Response to Request for Qualifications #3495 for Property and Casualty Brokers | Cost Proposal

State of Nevada

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Submitted by:

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Together we'll go far

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Section 8.4 | Part II | Cost proposal

4. COST

Brokers can be paid a fee or by commission for the insurance brokerage service. What method does your firm prefer and why? Please provide an estimate of the cost of service or percentage of commission fee that would be expected for obtaining a property or liability program similar to what the State currently has. Respond to these questions in *Attachment G, Cost Schedule*.

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Attachment G, Cost Schedule

COST SHEET

RFQ 3495

Brokers can be paid a fee or by commission for insurance policy placements and other insurance program services.

What method does your firm prefer and why?

Wells Fargo Insurance is committed to acting in its clients' best interests by providing quality products and services that meet as well as anticipate our clients' risk management needs. Regardless of the broker compensation model, the amount of compensation will be fully disclosed to the State. We are flexible on how we are compensated, and our compensation typically comes in one of the following three ways:

- ***Commissions from the insurance carriers –All commissions are disclosed by line of coverage written, as well as, whether we have a contingent income relationship with that carrier. If a client does not want to have their premium utilized in a contingent income relationship with a carrier, we have the ability to exclude them.***
- ***Fee paid by the client – This would be agreed upon and disclosed in our fee/service agreement with the State.***
- ***Performance compensation – We are open to a performance-based compensation plan based upon hitting service metrics and/or outcome metrics. We believe that clients see the benefit of aligning compensation to service metrics. We understand and welcome a discussion about an incentive based compensation plan for the State.***

We have proposed a commission structure below but are open to a negotiated fee based on the coverage and services that we are asked to provide to the State. We are also open to performance-based compensation if that serves the best interests of the State.

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Please provide the cost of service fee or percentage of commission that would be expected for each type of insurance policy.

INSURANCE PROGRAM	**COST BASIS** (fee or commission)	**COST**
All Risk Property including Boiler & Machinery	Commission	8%
Fine Arts/Museum Collections Floater	Commission	10%
Cyber (Primary/Excess)	Commission	10%
General/Excess Liability	Commission	8%
Aviation Liability/Hull Insurance	Commission	10%
Crime(Employee Dishonesty)	Commission	10%
Other (Please describe):		
Environmental (if placed separately from property program)	Commission	10%
Surety Bonds	Commission	Industry Standard Commissions

Please provide describe other program services (bundled or unbundled) offered in conjunction with the insurance policies shown above and provide approximate cost range for those services below.

Not applicable

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Compensation disclosure for commission-based clients

We receive compensation from the insurance companies we represent when placing your insurance. Our compensation is usually a percentage of the premium you pay for your insurance policy or bond (a commission), which is paid to us by the insurance companies for placing and servicing your insurance or bonds with them. We may also receive fees agreed to in writing from our clients. Intermediaries, such as wholesale brokers, may sometimes be used to access certain insurance companies. Such intermediaries will allocate a portion of the compensation from the insurance companies to us and may, in some cases, be an affiliated company.

We receive payments from insurance companies to defray the cost of services that we provide for them, including advertising, training, certain employee compensation, and other expenses.

We may earn interest on premiums received from you and forwarded to the insurance companies through our bank accounts.

Some of the insurance companies we represent may pay us additional commissions, sometimes referred to as contingent or bonus commissions, which may be based on the total volume of business we sell for them, and/or the growth rate of that business, retention rate, claims loss ratio, or other factors considering our entire book of business with an insurance company for a designated period of time.

The amount of premium you pay for a policy may change over the term of the policy. For example, your endorsement requests may affect the premium. Should the premium for any of your policies change, the amount of compensation paid to us by the insurance company would change accordingly.

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Disclosures

Wells Fargo Insurance Services USA, Inc. does not provide insurance products and services outside of the United States. Insurance products and services may be provided outside of the United States by foreign brokers licensed within their home venue.

Foreign brokers are not employed by any Wells Fargo legal entity. Foreign brokers are individual insurance brokers who are responsible for compliance with all regulatory requirements of their home venue.

In the United States, products and services are offered through Wells Fargo Insurance Services USA, Inc. and Safehold Special Risk, Inc., dba Safehold Special Risk & Insurance Services, Inc. in California, non-bank insurance agency affiliates of Wells Fargo & Company.

Products and services are underwritten by unaffiliated insurance companies in the United States. Some services require additional fees and may be offered directly through third-party providers. Banking and insurance decisions are made independently and do not influence each other.

Referrals to Third Parties

Wells Fargo Insurance may assist its clients by identifying third parties that will meet the client's needs, but Wells Fargo Insurance has not reviewed these third parties for data security practices, financial stability, or the other factors you should consider as you choose a vendor to meet your needs. As with any company you choose to do business with, it is important that you conduct due diligence.

- Wells Fargo Insurance Services USA, Inc. may receive compensation in connection with a client's engagement of certain third-party service providers Wells Fargo Insurance may assist clients with understanding private and public healthcare exchange options.
- Companies that operate private exchanges present themselves as being capable of providing the services clients are seeking; however it is important to understand that Wells Fargo Insurance is not a party to the contract clients enter into with any health care exchange company, and any referral by Wells Fargo Insurance does not warrant the sufficiency of that company's data security practices or the adequacy of its capabilities, nor does it guarantee the company's financial stability or ensure the appropriate management of its third party service providers. As such, it is important that clients conduct their own due diligence and consider all relevant factors associated with their particular needs/requirements.
- Public exchanges are operated by the Federal and/or State Governments that have contracted with third parties to perform some services. Wells Fargo Insurance does not warrant the sufficiency of any public exchange's data security practices or the adequacy of its capabilities, nor does it guarantee the appropriate management of the third party service providers engaged by any public exchange. It is important that clients conduct their own due diligence and consider all relevant factors associated with their particular needs/requirements.

Market Security Disclaimer

- Wells Fargo Insurance's objective is to place clients' risks with insurers that are financially sound. In assessing the financial strength of insurers, Wells Fargo Insurance relies upon statutory financial statements as well as the opinions and assessments of recognized rating agencies and other carrier review companies. Wells Fargo Insurance authorizes insurers that it believes, at the time of placement, have the financial ability to fulfill their claim payment obligations to our clients. Wells Fargo Insurance is not a guarantor of the solvency of insurers with which its brokers place business. However, our goal is to use reasonable measures to do business with financially healthy insurers. Our recommendations are based on financial and other relevant information that is available at the time of placement.
- If clients elect to place their business through a state health insurance exchange, please note that these exchanges may require their list of available insurers to include insurers not included on Wells Fargo Insurance's authorized list. In such cases Wells Fargo Insurance will recommend a carrier that has been

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authorized based on our aforementioned assessment process, although the client has the ultimate decision on insurer choice.

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