

Financial Services
Mrs. Judith M. Marte, Chief Financial Officer

SUBJECT: RECOMMENDATION FOR AWARD OF REQUEST FOR QUALIFICATIONS (RFQ) #14-058-ND FOR RISK MANAGEMENT AND INSURANCE BROKER SERVICES

COMMITTEE: FISCAL ACCOUNTABILITY

LINK TO STRATEGIC BLUEPRINT: EFFECTIVE AND SUSTAINABLE BUSINESS PRACTICES

At the Board meeting of June 17, 2015 the Board authorized the Superintendent of Schools to issue a Request for Qualifications (RFQ) # 14-058-ND for Risk Management and Insurance Broker Services.

As a result of the Board's authorization and the pending completion of the existing contract with Arthur J. Gallagher Risk Management Services, Inc./Arthur J. Gallagher & Co., staff issued Request For Qualifications (RFQ) #14-058-ND for Risk Management and Insurance Broker Services seeking submissions from respondents with whom the Board will directly negotiate and contract pursuant to the provisions of Department of Education State Board Rule 6A-1.012(15).

The RFQ was sent to the ten largest insurance brokers of U.S. Business as published in the July 20, 2015 issue of Business Insurance Magazine. The RFQ was also sent to brokers who have responded to broker solicitations issued by other large public institutions in the State of Florida. Additionally, the RFQ was advertised on the Procurement Management Services' website, in the newspapers *Diario Las Americas* and *The Miami Times* as well as the online solicitation Boards: Bid Net (<http://www.bidnet.com/>) and Florida Bid Reporting Service (<http://www.floridabid.com/>).

At the public bid opening of July 16, 2015, proposals were received from the following firms:

- Arthur J. Gallagher Risk Management Services, Inc./Arthur J. Gallagher & Co.
- The Beacon Group, Inc.

Arthur, J. Gallagher & Co. is listed by Business and Insurance Magazine as the third largest broker of U. S. Businesses in the July 20, 2015 issue. The Beacon Group is a local independent Broker.

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Insurance coverages currently procured by the School Board for which brokerage services are required include the following:

- All risk, replacement cost property coverage including named windstorm for the Board's current total insured values of \$8.74 billion of real property.
- NFIP Flood
- Terrorism
- Portfolio/Blanket Builder's Risk
- Boiler and Machinery
- Excess Workers' Compensation
- Excess Third Party Liability
- Police Professional Liability
- Catastrophic Student Accident Insurance
- Cyber Liability Insurance
- Crime, Fidelity Bonds and other miscellaneous bonds
- Miscellaneous property/liability coverages including Facilities Use
- Business Auto Policy

Additionally, Risk Management services currently being provided to the School Board, which are part of the Request for Qualifications, include the following:

- Workers' Compensation Loss Reduction Plan, including one full time Loss Prevention Specialist
- Full time representative from the insurance broker to provide support on certificates of insurance, flood insurance, including elevation certificates and policy processing, invoicing, policy review, Board Member bonds, builder's risk and administrative support.
- Catastrophe Modeling Analyses (CAT modeling)
- Access to appraisals, thermal imaging of roofs
- Risk Management Information System (RMIS)
- Strategic Risk Management consulting services (Enterprise Risk Management)

The Superintendent's Ad-hoc Committee approved at the June 17, 2015 School Board meeting, met on September 3, 2015 to review the two proposals. It was determined at this meeting both firms met the minimum qualifications of the RFQ and the committee voted to hear oral presentations before making a final recommendation. The second Ad-hoc Committee meeting was scheduled for September 24, 2015 for the committee to hear oral presentations from each proposer, ask questions of the proposers and potentially make its final recommendation for award.

The second meeting of the Superintendent's Ad-Hoc Committee convened on September 24, 2015. This meeting was publicly advertised, including a specific posting that the oral presentations would not be open to the public, pursuant to the provisions of Section 286.0113(2)(b)1, Florida Statutes.

Representatives from Arthur J. Gallagher Risk Management Services, Inc./Arthur J. Gallagher & Co. and The Beacon Group Inc. met with the members of the committee and were provided 45 minutes for their presentations with 15 minutes of questions. Following both presentations, the public meeting of the Superintendent's Ad-Hoc Committee was resumed and the committee discussed both proposals. Following the discussions, a motion was made to award the contract for Risk Management and Insurance Brokerage Services to Arthur J. Gallagher Risk Management Services, Inc./Arthur J. Gallagher & Co. The motion was seconded and the committee voted unanimously in favor of the motion.

While the representatives from The Beacon Group were suggesting a possible reduction in the remuneration outlined in the RFQ document, reflecting commissions paid from the carriers, the commission reduction did not automatically translate into direct premium savings to the District. The committee identified the following important reasons why the contract should be awarded to Arthur J. Gallagher Risk Management Services, Inc./Arthur J. Gallagher & Co.:

- Demonstrated worldwide footprint as the third largest insurance brokerage in the nation according to Business Insurance Magazine;
- Dedicated team of risk management professionals to provide all required services including insurance brokerage, loss prevention solutions to reduce claims, loss analytics to study claim patterns and solutions, catastrophic loss modeling to maximize coverage options, risk management consulting and claims advocacy to assist in resolving difficult and complicated claims brought against the District;
- Relationships with the worldwide insurance marketplace to market and place complicated coverage placements such as property insurance in hurricane-prone areas; excess workers' compensation coverage in a very restrictive market; builder's risk coverage for property under construction; and liability coverages which maximizes the insured's cash flow, while providing maximum flexibility to the School Board Attorney's Office to settle serious claims brought against the District;
- Specific expertise in creating rolling, multi-year property programs to insulate the District from significant changes in the worldwide property marketplace following a market changing event such as a hurricane or terrorist attack;
- Proven outcomes from the worldwide insurance marketplace of creating maximum available coverages at the most competitive pricing structure with equity for all markets in each layer of the property program to assure availability of required coverage after a market-changing event or loss;
- State of the art real time modeling opportunities to determine the District's potential loss as a result of a catastrophic event that affords the District's Risk Management team to evaluate potential changes in valuation as a result of the continued investment of the District's properties through the General Obligation Bond and maximizing the opportunity to determine on a real time basis what potential losses could occur by storm by segment of the District's total insured values (TIV); and

- Evidence of an existing relationship with Bendell Insurance Group, Inc., a Miami-Dade County Public Schools certified Micro Business Enterprise (MBE) and Minority/Women Business Enterprise (M/WBE) – African American.

For these reasons, staff is recommending that the District award its contract for Risk Management and Insurance Broker Services to Arthur J. Gallagher Risk Management Services, Inc./Arthur J. Gallagher & Co., effective January 1, 2016 for an initial three-year term, with the ability to renew the contract for two additional one-year periods with the renewals based upon satisfactory services as may be determined by the sole discretion of the Board. Additionally, the contract is subject to cancellation provisions whereby the Board may terminate the contract at any time without cause upon a minimum thirty days' notice.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida:

1. award its contract for Risk Management and Insurance Brokerage Services, pursuant to Request For Qualifications (RFQ)# 14-058-ND, to Arthur J. Gallagher Risk Management Services, Inc./Arthur J. Gallagher & Co., effective January 1, 2016, for an initial three-year term, with the ability to renew the contract for two additional one-year periods with the renewals based upon satisfactory services as may be determined by the sole discretion of the Board and subject to cancellation provisions whereby the Board may terminate the contract at any time without cause upon a minimum thirty days' notice; and
2. authorize the Superintendent to execute a contract for risk management and brokerage services, pursuant to the award of this contract, pursuant to Request For Qualifications (RFQ)# 14-058-ND and the proposal received in response to the RFQ from Arthur J. Gallagher Risk Management Services, Inc./Arthur J. Gallagher & Co.

JMM:sbc