



## Legislation Text

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**File #:** 1348-2012, **Version:** 1

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### Background

The Department of Finance and Management Real Estate Management Office (REMO) solicited Request for Proposals (RFP) in April 2009, RFP No. SA00324, to provide insurance brokerage and risk management services for the City's property (casualty), boiler and machinery, and aviation insurance programs. The City selected Arthur J. Gallagher Risk Management Services, Inc. to administer the City's insurance programs for a five year period, consisting of an initial one-year term and four automatic consecutive one-year terms, each subject to appropriation of necessary funds by City Council and certification of availability of funds by the City Auditor.

Pursuant to Ordinance No. 0943-2009, passed on 07/8/09, the City entered into a contract with Arthur J. Gallagher Risk Management Services, Inc. for insurance brokerage and engineering services and funded the initial one (1) year term, (August 1, 2009 through July 31, 2010) for insurance brokerage and engineering services and for the premiums for the property (casualty), boiler and machinery, and aviation insurance. The funding for the first of four (4) one year renewals of the insurance brokerage and engineering services contract with Arthur J. Gallagher Risk Management Services, Inc. and the premiums for property (casualty), boiler and machinery, and aviation insurance coverage was authorized by Ordinance No. 0912-2010 for the first renewal term (August 1, 2010 through July 31, 2011) and by Ordinance No. 0989-2011 for the second renewal term (August 1, 2011 through July 31, 2012). This ordinance authorizes the Director of Finance and Management to pay the cost of the third one-year renewal term of the insurance brokerage and engineering services contract with Arthur J. Gallagher Risk Management Services, Inc. for the term August 1, 2012 through July 31, 2013, to bind coverage for all City 2012-2013 insurance programs, and to expend \$261,016 from the Department of Finance and Management Employee Benefit Budget 2012 and \$112,273 from the Department of Public Safety General Revenue Fund.

Per the City's requirements to annually solicit underwriting quotes, Arthur J. Gallagher Risk Management Services, Inc. solicited underwriting for the City's insurance coverage for the third of four (4) one year renewal terms commencing August 1, 2012 and terminating July 31, 2013. After review of the quotations, the City has chosen to remain with its existing insurance carriers thereby providing the broadest and best coverage meeting the City's requirements and at the best price. All coverage terms remain the same. The selected insurance carriers are: Affiliated FM Insurance Company for property (casualty) insurance; Zurich American Insurance Company for boiler and machinery insurance; and Phoenix Aviation (Old Republic Insurance Company) for aviation insurance. The policies include the following deductibles: \$250,000 for property (casualty) insurance excluding those properties in flood areas; a \$25,000 deductible for boiler & machinery insurance; a \$100,000 deductible for aviation insurance for loss events with "rotors in motion" and a \$500 deductible for loss events "rotors not in motion". In addition, the aviation policy provides the City with liability coverage at \$15,000,000 per loss occurrence. The combined cost of the premiums for the selected insurance coverage for the 2012-2013 term is \$343,289. This cost is approximately 3.8 percent lower than last year's total premium and includes increased coverage limits for both property and aviation coverages. The new insurance policies are effective from August 1, 2012 through July 31, 2013.

The fee for brokerage and risk engineering services provided by Arthur J. Gallagher Risk Management Services, Inc. remains unchanged at \$30,000. The total annual cost of the City's risk management and insurance program for the 2012-2013 term is \$373,289 for the insurance premiums for the current selected property locations, contents, scheduled aircraft and liability (\$343,289) as identified on the attached lists and for brokerage and risk management services (\$30,000).

This ordinance also authorizes the Director of Finance and Management to expend up to \$50,000.00 from the Department of Finance and Management Employee Benefit Fund Budget for 2012 for additional insurance premiums required due to the City's addition of buildings or changes to coverage limits as may be necessary during the 2012-2013 policy term.

The Contract Compliance Number for Arthur J. Gallagher Risk Management Services, Inc. is 36-2102482 and with an expiration date of 01/12/2014.

**Fiscal Impact:** The funding for this contract renewal and all insurance premiums was budgeted and the funds are available within the Department of Finance and Management Employee Benefit Fund Budget 2012 and the Department of Public Safety General Revenue Fund Budget 2012. The financial obligation for this one year renewal and all insurance premiums is \$423,289.00

**Emergency action** is requested to allow the City's insurance coverage for property, boiler and machinery, and aviation to continue without interruption.

To authorize the Director of Finance and Management to expend funds for the contract with Arthur J. Gallagher Risk Management Services, Inc. for the third of four (4) automatic consecutive one (1) year renewals, to bind the City's insurance for the term commencing August 1, 2012 and terminating July 31, 2013; to authorize the expenditure of up to \$423,289.00 for the City's 2012-2013 insurance program from the Employee Benefits Fund and the General Fund; and to declare an emergency. (\$423,289.00)

**WHEREAS**, pursuant to Ordinance No. 0943-2009, the City of Columbus entered into an insurance brokerage and risk engineering services contract with Arthur J. Gallagher Risk Management Services, Inc. for a five year period with an initial one (1) year term and four (4) automatic consecutive one-year renewal terms, each subject to agreement by both parties and appropriation of necessary funds by the Columbus City Council and certification of availability of funds by the City Auditor, commencing on August 1, 2009 and terminating on July 31, 2010; and

**WHEREAS**, pursuant to Ordinance No. 0989-2010, the City of Columbus approved funding for the first of four (4) one year renewals of the insurance brokerage and engineering services contract with Arthur J. Gallagher Risk Management Services, Inc. for the term commencing August 1, 2011 and terminating July 31, 2012; and

**WHEREAS**, pursuant to Ordinance No. 0912-2011, the City of Columbus approved funding for the second of four (4) one year renewals of the insurance brokerage and engineering services contract with Arthur J. Gallagher Risk Management Services, Inc. for the term commencing August 1, 2010 and terminating July 31, 2011; and

**WHEREAS**, it is necessary to authorize the expenditure of funds for insurance brokerage and risk engineering services contract with Arthur J. Gallagher Risk Management Services, Inc. for the third of four (4) consecutive one (1) year terms commencing August 1, 2012 and terminating July 31, 2013; and

**WHEREAS**, due to the City's addition of buildings or changes to coverage limits to its property and boiler coverage during the 2012-2013 policy term, it may be necessary to pay associated premium costs; and

**WHEREAS**, an emergency exists in the usual daily operations of the Department of Finance and Management in that it is immediately necessary to authorize the expenditure of funds for insurance brokerage and risk engineering services for the City's property, boiler and machinery, and aircraft insurance programs including the underwriting cost of the City's selected insurance policies for property, boiler and machinery, and aircraft coverage to ensure that coverage continues without interruption thereby preserving the public health , peace, property, safety and welfare; now, therefore

**BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBUS:**

**SECTION 1.** That the Director of Finance and Management be and is hereby authorized and directed to pay contract costs for the renewal of the contract with Arthur J. Gallagher Risk Management Services, Inc. to provide insurance brokerage and risk engineering services, for select City properties, property (casualty), boiler and machinery, and aviation insurance premiums and to pay contract costs caused by additional insurance premiums due to addition of coverage during the 2012-2013 term.

**SECTION 2.** That the expenditure of \$423,289.00 or so much thereof that may be necessary in regard to the action authorized in Section 1, be and is hereby authorized and approved as follows:

Department/Division: 45-51

Fund: 502

OCA Code: 450052

Object Level 1: 03

Object Level 3: 3392

Amount: \$311,016

Department/Division: 30-03

Fund: 010

OCA Code: 300707

Object Level 1: 03

Object Level 3: 3392

Amount: \$112,273

**SECTION 3.** That the City Auditor is authorized to make any accounting changes necessary to ensure that this contract is properly accounted for and recorded accurately on the City's financial record. That the City Auditor is authorized to make any changes to revise the funding source for any contract or contract modification associated with this ordinance.

**SECTION 4.** That for reasons stated in the preamble hereto, which is hereby made a part hereof, this ordinance is declared to be an emergency measure and shall take effect and be in force from and after its passage and approval by the Mayor, or ten days after passage if the Mayor neither approves nor vetoes the same.