renewal of the City of Wasilla's insurance coverage (Property, Liability, Automobile, and Workers Compensation) to Alaska Public Entity Insurance (APEI), renewal of Difference in Conditions (Earth Quake & Flood) Insurance to Mt Hawley Insurance Inc. and Pacific Insurance Co., and renewal of aviation insurance to ACE Property & Casualty Insurance under WMC 5.08.150 (Emergency Procurement) on June 28th. The City of Wasilla did not receive the final quotes from the Insurance Pools until June 28th at 2:00 p.m.. Based on an analysis of the quotes that the City of Wasilla received (see Insurance Broker's memorandum) from AML-JIA Insurance Pool and the Alaska Public Entity Insurance Pool, Administration and the Finance Department determined that the rates and the insurance program offered by the APEI in combination with the difference in Conditions Insurance (Earthquake & Flood) from Mt. Hawley Insurance Company and Pacific Insurance Company was the best insurance program for the City of Wasilla. The City of Wasilla has been with APEI for three years and has been very satisfied with the service we have received from APEI.

ACTION: Council approve award of insurance contract for Property, Liability, Automobile and Worker's Compensation insurance to Alaska Public Entity Insurance, Difference in Conditions (Earth Quake & Flood) Insurance contract to Mt. Hawley Insurance Co. and Pacific Insurance Co. and Aviation Insurance contract to ACE Property & Casualty Insurance Co.

Memo

To: **Ted Leonard**
Director of Finance and Administration

Date: July 11, 2006

From: Brandon Allen

Subject: **Property Casualty Insurance Renewal**

Ted, attached is a premium comparison between APEI and AML/JIA. It does not include coverages that AML/JIA did not quote such as Airport Liability and Earthquake. These two Municipal Risk Pools insure nearly every public entity in Alaska. Both were given an equal opportunity to compete for the City of Wasilla account.

Although the premium comparison favors APEI, the decision to remain with them included other factors.

- Coverage Limits. APEI is offering \$15mm of liability coverage and AML/JIA is \$10mm.
- Property Deductible. APEI offers a \$5k deductible for loss/damage to business personal property and AML/JIA applies a \$25k deductible to all property losses.
- APEI includes Employment Practices Liability within Public Officials coverage and AML/JIA did not include it in their quote.

There are some areas where AML/JIA offers better pricing or coverage terms.

- Automobile Liability is less with AML/JIA
- Certain liability deductibles are less with AML/JIA
- AML/JIA offers statutory workers compensation limits and APEI offers \$25mm.

Again, after reviewing both proposals, we agreed that APEI offered the better combination of price and terms. Please let me know if I can provide any additional information.

BRANDON

Premium Summary

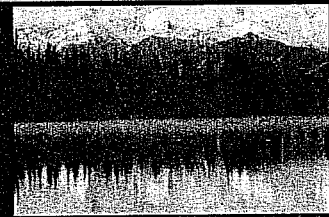
Coverage	APEI	AMBL/DPA
Property	\$ 80,990	\$ 82,011
Liability	\$ 155,384	\$ 197,250
Auto	\$ 65,647	\$ 37,217
Workers Compensation	\$ 148,611	\$ 167,055
SUBTOTAL:	\$ 450,632	\$ 483,533
Aviation (ACE Property & Casualty Insurance Co.)	\$ 9,570	N/A
Earthquake (Mt. Hawley Insurance Co.)	\$ 24,633.00	N/A
Earthquake (Pacific Insurance Co.)	\$ 24,634.00	N/A
Earthquake (Ins. Co. of the West – Through APEI)	\$16,155.00	N/A
TOTAL	\$ 525,624	\$ 483,533

MARSH

City of Wasilla

Insurance Proposal

7/1/06 to 7/1/07



MARSH

Presented by
Brandon Allen, Senior Vice President

Roseanne Leydon, Assistant Vice President

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Contact Information

Marsh USA Inc.

1031 W 4th Avenue, Suite 400
PO Box 107502
Anchorage, Alaska 99510-7502

Phone: (907) 276-5617
Fax: (907) 276-6292 / 6304

Account Staff

Name	Direct	Email Address
Charlie Anderson, Managing Director	257-6338	charlie.anderson@marsh.com
Brandon Allen, Sr. Vice President	257-6366	brandon.allen@marsh.com
Roseanne Leydon, Assistant Vice President	257-6376	roseanne.leydon@marsh.com
Jami Franger, Processing Manager	257-6353	jami.franger@marsh.com

Marsh is part of the family of MMC companies, including Kroll, Guy Carpenter, Putnam Investments, Mercer Human Resource Consulting (including Mercer Health & Benefits, Mercer HR Services, Mercer Investment Consulting, and Mercer Global Investments), and Mercer specialty consulting businesses (including Mercer Management Consulting, Mercer Oliver Wyman, Mercer Delta Organizational Consulting, NERA Economic Consulting, and Lippincott Mercer).

Introduction

The information contained herein is intended to serve only as a brief outline of your various insurance coverages. Only the insurance policies themselves determine actual coverage. To avoid misinterpretation as to the full scope of protection provided by each policy, we advise that you refer directly to the respective policies for complete details on coverage, limitations, deductibles, conditions and exclusions that apply.

Also included in this report, you will find policy numbers, dates of inception and expiration, and other pertinent information for quick reference. If additional assistance is needed regarding the materials presented herein, please contact one of your account staff for further assistance.

YOUR ATTENTION REQUIRED - PLEASE READ CAREFULLY

We ask that you **IMMEDIATELY NOTIFY** us of any of the following types of changes:

- **ORGANIZATIONAL STRUCTURE** - Mergers, acquisitions, partnerships, new subsidiaries, joint ventures and/or other material changes to the legal status of your organization.
- **BUSINESS OPERATION** - Any change in products sold, services rendered, territories represented, operating procedures, and/or advertising distribution.
- **FORECAST AND PROJECTIONS** - Significant fluctuations in estimated sales, payroll and/or revenue.
- **ACQUISITION, SALE, LEASE, RENTAL, USE** - Pertaining to real estate, equipment, vehicles, aircraft, watercraft, and mobile equipment.
- **MAJOR FLUCTUATIONS** - Relative to inventory, accounts receivable, cash, values of transportation or cargo.
- **AGREEMENTS - ORAL OR WRITTEN** - During the normal course of operating you may sign leases, contracts or other agreements which may transfer serious financial obligation to your organization.

We will rely exclusively upon you to inform us of changes such as these, when they occur in your organization, or, if possible, before they occur. Many insurance policies do not contain fully automatic coverages for new acquisitions, increased exposures, material changes in business operations or properties. There may be limitations and exclusions that apply. Once informed of the changes, we will assist in obtaining the extension of coverage that provides your organization with the full, adequate protection necessary for your changing operations.

Named Insureds - Master Listing

Named Insured:

City of Wasilla
290 E. Hering Ave
Wasilla, AK 99654

All Risk Property Including Crime & Fidelity

2005-2006 Current Coverage	2006-2007 Proposed Coverage
<p>Carrier: Alaska Public Entity Insurance Not Rated Insurance Company of the West A- XI Admitted Carriers</p> <p>Effective Date: <input type="checkbox"/> 07/01/05-07/01/06</p> <p>Policy Number: <input type="checkbox"/> CHO18717840324806</p> <p>Coverage: <u>All Risk Property</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Buildings <input type="checkbox"/> Contents <input type="checkbox"/> EDP <input type="checkbox"/> Mobile Equipment <input type="checkbox"/> Fine Arts <input type="checkbox"/> Crime <input type="checkbox"/> Boiler & Machinery <p>Limit: <u>Property Limits</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> \$46,653,252 – Total Insured Value <input type="checkbox"/> \$37,261,245 – Building Value <input type="checkbox"/> \$ 8,471,550 – Contents/EDP <input type="checkbox"/> \$ 820,457 – Mobile Equipment <input type="checkbox"/> \$ 100,000 – Fine Arts (Non-Scheduled) <input type="checkbox"/> \$50,000,000 – Boiler & Machinery <p>Deductible: <u>Deductibles</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> \$ 25,000 – Property <input type="checkbox"/> \$ 5,000 – Contents/EDP <input type="checkbox"/> \$ 5,000 – Mobile Equipment <input type="checkbox"/> \$ 500 – Fine Arts (Non-Scheduled) <input type="checkbox"/> \$ 10,000 – Boiler Machinery 	<p>Alaska Public Entity Insurance Not Rated Insurance Company of the West A- XI Admitted Carriers</p> <p><input type="checkbox"/> 07/01/06-07/01/07</p> <p><input type="checkbox"/> TBD</p> <p><u>All Risk Property</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Buildings <input type="checkbox"/> Contents <input type="checkbox"/> EDP <input type="checkbox"/> Mobile Equipment <input type="checkbox"/> Fine Arts <input type="checkbox"/> Crime <input type="checkbox"/> Boiler & Machinery <input type="checkbox"/> Earthquake & Flood <p><u>Property Limits</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> \$48,934,752 – Total Insured Value <input type="checkbox"/> \$39,161,245 – Building Value <input type="checkbox"/> \$ 8,671,550 – Contents/EDP <input type="checkbox"/> \$ 886,957 – Mobile Equipment <input type="checkbox"/> \$ 215,000 – Fine Arts (Non-Scheduled) <input type="checkbox"/> \$50,000,000 – Boiler & Machinery <input type="checkbox"/> \$25,000,000 – Earthquake & Flood <p><u>Deductibles</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> \$ 25,000 – Property <input type="checkbox"/> \$ 5,000 – Contents/EDP <input type="checkbox"/> \$ 5,000 – Mobile Equipment <input type="checkbox"/> \$ 500 – Fine Arts (Non-Scheduled) <input type="checkbox"/> \$ 10,000 – Boiler Machinery

*City of Wasilla
Insurance Proposal
July 1, 2006 to July 1, 2007*

Crime & Fidelity Limits

- \$ 100,000 – Employee Dishonesty
- \$ 100,000 – Faithful Performance
- \$ 100,000 – Forgery or Alteration
- \$ 25,000 – Money & Securities
- \$ 25,000 – Money Orders & Counterfeit Paper
- \$ 25,000 – Computer Fraud

Deductibles

- \$ -0- Employee Dishonesty
- \$ -0- Faithful Performance
- \$ -0- Forgery or Alteration
- \$ 500 Money & Securities
- \$ -0- Money Orders & Counterfeit
- \$ -0- Computer Fraud

Premium: **\$74,275**

Limits

- \$ 100,000 – Employee Dishonesty
- \$ 100,000 – Faithful Performance
- \$ 100,000 – Forgery or Alteration
- \$ 25,000 – Money & Securities
- \$ 25,000 – Money Orders & Counterfeit Paper
- \$ 25,000 – Computer Fraud

Deductibles

- \$ -0- Employee Dishonesty
- \$ -0- Faithful Performance
- \$ -0- Forgery or Alteration
- \$ 500 Money & Securities
- \$ -0- Money Orders & Counterfeit
- \$ -0- Computer Fraud

\$ 80,990 Property

\$ 16,155 Earthquake & Flood

\$ 97,145 Total Premium

For Discussion: AML/JIA is offering a Property program for \$82,011

Notable Changes: APEI is offering Earthquake and Flood Coverage this year to municipalities

Liability

	2005-2006 Current Coverage	2006-2007 Current Coverage
Carrier:	Alaska Public Entity Insurance Not Rated Insurance Co. of the State of Pennsylvania A+ XV Admitted Carriers 07/01/05-07/01/06	Alaska Public Entity Insurance Not Rated Insurance Co. of the State of Pennsylvania A+ XV Admitted Carriers 07/01/06-07/01/07
Policy Number:	43045263424806	TBD
Coverage:	<input type="checkbox"/> General Liability <input type="checkbox"/> Sewer Backup <input type="checkbox"/> Products/Completed Operations <input type="checkbox"/> Automobile Liability <input type="checkbox"/> Garagekeepers Liability <input type="checkbox"/> Public Officials Liability <input type="checkbox"/> EMS Professional Liability <input type="checkbox"/> Employee Benefits Liability <input type="checkbox"/> Employment Practices Liability <input type="checkbox"/> Law Enforcement Liability	<input type="checkbox"/> General Liability <input type="checkbox"/> Sewer Backup <input type="checkbox"/> Products/Completed Operations <input type="checkbox"/> Automobile Liability <input type="checkbox"/> Garagekeepers Liability <input type="checkbox"/> Public Officials Liability <input type="checkbox"/> EMS Professional Liability <input type="checkbox"/> Employee Benefits Liability <input type="checkbox"/> Employment Practices Liability <input type="checkbox"/> Law Enforcement Liability
Limit:	<input type="checkbox"/> \$15,000,000 – Per Occurrence for each Coverage Above	<input type="checkbox"/> \$15,000,000 – Per Occurrence for each Coverage Above
Deductible:	<input type="checkbox"/> \$ 5,000 – General Liability <input type="checkbox"/> \$15,000 – Sewer Backup <input type="checkbox"/> \$ 2,500 – Products/Completed Operations <input type="checkbox"/> \$ 1,000 – Garagekeepers Liability <input type="checkbox"/> \$10,000 – Public Officials Liability <input type="checkbox"/> \$ 5,000 – EMS Professional Liability <input type="checkbox"/> \$ 2,500 – Employee Benefits Liability <input type="checkbox"/> \$10,000 – Employment Practices Liability <input type="checkbox"/> \$ 5,000 – Law Enforcement Liability <input type="checkbox"/> \$ 2,500 – Automobile Liability <input type="checkbox"/> \$ 500 – Physical Damage	<input type="checkbox"/> \$ 5,000 – General Liability <input type="checkbox"/> \$15,000 – Sewer Backup <input type="checkbox"/> \$ 2,500 – Products/Completed Operations <input type="checkbox"/> \$ 1,000 – Garagekeepers Liability <input type="checkbox"/> \$10,000 – Public Officials Liability <input type="checkbox"/> \$ 5,000 – EMS Professional Liability <input type="checkbox"/> \$ 2,500 – Employee Benefits Liability <input type="checkbox"/> \$10,000 – Employment Practices Liability <input type="checkbox"/> \$ 5,000 – Law Enforcement Liability <input type="checkbox"/> \$ 0 – Automobile Liability <input type="checkbox"/> \$ 500 – Physical Damage
Premium:	\$ 77,013 – Auto Premium \$127,337 – Liability Premium \$204,350 – Total Est. Premium	\$ 65,647 – Auto Premium \$155,384 – Liability Premium \$221,031 – Total Est. Premium

For Discussion: AML/JIA is offering a Liability program for \$234,487

Notable Changes: APEI has decreased the Auto Liability deductible

Workers Compensation

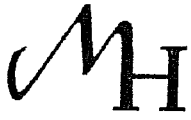
	2005-2006 Current Coverage	2006-2007 Proposed Coverage
Carrier:	Alaska Public Entity Insurance Not Rated Admitted Carrier	Alaska Public Entity Insurance Not Rated Admitted Carrier
Effective Date:	07/01/05-07/01/06	07/01/06-07/01/07
Policy Number:	WCPC651006248	TBD
Coverage:	<u>Workers Compensation</u> <u>Employers Liability</u>	<u>Workers Compensation</u> <u>Employers Liability</u>
Limit:	<u>Workers Compensation</u> <input type="checkbox"/> \$25,000,000 <u>Employers Liability</u> <input type="checkbox"/> \$ 1,000,000 Each Accident <input type="checkbox"/> \$ 1,000,000 Each Policy Limit <input type="checkbox"/> \$ 1,000,000 Each Employee	<u>Workers Compensation</u> <input type="checkbox"/> \$25,000,000 <u>Employers Liability</u> <input type="checkbox"/> \$ 1,000,000 Each Accident <input type="checkbox"/> \$ 1,000,000 Each Policy Limit <input type="checkbox"/> \$ 1,000,000 Each Employee
Premium Basis:	<input type="checkbox"/> \$5,323,024 – Total Payroll	<input type="checkbox"/> \$5,904,515 – Total Payroll
Endorsements/ Exclusions:	<input type="checkbox"/> Refer to the policy	<input type="checkbox"/> Refer to the policy
Audit/Reporting Provisions:	<input type="checkbox"/> Annual	<input type="checkbox"/> Annual
Premium:	\$148,723 – Total Est. Premium	\$148,611 – Total Est. Premium

For Discussion: AML/JIA is offering a Workers Compensation program for \$167,055

Difference in Conditions

	2005-2006 Current Coverage	2006-2007 Proposed Coverage
Carrier:	Mt. Hawley Insurance Company Nonadmitted Carrier	Mt. Hawley Insurance Company Nonadmitted Carrier
Best's Rating:	A+ X	A+ X
Effective Date:	07/01/05-07/01/06	07/01/06-07/01/07
Policy Number:	MDC0301873	TBD
Coverage:	<u>Earthquake & Flood</u>	<u>Earthquake & Flood</u>
Limit:	<u>Limit:</u> <input type="checkbox"/> \$10,000,000 – Per Occurrence for all coverage's combined subject to an annual aggregate for the Peril(s) of Earthquake & Flood applies separately	<u>Limit:</u> <input type="checkbox"/> \$10,000,000 Excess of \$5,000,000 – Per Occurrence for all coverage's combined subject to an annual aggregate for the Peril(s) of Earthquake & Flood applies separately
Deductible:	<input type="checkbox"/> 5% of the total value at risk per building at time of loss subject to a minimum of \$100,000 for Flood & Earthquake, \$25,000 per occurrence for All Other Perils-	<input type="checkbox"/> 5% of the total value at risk per building at time of loss subject to a minimum of \$100,000 for Flood & Earthquake, \$25,000 per occurrence for All Other Perils-
Locations:	<input type="checkbox"/> As per Scheduled on file with Company	<input type="checkbox"/> As per Scheduled on file with Company
Premium Basis:	<input type="checkbox"/> \$45,131,995 Total Insured Value	<input type="checkbox"/> \$48,904,752 Total Insured Value
Endorsements/ Exclusions:	<input type="checkbox"/> Refer to the policy	<input type="checkbox"/> Refer to the policy
Optional Coverage:	<input type="checkbox"/>	<input type="checkbox"/> Terrorism: \$69,460 <input type="checkbox"/> (Elect or reject coverage)
Premium:	\$35,100 – Premium \$500 – Broker Fee \$150 – Alaska Filing Fee \$35,750 – Total Premium	\$ 51,326.40 – Premium \$ 100.00 – Alaska Filing Fee \$ 51,426.40 – Total Premium

This is evidence of insurance procured and developed under the Alaska Surplus Lines Law, AS 21.34. It is not covered by the Alaska Insurance Guaranty Association Act, AS 21.80.



NOTICE

**OFFER OF FEDERAL TERRORISM INSURANCE COVERAGE
AND DISCLOSURE OF PREMIUM**

You are hereby notified that under the Terrorism Risk Insurance Act of 2002, effective November 26, 2002, as amended by the Terrorism Risk Insurance Extension Act of 2005, effective January 1, 2006, you now have a right to purchase insurance coverage for losses arising out of acts of terrorism, as defined in the Act which are applicable to property and casualty lines of insurance, as defined in the Act, which are insured under your insurance policy, ("federal terrorism insurance coverage"). The insurance policy's other provisions will still apply to any such acts.

The term "act of terrorism" means any act that is certified by the Secretary of the Treasury in concurrence with the Secretary of State, and the Attorney General of the United States - to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT COVERAGE PROVIDED FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM IS PARTIALLY REIMBURSED BY THE UNITED STATES UNDER A FORMULA WHEREBY THE UNITED STATES PAYS 90% OF COVERED TERRORISM LOSSES FROM 2006 AND 85% OF SUCH LOSSES FROM 2007 EXCEEDING A PRESCRIBED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

IF YOU CHOOSE THE OFFER OF COVERAGE, YOUR PREMIUM FOR SUCH COVERAGE IS SET FORTH ON THE PREMIUM NOTICE PROVIDED FOR THIS INSURANCE POLICY, WHICH AMOUNT SHOULD ALSO BE INSERTED BELOW.

NOTE THAT THIS OFFER OF TERRORISM INSURANCE COVERAGE IS SUBJECT TO THE CONTINUED EFFECTIVENESS OF THE TERRORISM RISK INSURANCE ACT OF 2002.

SELECTION OR REJECTION OF FEDERAL TERRORISM INSURANCE COVERAGE

- I hereby elect to purchase Federal Terrorism Insurance Coverage for the premium of **\$13,872**
- I hereby reject this Offer Of Federal Terrorism Insurance Coverage. I understand that by making this election, an exclusion for terrorism losses, as allowed by law, will be made a part of this insurance policy.

City Of Wasilla
Applicant/First Named Insured

Applicant/First Named Insured Signature or Authorized Signature

Title

Mt. Hawley Insurance Company
Insurance Company

Date

UW 20313 (01/06)

Aviation

2005-2006 Current Coverage	2006-2007 Proposed Coverage
Carrier: ACE Property & Casualty Admitted Carrier	ACE Property & Casualty Admitted Carrier
Best's Rating: A XV	A+ XV
Effective Date: 07/01/05-07/01/06	07/01/06-07/01/07
Policy Number: AAPN00984577002	TBD
Coverage: <input type="checkbox"/> <u>Airport Owners & Operators Liability</u>	<u>Airport Owners & Operators Liability</u>
Limit: <input type="checkbox"/> \$10,000,000 each occurrence/offense in respect to Bodily Injury, Personal and Advertising Injury and Property Damage combined, subject to the follow limitations:	<input type="checkbox"/> 10,000,000 each occurrence/offense in respect to Bodily Injury, Personal and Advertising Injury and Property Damage combined, subject to the follow limitations:
<input type="checkbox"/> \$10,000,000 Products-Completed Operations annual Aggregate Limit	<input type="checkbox"/> \$10,000,000 Products-Completed Operations annual Aggregate Limit
<input type="checkbox"/> \$10,000,000 Personal and Advertising Injury Annual Aggregate Limit	<input type="checkbox"/> \$10,000,000 Personal and Advertising Injury Annual Aggregate Limit
<input type="checkbox"/> \$10,000,000 Malpractice Annual Aggregate Limit	<input type="checkbox"/> \$10,000,000 Malpractice Annual Aggregate Limit
<input type="checkbox"/> \$ 100,000 Fire Damage Limit Any One Fire	<input type="checkbox"/> \$ 100,000 Fire Damage Limit Any One Fire
<input type="checkbox"/> \$ 5,000 Medical Expense Limit Any One Person	<input type="checkbox"/> \$ 5,000 Medical Expense Limit Any One Person
<input type="checkbox"/> \$10,000,000 Hangarkeepers not 'in flight' Limit Any One Occurrence	<input type="checkbox"/> \$10,000,000 Hangarkeepers not 'in flight' Limit Any One Occurrence
<input type="checkbox"/> \$10,000,000 Hangarkeepers not 'in flight' Limit Any One Aircraft	<input type="checkbox"/> \$10,000,000 Hangarkeepers not 'in flight' Limit Any One Aircraft
<input type="checkbox"/> \$10,000,000 Non-Owned Aircraft Liability	<input type="checkbox"/> \$10,000,000 Non-Owned Aircraft Liability
Endorsements/ <input type="checkbox"/> Refer to the policy	<input type="checkbox"/> Refer to the policy
Exclusions:	
Optional <input type="checkbox"/>	<input type="checkbox"/> Terrorism: \$4,985
Coverage:	<input type="checkbox"/> War: \$4,985
	<input type="checkbox"/> Terrorism & War: \$7,478
	<input type="checkbox"/> (Elect or Reject Coverage)
Premium: <input type="checkbox"/> \$9,115	<input type="checkbox"/> \$9,570

Premium Summary

Coverage Line	2006-2007 Proposal
Property	\$ 97,147
Liability	\$ 155,384
Auto	\$ 65,647
Workers Compensation	\$ 148,611
Earthquake & Flood	\$ 51,426.40
Aviation	\$ 9,570
TOTAL:	\$ 527,785.40

Glossary of Terms

The following terms are reprinted from the **Glossary of Insurance and Risk Management Terms**, published by the **International Risk Management Institute, Inc, Fifth Edition, 0000**.

Please note that all individual policies contain a section with definitions that are specifically applicable to that particular coverage. This glossary is not meant to replace or amplify those definitions, and is merely intended to be a basic reference for the reader.

Aggregate - A limit in an insurance policy stipulating the most it will pay for all covered losses sustained during a specified period of time, usually one year.

Example: A General Liability policy with a \$1,000,000 limit and a \$2,000,000 aggregate means that the coverage will pay \$1,000,000 for each loss with the total losses no more than \$2,000,000.

Best's Rating - The rating system developed and published annually by A.M. Best Company that indicates the financial condition of insurance companies.

Example: A++XV means that the carrier is better than "A" rated. The letter rate indicates the organizational structure, while the numerical rate indicates the financial strength and soundness.

Claims Made - A term describing an insurance policy that covers claims made (reported or filed) during the year the policy is in force for any incidents that occur that year or during any previous period during which the insured was covered under a "claims made" contract. This form of coverage is in contrast to the occurrence policy, which covers an incident occurring while the policy is in force *regardless of when* the claim arising out of that incident is filed - *one or more years later*.

Certificate (or Evidence) of Insurance - A document providing evidence that certain general types of insurance coverage and limits have been purchased by the party required to furnish the certificate.

Co-Insurance - A property insurance provision that penalizes the insured for not purchasing a limit of insurance at least equal to a specified percentage (commonly 00-00 percent) of the replacement value of the insured property. Affects loss recovery only in the event of a partial loss. The formula is:

$$\frac{\text{Amount of insurance purchased}}{\text{Amount of insurance required}} \times \text{Loss} - \text{Deductible} = \text{Amount Paid}$$

a. *Example: You have insured a building for \$100,000 and sustained an \$40,000 loss. To replace the building will cost \$125,000. A policy with a \$5,000 deductible and a 90% co-insurance clause would pay you a total of:*

b. $\$125,000 \times 90\% = \$112,500$ Amount of Insurance Required

c. $\frac{\$100,000}{\$112,500} (= .88) \times \$40,000 - \$5,000 = \$30,200$

Deductible - An amount specified in an insurance policy that is subtracted from a loss in determining the amount of an insurance recovery. In property insurance, the entire policy limit typically applies once the deductible is met. In liability insurance, the deductible amount typically reduces the policy limit.

Exclusion - A provision of an insurance policy or bond referring to hazards, circumstances, or property not covered by the policy.

Example: In a property policy there may be an exclusion for property damage caused by rot. Consequently, any resulting claim where rot is the cause of the damage will not be covered. Exclusions should be read carefully.

Experience Rating - As respects workers' compensation, the method in which the actual loss experience of the insured is compared to the loss experience that is normally expected by other risks in the insured's rating class. The resulting experience modification factor is the applied to the premium of the insured.

Exposure - The state of being subject to loss because of some hazard or contingency. Also used as a measure of the rating units of the premium base of a risk.

Hazard - Conditions that increase the probability of loss.

Hold Harmless Agreement - A provision in a contract that requires one contracting party to respond to certain legal liabilities of the other party. There are a number of hold harmless clauses, differentiated by the extent of the liabilities they transfer.

Limited form: Where Party A holds Party B harmless for suits arising out of Party A's sole negligence. Party B is protected when it is held vicariously responsible for the actions of Party A.

Indemnification - The agreement of one party to assume financial responsibility for the liability of another party. Hold harmless agreements are typically used to impose this transfer of risk.

Limit of Liability - Also called "Coverage Limit" or "Policy Limits", this is the total amount of coverage available to the policyholder or named insured, or the maximum amount that an insurance company agrees to pay in the event of a loss.

Example: If your policy limits on general liability state \$1,000,000 per occurrence, then the entity insured has available \$1,000,000 to pay for that one loss. Since the coverage also states "per occurrence" the limits are fully restored and available for any future loss within that coverage period.

Peril - The cause of loss, e.g., fire, windstorm, collision.

Occurrence - An accident, including continuous or repeated exposure to substantially the same general harmful conditions. General liability policies insure liability for bodily injury or property damage that is caused by an occurrence.

Policy Period - The term or duration of the policy. The policy period encompasses the time between the exact hour and date of policy inception and the hour and date of expiration.

Definition of AM Best Ratings

A++ and A+ (Superior) - Assigned to companies which have, on balance, superior balance sheet strength, operating performance and business profile when compared to the standards established by the A.M. Best Company. These companies, in our opinion, have a very strong ability to meet their ongoing obligations to policyholders.

A and A- (Excellent) - Assigned to companies which have, on balance, excellent balance sheet strength, operating performance and business profile when compared to the standards established by the A.M. Best Company. These companies, in our opinion, have a strong ability to meet their ongoing obligations to policyholders.

B++ and B+ (Very Good) - Assigned to companies which have, on balance, very good balance sheet strength, operating performance and business profile when compared to the standards established by the A.M. Best Company. These companies, in our opinion, have a good ability to meet their ongoing obligations to policyholders.

B and B- (Fair) - Assigned to companies which have, on balance, fair balance sheet strength, operating performance and business profile when compared to the standards established by the A.M. Best Company. These companies, in our opinion, have an ability to meet their current obligations to policyholders, but their financial strength is vulnerable to adverse changes in underwriting and economic conditions.

C++ and C+ (Marginal) - Assigned to companies which have, on balance, marginal balance sheet strength, operating performance and business profile when compared to the standards established by the A.M. Best Company. These companies, in our opinion, have an ability to meet their current obligations to policyholders, but their financial strength is vulnerable to adverse changes in underwriting and economic conditions.

C and C- (Weak) - Assigned to companies which have, on balance, weak balance sheet strength, operating performance and business profile when compared to the standards established by the A.M. Best Company. These companies, in our opinion, have an ability to meet their current obligations to policyholders, but their financial strength is very vulnerable to adverse changes in underwriting and economic conditions.

D (Poor) - Assigned to companies which have, on balance, poor balance sheet strength, operating performance and business profile when compared to the standards established by the A.M. Best Company. These companies, in our opinion, may not have an ability to meet their current obligations to policyholders and their financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.

Definition of AM Best Financial Size Categories (FSC)

Assigned to all companies and reflects their size based on their capital, surplus and conditional reserve funds in millions of U.S. dollars, using the scale below.

To enhance the usefulness of our ratings, A.M. Best assigns each company a Financial Size Category (FSC). The FSC is designed to provide the subscriber with a convenient indicator of the size of a company in terms of its statutory surplus and related accounts. Many insurance buyers only want to consider buying insurance coverage from companies that they believe have sufficient financial capacity to provide the necessary policy limits to insure their risks. Although companies utilize reinsurance to reduce their net retention on the policy limits they underwrite, many buyers still feel more comfortable buying from companies perceived to have greater financial capacity.

FSC I	less than	1
FSC II	1 to	2
FSC III	2 to	5
FSC IV	5 to	10
FSC V	10 to	25
FSC VI	25 to	50
FSC VII	50 to	100
FSC VIII	100 to	250
FSC IX	250 to	500
FSC X	500 to	750
FSC XI	750 to	1,000
FSC XII	1,000 to	1,250
FSC XIII	1,250 to	1,500
FSC XIV	1,500 to	2,000
FSC XV	greater than	2,000

Admitted / Non-Admitted / Guarantee Fund Data

The term “**Admitted Carrier**” refers to an insurer which has been approved by the State of Alaska’s Division of Insurance to authorized to write business within Alaska. An admitted carrier is protected by the State of Alaska Guarantee Fund. Should an insolvency (bankruptcy) occur, this Fund provides for payment of claims submitted to the Fund in accordance with State insurance laws.

A “**Non-Admitted Carrier**” refers to a carrier whose claimants are **not** protected by the Guarantee Fund in the event of the insurer’s insolvency.

It is important to recognize that the admitted or non-admitted status of an insurer, as well as the applicability of the guarantee fund, are significant only if, and when, an insurer is declared insolvent.

Form 2A

Equity Interests in Insurers

Through its subsidiaries and affiliates, MMC owns shares or other equity interests, directly and indirectly, in a number of insurers and reinsurers which are identified in the following chart which is current as noted in the footnotes.

MMC and Subsidiaries

Form 2A

Direct & Indirect Investments in Insurance and Reinsurance Companies

Company / Ownership Structure	Percent of Ownership
Ace Limited (NYSE: ACE)	0.10%
Allied World Assurance Holdings, Ltd (Privately held)	0.06%
Ariel Holdings Ltd.	0.29%
AXIS Capital Holdings Limited (NYSE: AXS)*	6.03%
Castlewood Holdings Limited (Privately held)*	8.33%
CWI Holdings Inc (Privately held)*	15.54%
Endurance Specialty Insurance Ltd (NYSE: ENH)	0.01%
Excess Reinsurance (Privately held)	9.50%
FGIC (Privately held)*	0.10%
First Mercury Financial (Privately held)*	0.13%
First Home Insurance Co.	0.22%
Flagstone Reinsurance Holdings Ltd.	0.04%
Harbor Point Ltd.*	2.75%
International Financial Group (Privately held)	1.10%
James River Group Inc (Privately held)*	5.00%
NipponKoa Insurance (TSE: 8754/ PNK: NPPKF.PK)	0.06%
Reaseguradora Patria (Mexico)	1.00%
Reinsurance Group of America (NYSE: RGA)	0.80%
Russian Reinsurance Company (Privately held)	15.00%
Signal Holdings LLC (Privately held owner of TelecomRe)*	12.75%
Wilton Re Holdings Limited (Privately Held)*	7.06%
XL Capital LTd. (NYSE: XL)	0.27%
ZC Sterling Corp.	17.30%

Debt Holdings	Carrying Value
Chandler Insurance Holdings	\$2.717 million in registered debt

Footnotes:

- This list does not include investments in companies in which MMC and its subsidiaries own less than \$100,000 worth of the company's shares.
- From time to time MMC and its subsidiaries may also hold commercial paper issued by insurance companies, their parent companies or affiliates.
- Other than Castlewood, this list shows active insurance companies or their holding company parents only. It does not list any other insurance companies in run-off or liquidation. Castlewood manages and acquires (re)insurance companies that are generally in run-off.
- This list does not include MMC's own captive insurance companies or investments in client captives.
- This list does not reflect any holdings directly or indirectly held by any of MMC's defined benefit plans.
- The percentages indicated for some investments are as of different dates. However, we do not believe this results in material differences in the aggregated percentages shown.
- The term "Privately Held" refers to companies that are not traded on public stock exchanges.
- An asterisk (*) indicates that some or all of the investment is held indirectly through an investment fund. If MMC owns X % of a Fund that owns Y% of an insurance company, MMC would own X% times Y% of the insurance company. MMC and its subsidiaries have direct and indirect investments

as of June 27, 2006

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MARSH

This Risk Solutions Proposal Summary is provided to you as a summary of Marsh USA Inc., marketing efforts for renewal. It is intended as a working document for your easy reference, decision-making and selection of renewal options. It is not intended to amend, limit or broaden the terms of any existing policy or proposal.

*City of Wasilla
Insurance Proposal
July 1, 2006 to July 1, 2007*

in selected funds, as follows:

- MMC has approximately a 25% investment in Trident II
- MMC has approximately a 19% investment in Trident III
- MMC has approximately a 2% to 2.5% investment in JP Morgan Corsair II
- Marsh has a 0.25% commitment to Glencoe Capital Partners III LP
- Marsh has a 0.24% commitment to Lehman Brothers Merchant Banking Partners III, LP

9. Some of the ownership percentages have been rounded.
10. Current as of January 2, 2006.

Contractual Agreements with Insurers and Wholesale Brokers

In order to place insurance with insurers, Marsh typically enters into agreements commonly called "agency agreements" which authorize Marsh to solicit the sale of the insurers' products and sets forth the terms of trade between Marsh and the insurers. Your Marsh broker will advise you in writing of the actual commission or rate to be earned by Marsh upon the placement of your insurance policy with a prospective insurer. Your Marsh broker will also advise you in writing if Marsh is authorized to bind coverage on behalf of the prospective insurer, or if Marsh manages the prospective insurer. Marsh does not usually enter into agency or similar terms of trade agreements with wholesale brokers. Your Marsh broker will advise you in writing if it will be necessary or advisable to use the services of a wholesale broker to access a particular insurance market, and will advise you in writing whether the wholesale broker is affiliated with Marsh, and the rate of any commissions or fees to be earned by Marsh if it uses the services of the wholesale broker.

Aside from the agency agreements, which are usually necessary to complete placements on your behalf, Marsh and its affiliates have a significant number of contractual relationships with insurance companies of the following types, which, except as specifically identified to you, do not directly bear upon Marsh's compensation in its placement activities on your behalf.

Marsh Inc. and its affiliates provide many insurers and reinsurers with: insurance brokerage services for the carrier's own insurance; claims management software through Marsh STARS; claims administration services; management of single parent and group captive insurance companies, risk retention groups and pools; administration of affinity group insurance programs (including enrollment, billing, payment and customer service); managing general agency services; administration of internet based insurance placing facilities; mergers and acquisitions due diligence and consulting services; and through Guy Carpenter & Co. Inc. reinsurance brokerage services.

Mercer Inc. and its affiliates provide many insurers and reinsurers with: management and actuarial consulting services; rate review and loss reserving analysis; litigation support services including expert witnesses, economic modeling and economic consulting; business valuation services; investment advising; employee benefit consulting; pension plan administration; claims administration; insurance brokerage services primarily for life, health, medical, benefits, disability and other personal lines of insurance; compensation plan consulting; and corporate identity consulting.

Putnam Investments and its affiliates provide many insurers and reinsurers with: investment management and advisory services; marketing support and administrative services; distribution support and pension and 401k services.

Kroll Inc. and its affiliates provide many insurers and reinsurers with: Business Intelligence & Investigations (BI&I), Corporate Internal Investigations, Litigation Support, Asset Searches, Business Intelligence, and Due Diligence.

Marsh and its affiliates may provide similar services to wholesale brokers and will specifically advise you if any of those services directly bear upon Marsh's compensation in its placement activities on your behalf.

The list of insurers and wholesale brokers with which MMC or one or more of its affiliates have some form of contractual arrangement covering the types of services described above is lengthy and changes on a regular basis as new engagements are undertaken and in process projects are completed. In some cases, contractual relationships may be of significant value to one or more of Marsh's affiliates. However, except as specifically identified to you, those relationships do not bear upon Marsh's compensation in its placement activities on your behalf.