



City of Norman, OK

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

Master

File Number: BID-1314-13

File ID: BID-1314-13

Type: Bid

Status: Consent Item

Version: 1

Reference: Item No. 13

In Control: City Council

Department: Finance Department

Cost: \$120,893.00

File Created: 09/09/2013

File Name: Property Insurance Bid Award

Final Action:

Title: CONSIDERATION AND AWARDED OF BID NO. 1314-13 FOR THE PURCHASE OF BUILDINGS AND CONTENTS INSURANCE.
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Notes: ACTION NEEDED: Motion to accept or reject all bids meeting specifications; and, if accepted, award the bid in the amount of \$120,893 to Affiliated FM as the lowest and best bidder meeting specifications.

ACTION TAKEN: _____ -

Agenda Date: 09/24/2013

Agenda Number: 13

Attachments: Arthur J Gallagher Proposal, Listing of Brokers, Bid Document

Project Manager: Clint Mercer, Chief Accountant

Entered by: clint.mercer@normanok.gov

Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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Text of Legislative File BID-1314-13

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 is 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 \$109,350. The blanket amount requested in the current bid increased from \$90,303,993 to \$95,841,860 in the current year. This increase was due to the addition of several properties. We requested quotes that are based on a \$10,000 deductible, \$20,000 deductible and a \$50,000 deductible.

The Oklahoma City area was hit with several weather disasters these past few years including the large tornado that struck Moore in May 2013. 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. Bids were opened on September 5, 2013. One agent, Arthur J. Gallagher Risk Management Services (Arthur J. Gallagher), submitted a bid from two different carriers. Bid documents were returned for one of the nine agents as they had moved without a forwarding address. Three of the respondents notified staff that the incumbent broker had blocked markets available to them so they could not provide a bid. Insurance underwriters work with the first broker to request a quote. Arthur J. Gallagher contacted several underwriters requesting coverage for the City (see page 7 of Arthur J. Gallagher's bid proposal). 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 two underwriters, Affiliated FM and Oklahoma Municipal Assurance Group (OMAG). Affiliated FM is the underwriter that provides the City's current coverage. Their proposal is a premium of \$120,893 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. OMAG pools risk between approximately 450 municipalities throughout Oklahoma. They have been in existence since 1977. They provided three premium quotes with different deductibles; namely \$120,683.30, \$134,896.27 and \$143,327.21 with deductibles of \$50,000, \$25,000 and \$10,000, respectively. It is important to note that no separate wind and hail deductible was specified in their quote.

We solicited a three-year policy in our bid packet; however; the two underwriters bid the policy for one year only.

Staff evaluated the bids and feels the best bid received was from Affiliated FM. Affiliated FM is rated as A+ by A.M Best and is one of the largest property and casualty providers in the industry. OMAG was not rated but did provide an audited financial statement in accordance with the bid requirements. The City of Norman would be the largest municipal entity in OMAG's risk pool if coverage from them was chosen. See broker comments on page 4 of the Gallagher Proposal regarding both underwriters.

The City budgeted \$126,000 within Liability and Property (account 043-3004-415.44-03) in Fiscal Year 2014 to pay for building and contents insurance.

RECOMMENDATION: Staff recommends awarding the bid to Affiliated FM with a premium amount of \$120,893 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.