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Title: Approve a Consultant Services Agreement with Aon Risk Services West, Inc. to provide insurance brokerage services to the City in the amount of \$150,000 per year, for three years with an option to extend on a year-for-year basis up to two years at \$165,000 per year

Sponsors: Personnel Services Department

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Attachments: 1. AGREEMENT - Aon Risk Insurance Services West.pdf, 2. RFP - Brokerage Services.pdf

Date	Ver.	Action By	Action	Result
2/9/2017	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

February 9, 2017

FROM: JEFF CARDELL, Director
Personnel Services Department

BY: MIKE PAYNE, Risk Manager
Personnel Services Department

SUBJECT

Approve a Consultant Services Agreement with Aon Risk Services West, Inc. to provide insurance brokerage services to the City in the amount of \$150,000 per year, for three years with an option to extend on a year-for-year basis up to two years at \$165,000 per year

RECOMMENDATION

Approve a Consultant Services Agreement with Aon Risk Insurance Services West, Inc., to provide insurance brokerage services to the City and authorize the Personnel Services Director to execute a three year agreement in the amount of \$150,000 per year with the option to extend the agreement for two additional one-year periods in the amount of \$165,000 per year.

EXECUTIVE SUMMARY

In addition to self-insurance, the City purchases insurance to insulate the City from severe and catastrophic liability or risk. The City contracts with an insurance broker to assist the City in: (i) evaluating external and internal risks; (ii) determining adequate levels of insurance protection and self-insured retentions; (iii) marketing the City's risk to responsible insurance markets; and (iv) the selection of insurance companies qualified to underwrite the City's various insurance programs with the broadest coverage and the most competitive premiums.

The Personnel Services Department solicited proposals from qualified firms to provide insurance brokerage services to the City. Two proposals were received and evaluated. Aon Risk Insurance Services West, Inc., was selected as the firm that provides the best value to the City, based upon the services offered and total program expenses.

BACKGROUND

Generally, the City's risk management philosophy is to assume levels of risk for all types of exposures whenever prudent and economical, and to purchase insurance to insulate the City from excessive liability and financial risks. The City's Property, Casualty and Workers' Compensation insurance programs include: (i) Excess Municipal Liability insurance; (ii) Airport Liability insurance; (iii) Aircraft Liability insurance; (iv) Pollution Liability insurance; (v) Special Event Liability insurance; (vi) Special Liability insurance; (vii) Property insurance; (viii) Mobile Equipment Floater insurance; (ix) Crime insurance; (x) Workers' Compensation insurance; (xi) Accidental Death and Dismemberment insurance; and (xii) Long-term Disability and Term Life insurance.

The City retains an insurance broker of record to provide, essential services including, but not limited to:

1. Assistance in the design of the City's insurance programs, including risk analysis, design of coverage forms, structure of offerings to be presented to underwriters such as the use of deductibles, self-insured retentions and aggregate stop-loss coverages, layering of primary and excess coverages. In addition, the broker evaluates pricing and negotiates with insurance carrier representatives.
2. Marketing, evaluation and assistance in the selection and placement of the insurance companies qualified to underwrite the City's various insurance programs.
3. Verification of insurance policies, reviewing policy language to ensure that the City has received desired coverages in compliance with the specifications.
4. Interpreting insurance policies, answering questions regarding insurance clauses in contracts, assisting/coordinating with the handling of claims, and issuing certificates of insurance.
5. Providing advice on new construction, analysis of fire rates, and review of recommendations from fire inspectors.
6. Assistance in establishing insurable values for City property.
7. Providing current information and recommendations regarding losses, insurance market's financial security of insurers, and risk management practices.

8. Assistance preparing insurance applications and submitting them to insurance carriers.
9. Providing oral and written communications and reports.
10. Assistance with the selection of third party administrator's, and ancillary claims processing services.
11. Periodic training and webinars for appropriate Risk and other City employees.

The Personnel Services Department solicited proposals from qualified firms to provide insurance brokerage services to the City and received two proposals from Alliant Insurance Services and Aon Risk Insurance Services West, Inc. Both firms are recognized within the industry as well experienced and capable. Each is qualified to provide the brokerage services that meet the City's needs. The distinct difference between the two is in how total broker compensation is calculated. Aon Risk Insurance Services West, Inc. submitted a proposed annual cost of \$150,000 for years 1-3 and \$165,000 for years 4 & 5, for a total cost of \$780,000. Aon will receive no additional compensation related to the City of Fresno's insurance program. Alliant, the City's current broker, proposed an annual fee of \$50,000 for years 1-3-, \$52,500 in year 4, \$55,000 in year 5 and \$57,500 in year six. However, Alliant also receives compensation from insurance carriers in the form of commissions, underwriter and business services fees totaling at least \$298,665 annually. Staff recommends Aon Risk Insurance Services West, Inc. as the firm, which will provide the best value to the City as its insurance broker based upon the cost of services, references, premium volume, markets available and services offered.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this item does not qualify as a "project" and is therefore exempt from the California Environmental Quality Act requirements.

LOCAL PREFERENCE

Local preference does not apply because neither proposer is a local firm pursuant to FMC 4-109(b) (1).

FISCAL IMPACT

Insurance broker fees and insurance premiums are already included in the Risk Management budget. There are no additional expenses associated with this Agreement since the insurance premiums will not include commissions or other fees that have been paid to the current broker.

Attachment:
Consultant Services Agreement
RFP for Brokerage Services