

**TO: Thomas Thomas, City Manager**

**SUBJECT: Self-Insurance Consulting Service**

**DATE: August 15, 2013**

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The Human Resources department conducted a request-for-qualifications for self-insurance consulting services. Brokers were asked to address the following:

- I. Actuarial and Cost Allocation Services**
  - Annually solicits quotes
  - Conducts a comparison of competing insurance companies
  - Negotiate and selects insurers on behalf of the City
  
- II. General Liability Committee**
  - The ability to be a member of the City's General Liability
  - Attend monthly meetings to review and discuss all claims and law suits filed against the City
  
- III. Review of Risk Management Programs**
  - To review self-insurance coverage, practices, programs, and procedures
  
- IV. General Assistance to the Risk Manager**
  - Providing advice regarding laws
  - Obtaining Builders Risk when necessary at lowest costs
  - Explain renewal process and selection of insurers to City Council
  
- V. Additional Consultant Charges Anticipated**
  - Travel
  - Telephone consultation
  - Others

The RFQ was released June 26<sup>th</sup>, 2013 and the closing date was July 19<sup>th</sup>, 2013. The RFQ was mailed directly to vendors and advertisement was completed in the local newspaper. The HR department received 3 responses.

Self Insurance Consulting Service Proposal Costs

	AJ Gallagher	Holmes - Murphy	Cleveland
I. Actuarial & Cost Allocation Services	\$25,000	\$5,000	\$24,000
II. General Liability Committee	Included	\$45,000	Included
III. Review Risk Management Programs	Included	Included	Included
IV. General Assistance	Included	Included	Included
V. Additional Consultation Charges	Included	Included	Included
<b>Total 2014</b>	<b>\$25,000</b>	<b>\$50,000</b>	<b>\$24,000</b>
I. Actuarial & Cost Allocation Services	\$25,000	\$5,000	\$24,000
II. General Liability Committee	Included	\$45,000	Included
III. Review Risk Management Programs	Included	Included	Included
IV. General Assistance	Included	Included	Included
V. Additional Consultation Charges	Included	Included	Included
<b>Total 2015</b>	<b>\$25,000</b>	<b>\$50,000</b>	<b>\$24,000</b>
I. Actuarial & Cost Allocation Services	\$25,000	\$5,000	\$24,000
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III. Review Risk Management Programs	Included	Included	Included
IV. General Assistance	Included	Included	Included
V. Additional Consultation Charges	Included	Included	Included
<b>Total 2016</b>	<b>\$25,000</b>	<b>\$50,000</b>	<b>\$24,000</b>
<b>Total (3-year contract)</b>	<b>\$75,000</b>	<b>\$150,000</b>	<b>\$72,000</b>

After reviewing the proposals, the HR staff selected 2 finalists to interview: Arthur J. Gallagher & Company and Cleveland Insurance. The HR staff and Public Works Safety Officer conducted the interviews on August 1<sup>st</sup> and 6<sup>th</sup>, 2013. The Risk Manager interviewed 3 references for each of the finalists. The references were excellent for both companies.

The staff reached consensus selecting Cleveland Insurance to provide this service. Cleveland Insurance has been the City's broker since 2000 and is a Rock Island business. Over this time period Cleveland has been consistently proactive in providing services to the city; a recent example is the broker review of new city construction projects for Builders Risk coverage.

As far as overall insurance premiums, the city's insurance premiums have averaged less than a 5% increase over the past five years while maintaining current coverage. This is significant as insurance premiums have appreciably increased after many national disasters such as tornadoes and hurricanes.

**Recommendation:** There are two recommendations: 1) The City Council awards the business contract to Cleaveland Insurance. The contract will be for a three-year period (January 1, 2014 – December 31, 2016). Upon termination of the contract, the parties have the option to renew the contract for two additional one-year periods beginning January 1, 2017. Cleaveland has committed to keep their costs the same for each additional year. 2) The City Council will permit the City Manager to sign the business contract with Cleaveland Insurance.

Account: 621-157133-53601-0000000  
Fund: Self Insurance  
Division: Insurance Premium  
Cost Center: Self Insurance Premium  
Object Class: Consultant Services

Submitted by: Patrick Doherty, Risk Manager  
John Thorson, Human Resources Director

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Approved by: Thomas Thomas, City Manager