

# Executive Summary

Board of Governors Meeting, July 14, 2021

## Business Insurance Agent of Record – 21-21-0008-00

### Topic

Citizens is requesting approval to contract with Arthur J. Gallagher Risk Management Services, Inc. for Business Insurance Agent of Record Services. This contract provides for the quotation, placement, and servicing of Citizens' business insurance policies. Approval is requested for a three (3) year base term with a two (2) year renewal option. Separate Board approval will be requested at a future date for any business insurance policies exceeding \$100,000 in premium.

### History

Citizens is seeking approval to contract with Arthur J. Gallagher for Business Insurance Agent of Record Services. Under this contract, Vendor will provide brokerage and agent services to assist with procurement and management of Citizens' business insurance policies. These policies are purchased on an annual basis and currently include the following: workers compensation and employers' liability; commercial general liability; property; auto; financial institution/bond; directors and officers; employment practices; cyber liability; and umbrella liability.

Services are provided through Vendor's licensed insurance agents. Vendor will advise Citizens on appropriate coverages and will obtain quotes from the market on behalf of Citizens. Vendor will present all quotes to Citizens including a comparative analysis and recommendations. Once Citizens selects a policy, Vendor will assist with binding the coverage and will serve as the agent of record for policy administration.

Vendor will also provide consultation on insurance requirements for Citizens' contractual service providers, as needed. This includes advising Citizens on draft insurance requirements for contracts that Citizens is procuring, as well as reviewing insurance policies to confirm that a service provider is complying with contractual requirements. These services are included at no additional charge to Citizens.

Vendor's sole compensation under the contract is insurer-paid commissions for policies purchased by Citizens. Commissions are estimated at \$130,000 annually. Commissions generally range from twelve (12) to twenty (20) percent of premium. Vendor will disclose its commission for each quoted policy as part of its report on market quotations.

Insurance policies placed under this contract may exceed \$100,000 in premium for an annual policy. Policies that exceed \$100,000 will be submitted for Board approval prior to purchase.

This contract was procured pursuant to Request for Proposal 21-0008. The RFP was issued on March 30, 2021. Citizens received responses from four vendors: Arthur J. Gallagher, Hub Public Risk, Inc., Risk Management Associates, Inc., and Marsh USA, Inc. Citizens' evaluation team recommended Arthur J. Gallagher for award in a public meeting on June 08, 2021.

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The requested contract includes a three (3) year base term with an optional two (2) year renewal term.

## Recommendation

Citizens' Staff proposes that the Board of Governors:

- a) Authorize Citizens to contract with Arthur J. Gallagher Risk Management Services, Inc for an initial term of three (3) years, and for one (1) two (2) year optional renewal term, as set forth in this Action Item; and
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

**ACTION ITEM** **New Contract** **Contract Amendment** **Other** \_\_\_\_\_ **CONSENT ITEM** **Contract Amendment** **Existing Contract Extension** **Existing Contract Additional Spend** **Previous Board Approval** \_\_\_\_\_ **Other** \_\_\_\_\_

**Action Items:** Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

- Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

**Consent Items:** Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	Business Insurance Agent of Record
<p><b>Purpose/Scope</b></p>	<p>This Action Item seeks Board approval to contract with Arthur J. Gallagher Risk Management Services, Inc. for Business Insurance Agent of Record Services. This contract provides for the quotation, placement, and servicing of Citizens' business insurance policies. These policies are purchased on an annual basis and currently include the following: workers compensation and employers' liability; commercial general liability; property; auto; financial institution/bond; directors and officers; employment practices; cyber liability; and umbrella liability. Vendor will also provide consultation on insurance requirements for Citizens' contractual service providers as needed.</p> <p>Vendor's sole compensation under the contract is insurer-paid commissions for policies purchased by Citizens. Commissions are estimated at \$130,000 annually. Commissions generally range from twelve (12) to twenty (20) percent of premium. Vendor will disclose its commission for each quoted policy as part of its report on market quotations.</p> <p>Insurance policies placed under this contract may exceed \$100,000 in premium for an annual policy. Policies that individually exceed \$100,000 will be submitted for Board approval prior to purchase.</p>
<p><b>Contract ID</b></p>	<p>Business Insurance Agent of Record  Contract number: 21-21-0008-00  Recommended vendor: Arthur J. Gallagher Risk Management Services, Inc.</p>

<b>Budgeted Item</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Separate funding for this contract is not needed. Funding for the insurance policies placed under this contract is budgeted. Vendor's sole compensation for services is insurer-paid commissions for policies purchased by Citizens.
<b>Procurement Method</b>	This contract was procured pursuant to Request for Proposal 21-0008. The RFP was issued on March 30, 2021. Citizens received responses from four vendors: Arthur J. Gallagher, Hub Public Risk, Inc., Risk Management Associates, Inc., and Marsh USA, Inc. Citizens' evaluation team recommended Arthur J. Gallagher for award in a public meeting on June 08, 2021.
<b>Contract Amount</b>	The vendor's sole compensation for the services is insurer-paid commissions for policies purchased by Citizens. Policies that exceed \$100,000 in premium will be submitted for Board approval prior to purchase. Commissions are estimated at \$130,000 annually.
<b>Contract Terms</b>	Three (3) year base term with an optional two (2) year renewal term.
<b>Board Recommendation</b>	Citizens' Staff proposes that the Board of Governors: <ul style="list-style-type: none"> <li>a) Authorize Citizens to contract with Arthur J. Gallagher Risk Management Services, Inc for an initial term of three (3) years, and for one (1) two (2) year optional renewal term, as set forth in this Action Item; and</li> <li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li> </ul>
<b>Contacts</b>	Tim Cerio, General Counsel and Chief Legal Officer