

AGENDA



Thursday, September 23, 2010

**Purchasing Office
RECOMMENDATION FOR COUNCIL ACTION**

Item No. 76

Subject: Authorize award, negotiation, and execution of a 12-month service contract with WORTHAM INSURANCE & RISK MANAGEMENT, Houston, TX, to provide all-risk property and boiler & machinery insurance and loss prevention services for City Property in an amount not to exceed \$2,096,894, with five 12-month extension options in amounts not to exceed \$2,516,273, \$3,019,527, \$3,623,433, \$4,348,119, and \$5,217,743 respectively, for a total estimated contract amount not to exceed \$20,821,989.

Amount and Source of Funding: Funding in the amount of \$2,096,894 is available in the Fiscal Year 2010-2011 Operating Budgets of the various City departments. Funding for the extension options is contingent upon available funding in future budgets.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Brenda Helgren, Sr. Buyer, 974-9141

Purchasing Language: Best evaluated proposal of four proposals 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.

This coverage will provide City departments (excluding Austin Energy) with property and boiler & machinery insurance for its \$3.9 billion in property values and for loss prevention services. Wortham Insurance & Risk Management will provide these services through Lexington Insurance. The coverage will provide all risk protection to include coverage at replacement cost for perils such as fire, wind, hail, explosion, flood, earthquake, and collapse. Additional services include property loss control site inspections, review of structural plans to ensure compliance with established fire codes and safety standards and jurisdictional boiler inspections. The current coverage expires on September 30, 2010.

The City's average insurance rate is decreasing from 0.074 cents per \$100 of value to 0.05104 per \$100 of value. This is the result of a soft insurance market.

Highlights in the policy provisions include:

1. Blanket limit is \$1.5 billion for any one occurrence, an increase from the \$600 million limit on the expiring coverage
2. Deductible is \$50,000 per occurrence except for \$100,000 for non-high hazard flood locations and hail damage.
3. Terrorism coverage is provided.
4. Flood Limit annual aggregate is \$100 million for non-high hazard locations and \$50 million for high hazard locations.
5. Business Interruption is \$100 million for city properties including Austin Bergstrom International Airport and the Convention Center.
6. Construction insurance for projects up to \$25 million is included.

The policy will be effective on October 1, 2010 and it will continue to provide coverage for mold resulting from a covered event. Flood events are covered. Mold from poor ventilation is not.

Premiums for the extension option years include coverage for projected future property construction development and a 20% per year increase. This projected increase is promulgated on newly acquired locations being added to the policy and increased replacement costs.

An evaluation panel consisting of professional and managerial City staff who are experts in the insurance industry reviewed the proposals. The panel recommended Wortham Insurance & Risk Management as the best proposer based on coverage, limits proposed, ancillary services, carrier qualifications, and premium cost.

MBE/WBE solicited: 5/3

MBE/WBE bid: 0/0PROPOSAL ANALYSIS

- a. Adequate competition.
- b. Ninety-one notices were sent, including five MBEs and three WBEs. Four proposals were received, with no response from the MBE/WBEs

APPROVAL JUSTIFICATON

- a. Best evaluated proposal received. Wortham Insurance & Risk Management is not the current provider of these services.
- b. The Purchasing Office concurs with the Human Resources Department's recommended award.
- c. Advertised in the Austin American-Statesman and on the Internet.