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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

March 17, 1981 CITY MANAGER'S OFFICE

RECEIVED
MAR 18 1981

Housing Authority of the
City of Sacramento
Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Selection of Insurance Broker for Agency Insurance Program

SUMMARY

This report regards the selection of Pickett-Rothholz & Murphy, insurance brokers, to act as agent in obtaining insurance coverage for Agency property and activities for the period March 1981 through February 1984.

BACKGROUND

The Agency's current insurance coverages expire March 1, 1981. So that there would be no gap in insurance coverage, the Agency has secured binders for insurance coverage through the month of March 1981.

In August 1980 the Agency staff entered into a contract with Mund, McLaurin & Company, insurance consultants, Walnut Creek, for the preparation of specifications and request for proposals for the Agency's insurance program. Mund, McLaurin submitted the specifications to the Agency staff in October 1980. The specifications were then sent to brokers who had requested them, to brokers recommended by the City of Sacramento, and brokers who responded to advertisements in the Sacramento Union, the Sacramento Observer, and the Underwriters Reports, (an insurance trade journal).

In response to the request for proposals, in December 1980 the Agency staff received three proposals: (1) Corroon & Black - James Burpo; (2) Watrous McClory, and (3) Pickett - Rothholz & Murphy (present brokers). A summary of the proposals is attached as Exhibit I.

APPROVED
SACRAMENTO HOUSING AUTHORITY
Date 3/24/81 3-24-81

APPROVED
SACRAMENTO REDEVELOPMENT AGENCY
Date 3/24/81

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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City of Sacramento
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Mund McLaurin reviewed the proposals and made recommendations as noted in their February 4, 1981 letter (attached as Exhibit II).

The staff concurred with the Mund, McLaurin and Co. recommendations with the following exceptions:

1. The staff recommends continuing to carry property insurance with \$1,000 deductible rather than the higher \$5,000 deductible recommended by Mund McLaurin. As the February 10, 1981 letter from Pickett - Rothholz & Murphy (see Exhibit III) indicates, because of the Agency's loss history on property damage, the higher deductible would have cost the Agency more in losses than it would have saved in premiums.
2. The staff recommends obtaining the \$1,000 deductible property insurance from Fireman's Fund rather than either the \$5,000 deductible all risks insurance from Harbor Insurance Company or the \$1,000 deductible property insurance from Mission Insurance Company (through Corroon & Black - James Burpo). The reasons for this recommendation are:
 - a) While Fireman's Fund declined to quote a premium for \$5,000 deductible all risks insurance, they did respond to Pickett - Rothholz & Murphy's request by reducing their premium quotation from \$85,491 to \$78,250 for all property coverages combined.
 - b) Fireman's Fund has indicated they will not offer as favorable a discount on the liability and automobile insurance coverages if the property insurance coverages are not included in the Fireman's Fund package.
 - c) Since the Agency does not have its own insurance staff, the Agency relies heavily on its broker for insurance matters, and therefore there are considerable administrative advantages to retaining a single broker to provide all of the Agency's insurance coverages.

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3. The staff recommends that automobile collision and comprehensive insurance not be obtained. The Agency's loss history does not justify the premiums which would be charged for these coverages.

Corroon & Black - James Burpo, by letter dated February 12, 1981 (see Exhibit IV), submitted recommendations differing from both Mund, McLaurin and Co. and the Agency staff.

COMMENTS ON THE PROCESS

Prior to proceeding with the consultant and staff recommendations, the Interim Management Team reviewed the selection process used in recommending Pickett-Rothholz & Murphy. The Interim Management Team is attempting to implement a policy that all processes for selection of consultants and specifications be approved by the governing boards prior to solicitation of bids and/or proposals.

The process for selection, although a process accepted in the insurance business was not approved by the governing boards prior to solicitation of proposals. In addition, the specifications as prepared by Mund, McLaurin and Co. were not reviewed and approved by the governing boards. Based on this information, there appear to be three options in which to proceed:

Option One

Proceed with the consultant recommendation for a "package" coverage with Pickett-Rothholz and Murphy; develop a policy to govern the purchase of insurance coverage in the future for the Agency addressing consultants broker selection, broker compensation, specifications, administrative responsibility, consultant, assignment of markets, etc.

Option Two

Void the completed selection process; obtain a four to six-month binder to extend existing insurance coverage; develop the policy as discussed above in Option One; and proceed with selection based on an adopted policy.

Option Three

Award a contract for divided coverage (property and liability) based on the proposals submitted in December 1980; develop the policy as described above in Option One.

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The advantages of Option One are: 1) savings of time for a reselection process; 2) no additional binder to existing insurance coverage is necessary; 3) "package" coverage is somewhat easier to administer; and 4) savings of money for "package" coverage.

The disadvantages are: 1) potential criticism for lack of an approval selection process; 2) specifications were not reviewed and approved prior to solicitation of proposals; and 3) lack of an adopted Agency policy for insurance coverage prior to selection process.

The advantages of Option Two are: 1) the policy described in Option One will probably yield an improved selection process; 2) potential brokers will be aware of an adopted Agency policy for insurance coverage; 3) specifications will be approved by the governing board.

The disadvantages are: 1) additional time and costs for securing an adopted policy and reselection of broker(s); 2) potential cost for binder on existing coverage; 3) bids from reselection process could be higher due to tight market conditions; and 4) treatment of selected broker - Pickett-Rothholz and Murphy.

The advantages of Option Three are: 1) savings of time for a reselection process; and 2) no additional binder to existing insurance coverage is necessary.

The disadvantages are: 1) divided coverage would cost additional \$6,000 based on proposals submitted in December 1980 and information regarding price quotation for liability coverage by Pickett-Rothholz and Murphy with no "package" coverage (see Exhibit V.

FINANCIAL DATA

A summary of the proposal spread sheet, incorporating the February 1981 Fireman's Fund property insurance quotations is as follows:

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SUMMARY OF INSURANCE PROPOSALS (Major Coverages Only)

	<u>P-R&M</u>	<u>C&B-JB</u>	<u>Watrous-McClory</u>
1. Property \$1,000 Deductible	\$78,250 (Fireman's Fund)	\$78,636 (Mission)	---
1a. "All Risks" Property (Alternative) \$5000 deductible	\$76,247 (Harbor)	---	\$78,242 (Industrial)
2. Liability	\$57,501 (Fireman's Fund)	---	\$59,586 (AM Universal)
3. Automobile Comprehensive and Collision	\$6,440	---	---

The annual premiums for the insurance package recommended by staff are:

\$ 78,250.	Property (incl. fire, vandalism, personal property, papers, etc.)
827.	Boiler and machinery
57,501.	General liability
7,998.	D.I.C. (errors and omissions)
16,466.	Automobile liability
650.	Non-owned aircraft
13,800.	Excess liability
524.	Employees Blanket Position (bond)
266.	Money and Securities
<hr style="width: 20%; margin-left: 0;"/>	
\$176,282.	Total annual premiums

The staff also recommends that, to assure flexibility, the Executive Director be authorized to make changes as warranted in the insurance program over the course of the 3-year period, up to a maximum of \$10,000 in annual premiums.

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VOTE AND RECOMMENDATION OF COMMISSION

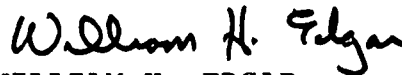
At its regular meeting of March 16, 1981, the Sacramento Housing and Redevelopment Commission recommended approval of this item by the following vote:

AYES: Coleman, Knepprath, Luevano, A. Miller, Serna,
Teramoto
NOES: Walton
NOT PRESENT TO VOTE: Fisher
ABSENT: B. Miller

RECOMMENDATION

The staff recommends: (1) proceeding with the selection of Pickett-Rothholz and Murphy as the insurance broker for package coverage; and (2) the development of a policy to govern the purchase of insurance coverage in the future for the Agency as indicated in Option One described above.

Respectfully Submitted,



WILLIAM H. EDGAR
Interim Executive Director

TRANSMITTAL TO COUNCIL:



WALTER J. SLIVE
City Manager

RESOLUTION NO. 81-021

Adopted by the Redevelopment Agency of the City of Sacramento

March 24, 1981

SELECTING PICKETT - ROTHHOLZ & MURPHY
AS INSURANCE BROKER

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO:

1. Pickett - Rothholz & Murphy is selected as the insurance broker to provide specified insurance policies and coverages totaling \$176,282 in annual premiums for the period March 1, 1981 to February 29, 1984.

2. The Executive Director is authorized to make such changes in the insurance program during such 3 year period as may be necessary to provide adequate insurance coverage, up to a maximum of \$10,000 increase or decrease in annual premiums.

CHAIRMAN

ATTEST:

SECRETARY

APPROVED
SACRAMENTO REDEVELOPMENT AGENCY

Date: 3/24/81

RESOLUTION NO. 81-030

Adopted by the Housing Authority of the City of Sacramento

March 24, 1981

SELECTING PICKETT - ROTHHOLZ & MURPHY
AS INSURANCE BROKER

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY
OF SACRAMENTO:

1. Pickett - Rothholz & Murphy is selected as the insurance broker to provide specified insurance policies and coverages totaling \$176,282 in annual premiums for the period March 1, 1981 to February 29, 1984.

2. The Executive Director is authorized to make such changes in the insurance program during such 3 year period as may be necessary to provide adequate insurance coverage, up to a maximum of \$10,000 increase or decrease in annual premiums.

CHAIRMAN

ATTEST:

SECRETARY

APPROVED
SACRAMENTO HOUSING AUTHORITY

Date 3/24/81

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY
Comparison of Insurance Proposals

	Present Program	Pickett-Rothholz & Murphy	Watrous McClory	Corroon & Black/James Burpo
I. PROPERTY				
A. Fire, EC & VMM				
Company	Fireman's Fund	Fireman's Fund	No Quote	Mission
Amount of Insurance	\$62,191,645	\$75,491,781		\$78,241,781
Premium at \$1,000 Ded.	\$100,520	\$83,041		\$77,782
\$5,000 Ded.	-	\$79,266		\$73,783
\$10,000 Ded	-	\$76,247		\$69,781
B. Difference In Conditions				
Company	Fireman's Fund	Fireman's Fund	No Quote	Mission
Premium for \$100,000 Limit	Included	\$929		\$150
\$200,000 Limit	-	\$1,858		\$250
C. "All Risk" Property Floater				
Company	Fireman's Fund	Fireman's Fund	No Quote	Mission
Annual Premium	Included	\$392		\$333
D. Valuable Papers				
Company	No Coverage	Fireman's Fund	Included in	Mission
Annual Premium for \$50,000 Limit		\$100	"All Risk" Quote	\$136
\$100,000 Limit		\$200		\$271
E. ALTERNATE QUOTATION				
\$10,000,000 "All Risk"				
Company	Not Applicable	Harbor	Industrial Underwriters	Not Applicable
Premium for \$5,000 Ded.		\$76,247 *	No Quote	
\$10,000 Ded.		\$75,492	\$78,242	
Includes:				
Valuable Papers?		Yes/\$500,000	Yes	
Scheduled Equipment?		Yes	No	
F. Boiler and Machinery				
Company	Fireman's Fund	Fireman's Fund	Zurich	Royal Globe
Annual Premium for \$250,000 Limit	\$827	\$827 *	\$737	\$700
\$500,000 Limit	-	\$1,654	\$737	\$794
NOTES:			The Property quote is at the same rate as the Pickett-Rothholz quote, but based on values of \$78,241,781.	Only quoted Property coverage.
* Indicates recommended program.				

Comparison of Insurance Proposals

	Present Program	Pickett-Rothholz & Murphy	Watrous McClory	Corron&Black/J.Burpo
II. LIABILITY				NO LIABILITY QUOTATIONS
A. Comprehensive General Liability				
Company	Fireman's Fund	Fireman's Fund	AM Universal	
Limit of Liability	\$500,000	\$500,000	\$500,000	
Premium for -0- Ded.	\$130,904	No Quote	\$59,586	
\$1,000 P.D. Ded.	-	\$57,501 *	-	
\$5,000 P.D. Ded.	-	\$56,971	-	
\$10,000 P.D. Ded.	-	\$56,706	-	
B. Difference in Conditions				
Company	First State	First State	TBD	
Limit	\$300,000	\$300,000	\$500,000	
Premium for -0- Ded.	-	-	\$10,725	
\$1,000 Ded.	\$9,804	\$7,998 *	-	
\$5,000 Ded.	-	\$7,358	-	
\$10,000 Ded.	-	\$6,718	-	
C. Public Entity Form				
Company	Not Applicable	No Quote	Ambassador	
Limit of Liability			\$450,000	
\$50,000 Deductible			\$43,860	
Includes Auto?			No	
D. Automobile Liability				
Company	Fireman's Fund	Fireman's Fund	No Quote	
Limit of Liability	\$500,000	\$500,000		
Premium for \$1,000 P.D. Ded.	Included - No Ded.	\$16,466 *		
\$5,000 P.D. Ded.	-	\$15,972		
\$10,000 P.D. Ded.	-	\$15,653		
E. Non-Owned Aircraft				
Company	No Coverage	Associated Aviation	No Quote	
\$1,000,000 CSL		\$650 *		
F. Excess Liability				
Company(ies)	Great Am./F.F.	Industrial Indemnity	Granite State	
Premium to \$5,000,000	\$34,000	\$13,800 *	\$17,000	
\$10,000,000	-	\$16,300	\$22,500	
\$15,000,000	-	\$18,050	\$26,000	
NOTES:		Note that CGL and Auto Liability deductibles apply to Property Damage only.	Note that there is NOT a quotation for Auto Liability coverage.	
* Indicates recommended program.				

SACRAMENTO HOUSING & REDEVELOPMENT AGENCY

Comparison of Proposals

	Present Program	Pickett-Rothholz & Murphy	Watrous McClory	Corroons&Black/J. Burpo
III. AUTOMOBILE PHYSICAL DAMAGE				NO QUOTATIONS
Company	Fireman's Fund	Fireman's Fund	No Quote	
Comprehensive All Vehicles	Included/\$50 Ded.	\$2,864 *		
Fire only all Vehicles	-	\$1,003		
Theft only all Vehicles	-	\$ 430		
Collision 1) \$250 Ded. Passenger \$100 all other	Included/\$250 Ded.	\$5,657		
2) \$1,000 Ded.	-	\$3,576 *		
IV. CRIME				
Company	Fireman's Fund	Fireman's Fund	Aetna	
A. Blanket Position All Employees \$500 Deductible Limit: \$25,000 \$50,000	- Included	No Quote \$524 *	\$4,457 \$5,890	
or \$10,000 All Employees with \$15,000 XS on Ex. Director, Controller, and Accountant and \$40,000 XS on Treas. Controller	-	No Quote	\$3,558	
B. Money and Securities - \$5,000	Included	\$266 *	\$667	
C. Depositors Forgery \$25,000 Limit \$50,000 Limit	- Included	- Included	\$414 \$541	
TOTAL PREMIUM	\$276,055.00	\$190,365.00 (For comparison only, this is not the total premium for the recommended program, only program similar to last year's.) TOTAL PREMIUM FOR RECOMMENDED PROGRAM: \$180,719.00	Unable to compare as quote is incomplete.	Unable to compare as quote is incomplete.
* Indicates recommended program.				

MUND. MCLAURIN & CO.
OF SAN FRANCISCO
ESTABLISHED 1920

INSURANCE ANALYSTS
RISK MANAGEMENT • ADMINISTRATIVE SERVICES

February 4, 1981

Mr. John Abbott
Sacramento Housing and Redevelopment Agency
P. O. Box 1834
630 "I" Street
Sacramento, California 95814

Dear Mr. Abbott:

The insurance program for the Agency has an anniversary date of March 1st. For the 1981 renewal of coverages the Agency elected to seek proposals from agents and brokers in the Sacramento community. Specifications were prepared for this selection process and proposals were received from three Sacramento brokers:

Pickett-Rothholz & Murphy
Watrous McClory
Corroon & Black/James Burpo

As in 1974, Pickett-Rothholz & Murphy was the only Broker to quote on all classifications of insurance as asked for in Specifications.

When the new program of consolidation was accepted by the Agency six years ago, certain improvements and refinements were adopted that have been maintained and again are incorporated in our Recommendations. It is recommended that the Agency accept the Pickett-Rothholz & Murphy quotation for those coverages shown by * on the attached Comparison of Insurance Proposals.

Some random comments and points of direction:

- While we have recommended the Harbor program for Property Insurance, we are actually recommending the "concept" presented. It would be more desirable for Fireman's Fund to offer the same Harbor program at a competitive price and we suggest that the Agency solicit this approach through the Broker. If unavailable, accept the Harbor program.

As presented, the Fund submission is the sum of:

\$79,266 Fire, EC & VMM with \$5,000 Ded.
1,858 Difference in Conditions/\$200,000
393 All Risk Property Floater
200 Valuable Papers with \$100,000 limit
\$81,716

The same coverages are being more concisely offered by Harbor for \$76,247.

The new program has a \$5,000 deductible as compared to the present \$1,000 deductible, however, a premium savings of over \$25,000 results.

Mr. John Abbott
Sacramento Housing and Redevelopment Agency
February 4, 1981

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Higher Deductibles should NOT BE considered, as amounts of premium credit are not sufficient.

- Boiler and Machinery should be renewed without change.
- Comprehensive General Liability with a \$1,000 Property Damage deductible should be accepted (this includes Automobile Liability). The deductible of \$1,000 on Property Damage is new, however, such acceptance saves the agency an annual premium cost of \$48,416. (NOTE: This credit is NOT totally due to the acceptance of a deductible.)

Difference In Conditions should again be renewed subject to the same \$1,000 deductible.

Non-Owned Aircraft is recommended as a new coverage to be considered. Detailed explanation of coverage will be forthcoming in our Report on Insurance.

Excess Liability of \$5,000,000 should be accepted.

- It is recommended that the Agency accept the quoted Comprehensive coverage on vehicles and consider the acceptance of a \$1,000 deductible on Collision. By accepting this \$750 excess of present \$250 deductible the Agency would save approximately \$2,000 in annual premium. Loss history proves that the use of higher deductibles in past years would have been more cost efficient to the Agency.
- Crime coverages should be renewed without change. The subject of increased limits will be covered in our Report.

Adoption of this recommended program would have the following effect:

- Overall annual premium saving of \$95,336 (\$276,055 vs \$180,719).
- Resulting changes or differences in the program would be:

increased Property valuation of \$13,300,136 to \$75,491,781.

increased Property deductible from \$1,000 to \$5,000.

acceptance of a \$1,000 Property Damage deductible on General Liability and Automobile Liability.

addition of Non-Owned Aircraft Liability coverage.

increase of Automobile Collision deductible from \$250 to \$1,000.

Mr. John Abbott
Sacramento Housing and Redevelopment Agency
February 4, 1981

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It is further recommended that a minimum of the \$25,000 premium savings be reserved to pay for losses incurred within deductible amounts. This \$25,000 would be in addition to existing reserves maintained. The need is dictated by additional amounts of accepted deductibles.

Very truly yours,

MUND, McLAURIN & CO. OF SAN FRANCISCO

By *Don L. DeWine*

DLD:mm

Enclosure

Pickett-Rothholz & Murphy Insurance Agents & Brokers

SINCE 1919

701 HOWE AVENUE • P. O. BOX 13190, SACRAMENTO, CALIFORNIA 95813 • PHONE (916) 929-5522

February 10, 1981

RECEIVED

FEB 11 1981

Sacramento Housing & Redevelopment Agency

Mr. John Abbott
Sacramento Housing Authority and
Redevelopment Agency
P.O. Box 1834
Sacramento, CA 95809

Re: Mund, McLaurin & Company
Recommendation for 1981 Coverage

Dear John:

We have researched the deductible recommendations made by Mund, McLaurin and Co., and have come to the following conclusions:

- I. In the past five years, if your property deductible had been \$5000, you would have paid out an additional \$57,925 in claims, not including investigation and adjusting expense.
- II. In 1980 alone, if your property deductible had been \$5,000, you would have paid an additional \$20,830 in claims, not including investigation and adjusting expenses

Your policy currently carries a \$1,000 deductible for fire, extended coverage and vandalism and a \$100 deductible for property difference in conditions coverage and scheduled property coverages. To continue the coverage as is, the premium for 1981 would be ~~\$83,041~~ as compared to \$76,247 for the \$5,000 deductible on the Harbor Insurance proposal. This is a ~~\$6,794~~ difference in annual premium. Considering the loss trends in our community, we feel you should reconsider the recommendation of Mund, McLaurin and Co.

Sincerely,

Dave

DAVID K. MURPHY, C.P.C.U.

\$85,491

\$9244

DKM/sp



MEMBER
Independent Ins. Agents of America
National Assn. of Life Underwriters





Corroon & Black – James Burpo

INSURANCE SERVICES

960 Fulton Ave • P.O. Box 255228 • Sacramento CA 95825 • Phone (916) 485-4500

Exhibit
IV

February 12, 1981

Sacramento Housing and
Redevelopment Agency
P.O. Box 1834
Sacramento, CA 95809

Attention: Mr. John Abbott

RE: INSURANCE PROPOSAL

Dear John:

We have received your letter dated February 10, 1981 along with the letter dated February 4, 1981 from Mund, McLaurin & Company and their spread sheet on the proposals that you received.

It appears that the insurance analyst is recommending that you accept a \$5,000 deductible for the fire, EC, and V&MM perils, along with the difference in conditions coverage with a limit of liability of \$200,000, the all risk property floater and valuable papers with a limit of liability of \$100,000.

As they indicate in their letter, the total premium for these coverages as proposed by the Pickett-Rothholz and Murphy Agency would be \$81,717. It appears that their proposal only provides for property insurance limits of \$75,491,781 while our proposal for these same coverages, with a limit of liability as contained in the specifications on the property of \$78,241,781 is only \$74,637, which for considerably more coverage is \$7,079 less than the other proposal.

The insurance analyst further goes on to recommend your acceptance of an alternate quotation providing for only \$10,000,000 of coverage with the \$5,000 deductible on the property and an annual premium of \$76,247.

Since this alternate quotation was not requested in the specifications we do not feel that it should be given consideration. Further, our proposal provides for \$68,241,781 more of property insurance with a premium that is \$1,610 less than the alternate proposal.

Page Two


On the boiler and machinery coverages, it is recommended that you accept the \$250,000 limit of liability with an annual premium of \$827 while our proposal provides for the same limit of liability with a premium of \$700.

Under the paragraph of the analyst letter referring to random comments, I disagree with their comments and think it would be unfair to use the proposal of the Harbor Insurance Company in order to obtain a similar program and premium from the Fireman's Fund. If this approach were to be used, then why not also approach the Mission Insurance Company since their premium would undoubtedly be lower than the others.

In my discussion with you John, you indicated that your request was for proposals. However, I can say that in our industry what you have sent out as a proposal is considered as a bid for insurance in accordance with specifications. Also, paragraph 5 of the specification goes on to refer to the bidding of the insurance by the prospective bidders.

We hope that you will thoroughly review these proposals and the cost of the insurance and will advise us if it is your intention to follow the recommendations of the insurance analyst.

Very truly yours,


Harold R. Wiener

HRW:lo

Pickett-Rothholz & Murphy Insurance Agents & Brokers SINCE 1919

701 HOWE AVENUE • P. O. BOX 13180, SACRAMENTO, CALIFORNIA 95813 • PHONE (916) 929-5522

February 27, 1981

Mr. John Abbott
Sacramento Housing Authority and
Redevelopment Agency
P.O. Box 1834
Sacramento, CA 95809

Re: Quotation for Insurance
March 1, 1981

Dear John:

As you know, when we quoted the renewal of the insurance for the Sacramento Housing Authority and Redevelopment Agency, we provided a quotation through the Fireman's Fund Insurance Company for the property and liability coverages. The premium for these coverages is based on all of them being written together in what is called a "package". If only one part of the coverage is written (i.e. either the liability or the property part), then that part would be more expensive, because it would no longer be a package.

You asked what the additional premium would be if the Fireman's Fund writes only the automobile and general liability coverages, and not the property coverages. This would cause the premium for the general liability and auto liability to increase from \$73,967 to \$87,020--a difference of \$13,053. This \$13,053 is the discount you would get if the liability and property coverages are written together. Please let us know if there is any additional information you need regarding this situation.

Sincerely,

Dave

DAVID K. MURPHY, C.P.C.U.

DKM/sp



MEMBER
Independent Ins. Agents of America
National Assn. of Life Underwriters



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