

AGENDA



Thursday, December 17, 2009

**Purchasing Office
RECOMMENDATION FOR COUNCIL ACTION**

Item No. 63

Subject: Approve award, negotiation, and execution of a 12-month contract with WORTHAM INSURANCE & RISK MANAGEMENT, Houston, TX to provide insurance services for the procurement of Excess Liability insurance through Associated Electric & Gas Insurance Services Limited (AEGIS), in an estimated amount not to exceed \$633,603, with six 12-month extension options in estimated amounts not to exceed \$697,073, \$766,780, \$843,458, \$927,804, \$1,020,584, and \$1,122,642 respectively for a total estimated contract amount not to exceed \$6,011,944.

Amount and Source of Funding: Funding in the amount of \$633,603 is available in the Fiscal Year 2009-2010 Operating Budget of Austin Energy. Funding for the extension options will be contingent upon available funding in future budgets.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required. **For More Information:** Malinda Horitski, Buyer II, 974-2651

Purchasing Language: Sole proposal received.

MBE/WBE: This contract will be awarded in compliance with Chapter 2-9C of the City Code (Minority Owned and Women Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

Boards and Commission Action: To be reviewed by the Electric Utility Commission on December 14, 2009.

This contract will provide \$35 Million in excess liability insurance coverage. Excess liability insurance provides coverage over a \$1 Million self-insured retention that AE maintains. The coverage is for general liability, automobile liability, pollution liability, and employers' liability exposures emanating from the operations of Austin Energy (AE). This type of coverage is carried by utilities all over the country and is considered necessary coverage in order to protect the electric utility since its operations are proprietary and its liability is not limited by the Texas Tort Claims Act.

Associated Electric & Gas Insurance Services Limited (AEGIS), the recommended insurance carrier, has a coverage form that is tailored to the electric utility industry and is considered the broadest coverage available in the marketplace for electric utilities. AEGIS has a current financial rating of A (excellent) by A.M. Best's. AEGIS is a non-assessable mutual insurance company owned by its policyholders to meet the insurance needs of the public utility industry in the United States. The coverage form provided by AEGIS includes sudden and accidental pollution coverage as well as gradual pollution coverage. There are no exclusions pertaining to asbestos or PCB's. Coverage is also provided for failure to supply claims.

The current contract that provides this coverage expires on December 31, 2009 and is also with AEGIS through John L. Wortham. MBE/WBE solicited: 10/7 MBE/WBE bid: 0/0

PROPOSAL ANALYSIS

a. Sole proposal received.

b. One hundred fifty-five notices were issued, including 10 MBEs and seven WBEs. One proposal was received. Two "No Offer" responses were received.

The first year of this contract represents a 15% increase from the previous contract award in November 2005. This is a standard increase across the board this year for all policyholders due to the deterioration in the stock markets and several large claims associated with the California wildfires that were caused by sparks from power-lines. The extension option increases are at 10% per year.

APPROVAL JUSTIFICATION

a. Sole proposal received.

b. The Purchasing Office concurs with HRD/Risk Management's recommended award.

c. Advertised in the Austin American Statesman and on the Internet.