



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Mark Danaj

SUBJECT: AGREEMENT WITH MARSH
RISK AND INSURANCE SERVICES

DATE: June 2, 2008

Approved

Christine J. Sheppley

Date

6-5-08

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate and execute an agreement with Marsh Risk and Insurance Services (Marsh) to provide Property and Casualty Insurance Broker and Loss Control Services for the period of July 1, 2008 through June 30, 2011, with two (2) one (1) year options for extension through June 30, 2013 for the City of San José. The annual cost is \$252,160, and the cost for three years of service is not-to-exceed \$756,480, year four and five will be negotiated and subject to appropriation of funds.

OUTCOME

Support for Effective Council Policy making by obtaining the highest quality insurance and loss control brokerage services for fair compensation and to ensure consistency in the broker service team servicing the City's diverse insurance requirements and loss control service needs.

BACKGROUND

The City of San José is a large, complex, and diverse organization with a variety of risk management and insurance needs. For Fiscal Year 2007-08, the City and Redevelopment Agency purchased various types of insurance policies. The insurance coverages purchased included items such as: Fire Insurance for City and Redevelopment owned facilities, Police Officers Secondary Employment Liability, Police Air Support Liability, Airport Liability, and Airport Shuttle Bus and other such policies.

In order to obtain current risk management and insurance brokerage services to appropriately and cost effectively identify and address the City's insurance and loss control needs, a Request for Proposal (RFP) process was initiated for risk management services.

ANALYSIS

RFP (update)-CAA1 for Property and Casualty Insurance Broker Services and Loss Control Services was advertised on the City’s e-procurement system on December 5, 2007. Over 300 companies were notified of the requirement.

On January 25, 2008, the City received four (4) responses to the RFP for insurance broker services. City staff thoroughly evaluated the proposals, completed analysis and three (3) brokers were invited to oral interviews.

A cross-functional evaluation team with representatives from the Human Resources Department, and the Redevelopment Agency evaluated proposals.

Below is a summary of each phase of the evaluation.

Category	Management Proposal	SBE*	LBE**	Interview	Cost	Total
Weight	30%	5%	5%	30%	30%	100%

Name of Proposer

Marsh	25.6%	0.0%	5.0%	25.9%	30.0%	86.4%
Willis	26.0%	0.0%	5.0%	24.4%	23.2%	78.6%
Alliant	25.5%	0.0%	0.0%	25.5%	23.7%	74.7%

*Small Business[SPELL OUT WHAT SBE AND LBE STAND FOR]

** Local Business

Ten percent of the total evaluation points were reserved for local and small business preference in accordance with the City’s Local and Small Business Preference Ordinance.

Based on this review process, the Evaluation Committee recommended that the City proceed with the selection of Marsh as the City’s Property and Casualty Insurance and Loss Control Broker.

Marsh is the world’s leading risk and insurance service firm and provides risk consulting advice and transactional brokerage capabilities to clients worldwide. Marsh provides an exceptionally strong team with decades of public sector experience and broad risk expertise to service the City of San José’s risk management needs for both broker services and loss control services.

Marsh’s National Public Entity Practice, headquartered in San Francisco with an office in San José, will provide the City with access to national network of public entity professionals who monitor trends within the industry from all perspectives – legal, finance, operations, regulatory and insurance – to offer the City nationally influenced guidance to solve issues and improve the City’s risk management programs.

Evaluation Summary

Staff recommends Marsh Risk and Insurance Services be awarded the agreement for Property and Casualty Insurance Broker and Loss Control Services based on overall highest score per the evaluation criteria and weighing as set forth in the RFP. The evaluation team concluded that the services offered meets and exceeds the City's requirements. Additionally, the reference checks validated that Marsh Risk and Insurance Services was able to provide similar services successfully with other jurisdictions and clients.

The RFP included a protest process for unsuccessful proposers to protest Staff's award recommendation. The ten-day protest period commenced on April 24, 2008 and ended May 4, 2008. No protest was received.

Reference Checks

All references were very positive with each indicating that they would not hesitate to make an award to Marsh Risk and Insurance Services.

POLICY ALTERNATIVES

Not applicable.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memo will be posted online for the June 24, 2008 Council meeting.

COORDINATION

This report has been coordinated with the City Attorney's Office, Airport Department, Police Department, Department of Transportation, Budget Office, and the Redevelopment Agency.

FISCAL POLICY ALIGNMENT

Not applicable.

COST SUMMARY/IMPLICATIONS

	2008/2009	2009/2010	2110/2011	2011/2012	2012/2013
Broker Fee	\$ 180,000	\$ 180,000	\$ 180,000	TBD	TBD
Loss Control Fee	\$ 90,120	\$ 65,240	\$ 61,120	TBD	TBD
Total	\$ 270,120	\$ 245,240	\$ 241,120	TBD	TBD

1. Cost to be spread evenly \$252,160 for three years.
2. Any substantial change in the number of policies or limits purchased would result in a renegotiation of the brokerage fee indicated above.
3. 2011/2012 and 2012/2013 are too far in advance and will be subject to negotiation.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn.	Amt. for Contract*	2008-2009 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
001	2001	Insurance Premiums	782,000	90,120	Page IX-18	2/12/08, 28241
001	2864	Police Officers Professional Liability Insurance	265,000	27,944	Page IX-15	2/12/08, 28241
001	0502	Non-Personal /Equipment (Police)	22,156,206	12,390	Page VIII-112	3/11/08, 28269
523	0802	Non-Personal /Equipment (Air)	43,788,729	60,803	Page XI-3	2/12/08, 28241

Honorable Mayor and City Council

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519	0802	Non-Personal /Equipment (Air)	5,259,616	1,335	Page XI-1	2/12/08, 28241
536	3405	Non-Personal /Equipment (CAE)	200,000	21,082	Page XI-24	N/A
518	0642	Non-Personal /Equipment (Muni Golf)	60,000	148	Page XI-71	N/A
533	0512	Non-Personal /Equipment (DOT)	7,213,765	7,888	Page XI-38	2/12/08, 28241
513	0762	Non-Personal /Equipment (ESD)	31,804,740	30,450	Page XI-78	2/12/08, 28241
		TOTAL		252,160		

CEQA

Not a project.


MARK DANAJ
Director, Human Resources

If you have questions, contact John Dam, Deputy Director, at 975-1438.



