



**AGENDA ITEM EXECUTIVE SUMMARY**

Agenda Item number: 5b

**Title:** Recommendation to Appoint Assurance Agency as the City’s Risk Insurance Consultant and Broker at a Cost of \$32,500 Annually for the Five Annual Renewal Periods Beginning December 1,

**Presenter:** Chris Minick, Finance Director

Meeting: Government Operations Committee

Date: May 21, 2018

Proposed Cost: \$32,500

Budgeted Amount: \$ 36,320

Not Budgeted:

**Executive Summary (if not budgeted please explain):**

The City currently uses Assurance Companies from Schaumburg, IL as our current broker and consultant for our risk insurance package. The contract with Assurance expires in June of 2018. The risk insurance package for the City includes property, liability, automobile, cyber liability, and excess workers compensation lines of coverage. The cost of these coverages approximates \$600,000 annually.

The City sent requests for proposals (RFP’s) to 4 firms soliciting proposals for brokerage and consultant services for the City. Due to the nature and specialization of municipal risk and limited coverage markets, staff solicited a proposal for a 5 year renewal period beginning December 1, 2018. Additionally, staff is looking to establish a strategic risk management strategy and to continue the City’s cost containment efforts over a long term basis. We received 3 proposal responses. The respondents were interviewed by a staff team of 3 individuals; Chris Minick, Finance Director; Joan Schouten, Purchasing Division Manager; and Carylie Forte, Senior Administrative Assistant and main point of contact for risk insurance claims and issues. The panel was unanimous in its decision to select Assurance.

The responses included costs as follows:

- Arthur J. Gallagher and Co, \$28,500 annually;
- Wine Sergi \$30,000 annually;
- Assurance Agency \$32,500 annually.

While cost is a factor in the decision, viable options and advice, visioning, strategy, claims advocacy, and loss prevention programs are also key considerations that can provide value to the overall risk insurance program in excess of money spent on consulting services. Assurance provides value over and above the minor difference in the annual service fee. They have provided approximately \$215,000 in savings over the past 4 years serving as the City’s risk insurance consultant. Please see the attached memo for additional discussion on the value added services that Assurance provides.

After review of the proposals and the interview process, Staff’s unanimous recommendation is to name Assurance Agency as the City’s risk insurance consultant and broker at a cost of \$32,500 annually for a five year period beginning with the 2018 renewal process. Work on the 2018 renewal process will commence in June.

**Attachments (please list):**

- Scoring Sheet
- Selection Memo

**Recommendation/Suggested Action (briefly explain):**

Recommendation to Appoint Assurance Agency as the City’s Risk Insurance Consultant and Broker at a Cost of \$32,500 Annually for the Five Annual Renewal Periods Beginning December 1, 2018

May 15, 2018

To: Mayor Rogina and the City Council

From: Chris Minick, Finance Director

Subject: Risk Insurance Consultant Selection

Enclosed in the packet is a request and recommendation to select Assurance Agency, Ltd of Schaumburg as the City's Risk Insurance Consultant and Broker. Although they are not the firm providing the lowest quote for service fees, they offer the best value for the fees quoted. The fee paid to the broker/consultant is not where the true costs of the risk insurance program are present. Viable coverage and carrier options, claims advice, visioning, strategy, claims advocacy, and loss prevention programs are key considerations that can provide value to the overall risk insurance program in excess of money spent on consulting services. Assurance has a track record of providing savings on the actual premium dollars expended as well as providing value added services resulting in a lower overall total cost of the City's risk insurance program.

The service and advice that Assurance has provided over our four (4) year partnership has been outstanding. In addition, Assurance has been able to generate approximately \$215,369 in premium savings while enhancing the City's risk insurance program over that time frame.

Assurance has been the City's broker since the 2014 renewal. After familiarizing themselves with City operations and risk exposures for a year, Assurance marketed the City's risk insurance program for the 2015 renewal and the City's liability package was changed to Traveler's. Premium savings on the 2015 risk insurance renewal of \$95,795 resulted based on Assurance's efforts and the change to Traveler's. The next renewal yielded premium costs that were \$70,618 below 2014 levels. For the 2017 renewal, savings of \$48,956 were realized as compared to 2014 premium levels.

In addition to generating the premium savings as noted, Assurance was also able to secure increases in coverage levels in conjunction with those premiums savings. The deductible level on automobile coverage was reduced from \$25,000 to \$10,000. Additional values of approximately \$11 million were added to the City's property coverage, \$1 million was added to the City's umbrella policy limit, and additional coverage was added to the City's liability coverage for the electric utility in the event that the electric utility was unable to provide service.

In addition to the "hard costs" and additional coverages obtained by Assurance, they have also provided value-added services for the risk insurance process in many areas and instances:

- Assurance has helped us recover losses by subrogating on the City's behalf on automobile claims with a value of less than \$10,000. This has helped the City recover funds to repair City vehicles in minor vehicle accidents where the City is not at fault. Insurance carriers do not typically subrogate on their client's behalf if the value of the claim is lower than the deductible level. Assurance has filled that gap on the City's behalf.
- Assurance has also advised and assisted in verifying that we have proper indemnification and "proof of insurance" protocols to avoid inadvertently taking on additional risk.
- Assurance helped us re-vamp our indemnification and insurance process and protocols for the rental of the City's shooting range to outside law enforcement agencies.

- Assurance has provided invaluable advice on assisting with the handling and processing of various liability claims.
- During our recent officer involved shooting, Assurance was able to advise in the proper handling of the initial phases of the incident from a potential liability/insurance standpoint and helped us interact with Traveler's to get their concurrence on selection of preferred counsel.
- Assurance has helped us to implement and refine Cyber liability coverage to minimize potential City liability.
- From an administrative standpoint, Assurance has streamlined the annual renewal process by providing pre-completed forms for the City's review based on the prior year's activities and risk exposure. This step saves City staff time in performing this process each year.

Staff is recommending selection of Assurance Agency as the City's risk insurance broker/consultant at a cost of \$32,500 annually for a five year contract period beginning with the 2018 renewal process which will commence this spring/summer. Although not the lowest in price in terms of an annual service fee, Assurance has been a respected and valued partner for the past four years and they have added value to the City's risk insurance process far beyond the minor difference in fees quoted.

## INSURANCE BROKER RFP SCORING

CONSULTANT	Points Possible	Average Score
<b><u>WINE SERGI</u></b>		
Experience	25	18
Qualifications	25	18
Project Approach	25	13
References	10	4
Cost	15	9
<b>Total</b>	<b>100</b>	<b>63</b>
<b><u>ASSURANCE</u></b>		
Experience	25	25
Qualifications	25	25
Project Approach	25	24
References	10	10
Cost	15	12
<b>Total</b>	<b>100</b>	<b>96</b>
<b><u>AJ GALLAGHER</u></b>		
Experience	25	25
Qualifications	25	22
Project Approach	25	21
References	10	9
Cost	15	13
<b>Total</b>	<b>100</b>	<b>91</b>