

Holiday Island

Suburban Improvement District

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TO: HISID Board of Commissioners

FROM: Kevin Crosson, District Manager *KC*

DATE: February 12, 2010

SUBJ: *Consideration, Agreement for Risk Management Services*

As you know, the District has maintained a contractual relationship with Ramsey, Krug, Farrell & Lensing (RKF&L) of Little Rock since 2007 to broker the District's insurance policies, among a variety of other services. Prior to their engagement, the District placed all of their insurance coverages with the Arkansas Municipal League.

The District has realized its greatest benefit in having this contract by having RKF&L place our property insurance. In 2007, the Arkansas Municipal League only covered \$3.7 million in District assets at a premium rate of \$1.00 per \$1,000 in value (2006 premium was \$37,404). Upon review, staff determined that the District needed to be covering over \$14 million in assets. RKF&L was able to broker a much more favorable policy that today covers over \$14 million in assets at \$0.31 per \$1,000.

In addition to insurance brokerage services, RKF&L has provided (and will continue to provide) a variety of other very beneficial services, such as safety programs and training materials, human resource training, loss prevention/exposure analysis, and claims support and advocacy. With the approval of this agreement, RKF&L will provide the District with detailed assistance updating/modifying our employee handbook, as per one of our 2010 work plan objectives.

The attached agreement is for an annual contract term, with the option to extend for three additional annual terms. Their proposed fee of \$10,500 has not increased since their initial contract term in 2007. Staff recommends the Board approve the attached agreement as presented.

Please feel free to contact me at your convenience with any questions or comments regarding this agreement. Thank you.

**Holiday Island Suburban Improvement District
Service Agreement**

Term: January 1, 2010 to December 31, 2010

Service Plan: Beginning upon the execution of this agreement and continuing until December 31, 2010, Ramsey, Krug, Farrell & Lensing (RKF&L) // BancorpSouth Insurance Services (BXSINS) agrees to perform the following:

- Commit to three District visits per year to continue on site surveys and the Exposure Identification Process. This involves conducting physical visits at the facilities and conducting interviews with key contacts as needed or to conduct Risk Management training as determine needed.
- Preparation of underwriting submissions, specifications and conduct negotiations with insurance carriers for required insurance coverage incepting during the term of the SERVICE AGREEMENT.
- RKF&L // BXSINS staff continue evaluating present insurance coverage and program structure.
- Coordinate timelines for current insurance placements: Lines of Coverage to be determined – and providing recommendations for improvements in terms and conditions that are warranted.
- Verification of policy terms and conditions for accuracy
- Conduct a Review of internal claims management practices including reporting, case management and procedures
- Review of clinical loss control activities
- Initiate technical support for claims, loss prevention and risk identification
- Audit Employee Manual and provide recommendations or modifications for District consideration
- RKF&L's Life and Employee Benefits division is available to conduct a review of the current Health and Employee Benefit programs and advise a strategy for future coverage offerings or program structure.

Based upon the above process, underwriting applications and supplemental coverage information is developed into an underwriting submission. Markets are identified and submissions are made to obtain market comparisons in regards to price, coverage, terms and conditions, and services. Quotes are then compared on a line of coverage basis of these key points of comparison. The financial rating, debt rating and market reputation of each company is also analyzed. Personal contact by RKF&L // BXSINS key personnel is initiated and maintained with the underwriters throughout the entire submission and negotiation process.

Certificates:

RKF&L has a certificate of insurance tracking system that stores all client certificates of insurance and prompts automatic renewal where needed.

Claims Advocacy:

The staff resources in our Risk Management Resources division are knowledgeable in multi-line claims and risk identification. We can be a second set of eyes for your organization to verify that claims are properly investigated, evaluated and aggressively managed. We are capable of supporting our clients on many issues through our internal staff knowledge and experience. Our culture supports an attitude of finding a way to bring solutions and value to our clients when a situation develops.

Safety/Loss Prevention

Our trained safety professionals can complement your existing staff and system effectiveness in preventing losses and reducing loss activity specific to property, workers safety, general liability, automobile/fleet safety and property. Our service fee includes 4 hours of loss control consultation to be used in the following areas:

1. Assessment of **Holiday Island Suburban Improvement District** existing Risk Management and Safety programs
2. Recommend improvements to existing plans or new strategies that have proven to be effective in reducing cost, both direct and indirect.
3. Provide resources for training supervisors or other personnel as deemed appropriate based upon the findings and recommendations.

Stewardship Meetings

Given the complexity and size of **Holiday Island Suburban Improvement District** we would recommend annual Stewardship Reports. Content of the Stewardship report would include the following:

Third Quarter: September 2010

- Update on Current Insurance Market Conditions and Industry Dynamics
- Provide Insurance Summary and Policy Review
- Report on Service Transactions
- Prepare Loss Reports and Summaries
- Claim Review and Current Status of Claims over \$10,000
- Review Loss Control Service Plan and coordination of RKF&L // BXSINS and Insurance Carriers activities
- Review and agree on projects and service commitments for next year. Outline Renewal Insurance Placement Strategy and Proposal "need by" date.
- Provide early warning of rate and coverage changes or renewal problems.
- Outline Alternative Risk Funding approaches to consider at renewal.
- Recommend coverage changes and program adjustments

"Total Cost of Risk" – Stewardship Report will include a TCOR summary indicating direct and indirect cost savings for those lines of coverage RKF&L // BXSINS have responsibility for coordinating.

In addition to the items already discussed we provide the following as part of our fee:

- 24/7 claim reporting hot line called "strike force"
- Certificate tracking for vendors
- Contract Reviews
- Assist with Coverage Questions
- Maintain written records of all insurance transactions
- Provide assistance in developing/evaluating insurance clauses in contracts and indemnity clauses
- Merger and Acquisitions Consultation
- Insurance Company Financial Strength Monitoring
- Monitor Changes in Insurance Regulations, Workers Compensation Laws, Policy Coverage changes
- Review insurance binders, policies, certificates and other documents to ensure all wording is complete and accurate
- Issuance of certificates and other instruments evidencing insurance coverage

Service Fee

For all services specified above, to be rendered by RKF&L, **Holiday Island Suburban Improvement District** shall pay RKF&L // BXSINS a service fee. The service fee is as follows:

- **\$10,500 for the term January 1, 2010 to December 31, 2010**

The fee will be billed annually or as agreed upon by **Holiday Island Suburban Improvement District**

This Service Agreement can be extended for up to three additional annual terms as mutually agree by Holiday Island Suburban Improvement District and RKF&L // BancorpSouth Insurance Services, Inc.

1. If the Insurance Company is not able to remove or "net out" the commission from any line of coverage, then RKF&L // BXSINS will credit the commission receivable against the negotiated fee amount.
2. The fee indicated under Paragraph 1 contemplates only those services listed in this agreement. Fees for significant additional services desired by **Holiday Island Suburban Improvement District** shall be separately negotiated.

Holiday Island Suburban Improvement District

Ramsey, Krug, Farrell & Lensing // BancorpSouth Insurance Services

(Authorized Signature)

(Authorized Signature)

(Date)

(Date)