

COUNCIL ACTION FORM

SUBJECT: AWARD OF CONTRACT FOR LIABILITY INSURANCE BROKER

BACKGROUND:

This action deals with the award of contract for insurance broker services for the City's liability insurance program.

For many years the City has purchased liability insurance from a risk pool without the benefit of using a broker. There are several reasons for considering the utilization of a broker. These include a broker's ability to calculate adequate but not excessive insurance limits, to provide information regarding premium trends specific to public entities, to provide guidance on the selection of the appropriate deductible by line of coverage, and to secure competitive insurance quotes from insurers who will only work through brokers.

On April 4, 2018, a Request for Qualifications (RFQ) was issued to eleven firms and two sourcing sites. The document was also advertised on the Current Bid Opportunities section of the Purchasing webpage. On April 17, 2018, responses were received from five firms. These proposals were then sent to an evaluation team consisting of an Assistant City Manager, the Risk Manager and the Chief of Police.

The team members independently evaluated and scored all five for qualifications.

Step 1

In the first step, the qualifications were evaluated based on compliance with the RFQ documents that described broad performance criteria required for advancement to the second step in the process. The qualifications submitted were rated on an acceptable or non-acceptable basis. Four of the five firms received acceptable qualifications in order to move to the next step.

Step 2

In the second step, the four firms were notified and required to submit proposals by May 8, 2018. Three of the four firms provided responses. Those proposals detailed how each broker would design and deliver a program of services for all aspects of the City's liability insurance program, including competitive bidding approach, experience with multiple insurer layered coverage, loss control engineering, policy administration and claims services.

Each score was based on a scale of 1 to 5. The overall weighted score is a combination of fees, thoroughness of responses, demonstration of past performance with similar programs, adequacy and breadth of available services and a history of collaborating with insurers in the creation of innovative coverage solutions. The knowledge and experience

related scores represented 80% of the overall score, and proposed fees accounted for 20%.

The averaged score for each proposal, the cost based on a three year contract period, and the firms' rankings are summarized in the following table:

Brokers & Local Servicing Office	Average Points	Rank	Cost Proposal
KTA, LLC d/b/a Knapp Tedesco Insurance, Ames, IA	394	1	\$111,000
AJ Gallagher, West Des Moines, IA	358	2	\$107,200
Holmes Murphy, Waukee, IA	341	3	\$120,000

Based on a unanimous decision by the evaluation team the firms were ranked as follows:

Brokers & Local Servicing Office	Rank	Cost Proposal
KTA, LLC d/b/a Knapp Tedesco Insurance, Ames, IA	1	\$111,000
Arthur J. Gallagher, West Des Moines, IA	2	\$107,200
Holmes Murphy, Waukee, IA	3	\$120,000

There were very specific reasons why KTA, LLC stood out as the strongest broker, even though they were not the lowest cost proposal. These include the following:

1. KTA, LLC demonstrated the most relevant experience representing public entities.
2. Their team members are very familiar with the City of Ames and our processes.
3. They have an existing working relationship with our current liability provider, the Iowa Community Assurance Pool (ICAP).
4. They have the knowledge and resources to review the City's liability program and provide recommendations regarding program design.
5. They have the ability to market the City's program to traditional insurers as well as public risk pools.

The three-year contract with KTA, LLC would be in the amount of \$111,000, with the payment structure for the contract as detailed below:

Year	Amount
1	\$36,000
2	\$37,000
3	\$38,000

For the sake of continuity in receiving these services, the City Council is being asked to approve a three-year agreement at this time rather than a one-year contract with renewal options. It should be noted that to protect the City and meet legal requirements, the contract does contain language that will allow for the termination of the contract in future years should the Council not appropriate funds for its payment.

The contract allows for two additional one (1) years extension upon mutual agreement.

The FY 2018/19 budget does not include funds to specifically pay for these broker services. However, staff anticipates that lower premiums resulting from broker generated competitive quotations and underwriting knowledge will offset the broker fee.

ALTERNATIVES:

1. Award a contract to KTA, LLC d/b/a Knapp Tedesco Insurance, Ames, Iowa for broker services for the City's Liability Insurance Brokerage Services for a three year term in the amount of \$111,000.
2. Direct staff to negotiate a liability brokerage agreement with one of the other brokers included in the proposal process described.
3. Reject all proposals and continue the current program of purchasing liability coverage from the Iowa Communities Assurance Pool without the benefit of a broker.

CITY MANAGER'S RECOMMENDED ACTION:

The proposal process outlined above brought to light some advantages of why a liability insurance broker will benefit the City. First, it will improve access to the insurance marketplace where most insurers are accessible only through brokers. Second, they will provide expertise on determining the best liability program based on the City's needs. Finally, the City will have consultation on reducing the overall risk to the City's liability exposures from the City's point of view, and not just from the insurer's.

KTA, LLC has a very strong brokerage team and brings superior knowledge of the City's programs. The evaluation team also felt that KTA, LLC would achieve the greatest success marketing the City to prospective insurers should we chose to leave ICAP.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as described above.