



Arthur J. Gallagher & Co.  
BUSINESS WITHOUT BARRIERS™

# ATTACHMENT 2

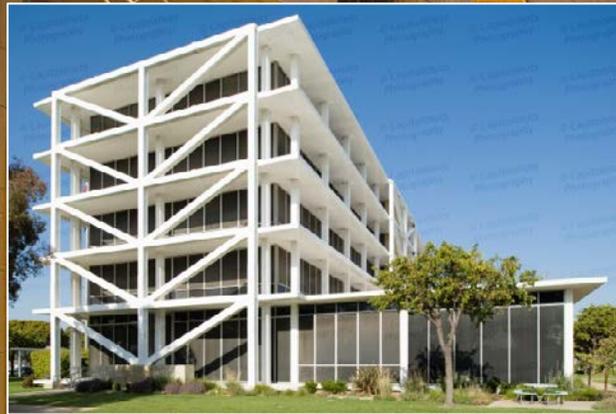
## City of Costa Mesa

February 22, 2017

Response to Request for Proposals No. 17-10  
for Insurance Broker Services

John Chino, ARM-PE, CSRM  
Area Senior Vice President

Arthur J. Gallagher Risk Management Services, Inc.  
18201 Von Karman Avenue, Suite 200  
Irvine, CA 92612  
John\_Chino@ajg.com  
[www.ajg.com](http://www.ajg.com)



**ORIGINAL**

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This proposal of coverage is intended to facilitate your understanding of the insurance program. It is not intended to replace or supersede your insurance policies.



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### Vendor Application Form & Cover Letter

Complete Appendix B, Forms and attach this form to the cover letter. A cover letter, not to exceed three pages in length, should summarize key elements of the Proposal. An individual authorized to bind the Contractor must sign the letter. Indicate the address and telephone number of the contractor’s office located nearest to Costa Mesa, California, and the office from which the project will be managed.

Earlier this month, the Daily Pilot in a story by Luke Money reported that while the City of Costa Mesa has a current surplus of \$10.7 Million the immediate future is not as bright: “an updated five year financial plan showing that Costa Mesa could face growing annual budget deficits ranging from \$2.5 million in fiscal 2018-2019 to almost \$7.8 million in 2021-22.”

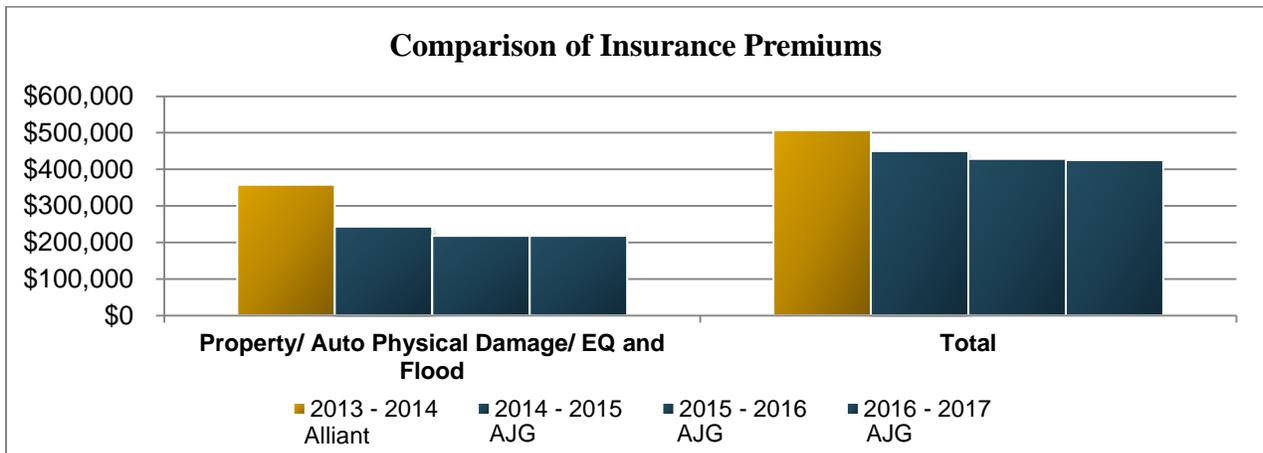
#### We are here to help.

Since we began as your Insurance Broker of Record, and working with your staff, together we reduced premium costs from **\$507,178 in 2013/14** to **\$425,300 in 2016/17**; a **cost savings of more than \$80,000 or 16%**. And, we were able to (slightly) improve upon coverage for the City.

#### The overall savings achieved during our three year contract period is **\$232,000 (15%)**.

Together with staff, we achieved these savings despite the fact that the City was larger and had more exposure units to insure (vehicles, employees, budget etc.). The main reason for our joint success was our approach to marketing and placement of insurance for the City whereby we used a very aggressive campaign to some thirty different companies. It should be emphasized the City’s excellent risk profile is also an asset for the advantageous pricing, terms and conditions.

In order to continue the savings, we are again recommending the City and Gallagher “shop the insurance market” for value. The City is still an outstanding risk and our geographical location helps to entice Underwriters in Chicago and New York to come for a visit and add the City to their portfolio of municipal risks.





Costs savings in the procurement of insurance is not the only benefit we offer. We are proposing that we move forward in three additional areas to save the City money and hopefully reduce those budget deficits for future years. **The additional areas to increases savings include:**

### **Losses with in the Liability Deductible Retention**

Our team includes several municipal risk management experts and we are proposing three new services to reduce the cost of property and liability claims for the City. The cost to the City for these services is zero although there would be a time commitment of city personnel.

### **Uninsured Losses**

The City maintains a comprehensive risk management program with appropriate retentions, deductibles and coverage. However, there have been some innovations in the insurance market which could bolster the insurance program to include currently uninsured exposures, such as drones and terrorism. New policies would be additional cost to the City but uncovered costs could be much higher; in other words, the insurance premium is a small known loss while the uninsured loss is potentially a very large unknown amount.

### **Contractual Liability**

The City uses a very cost efficient structure to balance retention and transfer of losses. The contracting of services allows the City to transfer risk to another entity. However, the protection offered via a contract is measured by the indemnification agreement and the insurance required in the contract. We are proposing that Gallagher provide the City with a manual and training to assist staff with this critical process. Cost to the City is zero.

**The Irvine office located at 18201 Von Karman Avenue, Irvine shall continue to be the office that manages the project. Our phone number is (949) 349-9800.**

In summary, we have been a good partner for the City and in our own small way contributed to the current budget surplus however as rougher times are ahead our services are more critical than ever. We look forward to continuing and deepening our engagement with the City.

Very truly yours,

John Chino, ARM-PE, CSRM  
Area Senior Vice President  
(949) 349-9827 | John\_Chino@ajg.com



**VENDOR APPLICATION FORM  
FOR  
RFP NO. 17-10  
INSURANCE BROKER SERVICES**

TYPE OF APPLICANT:                     NEW                     CURRENT VENDOR

Legal Contractual Name of Corporation: Arthur J. Gallagher & Co. Insurance Brokers of California, Inc.

Contact Person for Agreement: John Chino

Corporate Mailing Address: 18201 Von Karman Avenue, Suite 200

City, State and Zip Code: Irvine, CA 92612

E-Mail Address: [John\\_Chino@ajg.com](mailto:John_Chino@ajg.com)

Phone: (949) 349-9827                    Fax: (949) 349-9927

Contact Person for Proposals: John Chino

Title: Area Senior Vice President                    E-mail Address: [John\\_Chino@ajg.com](mailto:John_Chino@ajg.com)

Business Telephone: (949) 349-9827                    Business Fax: (949) 349-9827

Is your business: (check one)

NON PROFIT CORPORATION                     FOR PROFIT CORPORATION

Is your business: (check one)

CORPORATION                     LIMITED LIABILITY PARTNERSHIP

INDIVIDUAL                     SOLE PROPRIETORSHIP

PARTNERSHIP                     UNINCORPORATED ASSOCIATION

**Names & Titles of Corporate Board Members**

(Also list Names & Titles of persons with written authorization/resolution to sign contracts)

Names	Title	Phone
<u>Alice Youngbar</u>	<u>Area President</u>	<u>(949) 349-9817</u>
<u>John Chino</u>	<u>Area Senior Vice President</u>	<u>(949) 349-9827</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

Federal Tax Identification Number: 94-3015711

City of Costa Mesa Business License Number: \_\_\_\_\_  
(If none, you must obtain a Costa Mesa Business License upon award of contract.)

City of Costa Mesa Business License Expiration Date: \_\_\_\_\_

## *Background + Project Summary Section*

The Background and Project Summary Section should describe your understanding of the City, the work to be done, and the objectives to be accomplished. Refer to **Attachment A, Scope of Work**, of this RFP.

Approximately five years ago, we began our relationship with the City of Costa Mesa through the RFP process of 2012. At that time we believed we understood the needs of the City, we studied the Scope of Work that was provided in the 2012 RFP and researched the City's website. We reviewed financial statements and the minutes of City Council meetings. And, we had our own our own experience as residents of Costa Mesa! Based on our analysis we emphasized our strength in the area of workers' compensation and an aggressive marketing program. We were *half right*.

Since 2012 the City has changed the workers' compensation TPA and seen significant improvement in the workers' compensation program. Gallagher did not contribute to the success and lower costs achieved via the changes the City made to the claims process. We congratulate the City on the excellent results attained.

Beginning in late 2013, Gallagher with strong support of City staff pursued a strategy to introduce the City to as many qualified insurance companies as possible as well as a few well vetted JPA's. The results of this aggressive marketing exercise were twofold.

- (1) Coverage was improved upon and premiums were reduced.
- (2) The Insurance Industry became acquainted with the outstanding qualities of the City and more importantly our excellent risk profile.

As we look forward to the opportunity to renew our relationship with the City, these are our objectives to be of value to the City:

**Goal #1** in 2017 we shall again undertake an aggressive marketing of the property, liability lines of coverage. It has been nearly four years since the last comprehensive marketing campaign and it's our experience that marketing should be done every three to four years. There are several reasons to do this, but most important is that we learn about benefits and advantages being offered by the insurance industry for the City we won't know otherwise. These benefits might include better pricing, terms or conditions. Sometimes you just need to ask.

**Goal #2** we are offering the City our Core 360 Loss Control platform which provides more than 70 on-line training applications at no cost to the City. There is a comprehensive description of the benefits of Core 360 in the Methodology section.

**Goal #3** we shall include in our renewal proposal an indication for a proprietary terrorism product. This program provides unique coverage such as the replacement of tax revenue lost from an incident at South Coast Plaza (for example) as well as the more standard exposures associate with terrorism.

## Company Experience & Capabilities

- a. Identify the years of experience your firm and the principals who will be assigned to work with the City have in providing project manager services for governmental agencies. Please indicate years of experience both on a firm and an individual basis.

Name	# of years experience
<b>Arthur J. Gallagher &amp; Co.</b>	<b>Since 1927</b>
John Chino, Area Senior Vice President	35 years
Audra Powers, Client Service Executive	27 years
Kiki Goldsmith, Client Service Manager	9 years
Denise Simpson, Senior Account Executive	13 years
Marco Guardi, Vice President – Risk Control	20 years

- b. Identify the **number of issues** for which **your firm and the principals** who will be assigned to work with the City have acted as lead project manager **in the past three (3) years**. Please indicate numbers of issues both on a firm and an individual basis.

In the past three years, John Chino, Audra Powers, and Marco Guardi have managed projects concerning the following issues concerning our municipal clients:

- Property
- Equipment Breakdown
- Terrorism
- Automobile Liability
- Employment Practices
- Railroad Quiet Zones
- Workers' Compensation
- Safety
- Litigation Management
- Environmental
- Ergonomic Evaluations
- Inspections
- General Liability
- Sexual Abuse & Molestation
- Law Enforcement
- Automobile Physical Damage
- Reinsurance
- Cyber Liability
- Risk Management
- Human Resources
- Contracts
- Certificates of Insurance
- Fiduciary
- Public Official's E&O
- Director's & Officers
- Excess Insurance
- Crime
- Loss Prevention
- OSHA
- Construction
- Claims management
- Professional Liability

- c. Briefly discuss and provide examples that illustrate the firm’s resources, commitment and demonstrated ability to complete all components of all projects in a timely manner, including but not limited to, attending meetings, advising staff on matters specific to the scope of service, preparing and presenting reports to City staff and members of the City Council, and assisting with due diligence and disclosure processes relevant to the scope of services.

Since 2013 Gallagher has had the privilege of providing the City with Insurance marketing, policy administration, risk management services, claims advocacy and legal reviews. At the start of our contract and for a period of 18 months, we held monthly meetings with the City. At a certain point these meetings became less than helpful to staff so we transitioned to approximately seven meetings a year. The schedule of seven meetings produced desired outcomes for City staff and we believe this is probably the best option. We have no issue with a more frequent schedule if it is helpful to City staff.

To date, we have never addressed Council, nor have we been asked to do so. We would be happy to present to any group that staff asks us to meet with or present to. On one occasion in 2016, we were part of a presentation made by Fireman’s Fund to the Fire Department concerning a grant of funds.

We have included samples of the documents that we have used to keep our meetings productive and useful.



**City of Costa Mesa Market Review**

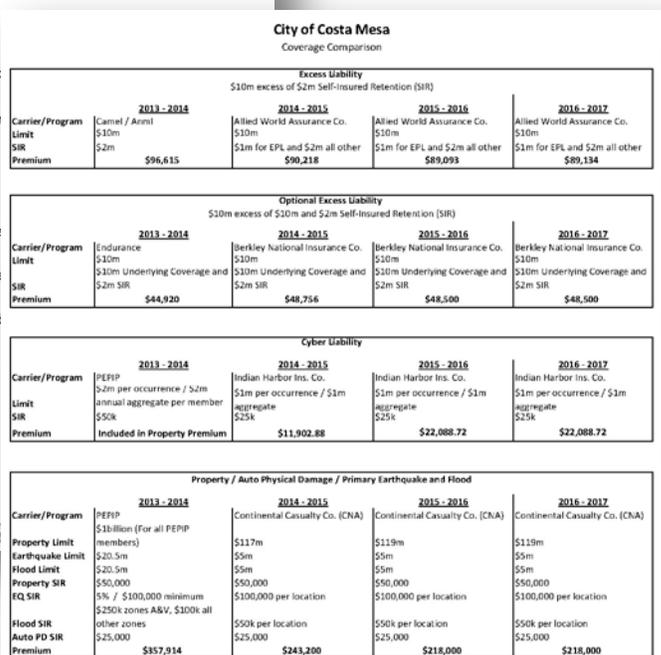
CARRIER	LINE OF COVERAGE
Hiscox Inc. (Certain Underwriters at Lloyd's of London)	Crime
Risk Placement Services	Cyber Liability
CV Star	General Liability, Auto Liability and Excess Liability
American Public Risk	General Liability, Auto Liability and Excess Liability
Lexington Insurance Company	General Liability, Auto Liability, Proper Excess Liability
Ironstone	General Liability, Auto Liability, Proper Excess Liability
Argonaut Insurance Company	General Liability, Auto Liability and Excess Liability
Great American	Excess Liability, Property
Arch Insurance	Excess Liability, Property
AWAC Insurance	Excess Liability, Property
ACE Westchester	Excess Liability, Property
One Beacon	General Liability
Travelers Property & Casualty	General Liability, Auto Liability and Pric
One Beacon	General Liability, Auto Liability and Pric
Bit Global Specialty USA	General Liability, Auto Liability and Pric
CJPA	General Liability, Auto Liability and Pric
ICRMA	General Liability, Auto Liability and Pric
Axis	Property
Chubb Insurance Company	Property
CNA Insurance Company	Property
Liberty Mutual Insurance Company	Property
Munich RE	Property
RSUI Insurance Group	Property
Scottsdale Insurance Company	Property
Starr Specialty	Property
Swiss Re	Property
XL E&S	Property



**City of Costa Mesa**  
Human Resources Division

**Meeting Agenda – February 18, 2015**

- I. Introduction of Attendees
- II. AWAC provides status update
  - Underwriting
  - Company Strength/Growth
  - Services Available
- III. Update from City
  - Personnel
  - New Operations or Services
- IV. Sexual Abuse Training Offer
- V. Employment Practices Liaison
- VI. Summary and Next Steps



**City of Costa Mesa Coverage Comparison**

Carrier/Program	Excess Liability \$10m excess of \$2m Self-Insured Retention (SIR)			
	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017
Limit	\$10m	\$10m	\$10m	\$10m
SIR	\$2m	\$1m for EPL and \$2m all other	\$1m for EPL and \$2m all other	\$1m for EPL and \$2m all other
Premium	\$96,615	\$90,218	\$89,093	\$89,134

Carrier/Program	Optional Excess Liability \$10m excess of \$10m and \$2m Self-Insured Retention (SIR)			
	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017
Limit	\$10m	\$10m	\$10m	\$10m
SIR	\$10m Underlying Coverage and \$2m SIR	\$10m Underlying Coverage and \$2m SIR	\$10m Underlying Coverage and \$2m SIR	\$10m Underlying Coverage and \$2m SIR
Premium	\$44,920	\$48,756	\$48,500	\$48,500

Carrier/Program	Cyber Liability			
	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017
Limit	\$2m per occurrence / \$2m annual aggregate per member	\$1m per occurrence / \$1m aggregate	\$1m per occurrence / \$1m aggregate	\$1m per occurrence / \$1m aggregate
SIR	\$50k	\$25k	\$25k	\$25k
Premium	Included in Property Premium	\$11,902.88	\$22,088.72	\$22,088.72

Carrier/Program	Property / Auto Physical Damage / Primary Earthquake and Flood			
	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017
Property Limit	\$117m	\$117m	\$119m	\$119m
Earthquake Limit	\$20.5m	\$5m	\$5m	\$5m
Flood Limit	\$20.5m	\$5m	\$5m	\$5m
Property SIR	\$50,000	\$50,000	\$50,000	\$50,000
EQ SIR	5% / \$100,000 minimum	\$100,000 per location	\$100,000 per location	\$100,000 per location
Flood SIR	\$250k zones A&V, \$100k all other zones	\$50k per location	\$50k per location	\$50k per location
Auto PD SIR	\$25,000	\$25,000	\$25,000	\$25,000
Premium	\$857,914	\$243,200	\$218,000	\$218,000

## *Methodology Section*

Provide a detailed description of the approach and methodology to be used to accomplish the Scope of Work of this RFP. The Methodology Section should include:

1. An implementation plan that describes in detail (i) the methods, including controls by which your firm or entity manages projects of the type sought by this RFP; (ii) methodology for soliciting and documenting views of internal and external stakeholders; (iii) and any other project management or implementation strategies or techniques that the respondent intends to employ in carrying out the work.

We have read your request for proposal for broker of record in its entirety and we can comply with all vendor general responsibilities and additional requirements.

We have had the pleasure of serving the City in the insurance broker capacity since 2013 and our first step with the City was to gather and analyze copies of your insurance policies. We also collected and reviewed the loss runs for all open and closed claims for the prior ten (10) years. We did extensive marketing to more than thirty (30) insurance carriers as well as several JPA's. Working together with staff we were successful in placing coverage with financially stable and reputable insurance carriers, and saw reductions to self-insured retentions as well as an overall premium reduction of more than \$75,000 in the first year alone.

We have been and will continue to be committed to consistent meeting schedule with City staff to ensure that we understand your goals and objectives with respects to insurance and risk management. Through these consultations we shall mutually agree upon a detailed action plan for marketing, loss control services and other areas we identify to be included. Since our selection as your BOR in 2013 our meeting schedule has been every month unless the meeting is not needed. Also, providing the City with opportunities to meet your insurance carrier partners is important and we have organized several get-togethers with insurance carriers over the past four years. The accomplishments garnered from these conferences have been significant.

2. Detailed description of efforts your firm or entity will undertake to achieve client satisfaction and to satisfy the requirements of the Scope of Work.

First it's important for us to share that our philosophy is simply to "do it right the first time". Second, we have a significant number of public agency clients, but we want to emphasize we selectively respond to public agency RFP opportunities that match our skill set. This way we can ensure all of our clients the time and devotion to their business and maintain the highest standards of satisfaction. Third, the critical component to project completion is our single-minded devotion to accuracy and efficiency which requires a broad expertise in six separate disciplines:

- Insurance & Reinsurance Marketing & Placement
- Administration of the Account
- Legal Review
- Claims Advocacy
- Loss Control
- Innovation (Technology)

The local Arthur J. Gallagher Public Entity team is comprised of 10 people. The professionals that make up our team were chosen specifically to meet the needs of our public agency clients. We believe we are best matched with clients that have a desire for a broad array of services at no additional cost.

As is indicated above our knowledge starts with the marketing of insurance, reinsurance and alternative market placements and importantly, extends to critical services which reduce risk: legal assistance, claims advocacy, loss control and technology (innovation).

The other most significant philosophical characteristic which colors our service commitment is transparency. In fact, a cornerstone of the Gallagher culture is to place the client's interest's first, and transparency in remuneration and communication is one way that we achieve this objective. All of your communication with Gallagher will reinforce that you, as our client, know exactly what we are doing on your behalf and how it impacts our income.

3. Detailed project schedule, identifying all tasks and deliverables to be performed, durations for each task, and overall time of completion, including a complete transition plan. Include your plan to deal with fluctuation in service needs and any associated price adjustments.

We have been the Broker of Record (BOR) for the City since 2012 and during that period we have worked with staff to meet all tasks and delivered proposals, binders, invoices and policies with in agreed upon schedule per our counterparts at the City. Having said that, while past performance is an indicator of future capabilities it does not guarantee it. Therefore, we have provided a comprehensive Broker Service Plan that addresses the Statement of Work including specific time periods for all tasks. Additionally, we have managed to be accountable to the City through the regular and periodic attention to face to face meetings held from December to June and less frequently from July to November.

Please see our Sample Broker Service Plan as Chart #3 in Appendix B of our response.

We have provided a transition plan (see Appendix C), but want to emphasize that no transition plan is necessary if Gallagher is chosen to continue as BOR.

4. Detailed description of specific tasks you will require from City staff. Explain what the respective roles of City staff and your staff would be to complete the tasks specified in the Scope of Work.

Our municipal clients have several approaches to working with us and their market partners. Some prefer that the broker perform virtually all services and require minimal investment on the part of the City; others are deeply engaged in the process and maximize the use of all of our services. Our work with the City since 2013 has been primarily engaged with the marketing and placement of the insurance program. City staff has always been responsive and proactive in working with us. We do not see any change to the roles going forward.

Proposers are encouraged to provide additional innovative and/or creative approaches for providing the service that will maximize efficient, cost-effective operations or increased performance capabilities. In addition, the City will consider Proposals that offer alternative service delivery means and methods for the services desired.

As previously outlined, our program offering is unique and the results have been reduced costs and predictable loss amounts for the City's budget. Our team is committed to the City and our staff has

many years of experience, which contribute to the various creative solutions to assist the City. Outlined below is information on the expertise of two individuals on our team which provide services to the City as well as an in-depth description of our expanded risk management services and an innovative approach to risk transfer the terrorism exposure.

### **Contract Review / Insurance Compliance**

Denise Simpson, JD, Senior Account Executive - Denise acts as our client resource for insurance compliance. She consults with our clients on memorandum of coverage documents, coverage analysis, contract review, and claims advocacy. She has over 15 years of legal experience, including representation of insureds and insurance carriers, complex litigation, and risk mitigation strategies for reducing overall organizational risk.

### **Loss Control / Safety / Risk Management**

Marco Guardi, ARM, CRIS, Vice President, Risk Control - Marco has over 24 years of experience and a unique background where he has served as a risk manager for various public entities and as a risk consultant for brokerages that specialize in the public sector marketplace. In addition to his risk control consultation work, he also held risk control leadership positions where he designed and implemented loss control services across all coverage lines for municipalities, schools and community college districts, including the largest public entity workers' compensation pool in the US. Marco is a member of RIMS and PRIMA.

See Appendix A for description of innovative services.

## Staffing

Provide a list of individual(s) who will be working on this project and indicate the functions that each will perform and anticipated hours of service of each individual. Include a resume for each designated individual.

Upon award and during the contract period, if the contractor chooses to assign different personnel to the project, the Contractor must submit their names and qualifications including information listed above to the City for approval before they begin work.

Employee	Functions	Hours of Service
John Chino	Principal, Marketing / Placement of Insurance	240
Audra Powers	Marketing / Administration	240
Marco Guardi	Loss Control / Risk Management	24
Denise Simpson	Insurance Compliance / Contract Review	40
Kiki Goldsmith	Administration	60

## Audra Powers, CIC, CRM Client Service Executive

Arthur J. Gallagher & Co. Insurance Brokers of California, Inc. – Orange County  
(949) 349-9840 | Audra\_Powers@ajg.com

Audra is an account executive with the Public Entity & Scholastic services niche. She has 27 years of experience in the insurance industry. She has been working specifically with Public Entities including School Districts, Municipalities, Charter Schools, and Joint Powers Authorities for the past eleven years. She holds both a Certified Insurance Counselors (CIC) and Certified Risk Management (CRM) designation from The National Alliance.

### KEY RESPONSIBILITIES

- Oversee Respond to any and all service needs
- Manage the marketing and placement of insurance
- Handle all billing and invoicing
- Immediate response to daily inquiries
- Handle all Auto and Equipment changes
- Issue Automobile Identification cards
- Account Management

### EXPERIENCE

- 24 years of experience in the insurance industry
- Primary focus on public entities
- Back ground includes working at an insurance company as well as insurance brokerages

### DESIGNATIONS, CREDENTIALS & AFFILIATIONS

- Certified Insurance Counselors
- Certified Risk Management

## **John Chino, ARM- PE, CSRM**

### **Area Senior Vice President**

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**Arthur J. Gallagher Risk Management Services – Orange County**  
T 949-349-9827 | F 949-349-9927 | John\_Chino@ajg.com

#### **AREAS OF RESPONSIBILITY**

- Areas of expertise include: public entity property & casualty insurance brokerage, policy design/manuscript, market trends/strategy, self-insurance approaches, owner controlled insurance programs (OCIP), and education/training specialist
- Works with clients to establish goals, strategies, marketing and renewal activities
- Participates in renewal meetings, and other meetings as may be necessary
- Coordinates the completion of actuarial studies
- Assists with contract language, coverage agreements and other documents
- Been with AJG for 35 years

#### **EXPERIENCE**

- Over 35 years insurance industry experience working with public entity and scholastic accounts
- Developed 18 self-insurance pools for public entities
- Crafted 8 coverage documents
- Completed 2-year internship at Lloyd's of London specializing in placement of self-insured public entity programs

#### **EDUCATION, PROFESSIONAL DESIGNATIONS & AFFILIATIONS**

- Bachelor of Science in Finance, University of South California
- Associate in Risk Management for Public Entities designation (ARM-P)
- Enterprise Risk Management designation (ARM-PE)
- Current Course Leader – The Institutes Course RMPE (Risk Management for Public Entities)
- Faculty of The National Alliance – teaches the CSRM program
- Speaker at National PRIMA Conventions and STRIMA, PARMA, CAJPA, and AGRIP conferences
- Risk & Insurance Magazine “Power Broker” Public Sector – 2007, 2008, 2009, 2010, 2011, 2012, 2015 & 2017
- Non-Profit Board Member: Community Matters (since 2011)

## **Marco Guardi, ARM, CRIS**

Vice President – Risk Control

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**Arthur J. Gallagher Risk Management Services – Orange County**

T 949-349-9884 | F 949-349-9984 | Marco\_Guardi@ajg.com

Marco has a unique background where he has served as a risk manager for various public entities and as a risk consultant for brokerages that specialize in the public sector marketplace. In addition to his risk control consultation work, he also held risk control leadership positions where he designed and implemented loss control services across all coverage lines for municipalities, school and community college districts, including the largest public entity workers' compensation pool in the US. Marco is a member of RIMS and PRIMA.

### **KEY RESPONSIBILITIES**

- Provide loss prevention and risk management consultation to public sector clients, across multiple coverage lines
- Evaluate effectiveness of clients' risk and loss prevention measures
- Advise clients on improving pre and post loss measures
- Oversee OCIP and Master Builders Risk programs' risk control, claims management and marketing

### **EXPERIENCE**

- 14 years employer based risk, safety and environmental management experience
- 10 years broker based loss control/safety consultation experience

### **EDUCATION**

- Bachelor of Science in Environmental and Occupational Health, California State University Northridge
- Master in Public Administration (MPA), California State University Fullerton

### **DESIGNATIONS, CREDENTIALS AND AFFILIATIONS**

- Associate in Risk Management Designation
- Construction Risk and Insurance Specialist
- Licensed General Lines Insurance Agent
- Recipient of Public Entity Excellence in Risk Services award

## **Denise Simpson, JD**

### Senior Account Executive

---

Arthur J. Gallagher & Co. – Orange County  
(949) 349-9886 | Denise\_Simpson@ajg.com

Denise is an account executive with the Public Entity & Scholastic services niche. She is our client resource for assistance with coverage agreements, contract/indemnity clause review, and claims assistance. Denise acts as our client resource for insurance compliance. She consults with our clients on memorandum of coverage documents, coverage analysis, contract review, and claims advocacy. She has over 13 years of legal experience, including representation of insured's and insurance carriers, complex litigation, and risk mitigation strategies for reducing overall organizational risk.

#### **KEY RESPONSIBILITIES**

- Contract Review

#### **EXPERIENCE**

- Over 13 years of legal experience, including representation of insureds and insurance carriers
- Expertise with risk management, healthcare, litigation, and contract negotiations
- Focused on risk analysis and mitigation strategies for reducing overall organization risk

#### **EDUCATION**

- Juris Doctor – Loyola Law School Los Angeles
- Bachelor of Arts, Political Science – Chapman University

#### **DESIGNATIONS, CREDENTIALS & AFFILIATIONS**

- Licensed Attorney, The State Bar of California – Active Status, admitted 1997

## Qualifications

The information requested in this section should describe the qualifications of the firm or entity, key staff and sub-contractors performing projects within the past five years that are similar in size and scope to demonstrate competence to perform these services.

### Fast Facts about Gallagher in California:

- 2,000+ employees in California
- 39 years’ experience providing innovative insurance solutions to CA Public Agencies since our first public agency client: Sacramento County 1978
- Currently place liability reinsurance and excess insurance for 88 of the Cities in LA and Orange County
- Commitment to California Public Agency associations including PARMA, PRIMA, and CAJPA.

### AJG AT A GLANCE

- Publicly traded corporation
- 90 years’ experience providing innovative insurance solutions
- 50+ years’ experience providing insurance for public sector property and casualty lines
- 22,000+ employees globally
- Family run by its third generation of leadership

True expertise in public sector risk management is hard to find, especially with the complexity of risk management issues growing exponentially. That is where Arthur J. Gallagher & Co. comes in. Having worked with the public sector for more than 50 years, our Public Sector Practice is the largest area of expertise at Arthur J. Gallagher & Co. We dive deep to understand your unique organization and its people, the specific risks you face and your tolerance for those risks. We then tailor a solution that accounts for each unique requirement. In fact, as a market leader in public sector risk management, we drive much of the innovative thinking around the products, services and tools the industry uses today. Our risk management solutions:

- |                              |                                |
|------------------------------|--------------------------------|
| • Insurance brokerage        | • Insurance pools              |
| • Risk management consulting | • Alternative risk financing   |
| • Loss control services      | • Tools and technology support |
| • Enterprise risk management | • Claims advocacy              |

Information shall include:

1. Names of key staff that participated on named projects and their specific responsibilities with respect to this scope of work.

**John Chino, ARM-PE, CSRM, PROJECT MANAGER / TEAM LEADER**

John, based out of our Irvine office, is the Team Leader and is responsible for all services included in the RFP.

**Audra Powers, CIC, CRM, CLIENT SERVICE EXECUTIVE**

Audra will work closely with the entire team to keep a focus on placements, policy administration, claims advocacy, legal reviews and technology issues..

**Kiki Goldsmith, CIC, CLIENT SERVICE MANAGER**

Kiki will assist Audra in the day-to-day account administration. She has 9 years of experience in the insurance industry, and holds a Certified Insurance Counselors (CIC) designation from The National Alliance and is actively working towards her Certified Risk Management (CRM) designation.

**Marco Guardi, ARM, CRIS, LOSS CONTROL & SAFETY**

Marco, based out of our Irvine office, has over 20 years' risk experience, primarily in the public sector. He served as a risk manager in the higher education and waste water sectors.

**Denise Simpson, JD, INSURANCE COMPLIANCE – LEGAL ANALYST**

Denise, based out of our Irvine office, acts as our client resource for insurance compliance. She consults with our clients on memorandum of coverage documents, coverage analysis, contract review, and claims advocacy.

A summary of your firm's or entity's demonstrated capability, including length of time that your firm has provided the services being requested in this Request for Proposal.

Included below.

2. For private Proposers, provide at least five references that received similar services from your firm. The City of Costa Mesa reserves the right to contact any of the organizations or individuals listed. Information provided shall include:
  - Client name:
  - Project description
  - Project start and end dates
  - Client project manager name, telephone number, and e-mail address.

**Client Project Manager for All Accounts Listed Below:**

John Chino, Area Senior Vice President  
(949) 349-9827 | [John\\_Chino@ajg.com](mailto:John_Chino@ajg.com)

**City and County of San Francisco**

25 Van Ness Avenue #750, San Francisco, CA 94102  
 Matt Hansen – Director of Risk Management  
 T (415) 554-2302 | [Matt.Hansen@sfgov.org](mailto:Matt.Hansen@sfgov.org)  
 Project Dates: 2007 – Present

**City of Albuquerque**

PO Box 470, Albuquerque, NM 87103  
 Peter Ennen – Risk Manager  
 T (505) 768-3209 | [PEnnen@cabq.gov](mailto:PEnnen@cabq.gov)  
 Project Dates: 2009 – Present

**City of Santa Fe**

200 Lincoln Avenue, Santa Fe, NM 87504  
 Barbara Boltrek – Risk & Safety Manager  
 T (505) 955-5627 | [bcboltrek@ci.santa-fe.nm.us](mailto:bcboltrek@ci.santa-fe.nm.us)  
 Project Dates: 2003 – Present

**California Joint Powers Insurance Authority (CJPIA)**

8081 Moody Street, La Palma, CA 90623  
 James Thyden – Insurance Programs Manager  
 T (562) 688-8126 | [jthyden@cjpia.org](mailto:jthyden@cjpia.org)  
 Project Dates: 2007 – Present

**Independent Cities Risk Management Association (ICRMA)**

320 W Newmark Avenue, Monterey Park, CA 91754  
 Beth Lyons, Executive Director | T (562) 277-0847  
 Project Dates: 2016 – Present

**Project Description**

Service	CCSF	California JPIA	ICRMA	City of Albuquerque	City of Santa Fe
Brokerage	✓	✓	✓	✓	✓
Administration	✓	✓	✓	✓	✓
Risk Management & Loss Control	✓	✓	✓	✓	✓
Claims Advocacy	✓	✓		✓	✓
Legal Review	✓	✓	✓	✓	✓
Tools & Technology	✓			✓	✓

Any public entity which submits a Proposal should describe in detail how it currently performs services like those identified in the scope of work within its or other jurisdictions, including photographs, written policies and/or video of services provided. If you have performed these services under contract for another public entity, please provide references for those entities as set forth above for private Proposers.

## **Description of Services for our comparable clients**

### **City & County of San Francisco**

#### **Brokerage**

- Place Excess Liability, Public Official's Liability, Cyber Liability and Crime Coverage.
- Provided Owner Protective Professional Insurance for the \$1.7 billion Central Subway Project in the City & County of San Francisco.
- Designed and placed a unique liability program for MUNI, the transportation division of the City & County of San Francisco. .

#### **Risk Management**

Arthur J. Gallagher & Co. was provided an opportunity to work with Matt Hansen, the newly hired director of the risk management division, to craft a "true" enterprise risk management program (ERM). The City had several enterprises which were about to sell debt/issue bonds for the first time in many years. It was determined that the bond ratings could be strengthened with an ERM platform. The enterprises included The Port, Public Utilities Commission (PUC), and the MTA or MUNI. Other departments had also indicated a desire to implement ERM in a second or third phase.

#### **Tools and Technology**

The next step was to implement the software to run the project. Gallagher has vetted numerous potential software providers for ERM clients and discovered that the best option was the one being used by our British counterparts. The UK has mandated ERM for public agencies and the software use by virtually every county in the UK is from a company known as JCAD. Gallagher introduced JCAD to the City and they agreed it was the solution they needed.

### **California JPIA (125 members)**

#### **Brokerage**

California JPIA did not have an effective plan for the purchase of reinsurance and therefore was subject to market cycles. The result was that the JPA was forced to maintain very high retentions and inadequate limits often creating unstable cash flow demands on the pool's surplus position. By providing an analysis of losses based on levels of coverage, the JPA could properly assess the value of self-insurance or retained limits. Gallagher using their intimate knowledge of the reinsurance market were able to craft a reinsurance program that not only matched membership needs but better protected the equity of the pool. For the first time in the JPA's history they had a strategic plan for renewal based on their strengths and were protected from the whims of the marketplace.

#### **Risk Management**

Gallagher has been working with the California JPIA since 2007 and we have implemented a strategy to improve the delivery of loss control services to members. Gallagher's unique knowledge

of loss control services available on all medium (DVD, video streaming and on-line) has allowed the JPIA to quickly assess the value to membership. This project is ongoing.

### **Tools & Technology**

Gallagher and the reinsurance intermediary (JLT re) began their work with the JPA by assessing the quality of the current application process to collect member data. The Gallagher/JLT team provided improvements to the system based upon their knowledge of the reinsurance and excess insurance underwriting process as well as management information systems (MIS).

## **ICRMA**

Risk to public agencies are continuously emerging, like drone usage and child molestation. Through risk identification and analysis, AJG's Risk Control staff will provide education, consultation and solutions to address emerging and ongoing risks.

## **City of Albuquerque**

### **Brokerage**

The City hired Gallagher as their broker of record three years ago and our first accomplishment was to restructure the program to provide better efficiency to the program by combining renewal dates and more efficient deductibles and limits. Coverage gaps were eliminated or reduced and significant pricing reductions were achieved.

### **Legal Review**

The City's prior broker had not reviewed the insurance requirements or indemnification agreements. Gallagher began working with several City departments including legal, contracts, the airport and others to review all contracts and make recommendations for clear and accurate insurance requirements. Gallagher trained department personnel on implementation of contract language as well as a verification process to insure compliance by vendors.

### **Tools and Technology**

Another shortcoming of the City's prior broker was a failure to provide an easy to use application process for renewal we changed that by utilizing an on-line platform known as Gallagher Insight to store applications. Gallagher Insight also became an important tool for the City's policies and contracts.

## **City of Santa Fe**

### **City of Santa Fe/Brokerage**

Gallagher took over the City's property and liability program in 2011 and have been the worker's compensation broker since 2007. The major accomplishment of Gallagher in respect of the placement of the program for the City was a savings of \$400,000 achieved via a reduction to premium with no reduction to coverage. In addition, Gallagher helped the City to get a handle on the claims process working with the carrier to schedule regular claims reviews with Counsel/risk management.

## *Financial Capacity*

Provide the Proposer's latest audited financial statement or other pertinent information such as internal unaudited financial statements and financial references to allow the City to reasonably formulate a determination about the financial capacity of the Proposer. Describe any administrative proceedings, claims, lawsuits, or other exposures pending against the Proposer.

Our latest financial results are included in Appendix D.

As with any business, Arthur J. Gallagher & Co. and its affiliates ("Gallagher") may be involved in multiple regulatory actions, investigations or lawsuits (collectively, "Actions"). Specific details of Actions to which Gallagher is subject are noted in reports to the SEC, which are available in the Investor Relations/SEC Filings section at [www.ajg.com](http://www.ajg.com), particularly in the "Commitments, Contingencies and Off-Balance Sheet Arrangements" footnote to Gallagher's financial statements set out in Gallagher's most-recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q. You may access these forms at [ajg.com](http://ajg.com), under the tab "Investor Relations." We respect your interest in asking this question but are unable to give any more specific detail than can be found within the public information locations noted in this response.

*Cost Proposal*

All Proposers are required to use **Attachment B, Cost Proposal** to be submitted with their Proposal. Pricing instructions should be clearly defined to ensure fees proposed can be compared and evaluated. Proposals shall be valid for a minimum of 180 days following submission.

**ATTACHMENT B**  
**COST PROPOSAL**  
**FOR**  
**INSURANCE BROKER SERVICES**

**Provide hourly rates, along with estimated annual pricing in accordance with the City’s current requirements, as set forth in section Scope of Work, Attachment A. Also provide your firm’s proposed Staffing Plan on a separate sheet of paper. Proposer should use a separate form to state pricing for any added value.**

Pricing shall remain firm for a minimum of two (2) years. Any and all requests for pricing adjustments for follow-on contract renewal periods shall be provided no later than sixty (60) days prior to the end of the contract period. Any such proposed price adjustments shall not exceed The Bureau of Labor Statistics Consumer Price Index (CPI) data for Los Angeles-Riverside-Orange County, CA, All Items, Not Seasonally Adjusted, “annualized change comparing the original proposal month and the same month in the subsequent year. (This information may be found on the U.S. Department of Labor’s website at [www.bls.gov](http://www.bls.gov).)

Employee	Hourly Rate	Hours Worked	Total Cost	Overtime Rate
N/A	\$		\$	\$
	\$		\$	\$
	\$		\$	\$
	\$		\$	\$
	\$		\$	\$
	\$		\$	\$
	\$		\$	\$
	\$		\$	\$

<b>Total Estimated Annual Price</b>	<b>\$50,000 Flat Fee</b>
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## *Disclosure*

Please disclose any and all past or current business and personal relationships with any current Costa Mesa elected official, appointed official, City employee, or family member of any current Costa Mesa elected official, appointed official, or City employee. **Any past or current business relationship may not disqualify the firm from consideration.**

The City of Costa Mesa is well known for its many qualities not the least of which is the engagement of our City Council in civic and public activities. It is not uncommon to see and speak with an elected official at a Little League game or a city sponsored event such as the Snoopy House Holiday Display. In fact, I have met officials at both. In addition, we organized and attended a grant presentation from Fireman's Fund insurance Company to the fire department which a City Council member joined just last year. We do not interpret these instances as "business or personal" within the context of the disclosure but wanted to be clear that we do have some contact with elected and appointed officials from time to time.

**We do not have a past or current business personal relationship with any Costa Mesa elected official or appointed officials beyond what is included above.**

**We do have an employee, Dan Guth, that is a member of the Police Officer Reserve Program at the City of Costa Mesa.**

Please see completed Disclosure of Government Positions form included in our forms checklist.

## *Sample Professional Service Agreement*

The firm selected by the City will be required to execute a Professional Service Agreement with the City. A sample of the Agreement is enclosed as **Appendix A**, but may be modified to suit the specific services and needs of the City. **If a Proposer has any exceptions or conditions to the Agreement, these must be submitted for consideration with the Proposal. Otherwise, the Proposer will be deemed to have accepted the form of Agreement.** See No. 12 of this RFP below.

We agree to execute a Professional Service Agreement with the City should our firm be selected by the City. We have no exceptions or conditions to the Agreement at this time.

## *Checklist of Forms to Accompany Proposal*

As a convenience to Proposers, following is a list of the forms, included as appendices to this RFP, which should be included with Proposals:

1. Vendor Application Form
2. Company Profile & References
3. Ex Parte Communications Certificate
4. Cost Proposal
5. Disclosure of Government Positions
6. Disqualifications Questionnaire
7. Staffing Plan

## COMPANY PROFILE & REFERENCES

### Company Profile

Company Legal Name: Arthur J. Gallagher & Co.

Company Legal Status (corporation, partnership, sole proprietor etc.): Corporation

Active licenses issued by the California State Contractor's License Board: CA License No. 0726293

Business Address: 18201 Von Karman Avenue, Suite 200, Irvine, CA 92612

Website Address: [www.AJG.com](http://www.AJG.com)

Telephone Number: (949) 349-9827 Facsimile Number: (949) 349-9927

Email Address: John\_Chino@ajg.com

Length of time the firm has been in business: Since 1927 Length of time at current location: 5 years

Is your firm a sole proprietorship doing business under a different name:        Yes   ✓   No

If yes, please indicate sole proprietor's name and the name you are doing business under: N/A

Is your firm incorporated:   ✓   Yes        No. If yes, State of Incorporation: Illinois

Federal Taxpayer ID Number: 94-3015711

Regular business hours: 8:00 AM – 4:30 PM

Regular holidays and hours when business is closed: President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving/Day After Thanksgiving, Christmas, and New Year's Day

Contact person in reference to this solicitation: John Chino

Telephone Number: (949) 349-9827 Facsimile Number: (949) 349-9927

Email Address: John\_Chino@ajg.com

Contact person for accounts payable: Natalie Bates

Telephone Number: (949) 349-9856 Facsimile Number: (949) 349-9956

Email Address: Natalie\_Bates@ajg.com

Name of Project Manager: John Chino

Telephone Number: (949) 349-9827 Facsimile Number: (949) 349-9927

Email Address: John\_Chino@ajg.com

**COMPANY PROFILE & REFERENCES****(Continued)**

Submit the company names, addresses, telephone numbers, email, contact names, and brief contract descriptions of at least five clients, preferably other municipalities for whom comparable projects have been completed or submit letters from your references which include the requested information.

Company Name: City and County of San Francisco Telephone Number: (415) 554-2302  
 Contact Name: Matt Hansen, Director of Risk Management Contract Amount: Confidential  
 Email Address: Matt.Hansen@sfgov.org  
 Address: 25 Van Ness Avenue #750, San Francisco, CA 94102  
 Brief Contract Description: Auto, Crime, Bonds, Public Officials Liability, Excess Liability, Muni

Company Name: City of Albuquerque Telephone Number: (505) 768-3209  
 Contact Name: Peter Ennen, Risk Manager Contract Amount: Confidential  
 Email Address: PEnnen@cabq.gov  
 Address: PO Box 470, Albuquerque, NM 87103  
 Brief Contract Description: All Lines of Coverage

Company Name: California Joint Powers Insurance Authority (CJPIA) Telephone Number: (562) 467-8784  
 Contact Name: Jim Thyden, Insurance Programs Manager Contract Amount: Confidential  
 Email Address: jthyden@cjpia.org  
 Address: 8081 Moody Street, La Palma, CA 90623  
 Brief Contract Description: Railroad Crossings

Company Name: City of Santa Fe Telephone Number: (505) 768-3209  
 Contact Name: Barbara Boltrek, Risk Manager Contract Amount: Confidential  
 Email Address: bcboltrek@ci.santa-fe.nm.us  
 Address: 200 Lincoln Avenue, Santa Fe, NM 87504  
 Brief Contract Description: All Lines of Coverage

Company Name: Independent Cities Risk Management Agency (ICRMA) Telephone Number: (562) 277-0847  
 Contact Name: Beth Lyons, Executive Director Contract Amount: Confidential  
 Email Address: Beth\_Lyons@riskpooladministrators.com  
 Address: 320 West Newmark Avenue, Monterey Park, CA 91754  
 Brief Contract Description: The Irvine office leads the risk management services component for ICRMA

**EX PARTE COMMUNICATIONS CERTIFICATION**

Please indicate by signing below one of the following two statements. **Only sign one statement.**

I certify that Proposer and Proposer's representatives have not had any communication with a City Councilmember concerning **RFP No. 17-10 INSURANCE BROKER SERVICES** at any time after **February 1, 2017**.

\_\_\_\_\_

Signature

Date: \_\_\_\_\_

John Chino  
\_\_\_\_\_

Print

**OR**

I certify that Proposer or Proposer's representatives have communicated after **February 1, 2017** with a City Councilmember concerning **RFP No. 17-10 INSURANCE BROKER SERVICES**. A copy of all such communications is attached to this form for public distribution.

\_\_\_\_\_

Signature

Date: \_\_\_\_\_

\_\_\_\_\_

Print

**ATTACHMENT B**  
**COST PROPOSAL**  
**FOR**  
**INSURANCE BROKER SERVICES**

**Provide hourly rates, along with estimated annual pricing in accordance with the City’s current requirements, as set forth in section Scope of Work, Attachment A. Also provide your firm’s proposed Staffing Plan on a separate sheet of paper. Proposer should use a separate form to state pricing for any added value.**

Pricing shall remain firm for a minimum of two (2) years. Any and all requests for pricing adjustments for follow-on contract renewal periods shall be provided no later than sixty (60) days prior to the end of the contract period. Any such proposed price adjustments shall not exceed The Bureau of Labor Statistics Consumer Price Index (CPI) data for Los Angeles-Riverside-Orange County, CA, All Items, Not Seasonally Adjusted, “annualized change comparing the original proposal month and the same month in the subsequent year. (This information may be found on the U.S. Department of Labor’s website at [www.bls.gov](http://www.bls.gov).)

<b>Employee</b>	<b>Hourly Rate</b>	<b>Hours Worked</b>	<b>Total Cost</b>	<b>Overtime Rate</b>
N/A	\$		\$	\$
	\$		\$	\$
	\$		\$	\$
	\$		\$	\$
	\$		\$	\$
	\$		\$	\$
	\$		\$	\$
	\$		\$	\$

<b>Total Estimated Annual Price</b>	<b>\$50,000 Flat Fee</b>
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**DISCLOSURE OF GOVERNMENT POSITIONS**

Each Proposer shall disclose below whether any owner or employee of Contractor currently hold positions as elected or appointed officials, directors, officers, or employees of a governmental entity or held such positions in the past twelve months. List below or state "None."

Name	Position	Organization
Dan Guth	Reserve Police Officer	City of Costa Mesa
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

### **DISQUALIFICATION QUESTIONNAIRE**

The Contractor shall complete the following questionnaire:

Has the Contractor, any officer of the Contractor, or any employee of the Contractor who has proprietary interest in the Contractor, ever been disqualified, removed, or otherwise prevented from bidding on, or completing a federal, state, or local government project because of a violation of law or safety regulation?

Yes \_\_\_\_\_ No  X

If the answer is yes, explain the circumstances in the following space.

## STAFFING PLAN

### 1. Primary Staff to perform Agreement duties

<b>Name</b>	<b>Classification/Title</b>	<b>Years of Experience</b>
John Chino	Area Senior Vice President	35 years
Audra Powers	Client Service Executive	27 years
Kiki Goldsmith	Client Service Manager	9 years
Marco Guardi	Area Vice President – Risk Control	20 years
Denise Simpson	Senior Account Executive	13 years

### 2. Alternate Staff (for use only if primary staff are not available)

<b>Name</b>	<b>Classification/Title</b>	<b>Years of Experience</b>
None		

Substitution or addition of Proposer's key personnel in any given category or classification shall be allowed only with prior written approval of the City Project Manager.

The Proposer may reserve the right to involve other personnel, as their services are required. The specific individuals will be assigned based on the need and timing of the service required. Assignment of additional key personnel shall be subject to City Project Manager approval. City reserves the right to have any of Contractor personnel removed from providing services to the City under this Agreement. City is not required to provide any reason for the request for removal of any Contractor personnel.

## Appendix A - Core 360 Overview

### Core 360 Loss Control Platform

At Gallagher we offer the full complement of services for a self-insured municipality including risk management services and loss control. Our offering shall be led by Marco Guardi a former public agency risk manager (OCSD) and is now formally structured as Core 360. We are particularly excited to offer a loss control portal to the City for no cost that provides training for more than 70 topics.



Our objectives for the 2017 to 2020 loss control plan will provide options for education and loss control services. Below is an outline of what AJG is prepared to offer. There is more than one option under some sections. It would be AJG’s intent to provide one offering under each topic for each of the upcoming years in order to meet the desired results. This way City staff and Gallagher have enough time to implement each phase.



#### Losses within Deductible/Retention

Our data driven approach allows us to implement programs for the City of Costa Mesa that will increase safety, minimize losses and mitigate claims, resulting in a lower total cost of risk.

#### Resources Offered:

- CORE 360 Loss Control Portal (See Appendix B for overview)
- Claims Analysis - Update Loss analysis for frequency and severity drivers – The loss analysis is now several years old and to ensure we have a good understanding of the leading frequency and severity drivers, we suggest the loss analysis be updated in 2017.
- RM Surveys and Analysis -
  - Claims reporting
  - Incident reporting and investigation
  - Number and cost of claims
  - Employment practices policies and procedures
  - Vehicle usage policies and procedures
  - Contracts and risk transfer policies and procedures
  - Law enforcement policies and procedures, etc.



### Uninsurable/Uninsured Losses

At Gallagher, we help you understand all your potential risks, both known and unknown. With our vast network of municipal coverage area experts, we shall provide the City with actionable advice to help you make informed decisions, develop creative solutions, and manage your non-traditional risk.

Resources Offered:

- Informational Lessons on Emerging Risks
  - Drones
  - TRIPA vs. Terrorism Plus Policy



### Contractual Liability

Arthur J. Gallagher & Co. works closely with you to develop a program to transfer the appropriate liabilities and not assume any hidden or unknown liabilities, reducing your total cost of risk

Resources Offered:

- Contracts Manual
  - Development of contract manual.
  - Provide training for staff

### Terrorism Plus

Arthur J Gallagher leads the Nation in placement of insurance and self-insurance for public agencies as such we are frequently called upon to create risk management products and services that protect our clients from emerging risks. Perhaps no creation better represents the manifestation of this goal than Terrorism Plus. Terrorism insurance has been available to public agencies since 2001 when the domestic insurance industry moved to an absolute exclusion for terrorism. The Federal Government provides a “back-stop” program known as TRIA but municipalities that sought real protection for terrorism had opted for the procurement of a “true” terrorism policy for property damage and/or for third party claims.

Beginning in 2011, Gallagher in conjunction with Lloyd’s Underwriters implemented a policy to provide both property damage and liability in a single form and importantly to add previously excluded hazards such as chemical, nuclear, biological and radioactive events, (NCBR). This risk transfer product is known as Terrorism Plus and is only available through Gallagher. Since 2011 we were able to add coverage to insure the revenue streams associated with large enterprises (such as stadiums, malls etc.) that are located within the City limits but not owned by the City. For example if an event should impact South Coast Plaza, the City could procure the Terrorism Plus program to insure tax revenues that were lost.

The proprietary policy is cost effective and can provide \$100,000,000 in limits and use low deductibles if desired.



# Online Safety Training

Powered by:



## CORE360

Evaluating and Minimizing  
Your Total Cost of Risk

Focusing on:



- Losses Within Deductible/Retention

Learn more at [www.ajg.com/CORE360](http://www.ajg.com/CORE360)

### CORE360 Loss Control Portal Your online safety training and resource system

Safety programs are critical to reducing losses and minimizing your total cost of risk. Arthur J. Gallagher & Co.'s CORE360 Loss Control Portal provides online training to support your safety program.

Key features include:

- Managers and employees gain annual access to ten training modules of your choosing, with the opportunity to refresh your ten modules annually
- Learning Management System (LMS) software uses SCORM to track and run reports on participants' progress and quiz results
- Automatic email function notifies employees of training assignments with a direct system link
- Safety Bulletins and Weekly Best Management Practices Training Bulletins emailed regularly to users
- Online resource tools, model workplace policies, procedures and forms available, plus Human Resources Self-Assessment tools, with the ability to add your own customized information
- Easy on-boarding of unlimited users and user assignment levels
- The CORE360 Loss Control Portal can be customized to fit your organization's needs

### Online Training Modules

Keep your training fresh! Select ten replacement modules each year you renew with Arthur J. Gallagher & Co.

Most training modules run 10-25 minutes with a quiz. Safety Shorts run less than 5 minutes, with no quiz.

View a full demo of the [CORE360 Loss Control Portal here](#).

## Available Modules

### Human Resources Training

- Americans with Disabilities Act (ADA)
- Anti-Discrimination Training
- California Ethics
- California Sexual Harassment Prevention & Response (English & Spanish)
- Connecticut Sexual Harassment Prevention & Response
- Discrimination
- Diversity
- Ethics in Action
- Fair & Accurate Credit Transaction Act (FACTA)
- Family Medical Leave Act (FMLA)
- Interviewing Strategies
- Maine Sexual Harassment Prevention & Response
- Personnel Files
- Prevention of Harassment and Discrimination
- Sensitivity Basics: Creating Positive Working Relationships
- Sexual Harassment (English & Spanish)
- Smart Hiring
- SRM—Core Principles
- Theft
- Unsafe Acts
- Violence Prevention
- Workers Compensation
- Workplace Investigations Basics
- Wrongful Termination

### Safety Training

- Accident Investigation Techniques
- Asbestos Awareness (General Industry)
- Basic Conveyor Safety
- Bloodborne Pathogens (English & Spanish)
- Creating a Safe Holiday Celebration
- Defensive Driving—Accident Scene Management
- Defensive Driving—Backing Safely, R is for Reverse
- Defensive Driving Basics—Part I
- Defensive Driving—Changing Lanes Safely
- Defensive Driving—Driving Safely in School Zones
- Defensive Driving—General Auto Risk Management
- Defensive Driving—Intersections
- Defensive Driving—Reducing Deer Related Incidents
- Defensive Driving—Safe Following Distance
- Defensive Driving—Spring Weather Conditions
- Defensive Driving—Winter Weather Conditions
- Determining the Root Cause of Accidents
- Disaster Planning 101
- Electrical Safety
- Employee & Family Disaster Planning
- Fire Prevention Practices
- Forklift Safety Basics for General Industry
- Hazard Communication (English & Spanish)
- Hearing Protection
- Housekeeping—Custodial, Safe Housekeeping Practices
- Identifying Strain & Exertion Exposures (English & Spanish)
- Lead-Based Paint
- Lockout/Tagout
- Machine Guarding (English & Spanish)
- Means of Egress
- Mold
- Office Ergonomics Defined
- Office Ergonomics—Working in Comfort
- Office Workstation Safety
- Office Workstation Safety for Supervisors
- Personal Protective Equipment (English & Spanish)
- Portable Fire Extinguishers I
- Portable Fire Extinguishers II
- Preparation for Physical Activity
- Preventing Back Injuries (English & Spanish)
- Preventing Slips, Trips and Falls
- Safety Pays for Life
- Temp Staffing Services Employee Safety Orientation (English & Spanish)

### Safety Shorts

Two Safety Shorts are considered one module selection.

- Bloodborne Pathogens
- Electrical Safety
- Emergency Procedures
- Fire Prevention and Protection
- Hand and Power Tools
- Hazard Communication
- Housekeeping/Custodial—Before You Start
- Housekeeping/Custodial—Cleaning by Hand
- Housekeeping/Custodial—Emptying Trash
- Housekeeping/Custodial—Mopping and Emptying Buckets
- Housekeeping/Custodial—Preventing Slips, Trips and Falls
- Housekeeping—General
- Ladder Safety
- Lockout/Tagout
- Personal Protective Equipment
- Safe Lifting Practices
- Slip, Trip and Fall



### Elizabeth Miser

Arthur J. Gallagher Risk Management Services

1501 Market Street, Suite 250

Tacoma, WA

253.238.1165

elizabeth\_miser@ajg.com

www.ajg.com

## Appendix B - Sample Broker Plan

### BROKER SERVICE PLAN – BASED UPON A 7/1 RENEWAL

I. BROKER SERVICES	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July
<b>A. ASSIGNED PERSONNEL</b>												
1. The BROKER shall designate a Principal to be assigned to this account to act as the primary contact for the CITY. The CITY must approve the Principal and any other personnel assigned to perform services for the CITY (hereafter collectively referred to as “assigned personnel”). If for any reason the CITY finds, in its sole discretion, that the service replacement personnel is unsatisfactory, the BROKER will agree to assign replacement personnel that must also be approved by the CITY. Personnel assigned to the account must have a minimum of five (5) years full-time experience as a broker and a minimum of three (3) years experience with public agency insured and self-insured insurance program management is preferred.												
<b>B. AUDIT</b>												
1. The BROKER will cooperate with the CITY and make available any and all files and records available for audits. The CITY will have reasonable access to the necessary portions of the BROKER facilities, records and files for review or audit purposes.												
<b>C. PROGRAM ADMINISTRATION</b>												
1. Act as an independent insurance advisor to the City and proactively provide ongoing unbiased professional advice and recommendations that benefit the City.												
2. Proactively provide ongoing review and analysis of the City’s insurance programs and identification of risk transfer and risk financing options.												
3. Be familiar with the major exposures of the City.												
4. Be familiar with the coverage provided by all relevant insurance policies and documents issued to the City.												
5. Assure that insurance policies are placed in a timely manner, without lapses in coverage periods, with reputable and financially responsible insurers.												
6. Provide service for the insurance policies placed for the City including processing all changes and endorsements and verifying the accuracy of invoices within a reasonable time.												
7. Provide early warning of rate and coverage changes or renewal problems through a process to be mutually agreed upon with the City.												
8. Upon request of the City, but at least once a year, provide a comprehensive report that reviews all of the City’s insurance programs.												
9. Through a mutually agreed upon process, monitor the City’s operations and loss exposures and make any appropriate recommendations for coverage changes or new coverage.												
10. Be available to answer questions or obtain answers from underwriters for policy coverage questions.												

**BROKER SERVICE PLAN – BASED UPON A 7/I RENEWAL**

<b>BROKER SERVICES (CONTINUED)</b>	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July
11. Meet with City staff and designated representatives as reasonably requested.												
12. Provide consultation service and written reports as normally expected of a professional broker to a large client.												
13. Provide loss control services and assistance with claims as requested by the City. Assist in analyzing loss exposures from existing and new operations, and determine the appropriate risk management alternatives, including types, availability, costs and extent of coverage that should be considered.												
<b>SPECIAL REQUIREMENTS</b>												
<b>A. PERIOD OF AGREEMENT</b>												
The selected broker will be appointed as the City’s Broker(s) of Record for property/casualty and other insurance as required for a period of three (3) years with two (2) additional one-year options, at the City’s sole discretion. Appointment as Broker of Record creates no right to reappointment or continued service. If negotiations for renewal of this contract are delayed for reasons beyond control of broker, the contract shall automatically be extended under the same terms and conditions until terminated by written notice by either party or be execution of a new contract.												
<b>B. POLICY REVIEW</b>												
Review policies and other documents in detail within 14 days of receipt of the documents. Check the wording and accuracy of each policy, binder, certificate, endorsement or other document received from insurers. Ensure that the intended coverage is provided, all coverage, terms, conditions and other wording is complete and accurate, and in compliance with financial arrangements and administrative procedures acceptable to the City. Obtain revisions needed to achieve compliance with coverage request.												
<b>C. POLICY AMENDMENTS</b>												
Process requests for additions or deletions to policies within five (5) business days of receipt. Provide follow up with insurer that the insurer has handled the request. Advise in writing of any changes to insurance policy(ies) within 14 days.												
<b>D. MARKETING</b>												
1. Monitor expiration dates of policies and provide the City with written notification at least 90 days prior to expiration, including a description of information needed to process the renewal.												
2. Develop and implement a marketing strategy, including identifying potential markets, for program renewals at least 90 days before policy expiration.												
3. Develop underwriting information and assist in gathering and organizing exposure and loss data for renewals of policies placed.												
4. Work with carriers to design policies and programs most advantageous to the City for coverage of exposures, policy form, exclusions, deductibles, self-insured retentions, coordination with other policies, costs and other pertinent factors.												

BROKER SERVICE PLAN – BASED UPON A 7/1 RENEWAL

SPECIAL REQUIREMENTS (CONTINUED)	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July
5. Market renewal coverage for the City by obtaining timely and competitive quotations from available and responsible insurers & reinsurers.												
6. Provide quotations to the City at least thirty (30) days prior to insurance policy expiration unless otherwise approved by the City.												
7. If requested by the City, provide the City with copies of declination letters and all premium quotations received with a summary of coverage explaining deficiencies or benefits of the quote compared to the recommended insurance program.												
8. Provide quotations for specialized types of insurance, as requested by the City.												
<b>E. CLAIMS</b>												
1. Assist the City staff, as necessary with filing claims.												
2. Work with outside claims adjustors as necessary.												
3. Represent the interests of the City in policy interpretation and other negotiations with insurance carriers.												
4. Assist the City with review of claim reserves and represent the City to the insurer with regard to requested explanation or reduction of reserve amounts. Follow-up with insurer as necessary until resolution of any reserve reduction requests are accomplished or until claim is closed.												
5. Provide annual summaries by policy year for each of the last five years indicating total number of losses by type for each line of coverage and showing earned premium, incurred losses and loss ratio.												
<b>F. CERTIFICATES OF INSURANCE</b>												
Issue certificates of insurance within three (3) business days following the date of request.												
<b>G. CONTRACT REVIEW</b>												
Review contracts and lease agreements as requested and notify the City whether the insurance programs of the City are in compliance with insurance requirements of contracts and/or agreements.												
<b>H. LEGAL COMPLIANCE</b>												
Comply with all State and Federal laws and regulations pertaining to insurance brokers licensed in the State of California.												

= Continuous throughout year

= Quarterly

= As Needed

= Specific

*Appendix C - Sample Transition Plan*

Transition & Marketing Tasks		Responsible Party	120-60 Days	60-30 Days	30-0 Days
1	File Broker of Record Letters with respective markets.	City			
2	Request Cert Holder and other materials from prior broker. Establish Client Service Expectations, Safety/Loss Control Goals and Claims Reporting Procedures. Request list of appropriate insurance contacts	City & AJG			
3	Issue request for renewal information	AJG			
4	Update Renewal Information	City			
5	Request updated loss runs and status reports on all open claims from current & prior carriers	AJG			
6	Send a letter of introduction to each Insurance Contact. Make contact with all International Partners and establish service needs.	AJG			
7	Renewal Strategy Meeting	City & AJG			
8	Prepare & Send Submission to Market	AJG			
9	Transition any applicable international operations into respective AJG network partners. Create Electronic policy digest for locally admitted policies.	AJG			
10	Review current Loss Control & Disaster Program Perform Engineering Needs Analysis Assist in coordination of carrier renewal inspections	City & AJG			
11	Provide loss runs and summary	AJG			
12	Client - Carrier Meetings, As Necessary	City & AJG			
13	Negotiation with Markets	AJG			
14	Bind Order	City			
15	Forward Bind Order to Market(s). Transmit Binders once received and checked for accuracy. Provide Summary of Insurance. Process Renewal Certificates. Invoice LS&CO/Premium Financing Arrangements. Process & File Surplus Lines Filings, As Necessary	AJG			
16	Quarterly Program & Service Review Quarterly Loss Control Meeting & Goal Status Review	AJG			
17	Prepare Loss Control status reports	AJG			

*Appendix D - Financials*



**ARTHUR J. GALLAGHER & CO. ANNOUNCES  
FOURTH QUARTER AND FULL YEAR 2016 FINANCIAL RESULTS**

ITASCA, IL, January 26, 2017 — Arthur J. Gallagher & Co. (NYSE: AJG) today reported its financial results for the quarter and year ended December 31, 2016. Management will host a webcast conference call to discuss these results on Friday, January 27, 2017 at 9:00 a.m. ET/8:00 a.m. CT. To listen to the call, and for printer-friendly formats of this release and the “Supplemental Quarterly Data” and “CFO Commentary,” which may also be referenced during the call, please visit [ajg.com/IR](http://ajg.com/IR). These documents contain both GAAP and non-GAAP measures. Investors and other users of this information should read carefully the section entitled “Information Regarding Non-GAAP Measures” beginning on page 9.

**Summary of Financial Results – Fourth Quarter  
Reconciliations of non-GAAP measures begin on page 2**

(Dollars in millions, except per share data)

	4th Q 2016		4th Q 2015		Change	
	Reported GAAP	Adjusted Non-GAAP	Reported GAAP	Adjusted Non-GAAP	Reported GAAP	Adjusted Non-GAAP
<b><u>Brokerage Segment</u></b>						
Revenues	\$ 885.7	\$ 883.8	\$ 851.8	\$ 821.4	4%	8%
Organic revenues		\$ 833.2		\$ 804.4		3.6%
Net earnings	\$ 78.6		\$ 51.7		52%	
Net earnings margin	8.9%		6.1%		+280 bpts	
Adjusted EBITDAC		\$ 228.2		\$ 209.5		9%
Adjusted EBITDAC margin		25.8%		25.5%		+31 bpts
Diluted net earnings per share	\$ 0.44	\$ 0.54	\$ 0.30	\$ 0.50	47%	8%
<b><u>Risk Management Segment</u></b>						
Revenues	\$ 185.6	\$ 185.6	\$ 181.3	\$ 180.9	2%	3%
Organic revenues		\$ 185.3		\$ 180.1		2.9%
Net earnings	\$ 15.1		\$ 11.4		32%	
Net earnings margin	8.1%		6.3%		+185 bpts	
Adjusted EBITDAC		\$ 33.2		\$ 31.6		5%
Adjusted EBITDAC margin		17.9%		17.5%		+42 bpts
Diluted net earnings per share	\$ 0.08	\$ 0.09	\$ 0.06	\$ 0.08	33%	13%
<b><u>Corporate Segment</u></b>						
Diluted net earnings (loss) per share	\$ 0.01	\$ 0.03	\$ (0.01)	\$ 0.01	200%	200%
<b><u>Total Company</u></b>						
Diluted net earnings per share	\$ 0.53	\$ 0.66	\$ 0.35	\$ 0.59	51%	12%

“We had a terrific quarter to finish an excellent 2016. For both the quarter and the full year, we delivered strong growth in revenue, improvement in our margin and disciplined execution of our tuck-in M&A strategy,” said J. Patrick Gallagher, Jr., Chairman, President and CEO. “We are well positioned for 2017. Our unique Gallagher culture is as strong as ever, our integration efforts are largely complete and we have a robust M&A pipeline. We continue to see an environment where our talented production and claims staff can drive growth.”

**Summary of Financial Results – Year Ended December 31, 2016**  
**Reconciliations of non-GAAP measures begin on page 3**

(Dollars in millions, except per share data)

	Year 2016		Year 2015		Change	
	Reported GAAP	Adjusted Non-GAAP	Reported GAAP	Adjusted Non-GAAP	Reported GAAP	Adjusted Non-GAAP
<b>Brokerage Segment</b>						
Revenues	\$ 3,527.9	\$ 3,521.3	\$ 3,324.0	\$ 3,232.0	6%	9%
Organic revenues		\$ 3,286.7		\$ 3,173.9		3.6%
Net earnings	\$ 357.1		\$ 268.1		33%	
Net earnings margin	10.1%		8.1%		+205 bpts	
Adjusted EBITDAC		\$ 948.7		\$ 856.8		11%
Adjusted EBITDAC margin		26.9%		26.5%		+43 bpts
Diluted net earnings per share	\$ 1.98	\$ 2.30	\$ 1.54	\$ 2.13	29%	8%
<b>Risk Management Segment</b>						
Revenues	\$ 718.1	\$ 718.1	\$ 727.1	\$ 723.4	-1%	-1%
Organic revenues		\$ 713.9		\$ 705.1		1.3%
Net earnings	\$ 57.2		\$ 57.2		0%	
Net earnings margin	8.0%		7.9%		+10 bpts	
Adjusted EBITDAC		\$ 124.4		\$ 124.9		0%
Adjusted EBITDAC margin		17.3%		17.3%		+5 bpts
Diluted net earnings per share	\$ 0.32	\$ 0.33	\$ 0.33	\$ 0.36	-3%	-8%
<b>Corporate Segment</b>						
Diluted net earnings per share	\$ 0.02	\$ 0.11	\$ 0.19	\$ 0.09	-89%	22%
<b>Total Company</b>						
Diluted net earnings per share	\$ 2.32	\$ 2.74	\$ 2.06	\$ 2.58	13%	6%

**Quarter Ended December 31 Reported GAAP to Adjusted Non-GAAP Reconciliation:**

Segment	Revenues		Net Earnings		EBITDAC		Diluted Net Earnings Per Share	
	4th Q 16	4th Q 15	4th Q 16	4th Q 15	4th Q 16	4th Q 15	4th Q 16	4th Q 15
	(in millions)		(in millions)		(in millions)			
<b>Brokerage, as reported</b>	\$ 885.7	\$ 851.8	\$ 78.6	\$ 51.7	\$ 210.8	\$ 170.4	\$ 0.44	\$ 0.30
Gains on book sales	(1.9)	0.3	(1.4)	0.2	(1.9)	0.3	(0.01)	-
Acquisition integration	-	-	7.7	20.6	10.2	34.4	0.04	0.11
Workforce & lease termination	-	-	6.5	3.6	8.6	5.1	0.04	0.02
Acquisition related adjustments	-	-	5.3	14.7	0.5	0.7	0.03	0.09
U.K. statutory income tax rate change	-	-	-	(4.2)	-	-	-	(0.02)
Levelized foreign currency translation	-	(30.7)	-	1.0	-	(1.4)	-	-
<b>Brokerage, as adjusted *</b>	<b>883.8</b>	<b>821.4</b>	<b>96.7</b>	<b>87.6</b>	<b>228.2</b>	<b>209.5</b>	<b>0.54</b>	<b>0.50</b>
<b>Risk Management, as reported</b>	<b>185.6</b>	<b>181.3</b>	<b>15.1</b>	<b>11.4</b>	<b>32.3</b>	<b>27.1</b>	<b>0.08</b>	<b>0.06</b>
Workforce & lease termination	-	-	0.6	0.8	0.9	1.0	0.01	-
Client run-off	-	-	-	2.4	-	3.0	-	0.02
Levelized foreign currency translation	-	(0.4)	-	0.4	-	0.5	-	-
<b>Risk Management, as adjusted *</b>	<b>185.6</b>	<b>180.9</b>	<b>15.7</b>	<b>15.0</b>	<b>33.2</b>	<b>31.6</b>	<b>0.09</b>	<b>0.08</b>
<b>Corporate, as reported</b>	<b>313.7</b>	<b>301.8</b>	<b>7.3</b>	<b>5.1</b>	<b>(45.8)</b>	<b>(34.8)</b>	<b>0.01</b>	<b>(0.01)</b>
Impact of 2015 litigation settlement	-	-	4.5	4.6	5.6	5.7	0.02	0.02
<b>Corporate, as adjusted *</b>	<b>313.7</b>	<b>301.8</b>	<b>11.8</b>	<b>9.7</b>	<b>(40.2)</b>	<b>(29.1)</b>	<b>0.03</b>	<b>0.01</b>
<b>Total Company, as reported</b>	<b>\$1,385.0</b>	<b>\$1,334.9</b>	<b>\$ 101.0</b>	<b>\$ 68.2</b>	<b>\$ 197.3</b>	<b>\$ 162.7</b>	<b>\$ 0.53</b>	<b>\$ 0.35</b>
<b>Total Company, as adjusted *</b>	<b>\$1,383.1</b>	<b>\$1,304.1</b>	<b>\$ 124.2</b>	<b>\$ 112.3</b>	<b>\$ 221.2</b>	<b>\$ 212.0</b>	<b>\$ 0.66</b>	<b>\$ 0.59</b>
<b>Total Brokerage &amp; Risk Management, as reported</b>	<b>\$1,071.3</b>	<b>\$1,033.1</b>	<b>\$ 93.7</b>	<b>\$ 63.1</b>	<b>\$ 243.1</b>	<b>\$ 197.5</b>	<b>\$ 0.52</b>	<b>\$ 0.36</b>
<b>Total Brokerage &amp; Risk Management, as adjusted *</b>	<b>\$1,069.4</b>	<b>\$1,002.3</b>	<b>\$ 112.4</b>	<b>\$ 102.6</b>	<b>\$ 261.4</b>	<b>\$ 241.1</b>	<b>\$ 0.63</b>	<b>\$ 0.58</b>

\* For 2016, the pretax impact of the Brokerage Segment adjustments totals \$23.9 million, with a corresponding adjustment to the provision for income taxes of \$5.8 million relating to these items. The pretax impact of the Risk Management Segment adjustments totals \$0.9 million, with a corresponding adjustment to the provision for income taxes of \$0.3 million relating to these items. The pretax impact of the Corporate Segment adjustments totals \$5.6 million, with a corresponding adjustment to the provision for income taxes of \$1.1 million relating to this item. A detailed reconciliation of the 2016 and 2015 provision for income taxes is shown on page 13.

**Year Ended December 31 Reported GAAP to Adjusted Non-GAAP Reconciliation:**

Segment	Revenues		Net Earnings		EBITDAC		Diluted Net Earnings Per Share	
	Year 16	Year 15	Year 16	Year 15	Year 16	Year 15	Year 16	Year 15
	(in millions)		(in millions)		(in millions)			
<b>Brokerage, as reported</b>	\$3,527.9	\$3,324.0	\$ 357.1	\$ 268.1	\$ 885.2	\$ 746.2	\$ 1.98	\$ 1.54
Gains on book sales	(6.6)	(6.7)	(4.7)	(5.0)	(6.6)	(6.7)	(0.03)	(0.03)
Acquisition integration	-	-	32.8	69.2	45.7	100.9	0.18	0.40
Workforce & lease termination	-	-	15.1	16.3	20.7	23.0	0.09	0.09
Acquisition related adjustments	-	-	14.9	28.5	3.7	3.4	0.09	0.16
U.K. statutory income tax rate change	-	-	(1.5)	(4.2)	-	-	(0.01)	(0.02)
Levelized foreign currency translation	-	(85.3)	-	(1.1)	-	(10.0)	-	(0.01)
<b>Brokerage, as adjusted *</b>	<b>3,521.3</b>	<b>3,232.0</b>	<b>413.7</b>	<b>371.8</b>	<b>948.7</b>	<b>856.8</b>	<b>2.30</b>	<b>2.13</b>
<b>Risk Management, as reported</b>	718.1	727.1	57.2	57.2	122.2	119.1	0.32	0.33
Workforce & lease termination	-	-	1.5	2.1	2.2	2.9	0.01	0.01
Client run-off / bankruptcy	-	1.0	-	3.1	-	4.0	-	0.02
Acquisition related adjustments	-	-	-	(0.3)	-	-	-	-
Levelized foreign currency translation	-	(4.7)	-	(0.6)	-	(1.1)	-	-
<b>Risk Management, as adjusted *</b>	<b>718.1</b>	<b>723.4</b>	<b>58.7</b>	<b>61.5</b>	<b>124.4</b>	<b>124.9</b>	<b>0.33</b>	<b>0.36</b>
<b>Corporate, as reported</b>	1,348.8	1,341.3	30.7	63.8	(157.8)	(94.0)	0.02	0.19
Impact of 2015 litigation settlement	-	(31.0)	16.1	(17.7)	20.2	(16.2)	0.09	(0.10)
<b>Corporate, as adjusted *</b>	<b>1,348.8</b>	<b>1,310.3</b>	<b>46.8</b>	<b>46.1</b>	<b>(137.6)</b>	<b>(110.2)</b>	<b>0.11</b>	<b>0.09</b>
<b>Total Company, as reported</b>	<b>\$5,594.8</b>	<b>\$5,392.4</b>	<b>\$ 445.0</b>	<b>\$ 389.1</b>	<b>\$ 849.6</b>	<b>\$ 771.3</b>	<b>\$ 2.32</b>	<b>\$ 2.06</b>
<b>Total Company, as adjusted *</b>	<b>\$5,588.2</b>	<b>\$5,265.7</b>	<b>\$ 519.2</b>	<b>\$ 479.4</b>	<b>\$ 935.5</b>	<b>\$ 871.5</b>	<b>\$ 2.74</b>	<b>\$ 2.58</b>
<b>Total Brokerage &amp; Risk Management, as reported</b>	<b>\$4,246.0</b>	<b>\$4,051.1</b>	<b>\$ 414.3</b>	<b>\$ 325.3</b>	<b>\$1,007.4</b>	<b>\$ 865.3</b>	<b>\$ 2.30</b>	<b>\$ 1.87</b>
<b>Total Brokerage &amp; Risk Management, as adjusted *</b>	<b>\$4,239.4</b>	<b>\$3,955.4</b>	<b>\$ 472.4</b>	<b>\$ 433.3</b>	<b>\$1,073.1</b>	<b>\$ 981.7</b>	<b>\$ 2.63</b>	<b>\$ 2.49</b>

\* For 2016, the pretax impact of the Brokerage Segment adjustments totals \$80.5 million, with a corresponding adjustment to the provision for income taxes of \$23.9 million relating to these items. The pretax impact of the Risk Management Segment adjustments totals \$2.2 million, with a corresponding adjustment to the provision for income taxes of \$0.7 million relating to these items. The pretax impact of the Corporate Segment adjustments totals \$20.2 million, with a corresponding adjustment to the provision for income taxes of \$4.1 million relating to this item. A detailed reconciliation of the 2016 and 2015 provision for income taxes is shown on page 14.

**Brokerage Segment Reported GAAP to Adjusted Non-GAAP Reconciliations (dollars in millions):**

<b>Organic Revenues (Non-GAAP)</b>	<b>4th Q 16</b>	<b>4th Q 15</b>	<b>Change</b>	<b>Year 16</b>	<b>Year 15</b>	<b>Change</b>
<b>Base Commissions and Fees</b>						
<b>Commissions and fees, as reported</b>	\$ 816.5	\$ 790.1	3.3%	\$ 3,214.8	\$ 3,044.5	5.6%
Less commissions and fees from acquisitions	(33.9)	-		(173.2)	-	
Less disposed of operations	-	(1.4)		-	(3.3)	
Levelized foreign currency translation	-	(27.4)		-	(78.7)	
<b>Organic base commissions and fees</b>	<b>\$ 782.6</b>	<b>\$ 761.3</b>	<b>2.8%</b>	<b>\$ 3,041.6</b>	<b>\$ 2,962.5</b>	<b>2.7%</b>
<b>Supplemental Commissions</b>						
<b>Supplemental commissions, as reported</b>	\$ 40.2	\$ 34.6	16.2%	\$ 147.0	\$ 125.5	17.1%
Less supplemental commissions from acquisitions	(0.1)	-		(1.5)	-	
Less disposed of operations	-	(0.1)		-	(0.3)	
Levelized foreign currency translation	-	(2.8)		-	(6.3)	
<b>Organic supplemental commissions</b>	<b>\$ 40.1</b>	<b>\$ 31.7</b>	<b>26.5%</b>	<b>\$ 145.5</b>	<b>\$ 118.9</b>	<b>22.4%</b>
<b>Contingent Commissions</b>						
<b>Contingent commissions, as reported</b>	\$ 10.5	\$ 11.9	-11.8%	\$ 107.2	\$ 93.7	14.4%
Less contingent commissions from acquisitions	-	-		(7.6)	-	
Less disposed of operations	-	(0.1)		-	(0.2)	
Levelized foreign currency translation	-	(0.4)		-	(1.0)	
<b>Organic contingent commissions</b>	<b>\$ 10.5</b>	<b>\$ 11.4</b>	<b>-7.9%</b>	<b>\$ 99.6</b>	<b>\$ 92.5</b>	<b>7.7%</b>
<b>Total reported commissions, fees, supplemental commissions and contingent commissions</b>	<b>\$ 867.2</b>	<b>\$ 836.6</b>	<b>3.7%</b>	<b>\$ 3,469.0</b>	<b>\$ 3,263.7</b>	<b>6.3%</b>
Less commissions and fees from acquisitions	(34.0)	-		(182.3)	-	
Less disposed of operations	-	(1.6)		-	(3.8)	
Levelized foreign currency translation	-	(30.6)		-	(86.0)	
<b>Total organic commissions, fees, supplemental commissions and contingent commissions</b>	<b>\$ 833.2</b>	<b>\$ 804.4</b>	<b>3.6%</b>	<b>\$ 3,286.7</b>	<b>\$ 3,173.9</b>	<b>3.6%</b>

Our domestic and international operations both posted growth similar to the 3.6% growth in total organic revenues for fourth quarter 2016.

<b>Acquisition Activity</b>	<b>4th Q 16</b>	<b>4th Q 15</b>	<b>Year 16</b>	<b>Year 15</b>
Number of acquisitions closed *	9	15	37	42
Estimated annualized revenues acquired (in millions)	\$ 40.1	\$ 46.3	\$ 137.9	\$ 223.2

\* Gallagher issued 114,000 shares in connection with tax-free exchange acquisitions in the fourth quarter of 2016. In anticipation, a similar number of shares were repurchased in June 2016. For the full year, Gallagher issued 1,998,000 shares in connection with tax-free exchange acquisitions and repurchased 2,265,000 shares to fully offset the impact of the issued shares.

Through January 26, 2017, Gallagher closed an additional 5 acquisitions with estimated annualized revenues of approximately \$32.2 million. No shares were issued related to these acquisitions.

**Brokerage Segment Reported GAAP to Adjusted Non-GAAP Reconciliations (continued):**

<b>Compensation Expense and Ratios</b>	<b>4th Q 16</b>	<b>4th Q 15</b>	<b>Year 16</b>	<b>Year 15</b>
<b>Compensation expense, as reported</b>	\$ 526.7	\$ 509.5	\$2,041.8	\$1,939.7
Acquisition integration (1)	(2.9)	(8.5)	(16.9)	(38.3)
Workforce and lease termination related charges	(8.2)	(4.5)	(17.5)	(20.0)
Acquisition related adjustments	(0.5)	(0.7)	(3.7)	(3.4)
Levelized foreign currency translation	-	(18.5)	-	(52.9)
<b>Compensation expense, as adjusted</b>	<b>\$ 515.1</b>	<b>\$ 477.3</b>	<b>\$2,003.7</b>	<b>\$1,825.1</b>
Reported compensation expense ratios using reported revenues on pages 2 and 3	* 59.5%	59.8%	57.9%	58.4%
Adjusted compensation expense ratios using adjusted revenues on pages 2 and 3	* 58.3%	58.1%	56.9%	56.5%

\* Reported fourth quarter compensation ratio was 0.3 pts lower than the same period in 2015. Adjusted fourth quarter compensation ratio was 0.2 pts higher than the same period in 2015. All items were essentially consistent with the prior period.

<b>Operating Expense and Ratios</b>	<b>4th Q 16</b>	<b>4th Q 15</b>	<b>Year 16</b>	<b>Year 15</b>
<b>Operating expense, as reported</b>	\$ 148.2	\$ 171.9	\$ 600.9	\$ 638.1
Acquisition integration (1)	(7.3)	(25.9)	(28.8)	(62.6)
Workforce and lease termination related charges	(0.4)	(0.6)	(3.2)	(3.0)
Levelized foreign currency translation	-	(10.8)	-	(22.4)
<b>Operating expense, as adjusted</b>	<b>\$ 140.5</b>	<b>\$ 134.6</b>	<b>\$ 568.9</b>	<b>\$ 550.1</b>
Reported operating expense ratios using reported revenues on pages 2 and 3	* 16.7%	20.2%	17.0%	19.2%
Adjusted operating expense ratios using adjusted revenues on pages 2 and 3	** 15.9%	16.4%	16.2%	17.0%

\* Reported fourth quarter operating expense ratio was 3.5 pts lower than the same period in 2015. This ratio was primarily impacted by decreased technology costs, lease abandonment charges and outside consulting fees related to our integration efforts.

\*\* Adjusted fourth quarter operating expense ratio was 0.5 pts lower than the same period in 2015. This ratio was primarily impacted by savings in professional fees and travel and meeting expenses.

<b>Net Earnings to Adjusted EBITDAC (Non-GAAP)</b>	<b>4th Q 16</b>	<b>4th Q 15</b>	<b>Change</b>	<b>Year 16</b>	<b>Year 15</b>	<b>Change</b>
<b>Net earnings, as reported</b>	\$ 78.6	\$ 51.7	52.0%	\$ 357.1	\$ 268.1	33.2%
Provision for income taxes	45.3	21.6		194.1	145.3	
Depreciation	14.6	15.2		57.2	54.4	
Amortization	61.4	67.2		244.7	237.3	
Change in estimated acquisition earnout payables	10.9	14.7		32.1	41.1	
<b>EBITDAC</b>	<b>210.8</b>	<b>170.4</b>	<b>23.7%</b>	<b>885.2</b>	<b>746.2</b>	<b>18.6%</b>
Gains from books of business sales	(1.9)	0.3		(6.6)	(6.7)	
Acquisition integration (1)	10.2	34.4		45.7	100.9	
Acquisition related adjustments	0.5	0.7		3.7	3.4	
Workforce and lease termination related charges	8.6	5.1		20.7	23.0	
Levelized foreign currency translation	-	(1.4)		-	(10.0)	
<b>EBITDAC, as adjusted</b>	<b>\$ 228.2</b>	<b>\$ 209.5</b>	<b>8.9%</b>	<b>\$ 948.7</b>	<b>\$ 856.8</b>	<b>10.7%</b>
Net earnings margin, as reported using reported revenues on pages 2 and 3	8.9%	6.1%	+280 bpts	10.1%	8.1%	+205 bpts
EBITDAC margin, as adjusted using adjusted revenues on pages 2 and 3	25.8%	25.5%	+31 bpts	26.9%	26.5%	+43 bpts

(1) Acquisition integration costs consist mostly of IT system conversion costs, professional fees, and compensation related to certain of our large acquisitions outside the scope of our usual tuck-in strategy.

**Risk Management Segment Reported GAAP to Adjusted Non-GAAP Reconciliations** (dollars in millions):

<b>Organic Revenues (Non-GAAP)</b>	<b>4th Q 16</b>	<b>4th Q 15</b>	<b>Change</b>	<b>Year 16</b>	<b>Year 15</b>	<b>Change</b>
Fees	\$ 183.9	\$ 178.9	2.8%	\$ 713.5	\$ 710.9	0.4%
International performance bonus fees	1.4	2.2	-36.4%	3.6	15.6	-76.9%
<b>Fees as reported</b>	<b>185.3</b>	<b>181.1</b>	<b>2.3%</b>	<b>717.1</b>	<b>726.5</b>	<b>-1.3%</b>
Less fees from acquisitions	-	-		(3.1)	-	
Less client run-off	-	(0.6)		(0.1)	(16.7)	
Levelized foreign currency translation	-	(0.4)		-	(4.7)	
<b>Organic fees</b>	<b>\$ 185.3</b>	<b>\$ 180.1</b>	<b>2.9%</b>	<b>\$ 713.9</b>	<b>\$ 705.1</b>	<b>1.3%</b>

**Compensation Expense and Ratios**

	<b>4th Q 16</b>	<b>4th Q 15</b>	<b>Year 16</b>	<b>Year 15</b>
<b>Compensation expense, as reported</b>	<b>\$ 108.2</b>	<b>\$ 105.7</b>	<b>\$ 424.5</b>	<b>\$ 427.2</b>
Client run-off	-	(0.7)	-	(0.7)
Workforce and lease termination related charges	(0.7)	(0.5)	(1.9)	(2.2)
Levelized foreign currency translation	-	(0.6)	-	(2.6)
<b>Compensation expense, as adjusted</b>	<b>\$ 107.5</b>	<b>\$ 103.9</b>	<b>\$ 422.6</b>	<b>\$ 421.7</b>
Reported compensation expense ratios using reported revenues on pages 2 and 3	* 58.3%	58.3%	59.1%	58.8%
Adjusted compensation expense ratios using adjusted revenues on pages 2 and 3	** 57.9%	57.4%	58.9%	58.3%

\* Reported fourth quarter compensation ratio was flat compared to the same period in 2015. All items were essentially consistent with the prior period.

\*\* Adjusted fourth quarter compensation ratio was 0.5 pts higher than the same period in 2015. This ratio was primarily impacted by increased employee benefits.

**Operating Expense and Ratios**

	<b>4th Q 16</b>	<b>4th Q 15</b>	<b>Year 16</b>	<b>Year 15</b>
<b>Operating expense, as reported</b>	<b>\$ 45.1</b>	<b>\$ 48.5</b>	<b>\$ 171.4</b>	<b>\$ 180.8</b>
Client run-off	-	(2.3)	-	(2.3)
Workforce and lease termination related charges	(0.2)	(0.5)	(0.3)	(0.7)
Levelized foreign currency translation	-	(0.3)	-	(1.0)
<b>Operating expense, as adjusted</b>	<b>\$ 44.9</b>	<b>\$ 45.4</b>	<b>\$ 171.1</b>	<b>\$ 176.8</b>
Reported operating expense ratios using reported revenues on pages 2 and 3	* 24.3%	26.8%	23.9%	24.9%
Adjusted operating expense ratios using adjusted revenues on pages 2 and 3	** 24.2%	25.1%	23.8%	24.4%

\* Reported fourth quarter operating expense ratio was 2.5 pts lower than the same period in 2015. This ratio was primarily impacted by expenses related to former client run-off occurring in the prior period.

\*\* Adjusted fourth quarter operating expense ratio was 0.9 pts lower than the same period in 2015. This ratio was primarily impacted by savings in technology expenses and travel and meeting expenses.

**Risk Management Segment Reported GAAP to Adjusted Non-GAAP Reconciliations (continued):**

<b>Net Earnings to Adjusted EBITDAC (Non-GAAP)</b>	<b>4th Q 16</b>	<b>4th Q 15</b>	<b>Change</b>	<b>Year 16</b>	<b>Year 15</b>	<b>Change</b>
<b>Net earnings, as reported</b>	\$ 15.1	\$ 11.4	32.5%	\$ 57.2	\$ 57.2	0.0%
Provision for income taxes	9.5	8.2		35.3	35.1	
Depreciation	7.0	6.7		27.2	24.3	
Amortization	0.7	0.8		2.5	3.0	
Change in estimated acquisition earnout payables	-	-		-	(0.5)	
<b>EBITDAC</b>	<b>32.3</b>	<b>27.1</b>	<b>19.2%</b>	<b>122.2</b>	<b>119.1</b>	<b>2.6%</b>
Workforce and lease termination related charges	0.9	1.0		2.2	2.9	
Client run-off/bankruptcy	-	3.0		-	4.0	
Levelized foreign currency translation	-	0.5		-	(1.1)	
<b>EBITDAC, as adjusted</b>	<b>\$ 33.2</b>	<b>\$ 31.6</b>	<b>5.1%</b>	<b>\$ 124.4</b>	<b>\$ 124.9</b>	<b>-0.4%</b>
Net earnings margin, as reported using reported revenues on pages 2 and 3	8.1%	6.3%	+185 bpts	8.0%	7.9%	+10 bpts
EBITDAC margin, as adjusted using adjusted revenues on pages 2 and 3	17.9%	17.5%	+42 bpts	17.3%	17.3%	+5 bpts

**Corporate Segment Reported GAAP to Adjusted Non-GAAP Reconciliations (dollars in millions):**

	<b>2016</b>			<b>2015</b>		
	<b>Pretax Earnings (Loss)</b>	<b>Income Tax Benefit</b>	<b>Net Earnings Attributable to Controlling Interests</b>	<b>Pretax Earnings (Loss)</b>	<b>Income Tax Benefit</b>	<b>Net Earnings Attributable to Controlling Interests</b>
<b>4th Quarter</b>						
Interest and banking costs	\$ (29.2)	\$ 11.7	\$ (17.5)	\$ (26.3)	\$ 10.5	\$ (15.8)
Clean energy related (1)	(35.1)	63.7	28.6	(27.3)	47.7	20.4
Acquisition costs	(0.9)	0.1	(0.8)	(0.9)	0.1	(0.8)
Corporate	(15.3)	10.4	(4.9)	(11.8)	10.2	(1.6)
Litigation settlement (2)	(5.6)	1.1	(4.5)	(5.7)	1.1	(4.6)
<b>Reported 4th quarter</b>	<b>(86.1)</b>	<b>87.0</b>	<b>0.9</b>	<b>(72.0)</b>	<b>69.6</b>	<b>(2.4)</b>
Litigation settlement (2)	5.6	(1.1)	4.5	5.7	(1.1)	4.6
<b>Adjusted 4th quarter</b>	<b>\$ (80.5)</b>	<b>\$ 85.9</b>	<b>\$ 5.4</b>	<b>\$ (66.3)</b>	<b>\$ 68.5</b>	<b>\$ 2.2</b>
<b>Year</b>						
Interest and banking costs	\$ (112.8)	\$ 45.1	\$ (67.7)	\$ (105.4)	\$ 42.1	\$ (63.3)
Clean energy related (1)	(133.2)	247.6	114.4	(116.1)	217.0	100.9
Acquisition costs	(4.6)	0.7	(3.9)	(4.3)	0.6	(3.7)
Corporate	(43.0)	20.0	(23.0)	(33.2)	14.8	(18.4)
Litigation settlement (2)	(20.2)	4.1	(16.1)	16.2	1.5	17.7
<b>Reported full year</b>	<b>(313.8)</b>	<b>317.5</b>	<b>3.7</b>	<b>(242.8)</b>	<b>276.0</b>	<b>33.2</b>
Litigation settlement (2)	20.2	(4.1)	16.1	(16.2)	(1.5)	(17.7)
<b>Adjusted full year</b>	<b>\$ (293.6)</b>	<b>\$ 313.4</b>	<b>\$ 19.8</b>	<b>\$ (259.0)</b>	<b>\$ 274.5</b>	<b>\$ 15.5</b>

- (1) Pretax earnings for the fourth quarter are presented net of amounts attributable to noncontrolling interests of \$6.4 million in 2016 and \$7.5 million in 2015. Pretax earnings for the year ended are presented net of amounts attributable to noncontrolling interests of \$27.0 million in 2016 and \$30.6 million in 2015.
- (2) During the third quarter of 2015, Gallagher settled litigation against certain former U.K. executives and their advisors for a pretax gain of \$31.0 million (\$22.3 million net of costs and taxes). Incremental expenses that arose in connection with this matter will result in after-tax charges of up to \$4.5 million per quarter through June 30, 2017.

**Interest and banking costs and debt** - At December 31, 2016, Gallagher had \$2,450.0 million of borrowings from private placements, \$278.0 million of short-term borrowings under its line of credit facility and \$125.6 million outstanding under a revolving loan facility that provides funding for premium finance receivables, which are fully collateralized by the underlying premiums held by insurance carriers and as such are excluded from our debt covenant computations. On December 1, 2016, Gallagher entered into a note purchase agreement for a private placement of \$100.0 million of senior unsecured notes. Proceeds were primarily used to fund the \$50.0 million of private placement debt that matured on November 30, 2016 and partially fund acquisitions.

**Clean energy** - Consists of the operating results related to our investments in 34 clean coal production plants and royalty income from clean coal licenses related to Chem-Mod LLC. Additional information regarding these results is available in the "CFO Commentary" at [ajg.com/IR](http://ajg.com/IR).

**Acquisition costs** - Consists mostly of external professional fees and other due diligence costs related to acquisitions.

**Corporate** - Consists of overhead allocations mostly related to corporate staff compensation.

### **Income Taxes**

Gallagher allocates the provision for income taxes to its Brokerage and Risk Management segments using the local country statutory rates. Gallagher's consolidated effective tax rate for the quarters ended December 31, 2016 and 2015 was (46.8)% and (140.1)%, respectively, which was lower than the statutory rate due to the amount of IRC Section 45 tax credits earned.

**At-the-market equity program** - Gallagher has an at-the-market equity program under which up to \$15.6 million of its common stock remaining in the program may be sold through Morgan Stanley & Co. LLC as sales agent. During fourth quarter 2016, Gallagher did not sell any shares of its common stock under the program.

### **Balance Sheet Reclassifications**

In first quarter 2016, Gallagher adopted new accounting guidance related to the presentation of both debt issuance costs and income taxes in the consolidated balance sheet. The new debt issuance costs guidance requires such costs to be presented in the balance sheet as a direct deduction from the associated debt liability. The new income tax guidance requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent components. The new guidance has been applied on a retrospective basis. Accordingly, Gallagher reclassified debt issuance costs of \$3.3 million included in Other noncurrent assets to Corporate related borrowings - noncurrent in its consolidated balance sheet as of December 31, 2015. Gallagher also reclassified the current deferred taxes to noncurrent in its consolidated balance sheet as of December 31, 2015, which increased Noncurrent deferred income taxes by \$122.1 million and increased Other noncurrent liabilities by \$4.6 million. In addition, in fourth quarter 2016, Gallagher reclassified work in process type assets related to its new corporate headquarters and other projects of \$46.3 million included in Other noncurrent assets to Fixed assets in its consolidated balance sheet as of December 31, 2015.

### **Webcast Conference Call**

Gallagher will host a webcast conference call on Friday, January 27, 2017 at 9:00 a.m. ET/8:00 a.m. CT. To listen to this call, please go to [ajg.com/IR](http://ajg.com/IR). The call will be available for replay at such website for at least 90 days.

### **About Arthur J. Gallagher & Co.**

Arthur J. Gallagher & Co., an international insurance brokerage and risk management services firm, is headquartered in Itasca, Illinois, has operations in 33 countries and offers client-service capabilities in more than 150 countries around the world through a network of correspondent brokers and consultants.

### **Cautionary Information**

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this press release, the words "anticipates," "believes," "contemplates," "see," "should," "could," "will," "estimates," "expects," "intends," "plans" and variations thereof and similar expressions, are intended to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements regarding (i) the amount of, and potential uses for, investment returns generated by Gallagher's clean energy investments; (ii) our corporate income tax rate; (iii) anticipated future results or performance of any segment or the Company as a whole; (iv) the premium rate environment; (v) the economic environment; and (vi) anticipated acquisition integration costs.

Gallagher's actual results may differ materially from those contemplated by the forward-looking statements. Readers are therefore cautioned against relying on any of the forward-looking statements, which are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include the following:

- Risks and uncertainties related to Gallagher's clean energy investments, including uncertainties related to political and regulatory risks, such as potential actions by Congress or challenges by the IRS eliminating or reducing the availability of tax credits under IRC Section 45 retroactively and/or going forward; the ability to maintain and find co-investors; the potential for divergent business objectives by co-investors and other stakeholders; plant operational risks, including supply-chain risks; utilities' future use of, or demand for, coal; the market price of coal; the costs of moving a clean coal plant; intellectual property litigation risks; and environmental risks - all of which could impact (i) and (ii) above; and

- Changes in worldwide and national economic conditions (including a possible economic downturn or recession in the U.K. because of the recent Brexit vote); changes in premium rates and in insurance markets generally; changes in the insurance brokerage industry's competitive landscape; and the uncertainties and challenges inherent in the acquisition integration process - all of which could impact (iii) - (vi) above.

Please refer to Gallagher's filings with the SEC, including Item 1A, "Risk Factors," of its Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 for a more detailed discussion of these and other factors that could impact its forward-looking statements. Any forward-looking statement made by Gallagher in this press release speaks only as of the date on which it is made. Except as required by applicable law, Gallagher does not undertake to update the information included herein or the corresponding earnings release posted on Gallagher's website.

### Information Regarding Non-GAAP Measures

In addition to reporting financial results in accordance with GAAP, this press release provides information regarding EBITDAC, EBITDAC margin, adjusted EBITDAC, adjusted EBITDAC margin, diluted net earnings per share, as adjusted (adjusted EPS), for the Brokerage and Risk Management segments, adjusted revenues, adjusted compensation and operating expenses, adjusted compensation expense ratio, adjusted operating expense ratio and organic revenue measures for each operating segment. These measures are not in accordance with, or an alternative to, the GAAP information provided in this press release. Gallagher's management believes that these presentations provide useful information to management, analysts and investors regarding financial and business trends relating to Gallagher's results of operations and financial condition. See further below for definitions and the reason each of these measures is useful to investors. Gallagher's industry peers may provide similar supplemental non-GAAP information with respect to one or more of these measures, although they may not use the same or comparable terminology and may not make identical adjustments. The non-GAAP information provided by Gallagher should be used in addition to, but not as a substitute for, the GAAP information provided. As disclosed in its most recent Proxy Statement, Gallagher does not make determinations regarding executive officer incentive compensation on the basis of "adjusted" measures such as those described below in "Adjusted revenues and expenses" or "Adjusted EBITDAC". Instead, incentive compensation determinations for executive officers are made on the basis of revenue and EBITAC (defined as earnings before interest, taxes, amortization and change in estimated earnout payables) for the combined Brokerage and Risk Management segments. Certain reclassifications have been made to the prior year amounts reported in this press release in order to conform them to the current year presentation.

**Adjusted Non-GAAP presentation** - Gallagher believes that the adjusted non-GAAP presentations of the current and prior year information, presented in this earnings release, provide stockholders and other interested persons with useful information regarding certain financial metrics of Gallagher that may assist such persons in analyzing Gallagher's operating results as they develop a future earnings outlook for Gallagher. The after-tax amounts related to the adjustments were computed using the normalized effective tax rate for each respective period. See pages 13 and 14 for a reconciliation of the adjustments made to income taxes.

- **Adjusted revenues and expenses** - Revenues, compensation expense and operating expense, respectively, each adjusted to exclude the following:
  - Net gains realized from sales of books of business, which are primarily net proceeds received related to sales of books of business and other divestiture transactions.
  - Acquisition integration costs, which include costs related to certain of our large acquisitions, outside the scope of our usual tuck-in strategy, not expected to occur on an ongoing basis in the future once we fully assimilate the applicable acquisition. These costs are typically associated with redundant workforce, extra lease space, duplicate services and external costs incurred to assimilate the acquisition with our IT related systems.
  - Workforce related charges, which primarily include severance costs related to employee terminations and other costs associated with redundant workforce.
  - Lease termination related charges, which primarily include costs related to terminations of real estate leases and abandonment of leased space.
  - Acquisition related adjustments, which include change in estimated acquisition earnout payables adjustments, impacts of acquisition valuation true-ups, impairment charges and acquisition related compensation charges.
  - The impact of foreign currency translation, as applicable. The amounts excluded with respect to foreign currency translation are calculated by applying current year foreign exchange rates to the same periods in the prior year.
- **Adjusted ratios** - Adjusted compensation expense and adjusted operating expense, respectively, each divided by adjusted revenues.

### Non-GAAP Earnings Measures

- **EBITDAC and EBITDAC margin** - EBITDAC is net earnings before interest, income taxes, depreciation, amortization and the change in estimated acquisition earnout payables and EBITDAC margin is EBITDAC divided by total revenues. These measures for the Brokerage and Risk Management segments provide a meaningful representation of Gallagher's operating performance and, for the overall business, provide a meaningful way to measure its financial performance on an ongoing basis.

- **Adjusted EBITDAC and Adjusted EBITDAC Margin** - Adjusted EBITDAC is EBITDAC adjusted to exclude net gains realized from sales of books of business, acquisition integration costs, workforce related charges, lease termination related charges, acquisition related adjustments and the period-over-period impact of foreign currency translation, as applicable and Adjusted EBITDAC margin is Adjusted EBITDAC divided by total adjusted revenues (defined above). These measures for the Brokerage and Risk Management segments provide a meaningful representation of Gallagher's operating performance, and are also presented to improve the comparability of our results between periods by eliminating the impact of the items that have a high degree of variability.
- **Adjusted EPS for the Brokerage and Risk Management segments** - Net earnings adjusted to exclude the after-tax impact of net gains realized from sales of books of business, acquisition integration costs, the impact of foreign currency translation, workforce related charges, lease termination related charges and acquisition related adjustments divided by diluted weighted average shares outstanding. This measure provides a meaningful representation of Gallagher's operating performance (and as such should not be used as a measure of Gallagher's liquidity), and is also presented to improve the comparability of our results between periods by eliminating the impact of the items that have a high degree of variability.

**Organic Revenues (a non-GAAP measure)** - For the Brokerage segment, organic change in base commission and fee revenues excludes the first twelve months of net commission and fee revenues generated from acquisitions and the net commission and fee revenues related to operations disposed of in each year presented. These commissions and fees are excluded from organic revenues in order to help interested persons analyze the revenue growth associated with the operations that were a part of Gallagher in both the current and prior year. In addition, change in base commission and fee revenue organic growth excludes the period-over-period impact of foreign currency translation. For the Risk Management segment, organic change in fee revenues excludes the first twelve months of fee revenues generated from acquisitions and the fee revenues related to operations disposed of in each year presented. In addition, change in organic growth excludes the impact of run-off of the New South Wales Workers' Compensation Scheme and other closed down operations and the period-over-period impact of foreign currency translation to improve the comparability of our results between periods by eliminating the impact of the items that have a high degree of variability or are due to the limited-time nature of these revenue sources.

These revenue items are excluded from organic revenues in order to determine a comparable, but non-GAAP, measurement of revenue growth that is associated with the revenue sources that are expected to continue in the current year and beyond. Gallagher has historically viewed organic revenue growth as an important indicator when assessing and evaluating the performance of its Brokerage and Risk Management segments. Gallagher also believes that using this non-GAAP measure allows readers of our financial statements to measure, analyze and compare the growth from its Brokerage and Risk Management segments in a meaningful and consistent manner.

**Reconciliation of Non-GAAP Information Presented to GAAP Measures** - This press release includes tabular reconciliations to the most comparable GAAP measures, as follows: for EBITDAC (on pages 11 and 12), for adjusted revenues, adjusted EBITDAC and adjusted diluted net earnings per share (on pages 2 and 3), for organic revenue measures (on pages 4 and 6, respectively, for the Brokerage and Risk Management segments), for adjusted compensation and operating expenses and adjusted EBITDAC margin (on pages 5, 6 and 7, respectively, for the Brokerage and Risk Management segments). Reported compensation and operating expense ratios can also be found in the "Supplemental Quarterly Data" available at [ajg.com/IR](http://ajg.com/IR).

Arthur J. Gallagher & Co.  
Reported Statement of Earnings and EBITDAC - 4th Qtr and Year Ended December 31,  
(Unaudited - in millions except per share, percentage and workforce data)

	4th Q Ended Dec 31, 2016	4th Q Ended Dec 31, 2015	Year Ended Dec 31, 2016	Year Ended Dec 31, 2015
<b>Brokerage Segment</b>				
Commissions	\$ 596.8	\$ 590.1	\$ 2,439.1	\$ 2,338.7
Fees	219.7	200.0	775.7	705.8
Supplemental commissions	40.2	34.6	147.0	125.5
Contingent commissions	10.5	11.9	107.2	93.7
Investment income and gains realized on books of business sales	18.5	15.2	58.9	60.3
Revenues	<u>885.7</u>	<u>851.8</u>	<u>3,527.9</u>	<u>3,324.0</u>
Compensation	526.7	509.5	2,041.8	1,939.7
Operating	148.2	171.9	600.9	638.1
Depreciation	14.6	15.2	57.2	54.4
Amortization	61.4	67.2	244.7	237.3
Change in estimated acquisition earnout payables	10.9	14.7	32.1	41.1
Expenses	<u>761.8</u>	<u>778.5</u>	<u>2,976.7</u>	<u>2,910.6</u>
Earnings before income taxes	123.9	73.3	551.2	413.4
Provision for income taxes	45.3	21.6	194.1	145.3
Net earnings	78.6	51.7	357.1	268.1
Net earnings (loss) attributable to noncontrolling interests	(0.5)	(1.6)	3.6	1.7
<b>Net earnings attributable to controlling interests</b>	<b><u>\$ 79.1</u></b>	<b><u>\$ 53.3</u></b>	<b><u>\$ 353.5</u></b>	<b><u>\$ 266.4</u></b>
<b>EBITDAC</b>				
Net earnings	\$ 78.6	\$ 51.7	\$ 357.1	\$ 268.1
Provision for income taxes	45.3	21.6	194.1	145.3
Depreciation	14.6	15.2	57.2	54.4
Amortization	61.4	67.2	244.7	237.3
Change in estimated acquisition earnout payables	10.9	14.7	32.1	41.1
<b>EBITDAC</b>	<b><u>\$ 210.8</u></b>	<b><u>\$ 170.4</u></b>	<b><u>\$ 885.2</u></b>	<b><u>\$ 746.2</u></b>
<b>Risk Management Segment</b>				
Fees	\$ 185.3	\$ 181.1	\$ 717.1	\$ 726.5
Investment income	0.3	0.2	1.0	0.6
Revenues	<u>185.6</u>	<u>181.3</u>	<u>718.1</u>	<u>727.1</u>
Compensation	108.2	105.7	424.5	427.2
Operating	45.1	48.5	171.4	180.8
Depreciation	7.0	6.7	27.2	24.3
Amortization	0.7	0.8	2.5	3.0
Change in estimated acquisition earnout payables	-	-	-	(0.5)
Expenses	<u>161.0</u>	<u>161.7</u>	<u>625.6</u>	<u>634.8</u>
Earnings before income taxes	24.6	19.6	92.5	92.3
Provision for income taxes	9.5	8.2	35.3	35.1
Net earnings	15.1	11.4	57.2	57.2
Net earnings attributable to noncontrolling interests	-	-	-	-
<b>Net earnings attributable to controlling interests</b>	<b><u>\$ 15.1</u></b>	<b><u>\$ 11.4</u></b>	<b><u>\$ 57.2</u></b>	<b><u>\$ 57.2</u></b>
<b>EBITDAC</b>				
Net earnings	\$ 15.1	\$ 11.4	\$ 57.2	\$ 57.2
Provision for income taxes	9.5	8.2	35.3	35.1
Depreciation	7.0	6.7	27.2	24.3
Amortization	0.7	0.8	2.5	3.0
Change in estimated acquisition earnout payables	-	-	-	(0.5)
<b>EBITDAC</b>	<b><u>\$ 32.3</u></b>	<b><u>\$ 27.1</u></b>	<b><u>\$ 122.2</u></b>	<b><u>\$ 119.1</u></b>
<b>Corporate Segment</b>				
Revenues from consolidated clean coal facilities	\$ 303.2	\$ 288.8	\$ 1,303.8	\$ 1,254.6
Royalty income from clean coal licenses	11.5	13.3	48.1	57.5
Loss from unconsolidated clean coal facilities	(0.6)	(0.3)	(1.8)	(1.3)
Other net revenues	(0.4)	-	(1.3)	30.5
Revenues	<u>313.7</u>	<u>301.8</u>	<u>1,348.8</u>	<u>1,341.3</u>
Cost of revenues from consolidated clean coal facilities	329.5	316.5	1,408.6	1,351.5
Compensation	24.3	18.5	72.6	62.0
Operating	5.7	1.6	25.4	21.8
Interest	28.3	25.8	109.8	103.0
Depreciation	5.6	3.9	19.2	15.2
Expenses	<u>393.4</u>	<u>366.3</u>	<u>1,635.6</u>	<u>1,553.5</u>
Loss before income taxes	(79.7)	(64.5)	(286.8)	(212.2)
Benefit for income taxes	(87.0)	(69.6)	(317.5)	(276.0)
Net earnings	7.3	5.1	30.7	63.8
Net earnings attributable to noncontrolling interests	6.4	7.5	27.0	30.6
<b>Net earnings (loss) attributable to controlling interests</b>	<b><u>\$ 0.9</u></b>	<b><u>\$ (2.4)</u></b>	<b><u>\$ 3.7</u></b>	<b><u>\$ 33.2</u></b>
<b>EBITDAC</b>				
Net earnings	\$ 7.3	\$ 5.1	\$ 30.7	\$ 63.8
Benefit for income taxes	(87.0)	(69.6)	(317.5)	(276.0)
Interest	28.3	25.8	109.8	103.0
Depreciation	5.6	3.9	19.2	15.2
<b>EBITDAC</b>	<b><u>\$ (45.8)</u></b>	<b><u>\$ (34.8)</u></b>	<b><u>\$ (157.8)</u></b>	<b><u>\$ (94.0)</u></b>

See "Information Regarding Non-GAAP Measures" on page 9 of 14.

Arthur J. Gallagher & Co.  
Reported Statement of Earnings and EBITDAC - 4th Qtr Ended December 31,  
(Unaudited - in millions except share and per share data)

<b>Total Company</b>	<b>4th Q Ended Dec 31, 2016</b>	<b>4th Q Ended Dec 31, 2015</b>	<b>Year Ended Dec 31, 2016</b>	<b>Year Ended Dec 31, 2015</b>
Commissions	\$ 596.8	\$ 590.1	\$ 2,439.1	\$ 2,338.7
Fees	405.0	381.1	1,492.8	1,432.3
Supplemental commissions	40.2	34.6	147.0	125.5
Contingent commissions	10.5	11.9	107.2	93.7
Investment income and gains realized on books of business sales	18.8	15.4	59.9	60.9
Revenues from clean coal activities	314.1	301.8	1,350.1	1,310.8
Other net revenues - Corporate Revenues	(0.4)	-	(1.3)	30.5
	<u>1,385.0</u>	<u>1,334.9</u>	<u>5,594.8</u>	<u>5,392.4</u>
Compensation	659.2	633.7	2,538.9	2,428.9
Operating	199.0	222.0	797.7	840.7
Cost of revenues from clean coal activities	329.5	316.5	1,408.6	1,351.5
Interest	28.3	25.8	109.8	103.0
Depreciation	27.2	25.8	103.6	93.9
Amortization	62.1	68.0	247.2	240.3
Change in estimated acquisition earnout payables	10.9	14.7	32.1	40.6
Expenses	<u>1,316.2</u>	<u>1,306.5</u>	<u>5,237.9</u>	<u>5,098.9</u>
Earnings before income taxes	68.8	28.4	356.9	293.5
Benefit for income taxes	(32.2)	(39.8)	(88.1)	(95.6)
Net earnings	101.0	68.2	445.0	389.1
Net earnings attributable to noncontrolling interests	5.9	5.9	30.6	32.3
<b>Net earnings attributable to controlling interests</b>	<b>\$ 95.1</b>	<b>\$ 62.3</b>	<b>\$ 414.4</b>	<b>\$ 356.8</b>
Diluted net earnings per share	<u>\$ 0.53</u>	<u>\$ 0.35</u>	<u>\$ 2.32</u>	<u>\$ 2.06</u>
Dividends declared per share	<u>\$ 0.38</u>	<u>\$ 0.37</u>	<u>\$ 1.52</u>	<u>\$ 1.48</u>
<b>EBITDAC</b>				
Net earnings	\$ 101.0	\$ 68.2	\$ 445.0	\$ 389.1
Benefit for income taxes	(32.2)	(39.8)	(88.1)	(95.6)
Interest	28.3	25.8	109.8	103.0
Depreciation	27.2	25.8	103.6	93.9
Amortization	62.1	68.0	247.2	240.3
Change in estimated acquisition earnout payables	10.9	14.7	32.1	40.6
<b>EBITDAC</b>	<b>\$ 197.3</b>	<b>\$ 162.7</b>	<b>\$ 849.6</b>	<b>\$ 771.3</b>

Arthur J. Gallagher & Co.  
Consolidated Balance Sheet  
(Unaudited - in millions except per share data)

	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>
Cash and cash equivalents	\$ 545.5	\$ 480.4
Restricted cash	1,392.1	1,412.1
Premiums and fees receivable	1,844.8	1,734.0
Other current assets	633.7	587.2
Total current assets	<u>4,416.1</u>	<u>4,213.7</u>
Fixed assets - net	377.6	249.0
Deferred income taxes (includes tax credit carryforwards of \$477.9 in 2016 and \$341.6 in 2015)	796.5	643.5
Other noncurrent assets	504.3	442.6
Goodwill - net	3,767.8	3,662.9
Amortizable intangible assets - net	1,627.3	1,698.8
Total assets	<u>\$ 11,489.6</u>	<u>\$ 10,910.5</u>
Premiums payable to insurance and reinsurance companies	\$ 2,996.1	\$ 2,877.1
Accrued compensation and other accrued liabilities	772.1	812.7
Unearned fees	69.0	61.3
Other current liabilities	70.9	54.0
Premium financing borrowings	125.6	137.0
Corporate related borrowings - current	578.0	245.0
Total current liabilities	<u>4,611.7</u>	<u>4,187.1</u>
Corporate related borrowings - noncurrent	2,144.6	2,071.7
Other noncurrent liabilities	1,077.5	963.5
Total liabilities	<u>7,833.8</u>	<u>7,222.3</u>
Stockholders' equity:		
Common stock - issued and outstanding	178.3	176.9
Capital in excess of par value	3,265.5	3,209.4
Retained earnings	916.4	774.5
Accumulated other comprehensive loss	(763.6)	(522.5)
Total controlling interests stockholders' equity	<u>3,596.6</u>	<u>3,638.3</u>
Noncontrolling interests	59.2	49.9
Total stockholders' equity	<u>3,655.8</u>	<u>3,688.2</u>
Total liabilities and stockholders' equity	<u>\$ 11,489.6</u>	<u>\$ 10,910.5</u>

See "Information Regarding Non-GAAP Measures" on page 9 of 14.

Arthur J. Gallagher & Co.  
Other Information  
(Unaudited - data is rounded where indicated)

OTHER INFORMATION	4th Q Ended Dec 31, 2016	4th Q Ended Dec 31, 2015	Year Ended Dec 31, 2016	Year Ended Dec 31, 2015
Basic weighted average shares outstanding (000s)	178,174	176,810	177,560	172,239
Diluted weighted average shares outstanding (000s)	179,089	177,551	178,387	173,215
Number of common shares outstanding at end of period (000s)			178,329	176,947
Workforce at end of period (includes acquisitions):				
Brokerage			18,635	17,841
Risk Management			5,449	5,439
Total Company			24,790	23,857

\* Prior to September 1, 2016, most of Gallagher's India-based workforce was provided by a third-party on a cost-pass-through basis. During the 3rd quarter of 2016, Gallagher consummated a transaction whereby it now directly employs those associates thereby adding approximately 2,700 employees to our global workforce counts shown above.

**Reconciliation of Non-GAAP Measures - Pre-tax Earnings and Diluted Net Earnings per Share (Unaudited)**

(Unaudited - in millions except share and per share data)

	Earnings (Loss) Before Income Taxes	Provision (Benefit) for Income Taxes	Net Earnings	Net Earnings (Loss) Attributable to Noncontrolling Interests	Net Earnings (Loss) Attributable to Controlling Interests	Diluted Net Earnings (Loss) per Share
<b>4th Q Ended Dec 31, 2016</b>						
<b>Brokerage, as reported</b>	\$ 123.9	\$ 45.3	\$ 78.6	\$ (0.5)	\$ 79.1	\$ 0.44
Gains on book sales	(1.9)	(0.5)	(1.4)	-	(1.4)	(0.01)
Acquisition integration	10.2	2.5	7.7	-	7.7	0.04
Workforce & lease termination	8.6	2.1	6.5	-	6.5	0.04
Acquisition related adjustments	7.0	1.7	5.3	-	5.3	0.03
Brokerage, as adjusted	<u>\$ 147.8</u>	<u>\$ 51.1</u>	<u>\$ 96.7</u>	<u>\$ (0.5)</u>	<u>\$ 97.2</u>	<u>\$ 0.54</u>
<b>Risk Management, as reported</b>	\$ 24.6	\$ 9.5	\$ 15.1	\$ -	\$ 15.1	\$ 0.08
Workforce & lease termination	0.9	0.3	0.6	-	0.6	0.01
Risk Management, as adjusted	<u>\$ 25.5</u>	<u>\$ 9.8</u>	<u>\$ 15.7</u>	<u>\$ -</u>	<u>\$ 15.7</u>	<u>\$ 0.09</u>
<b>Corporate, as reported</b>	\$ (79.7)	\$ (87.0)	\$ 7.3	\$ 6.4	\$ 0.9	\$ 0.01
Impact of 2015 litigation settlement	5.6	1.1	4.5	-	4.5	0.02
Corporate, as adjusted	<u>\$ (74.1)</u>	<u>\$ (85.9)</u>	<u>\$ 11.8</u>	<u>\$ 6.4</u>	<u>\$ 5.4</u>	<u>\$ 0.03</u>
<b>4th Q Ended Dec 31, 2015</b>						
<b>Brokerage, as reported</b>	\$ 73.3	\$ 21.6	\$ 51.7	\$ (1.6)	\$ 53.3	\$ 0.30
Gains on book sales	0.3	0.1	0.2	-	0.2	-
Acquisition integration	34.4	13.8	20.6	-	20.6	0.11
Workforce & lease termination	5.1	1.5	3.6	-	3.6	0.02
Acquisition related adjustments	20.9	6.2	14.7	-	14.7	0.09
U.K. statutory income tax rate change	-	4.2	(4.2)	-	(4.2)	(0.02)
Levelized foreign currency translation	1.3	0.3	1.0	-	1.0	-
Brokerage, as adjusted	<u>\$ 135.3</u>	<u>\$ 47.7</u>	<u>\$ 87.6</u>	<u>\$ (1.6)</u>	<u>\$ 89.2</u>	<u>\$ 0.50</u>
<b>Risk Management, as reported</b>	\$ 19.6	\$ 8.2	\$ 11.4	\$ -	\$ 11.4	\$ 0.06
Workforce & lease termination	1.0	0.2	0.8	-	0.8	-
Client run-off	3.0	0.6	2.4	-	2.4	0.02
Acquisition related adjustments	-	-	-	-	-	-
Levelized foreign currency translation	0.6	0.2	0.4	-	0.4	-
Risk Management, as adjusted	<u>\$ 24.2</u>	<u>\$ 9.2</u>	<u>\$ 15.0</u>	<u>\$ -</u>	<u>\$ 15.0</u>	<u>\$ 0.08</u>
<b>Corporate, as reported</b>	\$ (64.5)	\$ (69.6)	\$ 5.1	\$ 7.5	\$ (2.4)	\$ (0.01)
Impact of 2015 litigation settlement	5.7	1.1	4.6	-	4.6	0.02
Corporate, as adjusted	<u>\$ (58.8)</u>	<u>\$ (68.5)</u>	<u>\$ 9.7</u>	<u>\$ 7.5</u>	<u>\$ 2.2</u>	<u>\$ 0.01</u>

See "Information Regarding Non-GAAP Measures" on page 9 of 14.

Reconciliation of Non-GAAP Measures - Pre-tax Earnings and Diluted Net Earnings per Share (Unaudited) - Continued

(Unaudited - in millions except share and per share data)

	Earnings (Loss) Before Income Taxes	Provision (Benefit) for Income Taxes	Net Earnings	Net Earnings (Loss) Attributable to Noncontrolling Interests	Net Earnings (Loss) Attributable to Controlling Interests	Diluted Net Earnings (Loss) per Share
<b>Year Ended Dec 31, 2016</b>						
<b>Brokerage, as reported</b>	\$ 551.2	\$ 194.1	\$ 357.1	\$ 3.6	\$ 353.5	\$ 1.98
Gains on book sales	(6.6)	(1.9)	(4.7)	-	(4.7)	(0.03)
Acquisition integration	45.7	12.9	32.8	-	32.8	0.18
Workforce & lease termination	20.7	5.6	15.1	-	15.1	0.09
Acquisition related adjustments	20.7	5.8	14.9	-	14.9	0.09
U.K. statutory income tax rate change	-	1.5	(1.5)	-	(1.5)	(0.01)
Brokerage, as adjusted	\$ 631.7	\$ 218.0	\$ 413.7	\$ 3.6	\$ 410.1	\$ 2.30
<b>Risk Management, as reported</b>	\$ 92.5	\$ 35.3	\$ 57.2	\$ -	\$ 57.2	\$ 0.32
Workforce & lease termination	2.2	0.7	1.5	-	1.5	0.01
Risk Management, as adjusted	\$ 94.7	\$ 36.0	\$ 58.7	\$ -	\$ 58.7	\$ 0.33
<b>Corporate, as reported</b>	\$ (286.8)	\$ (317.5)	\$ 30.7	\$ 27.0	\$ 3.7	\$ 0.02
Impact of 2015 litigation settlement	20.2	4.1	16.1	-	16.1	0.09
Corporate, as adjusted	\$ (266.6)	\$ (313.4)	\$ 46.8	\$ 27.0	\$ 19.8	\$ 0.11
<b>Year Ended Dec 31, 2015</b>						
<b>Brokerage, as reported</b>	\$ 413.4	\$ 145.3	\$ 268.1	\$ 1.7	\$ 266.4	\$ 1.54
Gains on book sales	(6.7)	(1.7)	(5.0)	-	(5.0)	(0.03)
Acquisition integration	100.9	31.7	69.2	-	69.2	0.40
Workforce & lease termination	23.0	6.7	16.3	-	16.3	0.09
Acquisition related adjustments	39.8	11.3	28.5	-	28.5	0.16
U.K. statutory income tax rate change	-	4.2	(4.2)	-	(4.2)	(0.02)
Levelized foreign currency translation	(1.8)	(0.7)	(1.1)	-	(1.1)	(0.01)
Brokerage, as adjusted	\$ 568.6	\$ 196.8	\$ 371.8	\$ 1.7	\$ 370.1	\$ 2.13
<b>Risk Management, as reported</b>	\$ 92.3	\$ 35.1	\$ 57.2	\$ -	\$ 57.2	\$ 0.33
Workforce & lease termination	2.9	0.8	2.1	-	2.1	0.01
Client run-off/bankruptcy	4.0	0.9	3.1	-	3.1	0.02
Acquisition related adjustments	(0.5)	(0.2)	(0.3)	-	(0.3)	-
Levelized foreign currency translation	(0.8)	(0.2)	(0.6)	-	(0.6)	-
Risk Management, as adjusted	\$ 97.9	\$ 36.4	\$ 61.5	\$ -	\$ 61.5	\$ 0.36
<b>Corporate, as reported</b>	\$ (212.2)	\$ (276.0)	\$ 63.8	\$ 30.6	\$ 33.2	\$ 0.19
Impact of 2015 litigation settlement	(16.2)	1.5	(17.7)	-	(17.7)	(0.10)
Corporate, as adjusted	\$ (228.4)	\$ (274.5)	\$ 46.1	\$ 30.6	\$ 15.5	\$ 0.09

See "Information Regarding Non-GAAP Measures" on page 9 of 14.

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