

MILWAUKEE COUNTY
INTEROFFICE COMMUNICATION

DATE: April 6, 2020

TO: County Board of Supervisors
Supervisor Willie Johnson Jr., Co-chair, Committee on Finance, Personnel and Audit
Supervisor, Co-chair, Committee on Finance, Personnel and Audit

FROM: Chris Luttrell, Director, Risk Management

SUBJECT: Request for Approval to Contract with Aon Risk Services for Property and Liability Insurance Brokerage.

REQUEST

The Risk Management Division of the Department of Administrative Services requests the authority to enter into a contractual agreement with Aon Risk Services for liability insurance brokerage services for a three-year term starting on July 1, 2020, for a flat rate fee of \$90,000 for year one, \$90,000 for year two, and \$90,000 for year three of the agreement.

BACKGROUND

Resolution File No. 93-168, approved by the Committee on Finance, Personnel, and Audit and adopted by the County Board at its February 18, 1993 meeting, states that the Risk Management Division of the Department of Administrative Services shall solicit Requests for Proposals (RFPs) for insurance purchases. This resolution also specifies that Risk Management is required to prepare a formal report to the Committee on Finance, Personnel, and Audit establishing a schedule of all insurance policies, and obtain County Board approval before any insurance coverage is purchased.

Risk Management has historically solicited RFPs for the following types of insurance:

- Public Entity Liability
- Airport Liability
- Property Insurance
- Fiduciary (*Employees' Retirement System*)
- Energy Systems / Boiler & Machinery
- Crime / Fidelity

The insurance industry model which works best for both private and public entities is the use of an insurance broker. A carefully completed insurance broker selection aligns the client needs with the broker who has strength in the client specific line of business, e.g. industry, finance, government, etc. The licensed insurance broker can access the global marketplace to obtain quotes from competing insurers and to actively negotiate policy terms, conditions, and rates on behalf of their client. Additionally, the insurance broker familiar with the client's insurance program is able to

recognize shortcomings, redundancies and gaps in the client's insurance program thereby increasing the efficiency and effectiveness of the program and use of premium dollars. Another benefit is the insurance broker is paid by a flat fee instead of commission. This allows the insurance broker to work exclusively in the client's best interest.

The 2020 Adopted Budget appropriated \$105,000 to Risk Management for annual insurance brokerage services and the rationale behind the budget increase was discussed during budget deliberations. The fees for annual brokerage services will likely be cost neutral, or provide cost savings, as all future premium quotes will be net commission. These fiscal benefits do not even factor the value-added services available to Milwaukee County with broker representation.

The use of an insurance broker is standard practice in larger counties and provides greater leverage for lower premiums derived from the broker loss control tools and insurer relationships. While providing a more robust, comprehensive, and transparent way to recommend renewal of our liability coverages. The Director of Risk Management and Aon Risk Services (Aon) will be working together on a lean, sophisticated, and comprehensive liability insurance program.

REQUEST FOR PROPOSAL

On March 25, 2020, Milwaukee County's Risk Management Department, in combination with Milwaukee County Transit System (MCTS) jointly issued a RFP for insurance broker services. Four bids were received. The review panel's scoring resulted in Aon as the top technical point scorer. The top two finalists were invited to give presentations and following the interviews, Aon remained the highest point earner for technical ability. Aon is tied for first place within the cost proposal portion. The two scores for technical ability and cost combined resulted in Aon being the top point earner.

Aon is the largest global broker which affords their firm with the strongest market leverage to most cost-effectively place insurance coverage for Milwaukee County and MCTS. Aon also has an international network of subject matter experts on risk management issues and is easily accessible to Milwaukee County through their local office housed in the Research Park. Through the broker client relationship, Milwaukee County will be in direct contact with Aon's expert teams dedicated to the high exposure areas of aviation, transportation and fleet management, zoo operations, mental health, law enforcement, fine arts, and property. In addition, Aon already suggested potential synergies between the County and MCTS insurance programs that will likely afford even greater savings.

Numerous value-added services were included in the Aon bid, such as analytics to help the County and MCTS determine areas where improved claim handling, safety initiatives, and workplace policy assistance may be beneficial for our long-term goal of asset protection. Loss control assistance in the areas of property assessments, auditing, alternate risk financing exploration, and the availability of benchmarking data will also help Milwaukee County Risk Management and MCTS improve in all areas of risk performance and liability reduction. Importantly, Aon demonstrated a strong commitment to the County's mission of advancing Disadvantaged Business Enterprises (DBE) by partnering with Shanna Reid of Reid Consulting, a certified DBE firm, on the proposed Milwaukee County and MCTS engagement. This relationship is a hands-on mentoring partnership, as Aon has invited Reid Consulting into the Aon offices to interactively assist in facilitation and performance of the Milwaukee County brokerage placement services.

RECOMMENDATION

The Director of Risk Management recommends approval of the attached resolution authorizing the retention of Aon Risk Services for a three-year term to provide property and liability insurance brokerage services to Milwaukee County.

FISCAL NOTE

The three-year total fiscal impact is \$270,000. This results in a three-year savings of \$23,757 at the current flat rate and is \$15,000 less annually than the 2020 budgeted amount. The proposed flat rate is for the contract period without escalation.

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Chris Luttrell, Director, Risk Management

- CC: Chris Abele, County Executive
- Raisa Koltun, Chief of Staff, County Executive's Office
- Teig Whaley-Smith, Director of Administrative Services
- James Martin, Director of Operations, MCDOT
- Dan Boehm, Executive Director, MCTS
- Marian Ninneman, Director, ERS