

John,

It was good to see you last month. If appointed as the City of Pensacola's broker of record, Molton, Allen, & Williams (MAW) will have an immediate and material impact on two areas of the City's insurance program and associated expenses. The first is the Property & Casualty program and the second are the various Employee Benefit plans.

Here is what we know, have recently learned or estimate about each area:

Property & Casualty (P&C)	Employee Benefits (EB)
<u>City employees involved in P&C program:</u> <ol style="list-style-type: none"> 1. Dick Barker – selects broker(s) 2. Tom Mulroy – uses broker's services to manage programs and costs 	<u>City employees involved in EB plans:</u> <ol style="list-style-type: none"> 1. Dick Barker – selects broker(s) 2. Sherrer Kuchera – uses broker's services to manage plans/costs 3. Tracy Walsh – uses broker's services to manage plans/costs 4. Tom Mulroy – attends EB meetings with Jim and Dick
<u>Current Brokers – 5 firms (including MAW).</u> <ol style="list-style-type: none"> 1. Currently there is no coordination between the 5 firms to ensure that the City is getting broadest terms at lowest cost. 2. The City is exposed to coverage gaps and claim denials. 3. There is no claims management coordination. 	<u>Current Broker – JO Services/Jim Odom.</u> <ol style="list-style-type: none"> 1. Jim Odom has presented himself as a "consultant", but appears to be operating as the "broker" by earning commission for the EB plans that he places for the City and the Employees. 2. Consultants typically earn a disclosed fee for their advice, but do not earn a commission for making the insurance placements. 3. Brokers, although they may provide consultative services, typically earn a commission for the various insurance products that they market and place for their clients (i.e. City and employees of City).
Annual Premium expense is approximately \$2M, most of which is for the Property insurance policy (approximately \$1.5M).	<ul style="list-style-type: none"> • Annual "City" Premium expense is approximately \$2M. • Annual "Employee" Premium expense will be approximately \$1M in 2012.
Annual compensation paid to 5 brokers is approximately \$300,000.	<ul style="list-style-type: none"> • We estimate that Jim Odom's compensation for City's portion of the premiums is about \$200,000. • We estimate that Jim Odom's compensation for the 1,400 city employees' premium for "voluntary" benefits may be as high as \$100,000 in 2012.

Estimated Commission paid to (P&C) and (EB) Brokers in 2012
\$600,000

You asked me to "make the case" for using our firm to handle the various insurance plans for the City. The case for using MAW is as follows:

Property & Casualty (P&C)	Employee Benefits (EB)
Office Location – Pensacola's city limits	JO Services – Gulf Breeze
<u>Experience:</u> <ol style="list-style-type: none"> 1. Stuart Freeman has previously handled the City's Port and Aviation Liability insurance programs. 2. MAW currently handles the City's Excess Liability policy for Energy Services of Pensacola. 3. MAW is the exclusive P&C broker for the following clients based in Pensacola: <ol style="list-style-type: none"> a. Baptist Health Care 	<u>Experience:</u> <ol style="list-style-type: none"> 1. MAW is the EB broker for the following clients based in Pensacola: <ol style="list-style-type: none"> a. Baptist Health Care b. Lakeview Center, Inc. c. Pensacola Christian College 2. Other prominent clients with similar (EB) plans include:

<ul style="list-style-type: none"> b. Lakeview Center, Inc. c. Pensacola Christian College <p>4. MAW has the significant experience in insuring property for wind, flood and other exposures in Pensacola as the above clients each have insurable values well in excess of \$500,000.</p> <p>5. MAW's Director of Claims, Jack Pruett, has 35 years of claims advocacy experience, and firsthand experience with large property claims on the gulf coast.</p>	<ul style="list-style-type: none"> a. Jefferson County, Alabama. b. The United Way of Central Alabama c. Montgomery Cancer Centers
<p><u>Proposed Service Team:</u></p> <ul style="list-style-type: none"> 1. Stuart Freeman, Account Executive 2. Jill Davis, Account Manager 3. Jack Pruett, Director of Claims 4. Shelby Daniels, Property Broker 5. Eric Turner, Casualty Broker 6. Hunter Williams, Financial & Professional Broker 	<p><u>Proposed Service Team:</u></p> <ul style="list-style-type: none"> 1. Tim Burnette, Account Executive 2. Jamie Sullivan, Vice President Marketing 3. Amy Bremer, Senior Account Manager 4. Lanie Lucas, Marketing Executive, Ancillary Products 5. Natalie Nelson, Manger, Wellness Department 6. TBD by January 1st, Enrollment Coordinator
<p>Proposed (P&C) Compensation – MAW will handle City's entire P&C insurance program for an annual fee of \$160,000. No additional income or commission will be paid to us for work on the City's behalf.</p>	<p>Proposed (EB) Compensation – MAW will handle City's and Employee paid EB plans for an annual capped commission of \$110,000. No additional income or commission will be paid to MAW for work on the City's behalf.</p>

Combined Option for (P&C) and (EB)	
<p>Proposed Combined (P&C) and (EB) Compensation - MAW will handle City's entire P&C insurance program and City and Employee paid EB plans for an annual capped commission of \$250,000. No additional income or commission will be paid to MAW for work on the City's behalf.</p> <p><i>This is an annual savings of (\$350,000) to the City based on our estimate of the total commission to be paid to the 5 current (P&C) brokers and JO Services in 2012.</i></p>	

I look forward to discussing with you tomorrow at 4:30 @ The Happy Pig.

I have a meeting with Dick Barker, Jim Odom, Sherrer Kuchera, and Tracy Walsh on Thursday, November 10th. I need your direction on how to proceed prior to this meeting.

Best regards,

Stuart Freeman
Managing Director
Molton, Allen & Williams, LLC
205.401.0841
sfreeman@mawins.com

As insurance professionals and not licensed attorneys, our review of client documents must be limited to questions of insurance/risk management. We do not provide legal advice and are not qualified to do so. We strongly encourage our clients to seek legal advice from competent licensed legal professionals. **COVERAGE MAY NOT BE BOUND OR CHANGED VIA EMAIL or VOICEMAIL.** This communication, together with any attachments hereto or links contained herein, is for the sole use of the intended recipient(s) and may contain information that is confidential or legally protected. If you are not the intended recipient, you are hereby