



Legislation Text

File #: 1814-2013, **Version:** 1

Background

The Department of Finance and Management Real Estate Management Office (REMO) solicited Request for Proposals (RFP No. SA00324) in April 2009 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.

The City entered into a contract with Arthur J. Gallagher Risk Management Services, Inc., as authorized by Ordinance No. 0943-2009, passed on 07/8/09, for the term August 1, 2009 through July 31, 2010 for insurance brokerage and engineering services and for the associated premiums for the property (casualty), boiler and machinery, and aviation insurance. The funding for the consecutive 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 for the first renewal term by Ordinance No. 0912-2010 (August 1, 2010 through July 31, 2011), Ordinance No. 0989-2011 for the second renewal term (August 1, 2011 through July 31, 2012), and Ordinance No. 1348-2012 for the third renewal term (August 1, 2012 through July 31, 2013). During the current 2012-2013 insurance year, as authorized by Ordinance No. 2046-2012, the City added a fourth program of insurance to provide for commercial general liability coverage for the operation of its CNG facility at 4211 Groves Road.

This ordinance authorizes the Director of Finance and Management to pay the cost of the fourth and final 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, 2013 through July 31, 2014, to bind coverage for all City 2013-2014 insurance programs, and to expend up to \$386,500.00 from the Department of Finance and Management 2013 General Revenue Fund Budget and up to \$130,000.00 from the Department of Public Safety 2013 General Revenue Fund Budget.

Per the City's requirements to annually solicit underwriting quotes, Arthur J. Gallagher Risk Management Services, Inc. solicited the market for underwriting of the City's insurance programs for coverage for the fourth renewal term commencing August 1, 2013 and terminating July 31, 2014. 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 as follow: Affiliated FM Insurance Company for property (casualty) insurance; Phoenix Aviation (Old Republic Insurance Company) for aviation insurance; American Safety Indemnity Company for general liability insurance; and RSUI Indemnity for excess liability insurance. It has been determined that it is in the City's best interest to change from the incumbent boiler and machinery insurance carrier to Hartford Steam Boiler Inspection and Insurance Company based on their quote to provide the City with the same level and breadth of coverage at a significantly lower premium rate. The City's property casualty policy will include reduced flood coverage at a maximum of \$50,000,000.00. Catastrophic flood loss claims received from municipalities last year due to storms including Hurricane Sandy have resulted in insurance carriers reducing total flood coverage limits for municipalities from \$100,000,000 to \$50,000,000. The policies selected include the following deductibles: \$250,000 per occurrence for property (casualty) insurance (excluding those properties in flood areas which have a \$ deductible); \$25,000 per occurrence for boiler & machinery insurance; 1% of insured value for aviation insurance for loss events with "rotors in motion", and \$5,000 per loss occurrence for general liability coverage associated with the CNG operation. The City carries general liability coverage associated with its aviation policy at \$15,000,000 per loss occurrence and general liability coverage for CNG operations at \$2,000,000 per loss occurrence. The new insurance policies are effective from August 1, 2013 through July 31, 2014.

The fee for brokerage and risk engineering services provided by Arthur J. Gallagher Risk Management Services, Inc. remains unchanged at \$30,000. Details of the City's risk management and insurance program for the 2013-2014 term for the selected property locations, contents, stored vehicle, and scheduled aircraft and liability is detailed on the lists attached to this ordinance.

This ordinance also authorizes the Director of Finance and Management to approve changes in the City's insurance program for: additions of buildings, aircraft, vehicles; changes to coverage limits; and additional forms or lines of coverage during the 2013-2014 policy term as may be necessary.

The Contract Compliance Number for Arthur J. Gallagher Risk Management Services, Inc. is 36-2102482 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 Budget 2013 and the Department of Public Safety General Revenue Fund Budget 2013. This ordinance authorizes the expenditure of up to \$516,500 for premiums associated with insurance coverage necessary to protect City assets.

Emergency action is requested to allow for the immediate binding of the City's insurance coverage for insurance year 2013-2014 for property, boiler and machinery, general liability, 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 fourth and final automatic consecutive one (1) year renewal term, to bind the City's insurance for the term commencing August 1, 2013 and terminating July 31, 2014; to authorize the expenditure of up to \$516,500.00 for the City's 2013-2014 insurance program from the General Fund; and to declare an emergency. (\$516,500.00)

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, the City of Columbus approved funding for the renewals of the insurance brokerage and engineering services contract with Arthur J. Gallagher Risk Management Services, Inc. pursuant to Ordinance No. 0912-2010 for the first renewal term (August 1, 2010 through July 31, 2011), Ordinance No. 0989-2011 for the second renewal term (August 1, 2011 through July 31, 2012), and Ordinance No. 1348-2012 for the third renewal term (August 1, 2012 through July 31, 2013); 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 fourth and final consecutive one (1) year term commencing August 1, 2013 and terminating July 31, 2014; and

WHEREAS, it may be necessary to pay additional associated premium costs during the 2013-2014 policy term due to required changes in the City's insurance program for additions to lines of coverage, buildings, aircraft, vehicles, or changes to coverage limits; 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, stored vehicle, boiler and machinery, general liability, and aircraft insurance 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, general liability and aviation insurance premiums and to pay the costs of additional insurance premiums incurred due to changes in and additions of coverage during the 2013-2014 term.

SECTION 2. That the expenditure of \$516,500.00 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: \$386,500.00

Department/Division: 30-03
Fund: 010
OCA Code: 300707
Object Level 1: 03
Object Level 3: 3392
Amount: \$130,000.00

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.