

State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
25 Capitol Street – Room 120
Concord, New Hampshire 03301

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Jm

LINDA M. HODGDON
Commissioner
(603) 271-3201

JOSEPH B. BOUCHARD
Assistant Commissioner
(603) 271-3204

April 8, 2013

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, NH 03301

REQUESTED ACTION

Authorize the Department of Administrative Services (DAS) to enter into a contract with Ferdinando Insurance Agency, Inc., dba Cross Insurance, Manchester, NH (VC#169834) in the amount not to exceed \$1,043,921 for the purchase of commercial property, earthquake, equipment break down and flood insurance coverage for state owned buildings upon Governor and Council approval for the period effective May 1, 2013 through May 1, 2016.
100% General Funds.

Funding is available as outlined below for SFY13 and is anticipated to be available upon the continued appropriation of funds in the SFY14 through SFY16 operating budgets with the authority to adjust the encumbrance in each and between the State fiscal years through the Budget Office if needed and justified.

01-14-14-140010-137500 – Dept of Admin Services, Risk Management Unit
211-500757 Catastrophic Casualty Ins.

	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>
Premium	\$313,523	\$ 329,199	\$ 329,199	\$ -
Appraisals	\$ -	\$ 6,000	\$ 6,000	\$ 6,000
Contingency	\$ -	\$ 17,000	\$ 17,000	\$ 20,000
	\$313,523	\$ 352,199	\$ 352,199	\$ 26,000

EXPLANATION

The procurement of commercial property insurance for state-owned buildings is not required by statute but is part of a strategic risk management plan to limit the State's exposure to financial loss from a catastrophic property loss, earthquake or flood event. Three hundred fifty properties, including one hundred and forty nine properties with a value of \$1 million or greater, are covered under this policy. The commercial property insurance policy will provide insurance coverage, claims, customer service and loss control services as well as in-depth property appraisals.

The current contract with Slawsby Insurance Agency, Inc., Nashua, NH expires May 1, 2013. In anticipation of the contract expiration, the Risk Management Unit met with FIAI, Inc dba Cross Insurance, in accordance with its contract with the State for Producer Services to discuss the market issues that may affect the premium, the policy term, and the property inventory.

FIAI, Inc dba Cross Insurance, arranged for this purchase of property insurance. Grady Crews, the Account Executive from FIAI, Inc., made inquiries to specific insurance markets about the program. Three markets declined as they were unable to compete with pricing. Three markets declined as the property schedule exceeds their capacity. Six markets declined due to requirements for additional inspection and underwriting time and other concerns. Two vendors responded with offers to provide coverage: Zurich and Travelers Insurance.

The incumbent is Slawsby Insurance Agency, Inc., Nashua, NH with Travelers Insurance Company. Travelers Insurance was approached by FIAI, Inc. dba Cross Insurance, and did provide a quote for a one-year term, and not the three-year term as requested by the state. The Traveler's quote did not cover flood insurance in high risk zones or boiler and machinery coverage. This quote also limited ordinance of law coverage, or costs associated with rebuilding a structure or renovating undamaged portions of a building in accordance with current local building code, to \$100,000. In addition, the Traveler's policy required 100% coinsurance for replacement costs that exceed the present statement of values for a building. Traveler's quote was for .0326 per \$100 in real property coverage.

Zurich provided the winning quote at .0291 per \$100 in real property coverage for the first year and .0319 for the second and third year and also guaranteed these rates over a three year period. Zurich's quote covers not just property damage, but also equipment breakdown, also known as boiler and machinery coverage, and high risk flood zone coverage. Zurich's ordinance of law coverage was superior to the other bidder's inasmuch as it provides for full coverage to replace or renovate a building in accordance with current code requirements with a 25% margin increase over a property's appraised value in the statement of values. Zurich's ordinance of law coverage also provides an additional \$1 million in coverage for demolition and increased costs of construction associated with ordinance of law. This property insurance contract with Zurich will provide insurance coverage with a limit of up to \$300,000,000 for any one loss. The premium effective May 1, 2013 through May 1, 2014 is \$319,523. A multi year rate agreement is provided with a 5% increase for second and third renewal years.

As a result of the State's contract with FIAI, Inc dba Cross Insurance for producer services, this property insurance contract does not include an agency commission thus saving the State approximately \$45,000 previously paid for the contract obtained through the State's bidding process.

The insurance marketplace is undergoing a shift resulting in large increases in insurance premiums and trepidation on the part of insurers to take on risk because of the enormous losses experienced in communities throughout the country caused by storm damage which

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
April 8, 2013
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have caused insurers to make large and costly payouts. For this reason, the State, even with the producer services contractor's assistance, is receiving fewer bids and experiencing increasing costs to insure its properties and other risks. See attached, The Kiplinger Letter, Vol. 90, No. 12, dated March 22, 2013. Given these circumstances, it is in the State's interests to secure a guaranteed rate of insurance for a three-year term.

Due to budget constraints and the very low chance of a large-scale terrorism event upon State properties, terrorism coverage was declined. The State had declined terrorism coverage during the prior policy terms. An additional contingency of \$23,000 for FY14, FY15 and \$26,000 for FY16 has been included in the requested encumbrance based upon the number of appraisals performed, acquisitions or new construction projects that may increase the property valuation and thus result in an increase in premium.

We respectfully request your approval.

Respectfully submitted,



Linda M. Hodgdon
Commissioner

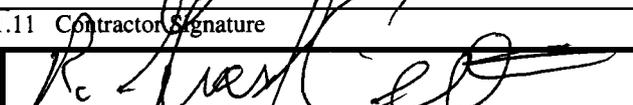
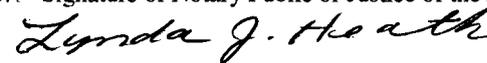
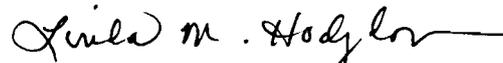
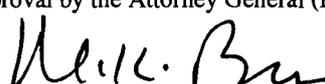
Subject: Commercial Property Insurance for State Owned Buildings **FORM NUMBER P-37 (version 1/09)**

AGREEMENT

The State of New Hampshire and the Contractor hereby mutually agree as follows:

GENERAL PROVISIONS

1. IDENTIFICATION.

1.1 State Agency Name <div style="border: 1px solid black; padding: 2px;">Department of Administrative Services</div>		1.2 State Agency Address <div style="border: 1px solid black; padding: 2px;">25 Capitol Street, Concord NH 03301</div>	
1.3 Contractor Name <div style="border: 1px solid black; padding: 2px;">FIAI Inc., dba Cross Insurance</div>		1.4 Contractor Address <div style="border: 1px solid black; padding: 2px;">1100 Elm Street Manchester, NH 03101</div>	
1.5 Contractor Phone Number <div style="border: 1px solid black; padding: 2px;">603-669-3218</div>	1.6 Account Number <div style="border: 1px solid black; padding: 2px;">01001413750000211500757</div>	1.7 Completion Date <div style="border: 1px solid black; padding: 2px;">May 1, 2016</div>	1.8 Price Limitation <div style="border: 1px solid black; padding: 2px;">\$1,043,921</div>
1.9 Contracting Officer for State Agency <div style="border: 1px solid black; padding: 2px;">Linda M. Hodgdon, Commissioner, Administrative Services</div>		1.10 State Agency Telephone Number <div style="border: 1px solid black; padding: 2px;">603-271-1400</div>	
1.11 Contractor Signature <div style="border: 1px solid black; padding: 2px;"></div>		1.12 Name and Title of Contractor Signatory <div style="border: 1px solid black; padding: 2px;">R. Grady Crews, Senior Account Manager</div>	
1.13 Acknowledgement: State of NH , County of Hillsborough On March 21, 2013 , before the undersigned officer, personally appeared the person identified in block 1.12, or satisfactorily proven to be the person whose name is signed in block 1.11, and acknowledged that s/he executed this document in the capacity indicated in block 1.12.			
1.13.1 Signature of Notary Public or Justice of the Peace <div style="border: 1px solid black; padding: 2px;"></div> [Seal]			
1.13.2 Name and Title of Notary or Justice of the Peace <div style="border: 1px solid black; padding: 2px;">Lynda J. Heath Notary</div>			
1.14 State Agency Signature <div style="border: 1px solid black; padding: 2px;"></div>		1.15 Name and Title of State Agency Signatory <div style="border: 1px solid black; padding: 2px;">Linda M. Hodgdon, Commissioner</div>	
1.16 Approval by the N.H. Department of Administration, Division of Personnel (if applicable) By: _____ Director, On: _____			
1.17 Approval by the Attorney General (Form, Substance and Execution) By:  On: 4/18/13			
1.18 Approval by the Governor and Executive Council By: _____ On: _____			

2. EMPLOYMENT OF CONTRACTOR/SERVICES TO BE PERFORMED. The State of New Hampshire, acting through the agency identified in block 1.1 ("State"), engages contractor identified in block 1.3 ("Contractor") to perform, and the Contractor shall perform, the work or sale of goods, or both, identified and more particularly described in the attached EXHIBIT A which is incorporated herein by reference ("Services").

3. EFFECTIVE DATE/COMPLETION OF SERVICES.
3.1 Notwithstanding any provision of this Agreement to the contrary, and subject to the approval of the Governor and Executive Council of the State of New Hampshire, this Agreement, and all obligations of the parties hereunder, shall not become effective until the date the Governor and Executive Council approve this Agreement ("Effective Date").
3.2 If the Contractor commences the Services prior to the Effective Date, all Services performed by the Contractor prior to the Effective Date shall be performed at the sole risk of the Contractor, and in the event that this Agreement does not become effective, the State shall have no liability to the Contractor, including without limitation, any obligation to pay the Contractor for any costs incurred or Services performed. Contractor must complete all Services by the Completion Date specified in block 1.7.

4. CONDITIONAL NATURE OF AGREEMENT. Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability and continued appropriation of funds, and in no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to terminate this Agreement immediately upon giving the Contractor notice of such termination. The State shall not be required to transfer funds from any other account to the Account identified in block 1.6 in the event funds in that Account are reduced or unavailable.

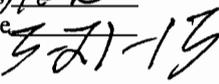
5. CONTRACT PRICE/PRICE LIMITATION/PAYMENT.
5.1 The contract price, method of payment, and terms of payment are identified and more particularly described in EXHIBIT B which is incorporated herein by reference.
5.2 The payment by the State of the contract price shall be the only and the complete reimbursement to the Contractor for all expenses, of whatever nature incurred by the Contractor in the performance hereof, and shall be the only and the complete compensation to the Contractor for the Services. The State shall have no liability to the Contractor other than the contract price.
5.3 The State reserves the right to offset from any amounts otherwise payable to the Contractor under this Agreement those liquidated amounts required or permitted by N.H. RSA 80:7 through RSA 80:7-c or any other provision of law.

5.4 Notwithstanding any provision in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made hereunder, exceed the Price Limitation set forth in block 1.8.

6. COMPLIANCE BY CONTRACTOR WITH LAWS AND REGULATIONS/ EQUAL EMPLOYMENT OPPORTUNITY.

6.1 In connection with the performance of the Services, the Contractor shall comply with all statutes, laws, regulations, and orders of federal, state, county or municipal authorities which impose any obligation or duty upon the Contractor, including, but not limited to, civil rights and equal opportunity laws. In addition, the Contractor shall comply with all applicable copyright laws.
6.2 During the term of this Agreement, the Contractor shall not discriminate against employees or applicants for employment because of race, color, religion, creed, age, sex, handicap, sexual orientation, or national origin and will take affirmative action to prevent such discrimination.
6.3 If this Agreement is funded in any part by monies of the United States, the Contractor shall comply with all the provisions of Executive Order No. 11246 ("Equal Employment Opportunity"), as supplemented by the regulations of the United States Department of Labor (41 C.F.R. Part 60), and with any rules, regulations and guidelines as the State of New Hampshire or the United States issue to implement these regulations. The Contractor further agrees to permit the State or United States access to any of the Contractor's books, records and accounts for the purpose of ascertaining compliance with all rules, regulations and orders, and the covenants, terms and conditions of this Agreement.

7. PERSONNEL.
7.1 The Contractor shall at its own expense provide all personnel necessary to perform the Services. The Contractor warrants that all personnel engaged in the Services shall be qualified to perform the Services, and shall be properly licensed and otherwise authorized to do so under all applicable laws.
7.2 Unless otherwise authorized in writing, during the term of this Agreement, and for a period of six (6) months after the Completion Date in block 1.7, the Contractor shall not hire, and shall not permit any subcontractor or other person, firm or corporation with whom it is engaged in a combined effort to perform the Services to hire, any person who is a State employee or official, who is materially involved in the procurement, administration or performance of this Agreement. This provision shall survive termination of this Agreement.
7.3 The Contracting Officer specified in block 1.9, or his or her successor, shall be the State's representative. In the event of any dispute concerning the interpretation of this Agreement, the Contracting Officer's decision shall be final for the State.

Contractor Initials 
Date 

8. EVENT OF DEFAULT/REMEDIES.

8.1 Any one or more of the following acts or omissions of the Contractor shall constitute an event of default hereunder ("Event of Default"):

- 8.1.1 failure to perform the Services satisfactorily or on schedule;
- 8.1.2 failure to submit any report required hereunder; and/or
- 8.1.3 failure to perform any other covenant, term or condition of this Agreement.

8.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:

- 8.2.1 give the Contractor a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely remedied, terminate this Agreement, effective two (2) days after giving the Contractor notice of termination;
- 8.2.2 give the Contractor a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the contract price which would otherwise accrue to the Contractor during the period from the date of such notice until such time as the State determines that the Contractor has cured the Event of Default shall never be paid to the Contractor;
- 8.2.3 set off against any other obligations the State may owe to the Contractor any damages the State suffers by reason of any Event of Default; and/or
- 8.2.4 treat the Agreement as breached and pursue any of its remedies at law or in equity, or both.

9. DATA/ACCESS/CONFIDENTIALITY/PRESERVATION.

9.1 As used in this Agreement, the word "data" shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes, letters, memoranda, papers, and documents, all whether finished or unfinished.

9.2 All data and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason.

9.3 Confidentiality of data shall be governed by N.H. RSA chapter 91-A or other existing law. Disclosure of data requires prior written approval of the State.

10. TERMINATION. In the event of an early termination of this Agreement for any reason other than the completion of the Services, the Contractor shall deliver to the Contracting Officer, not later than fifteen (15) days after the date of termination, a report ("Termination Report") describing in detail all Services performed, and the contract price earned, to and including the date of termination. The form, subject matter, content, and number of copies of the Termination

Report shall be identical to those of any Final Report described in the attached EXHIBIT A.

11. CONTRACTOR'S RELATION TO THE STATE. In the performance of this Agreement the Contractor is in all respects an independent contractor, and is neither an agent nor an employee of the State. Neither the Contractor nor any of its officers, employees, agents or members shall have authority to bind the State or receive any benefits, workers' compensation or other emoluments provided by the State to its employees.

12. ASSIGNMENT/DELEGATION/SUBCONTRACTS. The Contractor shall not assign, or otherwise transfer any interest in this Agreement without the prior written consent of the N.H. Department of Administrative Services. None of the Services shall be subcontracted by the Contractor without the prior written consent of the State.

13. INDEMNIFICATION. The Contractor shall defend, indemnify and hold harmless the State, its officers and employees, from and against any and all losses suffered by the State, its officers and employees, and any and all claims, liabilities or penalties asserted against the State, its officers and employees, by or on behalf of any person, on account of, based or resulting from, arising out of (or which may be claimed to arise out of) the acts or omissions of the Contractor. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant in paragraph 13 shall survive the termination of this Agreement.

14. INSURANCE.

14.1 The Contractor shall, at its sole expense, obtain and maintain in force, and shall require any subcontractor or assignee to obtain and maintain in force, the following insurance:

14.1.1 comprehensive general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than \$250,000 per claim and \$2,000,000 per occurrence; and

14.1.2 fire and extended coverage insurance covering all property subject to subparagraph 9.2 herein, in an amount not less than 80% of the whole replacement value of the property.

14.2 The policies described in subparagraph 14.1 herein shall be on policy forms and endorsements approved for use in the State of New Hampshire by the N.H. Department of Insurance, and issued by insurers licensed in the State of New Hampshire.

14.3 The Contractor shall furnish to the Contracting Officer identified in block 1.9, or his or her successor, a certificate(s) of insurance for all insurance required under this Agreement. Contractor shall also furnish to the Contracting Officer identified in block 1.9, or his or her successor, certificate(s) of insurance for all renewal(s) of insurance required under this Agreement no later than fifteen (15) days prior to the expiration date of each of the insurance policies. The certificate(s) of insurance and any renewals thereof shall be

Contractor Initials *[Signature]*
Date *5-17-13*

attached and are incorporated herein by reference. Each certificate(s) of insurance shall contain a clause requiring the insurer to endeavor to provide the Contracting Officer identified in block 1.9, or his or her successor, no less than ten (10) days prior written notice of cancellation or modification of the policy.

15. WORKERS' COMPENSATION.

15.1 By signing this agreement, the Contractor agrees, certifies and warrants that the Contractor is in compliance with or exempt from, the requirements of N.H. RSA chapter 281-A ("*Workers' Compensation*").

15.2 To the extent the Contractor is subject to the requirements of N.H. RSA chapter 281-A, Contractor shall maintain, and require any subcontractor or assignee to secure and maintain, payment of Workers' Compensation in connection with activities which the person proposes to undertake pursuant to this Agreement. Contractor shall furnish the Contracting Officer identified in block 1.9, or his or her successor, proof of Workers' Compensation in the manner described in N.H. RSA chapter 281-A and any applicable renewal(s) thereof, which shall be attached and are incorporated herein by reference. The State shall not be responsible for payment of any Workers' Compensation premiums or for any other claim or benefit for Contractor, or any subcontractor or employee of Contractor, which might arise under applicable State of New Hampshire Workers' Compensation laws in connection with the performance of the Services under this Agreement.

16. WAIVER OF BREACH. No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event of Default, or any subsequent Event of Default. No express failure to enforce any Event of Default shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other Event of Default on the part of the Contractor.

17. NOTICE. Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses given in blocks 1.2 and 1.4, herein.

18. AMENDMENT. This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Executive Council of the State of New Hampshire.

19. CONSTRUCTION OF AGREEMENT AND TERMS.

This Agreement shall be construed in accordance with the laws of the State of New Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assigns. The wording used in this Agreement is the wording chosen by the parties to express their mutual

intent, and no rule of construction shall be applied against or in favor of any party.

20. THIRD PARTIES. The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

21. HEADINGS. The headings throughout the Agreement are for reference purposes only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

22. SPECIAL PROVISIONS. Additional provisions set forth in the attached EXHIBIT C are incorporated herein by reference.

23. SEVERABILITY. In the event any of the provisions of this Agreement are held by a court of competent jurisdiction to be contrary to any state or federal law, the remaining provisions of this Agreement will remain in full force and effect.

24. ENTIRE AGREEMENT. This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire Agreement and understanding between the parties, and supersedes all prior Agreements and understandings relating hereto.

Contractor Initials 
Date 

MARKETING RESULTS

FIAI, Inc dba Cross Insurance arranged for this insurance purchase in accordance with its contract with the State for Producer Services for Property Insurance. Grady Crews, the account executive from FIAI, Inc made inquiries to specific insurance markets about the program. Two markets provided a quote. Three markets declined as they were unable to compete with pricing. Three markets declined as the property schedule exceeds their capacity. Six markets declined due to requirements for additional inspection and underwriting time.

Market Approached	RESULTS
Zurich	\$313,523 + cost for appraisals at \$1,500 max per inspection
Travelers Insurance	\$334,480 - Appraisals declined
Liberty Mutual/Peerless	Declined – Unable to compete with Current pricing, Indication of \$450,000 minimum
Philadelphia	Declined – Unable to compete with Current pricing
EMC	Declined – Unable to compete with Current pricing
Acadia Insurance Co	Declined – Property schedule exceeds Carrier's capacity
CNA	Declined – Property schedule exceeds Carrier's capacity
Hanover Insurance	Declined – Property schedule exceeds Carrier's capacity
The Hartford	Declined – Required more than 60 days to pre-inspect & engineer for underwriting
Chubb Insurance	Declined – Required more than 60 days to pre-inspect & engineer for underwriting
Fireman's Fund	Declined – Required more than 60 days to pre-inspect & engineer for underwriting
Affiliated FM	Declined – Required more than 60 days to pre-inspect & engineer for underwriting
Harleysville	Declined – Required more than 60 days to pre-inspect & engineer for underwriting
Cincinnati	Declined – Required more than 60 days to pre-inspect & engineer for underwriting

PREMIUM SUMMARY- \$1,000,000 DEDUCTIBLE

Subject	Travelers	Zurich
Term of Coverage	1 year	3 years
Total Property Cost	\$334,480	\$313,523

OPTIONAL \$500,000 DEDUCTIBLE

Subject	Travelers	Zurich
Total cost	\$461,705	Not Offered

OPTIONAL TERRORISM INSURANCE BASED ON \$1,000,000 DEDUCTIBLE

Subject	Travelers	Zurich
Property Insurance Coverage	\$334,480	\$313,523
Optional Terrorism	\$15,000	\$ 9,281
Total cost	\$349,480	\$322,804

OPTIONAL APPRAISAL SERVICE

Subject	Travelers	Zurich
Appraisal Service	Did not offer this service	\$1,500 max per inspection

Mr. Crews recommends securing insurance coverage with Zurich as they presented the most competitive and comprehensive terms in comparison to other markets approached. The Risk Management Unit agrees with Mr. Crews' recommendation.

**Commercial Property Insurance Coverage for
State Owned Buildings
Contract Agreement Between
The Department of Administrative Services
and FIAI Inc., dba Cross Insurance**

Exhibit A - Scope of Services

FIAI Inc., dba Cross Insurance hereinafter called the Contractor, agrees to provide commercial property, earthquake and flood coverage for the State of New Hampshire's real property from May 1, 2013 through May 1, 2014. The coverage consists of real property insurance coverage for (1) building and contents \$300,000,000 Property Loss Limit including equipment breakdown with a \$1,000,000 deductible (2) earthquake and flood insurance coverage with a limit of \$10,000,000, with a \$1,000,000 deductible. The composite rate of .03 is for the real property, equipment breakdown, earthquake and flood insurance coverage.

**Commercial Property Insurance Coverage for
State Owned Buildings
Contract Agreement Between
The Department of Administrative Services
and FIAI Inc., dba Cross Insurance**

Exhibit B – Price and Method of Payment

The premium effective May 1, 2013 through May 1, 2014 is \$313,523. A multi year rate agreement is provided with a 5% increase for second and third renewal years. Included in this contract is an additional annual amount of \$6,000 for property appraisals as well as an annual contingent amount of \$17,000 in FY 14 and FY15 and \$20,000 in FY16 for additional coverage and appraisals to the extent that contingency funds are available. Real property coverage is offered at a rate of .03 per \$100.

The first year premium payment of \$313,523 is due within thirty days from the date of contract approval by Governor and Council. The second and third renewal premium is due within thirty days of renewal effective date.

The total cost of this three year contract is \$971,921 for property, equipment breakdown, earthquake and flood insurance.

The appropriate account number for the P-37 form, section 1.6 is:

010-014-13750000-211-500757

Premium

<u>FY13</u>	\$ 313,523 for PY13-14
<u>FY14</u>	\$ 329,199 for PY14-15
<u>FY15</u>	\$ 329,199 for PY15-16
Total Contract Premium	\$ 971,921

Property Appraisals

FY13 no appraisals will be completed in FY2013 under this contract

FY14 not to exceed \$6,000 to be completed in PY 13-14

FY15 not to exceed \$6,000 to be completed in PY 14-15

FY16 not to exceed \$6,000 to be completed in PY 15-16

Contingency

\$17,000 for FY14, FY15 and \$20,000 for FY16 has been included in the requested encumbrance based upon the number of appraisals performed, acquisitions or new construction projects that may increase the property valuation and thus result in an increase in premium.

100% General Funds

**Commercial Property Insurance Coverage for
State Owned Buildings
Contract Agreement Between
The Department of Administrative Services
and FIAI Inc., dba Cross Insurance**

Exhibit C – Special Provisions

Form P-37, section 14 Insurance, is amended per the attached certificate of insurance from FIAI Inc., dba Cross Insurance to include the following coverage enhancements:

1. General Liability coverage with limits of \$1,000,000 per occurrence/\$2,000,000 in the aggregate
2. Automobile Insurance coverage with combined single limits of \$1,000,000 per accident
3. Excess/umbrella insurance coverage with limits of \$10,000,000 per occurrence and in the aggregate
4. Workers compensation coverage with statutory limits and Employers' Liability with limits of \$500,000 per accident and \$500,000 policy limit
5. Errors and Omissions liability insurance coverage with limits of \$10,000,000
6. Crime/Fidelity coverage with limits of \$500,000

CERTIFICATE OF VOTE/CERTIFICATE OF AUTHORITY

I, Daniel G. McKay, hereby certify that I am duly elected Clerk of FIAI, Inc. I hereby certify that the following is a true copy of a vote taken at a meeting of the Board of Directors of FIAI, Inc., duly called and held on March 14, 2013, at which a quorum of the Board of Directors was present and voting.

VOTED: That R. Grady Crews, the Senior Account Executive for FIAI, Inc., acting singly, is duly authorized to enter into the State of New Hampshire Property Insurance contract, executed by Mr. Crews on March 21, 2013. The Board of Directors authorizes and directs the execution of the State of New Hampshire Property contract by Mr. Crews on or about said date.

I hereby certify that said vote has not been amended or repealed and remains in full force and effect as of March 21, 2013 and that R. Grady Crews is duly elected Senior Account Executive of FIAI, Inc.

DATED: March 21, 2013

ATTEST:



Daniel G McKay, Clerk

{Affix Corporate Seal}

State of New Hampshire Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify that FIAI, Inc. a(n) Maine corporation, is authorized to transact business in New Hampshire and qualified on January 12, 2007. I further certify that all fees and annual reports required by the Secretary of State's office have been received.



In TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed the Seal of the State of New Hampshire, this 25th day of March, A.D. 2013

A handwritten signature in cursive script, appearing to read "William M. Gardner".

William M. Gardner
Secretary of State

ZURICH- PROPERTY APPRAISAL SERVICES

The appraisal services listed below are representative of the variety of property valuation services available from Zurich's full time professional appraisal staff specializing in replacement cost insurance appraisals. Prior to deciding on any valuation service we would recommend a meeting or teleconference to discuss the services that best meet our client's needs and budget.

Valuation modeling is most useful for large property schedules. A selection of typical buildings in each occupancy class is appraised to establish replacement costs per square foot for buildings, contents or both. These cost benchmarks are then applied to the remainder of the schedule. This provides the client with a good comfort level with their reported values and maximizes the return on valuation expenses.

Office Estimate

Replacement cost estimate based on submitted square footage and occupancy information supplemented with satellite imagery. Replacement costs will be developed using the Marshall Valuation Service Manual or replacement costs for similar buildings in our actual project database whichever the appraiser deems most appropriate.

Cost per building \$100

Field Summary Spreadsheet Report

Replacement cost estimate based on the appraiser's calculated square footage based on a site visit to obtain architectural prints or field measurements and occupancy. Replacement costs will be developed using the Marshall Valuation Service Manual or replacement costs for similar buildings in our actual project database whichever the appraiser deems most appropriate. Results are presented in a spreadsheet format including pictures of each building. Site improvements are included.

Cost per building, up to 10,000 SF	\$250 (Minimum request 5 buildings)
Cost per building, up to 25,000 SF	\$750
Cost per building, up to 100,000 SF	\$1000
Cost per building, up to 250,000 SF	\$1500

Grouped Asset and Detailed Asset Reports

Real Property Only

<u>Location SF</u>	<u>Grouped Asset Report</u>	<u>Detailed Asset Report</u>
150,000 - 250,000	\$3,000	\$4,500
100,000 - 149,000	\$2,500	\$3,000

Real & Personal Property

<u>Location SF</u>	<u>Grouped Asset Report</u>	<u>Detailed Asset Report</u>
150,000 - 250,000	\$5,500	\$8,500
100,000 - 149,000	\$4,300	\$6,250

Corrections locations could cost \$1,000 more depending on access issues and significant site improvements. There may be security issues related to the release of site details (floor plans, identification of security features).

Specialty buildings such as historic buildings or monumental buildings will be quoted on request. Appraisals for these buildings require detailed field research and replacement cost calculations based on the costs to replace the actual quantity and quality of materials found. Functional replacement cost calculations are also available.

Sample reports are available on request.



The Kiplinger Letter

FORECASTS FOR MANAGEMENT DECISIONMAKING

1100 13th Street NW, Washington, DC 20005 • kiplinger.com • Vol. 90, No. 12

Dear Client:

Washington, March 22, 2013

Whatever its causes...

Erratic weather poses a mounting threat to the economy. In 2012 alone...a \$100-billion hit from the combination of storms, droughts and fires. And the forecast won't brighten anytime soon.

WEATHER WOES

The major hazards: Protracted heat waves, along with the myriad problems they bring. Extreme heat increasingly means extreme drought... such as last year's, which affected 80% of farmland and led to the third-worst wildfire season on record. Only 2006 and 2007 saw more acres of forest burn.

Rising floodwaters. Recent hurricanes and shifting rainfall patterns are prompting revisions to floodplain maps nationwide. Many communities along rivers, the Gulf Coast and the Eastern Seaboard will find themselves newly designated as at risk.

And worsening storm damage. Last year, thunderstorm-related losses came in at \$15 billion... the second-costliest year on record, despite a drop in tornado activity. As population density increases, just a few bad storms can pack an outsize punch.

Adapting to the risk of harsher weather conditions won't be easy...or cheap.

Flood insurance is certain to cost more. Uncle Sam...the only major provider of flood policies...is starting to charge premiums based on a given property's risk rather than the subsidized rates property owners have benefited from for decades. Some owners of coastal real estate will have to make a choice between costly upgrades and big premium hikes. Folks farther inland may have to insure for the first time.

Farmers will invest in measures that protect against both drought and floods: Reduced-tillage planting schemes. The use of cover crops, such as clover and grasses, to nourish soil during winter. And low-flow irrigation systems to minimize evaporation.

Plus better forest management...clearing brush, culling diseased trees and building firebreaks to limit the damage from a growing number of wildfires.

Although the government regards severe weather with growing concern... even creating a full-time post on the National Security Council to monitor it...

Uncle Sam will have only limited ability to lend aid to affected communities. The budget sequester alone will trim almost \$1 billion this year from the relief fund that the Federal Emergency Management Agency uses to respond to catastrophes. The U.S. Forest Service will thin 200,000 fewer acres of fire-prone woodlands. And \$8.7 billion in annual crop insurance costs will dog budgets for years to come.

So state and local governments can expect to shoulder more of the burden when bad weather strikes, and taxpayers will pay for it. Government at every level will play a role in curbing risk...toughening building codes, buying at-risk properties, updating maps...helping to temper the worst effects of an increasingly volatile climate.

ECONOMIC FORECASTS

↔	GDP growth Though slow in early '13, around 1.75% for the year
↔	Interest rates Little change through mid-'13. 10-year T-notes at year-end, 2.25%
↗	Inflation Rising slightly this year, to about 2.3%
↘	Unemployment Falling gradually over '13, to around 7.5%
↗	Crude oil Trading from \$95 to \$100/bbl. by Memorial Day
↗	Business spending growth Strengthening in second half; still under '13 pace
Complete economic outlook at kiplinger.com/outlooks	

