

MILWAUKEE COUNTY
INTEROFFICE COMMUNICATION

DATE: November 29, 2011

TO: Supervisor Lee Holloway, Chairman, County Board of Supervisors
Johnny Thomas, Chairman, Finance and Audit Committee

FROM: Dennis Dietscher, Interim Risk Manager

SUBJECT: Request for Proposals-Insurance Purchases

REQUEST

Risk Management staff requests a one-year extension for the following insurance policies: 1.) Airport Liability; 2.) Public Entity Liability; 3.) Property Insurance; 4.) Fidelity Insurance. Resolution File No. 93-168 approved by the Finance & Audit Committee (Committee) and adopted by the County Board at its February 18, 1993 meeting require that Risk Management solicit Requests for Proposals (RFP) for insurance purposes.

BACKGROUND/ANALYSIS

In 2008, Risk Management solicited RFP's for the following insurance policies: Airport Liability, Public Entity Liability, Fidelity Insurance, and Property Insurance. Resolution 08-488 (adopted at the December 2008 County Board meeting) allowed the Risk Manager (Manager) to enter into a contract for these insurance policies (policies) with the following insurance providers (providers):

- ACE (Airport Liability)
- Wisconsin County Mutual (Public Entity Liability)
- Local Government Property Insurance Fund (Property Insurance)
- Great American (Fidelity Insurance)

The contracts were specified for a period of three years (1-yr agreement plus two additional 1-year extensions) covering budget years 2009 through 2011. As of January 1, 2012, these insurance policies shall lapse.

As part of the original RFP process (performed in 2008), Risk Management solicited 15 insurance brokers and administrators including 4 certified DBE's to respond to the various RFP's. In addition, the RFP was publicly advertised on 2 separate dates in a Milwaukee area publication. Insurance brokers and administrators were asked to respond with requests for insurance markets and were assigned markets (see attachment #1 for summary results). Evaluation was completed by a review committee with criteria based on organization, service, coverage, cost, and DBE participation.

Schedule of current insurance providers and policy coverage/premium (2012 estimate):

Broker/ Carrier	Insurance Coverage	2011 Premium	2012 Premium
HNI/ACE	Airport Liability	\$ 282,050	\$ 282,050
Wisconsin County Mutual	Public Entity Liability	\$ 1,667,584	\$ 1,667,584
LGPIG/ASU	Property Insurance	\$ 513,151	\$ 510,000
Aon/ Great American	Fidelity Insurance	\$ 38,436	\$ 38,436
Total Premium		\$2,501,221	\$2,498,070

The cost for these insurance policies in 2012 is estimated at \$2,498,070. The amount budgeted for insurance purchases in 2012 is \$2,792,566, therefore, sufficient funds for this purchase have been included.

RECOMMENDATION

Due to time constraints, RFPs could not be solicited/evaluated by the close of 2011. However, Risk Management staff has successfully negotiated favorable terms and pricing for an anticipated 1-year renewal of the existing policies with the current carriers. Policies for 2012 would be provided with no increase in premiums, and with a slight decrease in rate for the Property Insurance policy. Therefore, it is recommended that a 1-year renewal by endorsement be approved for 2012 for each of the insurance policies (with the existing providers).

In addition, Risk Management shall issue an RFP no later than the 3rd Quarter of 2012 for these insurance policies that will include insurance coverage beginning January 1st 2013 through December 31st 2016. Risk Management shall also provide the Committee with a revised scheduled of insurance purchases and recommendation for Committee and County Board review and approval during the December 2012 committee cycle.

Respectfully,



Dennis Dietscher
Interim-Risk Manager

CC: Chris Abele, County Executive
Patrick Farley, Director, Department of Administrative Services
Pamela Bryant, Interim-Fiscal and Budget Administer
Cynthia Pahl, Interim-Assistant Fiscal and Budget Administer

Attachment #1

RFP 6375 Airport Liability Insurance

<u>Broker</u>	<u>Market</u>
HNI	ACE
Aon	AIG
Marsh	Global Pool
Willis	CV Starr/Chubb
Hays	London & Other
Gallagher	XL Capital

Of the assigned markets, we received proposals from HNI, Aon and Willis with Marsh, Hays and Gallagher respectfully withdrawing or declining to quote. The current market, ACE, met all the proposal criteria and rated the highest of the 3 proposals.

RFP 6376 Public Entity Liability

<u>Broker</u>	<u>Market</u>
Aegis	Wisconsin County Mutual
Marsh	AIG
Hays	Travelers
Gallagher	Brit
HRH	Chubb

Proposals were received from Aegis and Hays with Marsh, Gallagher and HRH respectfully withdrawing or declining to quote. The Travelers proposal, presented by Hays, was reviewed in detail but determined to be price prohibitive and limited or excluded several of the key insurance coverages requested.

Our premium with the incumbent, Wisconsin County Mutual, remains unchanged from our expiring program. Coverage in the proposal includes Public Officials D&O, Civil Rights, Employment Practice; General and Automobile Liability with the deductible level remaining the same and no aggregate of per occurrence limits.

RFP 6378 Property Insurance

<u>Broker</u>	<u>Market</u>
Marsh	AIG/Lexington
Hays	Travelers
ASU	Local Government Property Insurance Fund (LGPIF)
HRH	Chubb

The brokers and markets above displayed initial interest in our program but upon their detailed review of the current coverage and pricing provided by LGPIF, all markets declined to quote. The proposal from incumbent LGPIF included the same coverages as our expiring policy and the overall rates remain competitive.

Attachment #1 (cont.)

RFP 6379 Fidelity Insurance

<u>Broker</u>	<u>Market</u>
Aon	Great American
Marsh	Chubb
Willis	Hartford
Hays	Travelers
Aegis	Zurich
HRH	AIG

Final proposals were received from Aon, our incumbent broker along with Willis/HRH. Both proposals contained similar coverages and created an overall competitive pricing environment with the Aon proposal meeting RFP requirements for DBE and a 3-year renewal option.

1 From the Committee on Finance and Audit

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6 (ITEM NO.) From the Interim-Risk Manager, Risk Management, requesting authorization
7 to enter into a one-year extension of four existing insurance purchase agreements by
8 recommending adoption of the following:

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A RESOLUTION

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WHEREAS, at its meeting on February 18, 1993 the Milwaukee County Board of Supervisors adopted, Resolution File No. 93-168, which specified that the Department of Administrative Services (DAS) shall use Request for Proposals (RFPs) for the solicitation of all insurance services and that County Board approval is required before any coverage is purchased; and

WHEREAS, this resolution also required the Department of Administrative Services to prepare a communication to the Finance & Audit Committee establishing a schedule of insurance service purchases; and this schedule was provided and subsequently revised with the Finance & Audit Committee's approval; and

WHEREAS, in accordance with Resolution File No. 93-168 and the modified schedule of insurance purchases, the Risk Manager, in 2008, prepared and solicited RFP's for insurance purchases for Airport Liability Insurance, Public Entity Liability Insurance, Fidelity Insurance and Property Insurance; and

WHEREAS, in 2008, requests for markets were received, six for Airport Liability Insurance, five for Public Entity Liability Insurance, four for Property Insurance and six for Fidelity Insurance; and

WHEREAS, in 2008, insurance markets assigned for Airport Liability Insurance were Ace, AIG, Global Pool, CV Starr/Chubb, London and XL Capital; for Public Entity Liability Insurance, Wisconsin County Mutual Insurance, Travelers, AIG, Britt and Chubb; for Property Insurance, AIG, Travelers, Local Government Property Insurance Fund and Chubb; and for Fidelity Insurance, Great American, Chubb, Hartford, Travelers, Zurich and AIG to submit underwriters response to the RFPs; and

WHEREAS, in 2008, ACE, AIG, and CV Starr submitted responses to the RFP for Airport Liability Insurance; Wisconsin County Mutual and Travelers submitted responses to the Public Entity RFP; Local Government Property Insurance Fund submitted a response to the Property Insurance RFP; and the Great American and AIG submitted responses to the Fidelity Insurance RFP's; and

File No.
(Journal,)

44 WHEREAS, in 2008, the responses to the RFP's were evaluated by an evaluation
45 review committee; and

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47 WHEREAS, the Committee of Finance & Audit, at its meeting on December 8, 2008
48 recommended approval (5-0) of the Risk Manager's request; and

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50 WHEREAS, the County Board, at its meeting on December 18, 2008 voted for
51 approval (19-0) of the Risk Manager's request; and

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53 WHEREAS, the Airport Liability, Public Entity Liability, Fidelity, and Property
54 insurance service agreements approved by the County Board on December 18, 2008
55 provides insurance coverage beginning January 1st 2009 and terminating December 31st
56 2011; and

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58 WHEREAS, due to time constraints, the Risk Manager could not properly
59 solicit/review RFP's by 2011 year-end for insurance purchases for Airport Liability, Public
60 Entity Liability, Fidelity, and Property insurance services (insurance services), which would
61 leave the County without insurance coverage for these services in 2012; and

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63 WHEREAS, a one-year extension with existing insurance companies would provide
64 insurance services through December 31st 2012; and

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66 WHEREAS, a one-year extension with existing insurance companies to provide
67 insurance services through December 31st 2012 is estimated at \$2,498,070 and that
68 sufficient funding is provided in the 2012 adopted budget for these insurance services in
69 the amount of \$2,792,566; and

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71 WHEREAS, Pursuant to Resolution File No. 93-168, the Risk Manager shall solicit
72 RFP's in 2012 for Airport Liability, Public Entity Liability, Fidelity, and Property insurance
73 services for coverage beginning January 1st 2013 through December 31st 2016; and

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75 WHEREAS, Pursuant to Resolution File No. 93-168, the Risk Manager shall provide
76 a revised schedule of insurance service purchases to the Finance & Audit Committee for
77 approval during the December 2012 committee cycle; NOW THEREFORE,

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79 BE IT RESOLVED, the Risk Manager is authorized to enter into insurance purchase
80 agreements for a period of one year as follows:

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<u>Coverage</u>	<u>Broker</u>	<u>Insurance Company</u>	<u>Premium</u>
Airport Liability	HNI	ACE	\$ 282,050
Public Entity Liability	AEGIS	Wisconsin County Mutual	\$ 1,667,584
Property Insurance	ASU Group	LGPIF	\$ 510,000
Fidelity Insurance	Aon	Great American	\$ 38,436

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 12/25/11

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Contract for County-wide Insurance Purchases for 2012

FISCAL EFFECT:

- | | |
|---|--|
| <input type="checkbox"/> No Direct County Fiscal Impact | <input type="checkbox"/> Increase Capital Expenditures |
| <input type="checkbox"/> Existing Staff Time Required | <input type="checkbox"/> Decrease Capital Expenditures |
| <input checked="" type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues |
| <input checked="" type="checkbox"/> Absorbed Within Agency's Budget | <input type="checkbox"/> Decrease Capital Revenues |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget | |
| <input type="checkbox"/> Decrease Operating Expenditures | <input type="checkbox"/> Use of contingent funds |
| <input type="checkbox"/> Increase Operating Revenues | |
| <input type="checkbox"/> Decrease Operating Revenues | |

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	2,498,070
	Revenue	0	0
	Net Cost	0	2,498,070
Capital Improvement Budget	Expenditure		
	Revenue		
	Net Cost		

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

- A. In 2008, Risk Management solicited RFP's (1-yr agreement plus two additional 1-year extensions) for the following insurance policies: Airport Liability, Public Entity Liability, Fidelity Insurance, and Property Insurance. Resolution 08-488 (adopted at the December 2008 County Board meeting) allowed the DAS-Risk Management Manager (Manager) to enter into a contract for these insurance policies with the following insurance carriers:

- ACE (Airport Liability)
- Wisconsin County Mutual (Public Entity Liability)
- Local Government Property Insurance Fund (Property Insurance)
- Great American (Fidelity Insurance)

The contracts were specified for a period of three years (1-yr agreement plus two additional 1-year extensions) covering budget years 2009 through 2011.

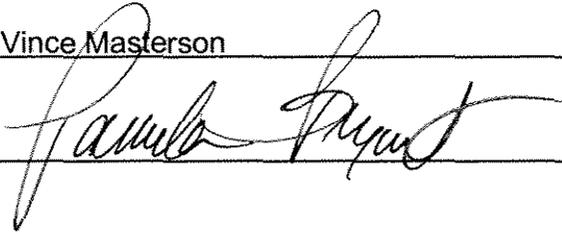
The Manager is requesting a one-year extension of these insurance policies in order to provide coverage for the 2012 budget year.

- B. There are no direct cost savings or anticipated revenues associated with this insurance purchase. Although it appears that there is an increase in operating expenditures, the costs would be absorbed in the department's budget, so there is no direct fiscal impact to the County for current or subsequent years.
- C. The total cost for this request is \$2,498,070. There will be no current year budgetary impacts associated with this request; sufficient funds for this purchase have been included in the 2012 adopted budget. The amount budgeted for insurance purchases in 2012 is \$2,792,566, which is a sufficient amount to cover the costs of the requested action. The annual premium for these insurance policies are as follows:

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

Broker/ Carrier	Insurance Coverage	2011 Premium	2012 Premium
HNI/ACE	Airport Liability	\$ 282,050	\$ 282,050
Wisconsin County Mutual	Public Entity Liability	\$ 1,667,584	\$ 1,667,584
LGPIG/ASU	Property Insurance	\$ 513,151	\$ 510,000
Aon/ Great American	Fidelity Insurance	\$ 38,436	\$ 38,436
Total Premium		\$2,501,221	\$2,498,070

Department/Prepared By Vince Masterson

Authorized Signature 

Did DAS-Fiscal Staff Review? Yes No