



City of Rochester Hills
AGENDA SUMMARY
FINANCIAL ITEMS

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Legislative File No: 2012-0211

TO: Mayor and City Council Members

FROM: Keith Sawdon, Finance Director, 2535

DATE: June 18, 2012

SUBJECT: Consultant and Staff Review – Phase II and Phase III Insurance RFP Process
Property and Casualty Insurance

REQUEST:

At the City Council's March 21, 2011 meeting, it was suggested and City Council agreed that it may be more productive to have an insurance consultant review the City's current Risk Management program and related coverage and help with an RFP design and review of qualified proposers. We have now completed that process and are requesting that City Council review and accept the results of that examination as contained on the attached Award Letter and related supporting reports.

REASON FOR PURCHASE:

City Council may recall that during late 2010 and early 2011, Administration, based on City Council's request, conducted a Request for Proposals related to its Risk Management Program.

At the conclusion of that RFP process, it was concluded that City staff, after reviewing the information related to proposals received, was not able to fully comprehend the additional risks, if any, that the City would be assuming by accepting proposals simply based on premiums.

Based on that result, City Council agreed that it may be more productive to have an insurance consultant review the City's current Risk Management program and related coverage and help with the design and review of proposals received under an RFP process. The Purchasing Division conducted a RFP for an Insurance Consultant to review the City's Risk Management program and related coverage and, if determined to be necessary, assist with a new RFP process for Risk Management services. At the City Council meeting held on October 21, 2011 Insurance Audit and Inspection Company (IAIC) was selected to assist the City.

To move the City forward with this latest RFP process the City separated this latest review of its Risk Management into phases. Phase I was a review of the City's current coverage levels to ensure that the City was properly insured. Based on that review the insurance consultant did conclude that except for some minor adjustments the coverage seemed reasonable.

Phase II consisted of inviting interested agency firms to submit the insurance company they wished to be named as agent of record. During this phase agency firms were requested to submit a first choice, second choice and maybe even a third choice for insurance companies they wished to be named as agent of record. The City and the insurance consultant then assigned insurance companies to the agents, based on annual agency volumes with those insurance companies, matching as close as possible the proposer's first or second choices. Once the agent was named as agent of record, by the City, for those related

insurance companies, they were requested to submit coverage policy documents for review to ensure the coverage policy documents matched the City's required coverage level. Five firms showed interest and requested to be named agent of record. Once the City had named them as agent of record, only two of the five firms followed through by providing coverage policy documents.

The coverage policy documents were reviewed by the insurance consultant for required coverage. Based on that review, the consultant noted any area where exceptions, exclusions or coverage deficiency were found. There was also an exchange of follow-up questions and answers during this review period.

Phase III was the cost proposal phase. On May 16th the firms that had made it through Phase II were requested to submit their cost proposal based on the coverage levels identified by the City. The cost proposal worksheet requested different deductible levels and costs to allow the City the ability to evaluate various cost and deductible levels giving the City the greatest flexibility to redesign its risk management coverage.

I have attached the Insurance Consultant's Award Letter which reviews the results of Phase III and their recommendation for insurance award and award length.

Overall I believe this process has proven to be a good exercise for the City. With some small exceptions the consultant found our risk management program to be in good shape and also pointed us to some areas where some additional savings could be found (Worker's Compensation, Special Event and our Fleet).

PROCESS:

Vendor Name and Address:

Michigan Municipal Risk Management Authority
Ibex Insurance Agency
27750 Stansbury, Suite 100
Farmington Hills MI 48334

Reason for Selection:

Best Value

Method of Purchase:

Purchase Order

BUDGET:

If this agenda item is approved by City Council, a 3rd Quarter Budget Amendment shall be presented for the Asset Distribution credit amount (revenue).

Fund Name	Department Account No	Account No. Description	Budget Amount	Cost	Remaining Budget
Insurance Fund	677.910000	Liability Insurance	\$466,000.00	\$354,671.00	\$111,329.00

RECOMMENDATION:

We recommend that City Council accept the insurance consultant's findings and award and retention recommendations.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Budget Content: Finance Director		
Purchasing Process: Supervisor of Procurement		
Mayor		
City Council Liaison		