



3900 Main Street
Riverside, CA 92522

**Request for Clarification #2
December 30, 2020**

RFP #2057
Insurance Broker and Risk Consulting Services
Finance/Risk Management Department

CERTIFICATION OF RECEIPT OF CLARIFICATION

I certify that I have received this clarification on behalf of the company listed below:

Signed:  Dated: 1/4/2021

Name and title: John Stephens, President, Property & Casualty

Company: Keenan & Associates

Email: vpena@keenana.com

Request For Clarification #2

TO RFP #2057

This formal Request for clarification is considered to be part of the Request for Proposal (RFP). All other terms of the RFP remain unchanged and in effect. This clarification is intended to obtain additional clarification from the Company's submitted proposal in reference to the subject RFP. Any information contained herein will be considered part of the RFP, and as such will be used in the evaluation of the bid responses.

Please sign the cover page of this clarification and return it by **01/04/2021 5:00 PM Pacific Time** to lgranados@riversideca.gov. **(5 Page Maximum, 12 Font Size)**

The Clarification required Technical Proposal is as follows:

1. What would your marketing strategy be for the City's **Commercial Property** renewal?
2. The City has been trying to obtain cyber quotes for more than 10 months but has not received a bind-able quote to this day. If your firm is selected to be the City's next broker, what would your marketing strategy be to help the City obtain **Cyber quotes**.
3. Risk Management Division assists the City Attorney's Office in reviewing **insurance and indemnity clauses in agreements/contracts**. Can you expand on your firm's ability to assist with this task if asked by the City's Risk Management staff for assistance? Please provide specific examples.
4. Do you have experience, or have you assisted any of your clients with **premium allocation methodologies**? If so, please expand and **provide specific examples**.

Please select Yes or No.

	Yes , our firm does have experience with assisting clients with premium allocation methodologies.
	No , I have not yet assisted clients with premium allocation methodologies.

Specific Examples if you selected 'Yes' above:

5. What is something **unique to your firm** that you believe no other firm can provide?
6. Have you been successful at reducing policy premiums for any of your public entity clients?
Please provide specific examples.
7. Our City Attorney's Office has an in-house trial team who litigate and try our general liability cases. In the past, on occasion, disputes have arose when our excess carriers apply pressure to settle some of our high exposure thin liability cases within our SIR. In the past 5 years, have you successfully been able to negotiate out terms that give excess carriers: 1) the ability to take over litigation handled by in-house attorneys, and/or 2) the ability to tender to the insured an amount equal to the difference between a settlement demand received from Plaintiff and the City's SIR less incurred defense costs to avoid having to cover a claim that may implicate their excess policy?

REQUEST FOR CLARIFICATION #2

1. What would your marketing strategy be for the City's Commercial Property renewal?

The marketing strategy to be conducted for property is done like any other line of coverage. Shortly after contracting with the City of Riverside, the Keenan Service team will meet with the City to discuss and understand the City's current position and philosophy pertaining to the following:

- Culture
- Risk tolerance
- Program placement expectations & timeline
- Understanding and comfort with various program structures
- Expectations for stewardship report
- Potential program structures
- Political issues within the City and/or Community

Once the strategic plan development has been determined, the program analysis and development begin. Our work will include:

- **Statement of Values Analysis** - Review and verification of the City's Statement of Values (SOV) to ensure Business Income/Business Interruption values are included and calculated properly by location.
- **Property Appraisal** - Obtain most recently completed property appraisal. If no appraisal is available, provide quotes on behalf of the City to have a property appraisal conducted to secure current real property values and secure the appropriate amount of property coverage needed.
- **Catastrophic Modeling** - Catastrophic modeling separates fact versus fiction about what limits of coverage are really needed for earthquake and flood. A risk assessment earthquake analysis using the City's statement of values shall be conducted to demonstrate how to structure programs that protect the City in cost-effective ways.
- **Assessment of Risk Tolerance** - Utilizing our in-house resources, we will review the City's financial statements and meet with appropriate personnel to assess the City's financial risk tolerance.
- **Historic Loss Stratification Analysis** - This analysis will reforecast historic losses at various levels to identify the City's loss exposures within their indicated tolerance as well as provide a pricing comparison where historic losses have been transferred.
- **Alternative Risk Financing Options** - Once the Loss Stratification and Analysis has been completed, we will develop various ideal retained versus transfer pricing models to discuss with the City and use as a benchmark in developing the cost/benefit analysis of all program structures offered by all alternative programs, including the current program.

From a program structure standpoint, we provide innovative thinking in how to structure your property insurance program that can significantly reduce the City's long-term costs while maintaining the right coverage for the City's exposures.

2. The City has been trying to obtain cyber quotes for more than 10 months but has not received a bind-

able quote to this day. If your firm is selected to be the City's next broker, what would your marketing strategy be to help the City obtain Cyber quotes.

As a first step, the Keenan service team would meet with the City's risk management team to fully understand the reasons behind the City not being able to secure a bind-able quote. Did the City have a significant cyber loss and/or data security breach that is preventing carriers from quoting? Was there a cyber and/or data security breach incident that remains pending in the investigative process that is preventing the City from securing coverage? Which markets have been approached and what are the reasons for declination?

Once the information above is accessed, a strategy is developed specific to the City's exposures and experience. The Keenan marketing placement specialists will have a cyber threat analysis conducted using the City's exposures. Conducting a risk assessment is the first step in the continuous process. Using externally observable data, we will secure a report that provides an objective, evidence-based assessment of the City's cyber risk and overall security preparedness. Furthermore, the analysis will include additional context to help the City implement security and loss controls, all at no additional cost.

3. Risk Management Division assists the City Attorney's Office in reviewing insurance and indemnity clauses in agreements/contracts. Can you expand on your firm's ability to assist with this task if asked by the City's Risk Management staff for assistance? Please provide specific examples.

Contract review is a critical component of a risk management plan, as it allows the risk management division to review the indemnification clause, the insurance requirements and identify any potential gaps in coverage for existing contracts or contracts yet to be executed. Examples may include contracts for service, construction projects, leases, hold-harmless agreements, employment contracts, supply contracts and rental agreements, all of which require unique insurance requirements based upon the exposures and operations. A best practice would entail having the City's risk management team review and approve all contracts to mitigate any potential gaps in coverage beforehand to protect the City's financial stability.

Contract review is a service provided to assist customers with the needed support. The City's Account Manager can be relied upon to review the City's contracts and ensure the indemnification clause is in the City's favor, verify the insurance requirements can be met and address any areas that may be out of compliance from an insurance stand point. Furthermore, they will explain what potential exposures the City would be taking on in the event of not securing coverage and the risk management practices to implement should the City make the decision to assume the risk. Furthermore, Account Managers can also be relied upon to review certificates of insurance and applicable endorsements by vendors doing business with the City to confirm they meet the City's contractual insurance requirements and if not met, what the potential risk is assumed by the City.

4. Do you have experience, or have you assisted any of your clients with premium allocation methodologies? If so, please expand and provide specific examples.

Yes, our firm does have experience with assisting clients with premium allocation methodologies.

Cost allocation is an area where the Keenan Service team is well versed. In fact, the casualty marketing placement specialist included in the City's proposal was a former CSAC-EIA underwriting manager

responsible for overseeing the cost allocation model within the pool. They continue to have the same responsibilities for Keenan customers whether they're in a self-insured stand-alone program or purchase coverage through a joint purchase group.

The Keenan service team will be able to work with the City to allocate cost on a loss sensitive basis annually to help find the right model that brings in the right degree of cost allocation to loss sensitivity. We believe that this information would be helpful for the City to draw in each department manager's attention to losses within their department/division to help raise awareness, implement best safety practices to help reduce and prevent losses that would ultimately result in the City having improved loss experience and become a better risk which in turn results in lower cost of risk.

5. What is something unique to your firm that you believe no other firm can provide?

Keenan is unlike any other insurance brokerage firm. Our services go beyond placing coverage and consist of partnering with the City to accomplish your risk management goals and lower your overall cost of risk. The Keenan solution includes a fully integrated platform offering unique insurance marketing strategies, risk management consulting and loss cost mitigation utilizing the following:

- **Integrated Service Model** - We are first and foremost a service organization – service to our customers and our communities. That is what we are known for; our “brand” in the industry. Our utilization of Keenan personnel on your behalf goes far beyond the traditional staffing of our competitors. The Keenan service team will be readily available to provide account management services, online safety training, claim oversight, certificate issuance and contract compliance review.
- **Reinsurance / Marketing Expertise** - We are licensed reinsurance intermediaries and our understanding of the marketplace coupled with our reputation will enable us to continue to structure the most competitive programs for our customers. We place more than \$300 million of reinsurance premiums for California public entities representing more than \$15 billion of WC payroll. We use our standing in the public entity insurance marketplace to negotiate the broadest terms and conditions, while keeping our customers' cost to a minimum. We are specialists and understand how to serve public agencies.
- **Claims Advocacy** - We have an extensive Property & Liability claims handling division with senior consultants who specialize in third party liability, road and sidewalk issues and many other liability exposures facing the City. Our service offering includes claims reporting and tracking so our Claims Manager will help navigate and assist in claim remediation.
- **WC Claims Consulting** - We have a very extensive WC Claims and Medical Management division, and while we are not proposing on the City's workers' compensation or recommending the City to change its program, our resources and experience enable us to provide unique consultation and strategies to further reduce your claim costs.
- **Analytics** - We have some of the most sophisticated analytical capabilities and technology to help the City in assessing where your claims are occurring, which will help us strategize and deliver solutions to reduce claims costs.
- **COVID-19 Resources** - With the passing of new legislation impacting workers' compensation and the Cal/OSHA release of COVID-19 Protection Program (CPP) requirements, we've developed templates and resources to help customers manage their exposure and help meet compliancy standards while protecting the safety of employees and members of the community.

- **Risk Management Technology & Resources** - Keenan developed P&C Bridge, a web-based portal that allows the City of Riverside to have access to webinars, legislative updates, injury prevention resources and over 120 trainings on safety and best practices. These trainings range from how to lift properly and emergency preparedness to sexual harassment policy and prevention. Our specialized resources are designed to help the City with regulatory compliance, which is provided at no additional cost to the City of Riverside.

6. Have you been successful at reducing policy premiums for any of your public entity clients? Please provide specific examples.

Taking care of customers is our top priority. We work with customers to secure the coverage needed to help protect their long-term financial stability while still being able to reduce premiums. Premium reductions are dependent upon several factors that are unique to each risk, exposures, loss experience and more importantly the insurance market conditions. Premiums tend to decrease during a soft market and will increase in a hard market, regardless of any material change in losses and exposures. The market is an area that cannot be changed, however, there are unique strategies that can be implemented to navigate during challenging market conditions. Specific examples that showcase how we've been able to take care of customers and lower their insurance premium and cost of risk are as follows:

- **City of Upland: Property & Casualty Program Restructure** - The City hired Keenan after they chose to withdraw from a risk sharing pool, and we have changed their program considerably to fit the City's needs. Since the initial partnership with the City, our services have expanded beyond providing P&C Brokerage/Consultative services to include Loss Control services and Workers' Compensation third party claims administration services. The City received a 6% reduction in their first year's excess workers' compensation premium despite a nearly \$1M increase in payroll, along with an 8% reduction in excess liability premiums. Over the years, we have continued to accomplish premiums savings while reducing retentions by more than 33% for their excess workers' compensation and 25% for the excess liability programs.
- **City of Palm Springs: DIC Program Restructure** - Keenan originally won an award for Excess Workers' Compensation brokerage and restructured the program to reduce costs from \$270K to \$80K. We were later hired as P&C broker (all lines) and helped restructure a very complex earthquake program separating high risk locations, such as their Waste Water Treatment Plan, from all other City locations, to provide dedicated limits for the WWTP which resulted in hundreds of thousands of dollars in savings to the City. Over the years, we have continued to restructure the program for continuity with the carrier partners of choice while continuing to save nearly \$500,00 in annual premium costs.
- **City of Palm Springs: Law Enforcement Legal Liability Non-Renewal** - During the fiscal year 2017-18, the City's liability renewal program was incredibly challenging due to the City's law enforcement, excessive force and auto liability claim activity that resulted in the incumbent carrier excluding law enforcement liability. A standalone law enforcement liability option was secured with an alternative carrier, though the premium was nearly double the City's expiring premium. We conducted a very thorough marketing effort, though due to changing market conditions and the City's loss experience, most carriers declined to quote or indicated premiums and retentions higher than anything we received. We placed the City's liability program with the Municipal Insurance Cooperative (MIC) which was the most competitive option at \$152,144, less or 22% less than the

incumbent & standalone option. The Municipal Insurance Cooperative provided the City with broader coverage and far greater claim control.

- **City of Cudahy: P&C Program Restructure** - The City hired Keenan to conduct an analysis of the City's insurance program and as a result, exited a risk sharing pool in order to control costs and eliminate program assessments. We worked with the City and helped transition from risk sharing to gaining control over its own program while providing brokerage services, loss control and third-party claims handling services for workers' compensation and third-party liability. The City saved 32% in premium costs for the first year and have continued to expand coverage to fit their needs.
- **City of Commerce: Restructure of Workers' Compensation Program** - The City hired Keenan to build a hybrid program where the City would maintain membership of a pool for Property & Liability and be self-insured for Workers' Compensation. An analysis was conducted to determine the appropriate retention, cost savings and overall program costs that was cost effective for the City and resulted in premium savings of more than \$600K for the first year alone. We've continued to deliver great program results through the partnership by providing loss control services, brokerage / consulting services and third-party claims administration for its workers' compensation program.

7. Our City Attorney's Office has an in-house trial team who litigate and try our general liability cases. In the past, on occasion, disputes have arose when our excess carriers apply pressure to settle some of our high exposure thin liability cases within our SIR. In the past 5 years, have you successfully been able to negotiate out terms that give excess carriers: 1) the ability to take over litigation handled by in-house attorneys, and/or 2) the ability to tender to the insured an amount equal to the difference between a settlement demand received from Plaintiff and the City's SIR less incurred defense costs to avoid having to cover a claim that may implicate their excess policy?

This is one of the differences between excess coverage and reinsurance. Excess coverage will include a hammer clause wherein the excess carriers can step in and take over the case and/or demand the City to settle the case. This particular language is in every excess policy and is a tool that is utilized to the advantage of the excess carrier that they are unwilling to give up.

We've had experience in working with customers that have their own in-house litigation team including the City of Palm Springs and City of Glendale and have been successful in working with excess carriers in explaining the decision-making on a particular matter that prevented this issue from being brought up. We fully understand the challenges that may arise between the excess carriers and customers and have had positive experiences to navigate the most favorable outcome between the City and excess carrier.

With that said, the alternative to excess coverage is reinsurance, which is a completely different landscape and is not bound to the standard terms and conditions found in a typical excess policy. Keenan is a reinsurance intermediary with tremendous experience in delivering options that provide the coverage needed to protect the City's financial stability while allowing the City to retain control over its program. Reinsurance requires the reinsurer to follow the forms and fortunes of the memorandum of coverage which is generally much broader than an excess policy. If selected to be the City's broker, the Keenan service team will be prepared to include an option for reinsurance and include a coverage comparison outlining the differences between both programs.