



# MEMORANDUM

To: James Scholl, City Manager  
From: Lisa Takach Borzy, Risk Manager  
Date: August 14, 2015  
Subject: RFP 07-015  
Property and Casualty Insurance Program

A handwritten signature in blue ink, appearing to be "Lisa Takach Borzy", is written over the "From:" field.

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## **ACTION STATEMENT:**

Request the City Commission award the proposal from The Public Risk Management of Florida (PRM) submitted by Arthur J. Gallagher & Company in the amount of \$448,220.00 for the City's property insurance program for policy year 2015/2016 as well as recognize Arthur J. Gallagher & Company as the City's agent/broker for the City's property insurance program for policy year 2015/2016.

Further, request the City Commission award the proposal from Preferred Governmental Insurance Trust (PGIT) submitted by Public Risk Insurance Agency (PRIA) in the amount of \$303,985.00 for the City's casualty insurance program for policy year 2015/2016 as well as recognize PRIA as the City's agent/broker for the City's casualty insurance program for policy years 2015/2016 and 2016/2017.

Lastly, request the City Commission award placement of marine liability coverages proposed by Great American as submitted by PRIA at a cost of \$64,969.00, and storage tank coverage proposed by Commerce & Industry as submitted by PRIA at a cost of \$2,423.00.

## **BACKGROUND:**

On April 7, 2015, the City of Key West engaged Ben Few & Company, Inc., an independent insurance consultant, to assist the City in the development of the Request for Proposal (RFP) to receive competitive proposals for the City's Property and Casualty Insurance Program (to include Workers' Compensation) for the policy year 2015/2016. The last policy year the City's Property and Casualty Insurance Program was marketed was 2009/2010. In addition to preparing the RFP, Ben Few & Company, Inc. was required to evaluate proposals, compare coverages, and make recommendations to the City about the comprehensiveness of coverages submitted and the relative pricing. A copy of Ben Few & Company's summary dated July 16, 2015 is attached.

On July 8th, 2015, sealed proposals were received and were publicly opened by the City Clerk. Two (2) agents responded to the RFP:

- Public Risk Insurance Agency (PRIA), the incumbent
- Arthur J. Gallagher & Company

The RFP required the formation of an evaluation committee to review and evaluate each proposal submitted on the following criteria:

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| • Proposer qualifications/experience in providing insurance to Government Entities                                   | 10% |
| • Customer service and service capabilities, including loss control services   | 20% |
| • Responsiveness to RFP in terms of comprehensiveness of coverage, carrier financial stability, and coverage options | 30% |
| • Pricing  | 35% |
| • References   | 5%  |

The following committee was formed at the direction of the City Manager:

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|--------------------------|------------------|
| • Mark Z. Finigan        | Finance Director |
| • Amanda Willett-Ramirez | Paralegal        |
| • Lisa Takach Borzy      | Risk Manager     |

The Evaluation Committee meeting commenced on August 5, 2015 at 11:25 a.m. in the City Manager's Conference Room. The meeting was properly noticed. Each proposal was reviewed to determine whether the proposal was responsive to the submission requirements specified in the RFP. The RFP requested quotes on all coverage or separate lines of coverage. Failure to provide quotes on all lines would not result in the automatic rejection of the proposal. The City reserved the right to not purchase all coverages proposed. The RFP allowed the City flexibility to receive proposals with the best coverage options at the best pricing.

Arthur J. Gallagher & Company submitted a quote for Property Coverage only, with a notation from the broker that based on their marketing efforts, they believed Preferred Governmental Insurance Trust (PGIT) was the best casualty insurance program option for the City at this time. Arthur J. Gallagher & Company's proposal was deemed responsive.

PRIA submitted proposals on all requested lines of property and casualty coverage, including proposals for ancillary lines of coverage for marine liability, storage tank and crime. PRIA's proposal was deemed responsive to the RFP.

Ben Few provided consultation on the financial stability of both the PGIT and PRM trusts in their ability to cover losses that may result from a significant weather event. He confirmed that both Trusts are stable in this regard, and further recommended either trust.

Consultation was provided by Ben Few relative to the comprehensiveness of the property coverages proposed. Both PGIT and PRM offered excellent property coverage programs to the City. Property coverage is market driven, and likely PRM is currently in a position to be competitive in the marketplace. PRM's proposal offered several noteworthy coverage enhancements at lesser cost to the City. The difference in cost between the proposals for the City's property insurance program, including broker fees, is approximately \$175,000.00, in favor of PRM.

The Committee members individually rated the proposal for property coverage submitted by Arthur J. Gallagher & Company the highest, with PRIA the second highest rated agent. Individual as well as combined rating "score sheets" are attached.

The Committee reviewed the casualty lines of coverage, marine liability coverages, and storage tank liability coverages as submitted by PRIA, and found the proposals for each to be comprehensive and competitively priced. Despite the City's increased exposure in the way of increased payroll and additional employee numbers, many of the casualty and ancillary coverage lines proposed by PRIA are priced lower than the last policy year premiums bringing to the City additional savings for the same excellent coverage. Moreover, the broker services provided by PRIA over the last six (6) years have been extremely favorable, and PGIT has been a reliable insurer in its excess reimbursements made to the City on liability claims.

**FINANCIAL IMPACT:**

If the City Commission accepts the recommendations of the evaluation committee by awarding the select coverage lines amongst the two (2) proposals submitted, then the City will carry comprehensive coverage across the board with significant enhancements at highly competitive rates thereby producing savings of nearly \$290,000.00 as compared to the current policy year.

**RECOMMENDATION:**

Based on the final aggregate rating, the Committee recommends the City Commission to award the proposal from PRM as submitted by Arthur J. Gallagher & Company in an amount of \$448,220.00 (including brokerage fee) for the City's Property Insurance Program for policy year 2015/2016, as well as recognize Arthur J. Gallagher & Company as the City's agent/broker for the City's property insurance program for policy year 2015/2016.

Further, the Committee recommends the City Commission to award the proposal from PGIT as submitted by PRIA in an amount of \$303,985.00 for the City's Casualty Insurance Program for policy year 2015/2016, as well as recognize PRIA as the City's agent/broker for the City's casualty insurance program for policy years 2015/2016 and 2016/2017. Finally, the Committee recommends the City

Commission to award the proposals from Great American and Commerce & Industry as submitted by PRIA for Outer Mole excess liability coverage (\$10,000), Marine Operators Liability Coverage (\$14,861), Wharfingers Liability Coverage (\$24,208), Hull Coverage (\$11,475), and storage tank coverage (\$2,423).