



**Purchasing Service Agreement
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 45
AGENDA DATE: Thu 12/15/2005
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SUBJECT: Authorize negotiation and execution of a five-year contract with ZURICH NORTH AMERICA INSURANCE COMPANY, Chicago, IL, for the purchase of workers' compensation, general liability and excess liability insurance coverage in an amount not to exceed \$10,086,800, to provide coverage for all tiers of contractors working on construction improvement projects participating in the Rolling Owner Controlled Insurance Program IV.

AMOUNT & SOURCE OF FUNDING: Funding for the current year is included in the various Fiscal Year 2005-2006 Capital Budgets of Austin Water Utility, Parks and Recreation Department, Public Works Department, and Library Department. Funding for future years will be contingent upon available funding of future CIP budgets.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Purchasing **DIRECTOR'S**
DEPARTMENT:for Human Resources; **AUTHORIZATION:** Vickie Schubert

FOR MORE INFORMATION CONTACT: Rosemary Ledesma , Supervising Senior Buyer, 974-2011; Leslie Milvo, Risk Manager, HRD, 974-3245

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: N/A

PURCHASING: Best evaluated proposal of three proposals received.

MBE / WBE: N/A

The purpose of ROCIP is to assure the availability of insurance for small contractors and provide construction cost reductions through the volume purchasing of insurance. In a ROCIP program, the City purchases the project liability and workers' compensation insurance instead of requiring the individual contractors to provide coverage. This type program offers several advantages. It assures broad and uniform insurance protection of the projects and offers the economy of volume buying in reduced costs through a strong safety program while avoiding the contingency/profit mark-up normally added by contractors.

The City has implemented OCIP/ROCIP programs since 1990 beginning with the Convention Center OCIP. Our first ROCIP began in 1992. ROCIP IV is a continuation of the City's efforts to utilize the benefits offered by these types of programs.

On August 25, 2005, Council approved the execution of a professional services agreement with John L. Wortham, L.L.P. to administer the City's ROCIP. As the City's Broker of Record, one of their tasks was to go to the insurance marketplace and solicit proposals through a competitive process from major insurance companies for the ROCIP insurance. Wortham contacted the following insurance carriers who specialize in writing insurance for Owner Controlled programs: Zurich, Hartford, Liberty Mutual, St.



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Paul/Travelers, CAN, ACE USA, and AIG. After the proposals were received a team of City of Austin personnel and Wortham staff evaluated each proposal and Zurich was recommended by the team members. Zurich's proposal was outstanding in that more safety inspection services were included in their proposal and the pricing was the most competitive.

This contract will provide an insurance package of statutory workers' compensation and employers' liability, commercial general liability, and excess liability coverage to contractors and subcontractors working on selected City of Austin CIP projects participating in the ROCIP.

The total limits of liability provided by the commercial general and excess liability coverage will be \$10 million. The City has identified fifty-five CIP projects totaling approximately \$293 million in construction values as initial candidates for inclusion in the program. The program will carry a minimum premium of \$7,405,000 and be subject to a maximum premium of \$10,086,800. The final premium will be based on the actual loss experience of the participating projects under a proposed retrospective rating plan. This type of plan gives the City the benefit of cash flow by requiring payment of a lower initial premium and a potential for savings based on the actual loss experience. With construction values at \$293 million, the program should generate \$2.6 million in net savings (cost avoidance) for the City at an expected loss ratio of 32%.