



# CITY OF CARSON

## Legislation Text

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File #: 2017-422, Version: 1

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### Report to Mayor and City Council

Tuesday, June 06, 2017

Consent

#### **SUBJECT:**

**AWARD OF INSURANCE BROKER OF RECORD CONTRACT TO ALLIANT FOR FY 17/18, FY 18/19 AND FY 19/20 (CITY COUNCIL)**

#### **I. SUMMARY**

The City is self-insured and utilizes a professional insurance brokerage firm to provide loss control, risk management services as well as access the insurance market to procure insurance coverage. The current insurance broker is in the third year and final year of the contract which ends on June 30, 2017. The City decided to test the market for an insurance brokerage firm. Risk Management issued Request for Proposals ("RFP") on March 2, 2017.

#### **II. RECOMMENDATION**

TAKE the following actions:

1. AWARD a three-year contract for insurance broker services with two one-year City renewal options to Alliant starting on July 1, 2017 to June 30, 2020, and should the City decide to exercise both of its one-year options, this agreement has the potential of reaching June 30, 2022.
2. AUTHORIZE the Mayor to execute the contract following approval as to form by the City Attorney.

#### **III. ALTERNATIVES**

- 1..SELECT another firm as the City's insurance broker.
2. REJECT the proposals and DIRECT staff to reissue the RFP.
- 3.TAKE another action the City Council deems appropriate.

#### IV. BACKGROUND

The City is self-insured for its risk management programs, such as general liability, property, crime and workers' compensation. In order to protect the assets of the City from potential loss, the City purchases various lines of insurance coverage, including general liability, auto liability, property, crime and excess workers' compensation.

The City contracts with a professional insurance brokerage firm to serve as the City's broker of record. This is important for three reasons: 1) it ensures that the City has access to the broadest range of high quality insurance products at the most competitive prices, 2) it provides the City with access to insurance markets only available to professional brokers and 3) they provide free and low cost loss control/risk management services to the City.

A Request for Proposal seeking insurance brokerage services was advertised and emailed to eight (8) firms. The City received three (3) acceptable and responsive proposals which were evaluated by the Proposal Evaluation Team ("PET"). A copy of the evaluation form used by the PET is attached as Exhibit No.1.

The PET and the Director of Human Resources/Risk Management interviewed the three (3) proposers in accordance with the RFP evaluation criteria. Fees were quoted as a percentage of total premiums paid or a flat fee. Currently, the City uses the commission fee percentage of total premium paid approach to eliminate the need for additional out-of-pocket cost for insurance. After the oral interviews were completed, the PET discussed the interviews, rated the brokerage firms and created a final ranking.

<b>A. INITIAL EVALUATION OF PROPOSALS</b>			
<b>Initial Evaluation Ranking</b>	<b>Proposal Scores</b>	<b>Commission Fee as Percentage (%) of Total Premium Paid</b>	<b>Three-year Flat Fee Total</b>
Alliant	285	Up to 11%	\$152,244
Keenan & Associates	256	Up to 15%	\$181,462
Arthur Gallagher	256	Up to 10%	\$180,000
<b>B. FINAL RANKING AFTER INTERVIEWS AND PRESENTATIONS</b>			
<b>Final Ranking</b>	<b>Insurance Broker</b>	<b>Commission Fee as Percentage (%) of Total Premium</b>	<b>Three-year Flat Fee Total</b>
1	Alliant	Up to 11%	\$152,244
2	Arthur Gallagher	Up to 10%	\$180,000
3	Keenan & Associates	Up to 15%	\$181,462

The three insurance brokers had Cities and other public entity clients that can provide quality brokerage services, however staff believes that Alliant is the best fit for the City for the following reasons.

Alliant has a dedicated Public Entity Division that specializes in servicing public entity clients, particularly Cities. They provide services to over 80% of California Cities. Alliant has a 98% client retention rate. The firm is located in Newport Beach, California and will

provide free online safety training, other training for staff, risk management and loss control services.

Alliant provides a service that will offer an additional review of language and insurance requirements in written agreements to ensure that indemnity language as well as insurance coverage is appropriate to protect the City.

Alliant believes in partnering with their clients and will design a program to reduce costs for the City by providing additional free and limited cost services to help reduce loss exposures/claims that will lead to lower insurance premiums. Alliant will provide the City with options to purchase insurance such as:

- Access to Pooling resources without risk-sharing,
- Stand-alone insurance quotes using their bulk purchasing power for economies of scale, or
- A combination of both access to Pooling resources and stand-alone insurance quotes.

Alliant has the largest group purchase Property Program in the world. Due to their size and access to insurance markets, they have significant clout to obtain cost savings. Alliant included Cyber Liability and Professional Liability in the property insurance quote, which will lead to the City obtaining needed insurance coverages. They will provide other coverages as well.

Cost savings will be realized because Cyber and Professional Liability will no longer need to be purchased separately. The quote for a separate Cyber Liability policy last year was \$17,000. Cyber Liability is needed due to increased exposure to hacking and intrusion into the City's computer network.

Alliant's Executive Summary and Submission Requirement sections from their proposal are attached as Exhibit No. 2.

## **V. FISCAL IMPACT**

Funds for this contract will be included in the FY 2017/18, FY 2018/19 and FY 2019/20 budgets.

## **VI. EXHIBITS**

1. Evaluation Form (pg. 4)
2. Alliant's proposal Executive Summary and Submission Requirement (pgs.5-51)
3. Sample Contract (pg. 51-75)

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