

**INDIAN RIVER COUNTY
OFFICE OF MANAGEMENT AND BUDGET
PURCHASING DIVISION**

DATE: April 10, 2020

TO: BOARD OF COUNTY COMMISSIONERS

THROUGH: Jason E. Brown, County Administrator

FROM: Jennifer Hyde, Purchasing Manager
Kristin Daniels, Director, Office of Management and Budget

SUBJECT: Ranking of Firms and Approval of Agreement – RFP 2020014 - Agent/Brokers,
Self-Insurance Funds and Direct Writing Insurers for Property and Casualty
Insurance

BACKGROUND:

On behalf of the Risk Management Division, Requests for Proposals (RFPs) were solicited for property and casualty insurance broker services. The term of the current agreement for these services with Arthur J. Gallagher Risk Management Services, Inc. (AJG) expires on April 30, 2020. The term of the new agreement is one year, with three additional one year renewals available.

RFP RESULTS:

Advertising Date: November 2, 2019
RFP Opening Date: December 3, 2019
Solicitation Broadcast to: 321 Subscribers
RFP Documents Requested by: 24 Firms
Replies: 5 Firms

ANALYSIS:

A selection committee comprised of Beth Martin, Risk Manager, Kristin Daniels, CGFO, Director, Office of Management and Budget, and Elissa Nagy, Finance Director independently evaluated and scored the received proposals in accordance with the RFP document and Purchasing Manual. Evaluation criteria included qualifications and fee schedule. These scores were compiled by the committee and an overall initial ranking of firms developed. Technical review and analysis of the proposals was then provided by the County's insurance and risk management consultant, Siver Insurance Consultants.

The two top ranked brokers were invited to submit Request for Submittals for Insurance Coverages ("RFS"), with markets assigned by Siver. These subsequent submittals were reviewed and ranked by individual committee members, with a final ranking of firms developed. Siver again provided technical review and analysis after that ranking was established and the committee declared the ranking of firms final, as presented in the following table.

	Proposing Firm	Location
1.	Arthur J. Gallagher Risk Management Services, Inc.	Orlando
2.	Public Risk Insurance Advisors (PRIA)	Daytona Beach
3.	Alliant Insurance Services, Inc.	Lake Mary
4.	Halifax-Acentria Public Risk	Daytona Beach
5.	*ISU Jallad Insurance Services	Maitland

*Jallad was determined by the committee to not meet minimum requirements

Since the inception of the modified self-insurance program in 1989, the County has marketed both broker services and insurance carriers every five to six years in order to assure the most cost-effective protection for the County's assets. Rates for insurance are based upon property values which are obtained based upon historic costs, age, construction type, location and a myriad of other variables. Those property values should be as reliable as possible to assure that adequate insurance can respond in the event of a loss. In the past year, the County issued a purchase order to CBIZ Valuation Group, LLC ("CBIZ") to conduct an independent appraisal of all County buildings with a value over \$100,000.00. This task had last been completed ten (10) years ago, with the County relying on construction costs and inflation factors to project annual needs. With the new valuation, we experienced a 48% increase due to construction and renovation costs in the previous decade. Unfortunately, the increase in overall property values has led to a premium increase. This sharp increase in values, however, provides the County with the ability not only to insure for the true replacement value of its assets but also to have confidence that it is adequately insured in the event of loss.

In its response to the RFS, AJG presented two options for Property insurance, with the second, Option 2, offering an innovative, cost-saving property insurance program which separates non-utility assets, insured through a conventional layered insurance program as the County has historically purchased, and a utility assets standalone program. By identifying these risks separately, the County not only has a cost savings but also increases total overall limits and Named Storm limits in the event of a catastrophic loss. Option 2 provides a cost savings of \$346,269 when compared to the 2020 renewal option with no changes. Unfortunately, based upon the difficult market, all renewal options include increased costs when compared to the 2019 premiums. This increase in a significantly hard property insurance market could have been even more impactful if Gallagher had not devised a proposal to separate the utility assets from non-utility assets.

Staff, supported by Siver, recommends the Gallagher Option 2 is most like the County's current program. While it separates utility assets from non-utility assets to obtain an overall 3.92% rate decrease, the recent property appraisal's resulting increased overall values have led to the premium increase. Of great importance in the consideration to recommend Option 2 is the fact that both the Gallagher Option 1 and Public Risk Insurance Advisors (PRIA) place the County's property insurance in pools, not insurance carriers. Those pools share their overall limits with all of their participating members and in the event of catastrophic loss, such as a major hurricane, if losses exceed the pools' capacities, members will be paid based on their pro rata share of the pool. This sharing presents important potential increased risk. If the County is one of the smaller pool members, it will receive a smaller share of the loss, and if a major hurricane strikes, all pool members will be subject to claims for the finite pool limit. For example, Gallagher Option 1 is the least expensive but also the riskiest, with up to 30 pool members sharing a loss limit now held solely by the County. The PRIA option would have the County sharing limits with other Florida governments, including some in South Florida who are equally hurricane prone. Staff is of the opinion that the decrease in cost, currently does not outweigh

the increased risk. This theory may change at some point in the future depending on the County's available funding in the event of a severe economic downturn.

FUNDING:

The County's property and casualty coverage is funded through the Self Insurance Fund (502). This is an Internal Service fund that is supported by charges to operational funds of the County. The current fiscal year's portion of the proposed premium will be funded from account number 50224613-034590 (Self Insurance Fund - Other Insurance). An increase in funding for the upcoming fiscal year will be necessary to fund the 32.57% in increased premium cost. Because the Self Insurance Fund is supported by all other departments, this increase in cost will be borne County-wide.

	Expiring AJG	AJG Option 1	AJG Option 2	PRIA
Property	\$1,326,990	\$1,691,315	\$1,876,307	\$1,707,285
Property Terrorism	\$26,535	\$21,308	\$21,308	included
Equipment Breakdown	\$10,742	\$9,311	\$9,311	included
Inland Marine / Misc. Equipment	\$67,193	\$74,954	\$74,954	\$47,342
Crime	\$5,005	\$5,005	\$5,005	\$6,505
Total Property	\$1,436,465	\$1,801,893	\$1,986,885	\$1,761,132

	Expiring AJG	AJG Option 1	AJG Option 2	PRIA
Excess GL, Law, E&O, Auto*	\$151,000	\$161,750	\$161,750	\$197,517
Cyber Liability	\$27,522	\$24,458	\$24,458	\$19,243
Watercraft	\$7,808	\$7,390	\$7,390	\$7,255
Total Liability	\$186,330	\$193,598	\$193,598	\$224,015

Excess Workers' Compensation	\$171,468	\$198,202	\$198,202	\$258,053
TOTAL	\$1,794,263	\$2,193,693	\$2,378,685	\$2,243,200
Difference from Expiring		\$399,430	\$584,422	\$448,937
% Change from Expiring		22.26%	32.57%	25.02%

Annual Flat Broker Fee \$175,000 \$175,000 \$175,000 \$95,000

*Comments: For comparison purposes, the expiring and proposed Arthur J. Gallagher premiums did not include a premium for liability terrorism coverage because the RFP did not request that coverage and Public Risk Insurance Advisor's proposal did not include it. The proposed premium for liability terrorism offered by Arthur J. Gallagher is \$14,607 and has been added to the total property terrorism premium listed above.

RECOMMENDATION:

Staff recommends the Board approve the committee's final ranking of firms and award the property and casualty insurance brokerage services to Arthur J. Gallagher Risk Management Services, Inc., and approve the selection of their proposed option 2. Staff also recommends the Board approve the Sample Agreement and authorize the Chairman to sign it after the County Attorney has approved it as to form and legal sufficiency.

ATTACHMENT:

Sample Agreement