



City of Norman, OK

Municipal Building Council
Chambers
201 West Gray Street
Norman, OK 73069

Text File

File Number: BID-1213-17

Introduced: 9/7/2012

Current Status: Consent Item

Version: 1

Matter Type: Bid

Title

CONSIDERATION AND AWARDED OF BID NO. 1213-17 FOR THE PURCHASE OF BUILDINGS AND CONTENTS INSURANCE AND BUDGET APPROPRIATION.

ACTION NEEDED: Motion to accept or reject all bids meeting specifications; and, if accepted, award the bid in the amount of \$109,350 to Affiliated FM as the lowest and best bidder meeting specifications and appropriate \$5,350 from the Risk Management Fund Balance (043-0000-253.20-00) to Self Insurance/Liability & Property (043-3004-415.44-03).

ACTION TAKEN: _____

Body

BACKGROUND: The City of Norman self-insures against most risks (i.e., workers compensation, vehicle/equipment damage, employee health benefits, tort claims, etc.) but historically has purchased insurance to cover casualty losses to City buildings and contents. This insurance is purchased in a blanket amount but is limited to agreed-upon values of independent buildings and contents and subject to a deductible. It is important to note that contents include electronic data processing equipment.

The City of Norman has bid out its buildings and contents insurance through the competitive bid process. This year invitations to bid were extended to nine vendors. Last year's premium for this insurance was \$98,591. The blanket amount requested in the current bid increased from \$85,562,993 to \$90,303,993 in the current year. This increase was due to the addition of several properties. We requested quotes that are based on a \$5,000 deductible, \$10,000 deductible and a \$50,000 deductible.

The Oklahoma City area was hit with several weather disasters these past few years including a couple of tornadoes, a severe hailstorm, and a flood. In addition, this region of the country has experienced several severe natural disasters. Insurance payouts on these disasters reached in the billions.

DISCUSSION: Bids were mailed to nine different brokers/agents (see attachment). Bids were opened on September 6, 2012. One agent, Arthur J. Gallagher Risk Management Services, submitted a bid. Bid documents were returned for three of the nine agents as they had moved without a forwarding address. We obtained new addresses for two of the vendors and mailed a second bid request document to them. It is important to note that Arthur J. Gallagher is recognized as a large company in the insurance industry with access to many underwriters of a size that can quote on the coverage requested by the City of Norman.

Arthur J. Gallagher received responses from one underwriter, Affiliated FM. Affiliated FM is

the underwriter that provides the City's current coverage. Their proposal is a premium of \$109,350 on a \$10,000 general deductible and a \$100,000 deductible for wind and hail, flood and earthquake. We have had no issues with Affiliated FM's service in the previous year.

Arthur J. Gallagher noted that they contacted at least four other underwriters requesting coverage for the City in addition to Affiliated FM. Reasons for the lack of response from other underwriters included a decision to not add any additional exposure in this area at this time, or the other underwriters did not feel they could compete with Affiliated FM on price (see page 8 of Arthur J. Gallagher's bid proposal).

We solicited a three-year policy in our bid packet; however, in addition to having only one bid, Affiliated FM only offers to provide the policy for one year.

The City budgeted \$104,000 in Fiscal Year 2013 to pay for building and contents insurance. An additional \$5,350 is needed to cover the proposed Affiliated FM premium of \$109,350.

RECOMMENDATION: Staff recommends awarding the bid to Affiliated FM with a premium amount of \$109,350 for one year as it provides the lowest premium for coverage within acceptable deductible limits. Affiliated FM is the incumbent insurance carrier for the City. As noted above, an additional \$5,350 is needed to fund this premium. We recommend \$5,350 be appropriated from the Risk Management Fund Balance (043-0000-253.20-00) to the Liability and Property Account (043-3004-415.44-03).