

**Agenda**  
**St. Clair Shores City Council Special Meeting**  
**Monday, June 28, 2010 at 7:00 p.m.**

27600 Jefferson Circle Drive, St. Clair Shores MI 48081 (586) 447-3303 [www.scsmi.net](http://www.scsmi.net)

There will be a City Council Special Meeting on Monday, **June 28, 2010 at 7:00 p.m.** in the Municipal Building, 27600 Jefferson Circle Drive, St. Clair Shores, Michigan for the following purpose:

The agenda will be as follows:

1. Call to Order, Roll Call and Pledge of Allegiance
2. Audience Participation on agenda items (2 minute time limit)  
[Submit form to City Clerk prior to start of meeting]
3. Request to award the bid for Property and Liability Insurance (bids opened 5/4/10, postponed from 6/21/10 Meeting)
4. Audience Participation (5 minute time limit)

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*Individuals with disabilities or impairments who plan to attend this meeting need to contact the City Clerk's office at (586) 447-3303 or (586) 447-3388 (TDD) if auxiliary aides or services are needed. A request for service form is available at all City departments. Ten (10) business days advance notice is required.*

Posted: June 22, 2010

Council Meeting  
June 28, 2010

AGENDA ITEM #: 3

**BACKGROUND:** The City solicited bids for property and liability insurance through the MITN online bid system this year. Approximately 100 companies received notice of the invitation to bid on March 15, 2010 and 8 companies downloaded the entire bid package. On May 4, 2010 we received two bids one from our existing agent Ibex Insurance Agency representing Michigan Municipal Risk Management Association and one from Arthur J. Gallagher Company. We hired an independent insurance consulting firm named Pointe Counseling Services, LLC to analyze the bids and make a recommendation to us. Attached is their analysis and the invitation to bid. The actual bid responses have been copied to PDF files and e-mailed to you.

**RECOMMENDED**

**ACTION:** Pointe Counseling Services and City Administration recommend that we retain Ibex Insurance Agency and Michigan Municipal Risk Management Authority for property and liability insurance.

**SUBMITTED BY** Timothy P. Haney, Director of Finance / Treasurer

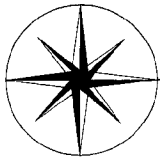
**MOTION BY:** \_\_\_\_\_ **SUPPORTED BY:** \_\_\_\_\_

**VOTE:** **AYES:** \_\_\_\_\_

**NAYES:** \_\_\_\_\_

**ABSTAIN:** \_\_\_\_\_

**ABSENT:** \_\_\_\_\_



Pointe Counseling Services, LLC

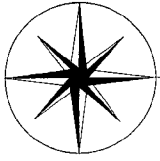
710 NOTRE DAME • GROSSE POINTE, MI 48230

313-343-0640

FAX: 313-881-5775

John L. Konechne CPCU, ARM  
Daniel J. Aitken CPCU, CIC

RECOMMENDATION  
For  
*The City of St. Clair Shores*



# Pointe Counseling Services, LLC

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313-343-0640  
FAX: 313-881-5775

John L. Konechne CPCU, ARM  
Daniel J. Aitken CPCU, CIC

June 14, 2010

Mr. Tim Haney  
City of St. Clair Shores  
27600 Jefferson Circle Drive  
St. Clair Shores, MI. 48081-2093

Dear Mr. Haney:

Pointe Counseling Services (PCS) entered into this insurance counseling engagement to provide the following specific services:

- i. Evaluate Two (2) bid proposals and subsequent policies for conformity with RFP and appropriately advise client.
- ii. Make recommendations to client as to the acceptability of proposals and recommend contract awards based on bids.

To provide these services, it was first necessary to review, interpret and quantify the undated "Invitation to Bid For Property and Liability Insurance". Our first observation of this request for proposal (RFP) was that it appears to be based completely on the current scope and limits of coverage including unique deductibles of the incumbent bidder's coverage.

The next phase of our analysis dealt with the required qualifications of the two bidders as published in the first paragraph of the RFP. This phase was followed by a detailed review of the coverage forms and limits proposed for compliance with the RFP requirements. In addition, PCS attempted to analyze the alternative risk financing techniques of the two proposals and the administrative and financial consequences of each. This was difficult due to the less than precise description of one proposal. We found that we had to make some assumptions in lieu of meeting with the bidder for a more concise explanation.

From the analysis, we provide the following information for your review and upon which we have made our qualified recommendation.

## Qualifications

The RFP indicates that St. Clair Shores would accept bids from "Michigan licensed, qualified agents, insurance carriers or other recognized and authorized facilities..." Neither proposal satisfies this requirement completely. For example, self insured groups are not "licensed" nor admitted carriers in Michigan. They are regulated by the state's Office of Financial and Insurance Regulation (OFIR), but do not participate in the state's insolvency fund. The other bidder is proposing coverage through two carriers who are "non-admitted" in Michigan, likewise not meeting your requirements

## **Coverage**

### Property

Both bidders complied with the RFP and in fact exceeded the limited requirements with very broad coverage. Each included varying additional coverage that the other did not. However, MMRMA exactly meets the unique deductible requirements while the Chubb proposal has a straight \$5,000 deductible. Both included what is traditionally called inland marine and boiler and machinery (equipment breakdown) coverage. However, Chubb provides limits in addition to the property limits and provides "Green technology" coverage for buildings.

### Cyber Coverage

Neither proposal included this important coverage for both 1<sup>st</sup> and 3<sup>rd</sup> party losses related to computer operations and possible breach of those systems.

### Liability

Both proposals satisfied the required limits stipulated in the bid specifications. However, the specifications mandated the coverage be on an occurrence form. The proposal submitted by MMRMA complied in total with this requirement. The Gallagher proposal listed a "claims-made" form for the Commercial General Liability (CGL).

The difference between the two forms lies in the "trigger", or which policy responds to a particular claim. With the "occurrence" form, the policy that was in force at the time the occurrence took place will respond. In contrast, the policy that is in effect when the claim is made will be the one that responds with the "claims-made" form.

A concern of the "claims-made" form is securing coverage for occurrences which took place during a covered period, but are not reported until after the policy period. According to the Gallagher proposal, coverage for such claims can be purchased at an additional charge of 100% of the CGL premium.

### Crime

The crime insurance protection proposed by MMRMA meets the requirements of the RFP. Although no employees are specifically excluded, the Fidelity and Faithful Performance coverage is provided but not through the use of specific position bonds.

The coverage proposed by Gallagher provides for most of the Fidelity coverage specified by the RFP including money and securities. However, the employee dishonesty coverage proposed specifically excludes loss caused by a treasurer or tax collector and no coverage for Faithful Performance is proposed either through an insurance endorsement or through a bond. The deductible proposed for all crime coverage is \$10,000.

### Public Entity Liability

Both proposals satisfied the required limits stipulated in the bid specifications.

## Law Enforcement Liability

Both proposals satisfied the required limits stipulated in the bid specifications.

## Automobile

The automobile liability, Michigan No-Fault, and vehicle physical damage coverages proposed by MMRMA meets all the requirements of the RFP. The applicable limits, deductibles and SIR are exactly as specified.

The automobile coverage proposed by Gallagher is not completely compliant with the RFP. The proposed Deductible/SIR applicable to Auto Physical Damage for ACV vehicles is \$25,000 and the Deductible/SIR applicable to Auto Physical Damage for Stated Value Vehicles is \$50,000.

## **Risk Financing Techniques**


In reviewing the proposals, we had to assume that the Gallagher (AJG) proposal does not include the administration of a loss fund on your behalf nor that a loss fund is required as their proposal was silent to that point. Keep in mind that a loss fund is solely maintained in anticipation of claims cost less than your retention, this is simply a matter of who controls these funds, either way the funds will be used. In addition, MMRMA is offering "Stop Loss Coverage" to limit the maximum claim payments which accumulate because of your retention from the loss fund to \$600,000 annually. There is no Cap on AJG's retention according to their proposal. Therefore the financing of risk and your expenditure boils down to the following:

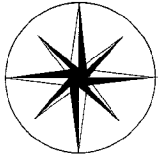
	<u>MMRMA</u>	<u>AJG</u>
Insurance risk transfer cost	\$345,461	\$307,475*
"Stop Loss Coverage" Cost	23,745	Not Proposed
	<hr/> \$369,206	\$307,475
Estimated Net Asset distribution	\$108,000	Not Applicable
Total Expenditure	<hr/> \$261,206	\$307,475

\*Includes TPA estimated fee and Consulting Fee

## **Recommendation**

You will find attached our qualified recommendation.

  
John L. Konechne, CPCU, ARM  
Licensed Insurance Counselor  
Managing Member



# Pointe Counseling Services, LLC

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John L. Konechne CPCU, ARM  
Daniel J. Aitken CPCU, CIC

June 14, 2010

RECOMMENDATION  
For  
*The City of St. Clair Shores*

Based on the RFP published by the City of St. Clair Shores, *Pointe Counseling Services LLC* has received and reviewed two (2) proposals from the bidders. Our recommendation is based on the considerations exhibited in the Bidders Summary furnished to the City of St. Clair Shores on June 14, 2010. Our recommendation is qualified by the assumption indicated in that Summary.

***Pointe Counseling Services LLC* recommends that The City of St. Clair Shores accept and award your insurance program to Michigan Municipal Risk Management Authority through their Agent, IBEX Insurance Agency.**

John L. Konechne CPCU, ARM  
Licensed Insurance Counselor  
Managing Member

**City of St. Clair Shores  
Invitation to Bid  
For Property and Liability Insurance**

**General Information:**

The City of St. Clair Shores, Michigan, will accept bids for providing protection and insurance with respect to its property and liability risk exposures, other than workers' compensation and employer's liability, from Michigan licensed, qualified agents, insurance carriers, or other recognized and authorized facilities, pursuant hereto.

The City of St. Clair Shores expects and will assume bidders to be professionals in insurance, risk management and/or risk protection, qualified to request of the City of St. Clair Shores any other information each might reasonably need or wish related hereto, and the City of St. Clair Shores upon written request shall furnish additional information as best it can, while again not warranting that information, except an intentional act or omission of the City of St. Clair Shores shall not invalidate his bid nor the protection or price offered within his bid.

Bidders will be expected to advance a comprehensive program of risk coverage, protection and management commensurate with what each perceives are the needs and would be in the best interest of the City of St. Clair Shores in this regard, and to list insurance carriers or other facilities contemplated as to each area of risk exposures.

If at any time up to final bid submission any potential bidder decides to withdraw and not bid, the City of St. Clair Shores expects and requests the City of St. Clair Shores will be so notified by bidder so that in all fairness, whatever carriers, wholesales, or specialty markets or facilities to which that bidder had been previously assigned might be reassigned to other potential bidder should they wish.

**Proposed Coverage:**

All property Coverages shall be virtual all risk, blanket, no co-insurance, replacement cost, forms and include boiler/machinery coverage for full limits. Liability Coverages shall be broad in scope, occurrence (not claims-made) forms, with minimum exclusions, conditions or limiting definitions, shall include bodily injury (including resultant death), property damage, and personal injury (undefined) liability protection, and shall encompass all premises and operation, tort liability, vehicles liability (including Michigan PIP and PPI), and public officials, officers, and employees wrongful acts (E & O) liability. Coverage shall be included for liability claims or lawsuits for damages relating to violation of civil or constitutional rights, sexual harassment, ADA actions, employment, and to eminent domain and inverse or adverse condemnation proceedings including zoning and so-called temporary taking actions.

All liability coverages shall protect the City of St. Clair Shores and its past or present elected or appointed officials and officers, employees, and volunteer workers, and all boards, bureaus, commissions, and authorities (other than housing authority) of the City of St. Clair Shores and their past or present directors, members, employees and volunteer workers.

Vehicle collision and comprehensive coverages shall be actual cash value based, except fire and emergency medical units which shall be covered on a replacement cost basis. See addendum for vehicles list including values for those to be covered for replacement cost.

Fidelity and Faithful Performance bond, spanning all positions and employees, shall be provided, and the successful bidder shall also provide specific positions bonds as required by law, as well as deputy sheriff and other specific individuals bonds if requested. Money and securities in and out coverages shall be afforded.

Bid departures, if any, from the foregoing coverage requirements shall be described in detail within the bid. Similarly, any coverage enhancements beyond the foregoing contemplated by the bid shall likewise be detailed within the bid.

**EXHIBITS:**

1. Most recently approved City of St. Clair Shores Budget
2. Most recent Loss Run Summary ( last 5 years)
3. Statement of Building Values
4. Schedule of Emergency Vehicles Insured for Replacement Value
5. Renewal Questionnaire/General Information
6. Schedule of Data Processing Equipment
7. Copy of Workers Compensation Audit
8. Vehicle/Equipment List
9. 2009 Comprehensive Annual Financial Report
10. Sub Units for Coverage
11. Sewer and Law Enforcement Information

**Limits and Deductibles:**

**Limits:**

Liability (including licensed vehicles)	\$15,000,000 / occurrence, no aggregate
Property (including boiler & machinery)	See exhibits for statements of replacement values, blanket amounts, etc.
Fidelity/Faithful Performance Bond	\$1,000,000
Money and Securities	\$1,000,000
Sewage System Overflow:	\$500,000/occurrence \$500,000 annual aggregate

**Deductibles/SIR's:**

	<u>Deductible</u>	<u>SIR</u>
Liability	None	\$200,000*
Vehicle Physical Damage	\$1,000 vehicle	\$15,000 / Vehicle \$30,000 / occurrence
Property & Crime	\$1,000/ occurrence	10% of the remaining up to \$100,000 of Loss
Sewage System Overflow	None	\$200,000

**\*Aggregate Stop Loss coverage to protect the City of St. Clair Shores from Excess payments for their Self-Insured Retention is requested.**

Each bid shall be accompanied by specimen copies of all coverage documents, policies and declarations, and endorsements, addenda, or other papers, including JPA's if applicable, corresponding to the bid offering.

Bidders offering self-insurance or similar programs shall furnish with their bids a list identifying the reinsures thereof with limits of protection afforded by each, as well as a copy of the latest audited financial statement of the self-insurance facility.

The successful bidder will be required to furnish the City of St. Clair Shores evidence that it has professional liability (errors and omissions) insurance in an insurance carrier acceptable to the City of St. Clair Shores in amounts not less than \$1,000,000 each claim and \$1,000,000 annual aggregate, or acceptable alternative thereto, and such evidence shall continue to be furnished for the term of the insurance and services contemplated as described within the bid.

The program of property and liability insurance/coverages contemplated hereby shall commence 12:01 a. m. on July 1, 2010 for one year and evidence of that coverage(s) shall be furnished by the successful bidder to the City of St. Clair Shores prior to the date. While one year bids are required, multi-year bid alternatives would be considered. Bidder further agrees the coverages offered may not be terminated within its term unless first ninety days advance certified written notice be given the City of St. Clair Shores except in the event of nonpayment of bid price by the City of St. Clair Shores in which event said notice shall not be less than ten days.

The City of St. Clair Shores reserve the right to reject any or all bidders or bids in this regard, at any point in or following the bid process, without explanation therefor, and will not necessarily award to the bidder whose cost to the city, real, perceived or potential, may appear lowest for the decision process with respect hereto necessarily will in part be subjective depending on the perception of the City of St. Clair Shores of the adequacy and scope of coverages and services offered relative to the cost. Therefore, by requesting to bid, each potential bidder shall thereby be considered to have agreed to the foregoing, as well as all other conditions and statements of this bid invitation.

**Final, sealed, written bids are to be received at the office of the City of St. Clair Shores no later than 10:30 a. m. on May 4, 2010.**