



city of
CHARLOTTE

TO: Honorable Tim Lewis and City Council Members

CC: Gregg Guetschow, City Manager

FROM: Ginger Terpstra, City Clerk, CMMC

SUBJECT: Property and Liability Insurance Request for Proposals

DATE: March 9, 2018

Request for Proposals for Property and Liability Insurance for the City of Charlotte were solicited in February.

The City of Charlotte is currently insured by the Michigan Municipal League (MML) for both Liability and Workers Compensation Insurance. We have been with the MML since 1986 with the exception of 2009-2011. However, as with any insurance policy, it becomes a fiduciary responsibility to make sure that you are getting the best price and service for the coverage needed to protect the City's assets.

Proposals were received from five different agencies. The bid tab is attached.

After careful review of each policy we narrowed our search to three, that being, Charlotte Insurance Agency, Lyman & Sheets Insurance and Meadowbrook, Inc. MML. The low bid of Arthur J. Gallagher RMS, Inc. was found to be incomplete, while we felt that the MMRMA was out of range with the other quotes.

Myself and City Manager Guetschow have spent a lot of time reviewing each proposal and meeting and/or corresponding with the agencies for clarification on coverage, limits, deductibles, etc. This has been a very extensive process as it is very hard to ever get an "apples to apples" comparison.

All three proposals were compared on individual coverage limits, along with follow up questions for clarification on the specifics, so that we had a clear understanding of the limits and exclusions of each policy.

Ultimately, the main differences that we found came down to Cyber Liability, Flood coverage and liability for coverage on back and future wages in employment cases. We have tried to assess the City's risk factor in each of these areas to make a decision.

Some of the key factors in this decision process were coverage limits provided. The Lyman & Sheets proposal limits were lower in terms of total coverage offered. Charlotte Insurance Agency, Inc. offered better Cyber Liability coverage while the MML provides better coverage for liability in employment cases. Regarding the Flood Insurance, Charlotte Insurance would provide broader coverage but with a much higher deductible.

Therefore, after what I believe was a thorough review of each policy, it was concluded that Lyman & Sheets proposal amount of \$121,585.00 included additional coverage and the amount of \$108,875.00 also quoted in their proposal was for coverage more comparable to the coverage quoted by the others. Charlotte Insurance Agency amount was \$102,145.00 and Meadowbrook, Inc./MML \$115,633.00. It is recommended, after assessing the differences and risk areas of concern, that we continue to stay with the MML for this renewal period. Although there is a \$13,488.00 difference in premium, there will be a dividend back to the City in the amount of \$12,027 for this renewal period for a net amount of \$1,461 difference from the next lowest proposal of Charlotte Insurance Agency, Inc.

To explain further, the dividend portion of the premium is a return each year of the Member surplus. Therefore, this amount fluctuates from year to year. It is a percentage of each renewal year. After 1st renewal year – 10% of calculated dividend, 2nd renewal - 25% of calculated dividend, 3rd renewal – 50% of calculated dividend, 4th renewal-75% of calculated dividend and 5th renewal- 100% of calculated dividend. We are currently at 100%. The dividend amount is not guaranteed, however the City of Charlotte has received a total of \$66,812 to date in the past five years. The MML Pool board has expressed that they plan to continue dividends.

I believe that the MML has served the City well over the years with excellent service and claims handling and I believe that in requesting these proposals we have confirmed that they are in the premium range for this type of coverage that we are accustomed to needing for the City of Charlotte.

Further, since this is a one year policy period and we receive the dividend calculations early in the next year, if it is found that the dividend will not be sufficient enough to offset the cost comparable to the quotes received here, it would be possible to seek quotes again at that time if the council so desired.