
CITY OF TEMPE
REQUEST FOR COUNCIL ACTION**Council Meeting Date: 07/30/2015**
Agenda Item: 5B9

ACTION: Approve the renewal of a one-year contract with Marsh USA for risk management consulting and insurance broker services for the Internal Services Department.

FISCAL IMPACT: Total cost of this contract will not exceed \$52,350 during the one-year renewal period. Sufficient funds have been appropriated in the Risk Management Fund - cost center 2621 (Risk Management) for the anticipated expenditures in the current fiscal year.

RECOMMENDATION: Approve the renewal.

BACKGROUND INFORMATION: (FS10-114-01) The City issued RFP 10-114 in 2010 for risk management consulting and insurance broker services which included an initial one-year award followed by six, one-year renewal options. If approved as recommended, this would be the fifth renewal option taken. Up until this time, including the initial award and renewals, staff has utilized its delegated authority to approve these actions based on the annual values being under \$50,000. However, this renewal period value is above the delegated authority amount and now requires City Council approval.

Marsh USA acts as the City's insurance broker and /or risk management consultant with respect to the following lines of insurance coverage: Property, General Liability, Workers' Compensation, Crime, Environmental Pollution, and Network Security & Privacy. The services provided to place this insurance coverage include, but is not limited to the following:

1. Conduct Pre-Marketing Services
 - Conduct an initial strategy discussion in advance of insurance placement
 - Conduct a review of the City's insurance program, assist the City in assessing risks and developing insurance specifications
 - Analyze existing policies for adequacy of coverage, errors and omissions, adequacy of limits, appropriate deductible/retention levels, significant restrictions in coverage, concurrency of coverage, duplication or gaps in coverage, coordination of coverage, suitability of forms, financial stability of insurers, and insurer service capability.
 - Analyze and advise on the use of deductibles, self-insurance, risk transfer, and other cost reduction or Risk Management measures to produce the most feasible insurance coverages.
2. Marketing and Placement Services
 - Research and place for the broadest insurance coverage with stable insurance carriers.
 - Develop and submit insurance policy specifications to selected markets/vendors that address City loss exposures.
 - Recommend potential insurers based on ratings, financial strength, and capacity.
 - Solicit quotes from insurers that the City authorizes.
 - Negotiate with insurers on the City's behalf
 - Deliver and present a proposal to the Risk Manager and staff covering all carriers, coverages, premiums, agent/broker fees, and terms and conditions concerning excess coverage placements for the coming year.
 - Assist in evaluating options received from insurers
 - Bind insurance coverage after receiving City authorization
 - Bring to the attention of the City, any additional coverages that may become available in the marketplace that could be advantageous to the City.
3. Claims related services
 - In the event of a loss, evaluate coverage applicability on all Marsh placed business.
 - Serve as the City's liaison with the insurance company.

- Assist the City in the development of settlement strategies and assist the City with litigation management issues that impact claim settlements.
4. Other services
- Advise the Risk Manager of changes in the insurance industry and any trends which may have an impact on the City's risk management program and related costs.
 - Provide advice and counsel on Risk Management matters including legislative issues, contract language reviews and certificate of insurance inquiries.
 - Conduct training/presentations to Risk Management and other City personnel on current insurance trends, loss control protocol, basic insurance language, and risk information on certificates of insurance.
 - Provide Certificate of Insurance documents when requested.
 - Coordinate an annual actuarial analysis on losses.

Contractor Performance

The performance of Marsh USA was rated by the Internal Services Department as follows:

Criteria	Score
Personnel are responsive, cooperative and available	A
Overall quality of products or services delivered	B
Timeliness of performance	B
Quality of follow-up in resolving complaints or problems	B
Firm's promptness in submitting accurate invoices	A

A = Exceeds Standards; B = Meets Standards; C = Below Standards

Renewal Cost

Marsh USA has requested an increase of \$1,500.00 to perform annual actuarial analysis to review losses associated with the City's self-insured workers' compensation (WC), automobile liability (AL) and general liability (GL) programs. The City requires an Actuarial Study for the purpose of compliance with GASB 10 and it is required as part of the application process for the City's annual renewal of the self-insurance authority with the Industrial Commission of Arizona. The objective of the study is to provide an actuarial central estimate of the unpaid loss and allocated loss adjustment expenses (ALAE) for claims incurred through the end of the fiscal year. Marsh USA has charged the City \$10,000 per year for the annual actuarial since 2010, if this renewal request is approved the new rate would be \$11,500.00 per year.

ATTACHMENTS: N/A

STAFF CONTACT(S): Jerry Hart, Deputy Internal Services Director - Finance, (480) 350-8505

Department Director: Renie Broderick, Internal Audit Director
 Legal review by: David Park, Assistant City Attorney
 Prepared by: Ted Stallings, CPPB, Procurement Officer