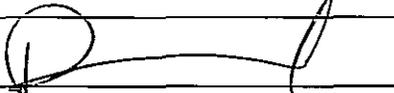


**CITY OF PALMER ACTION MEMORANDUM**

**SUBJECT:** Authorize the City Manager to Enter into an Insurance Brokerage Agreement with Alaska USA Insurance Brokers

**AGENDA OF: April 8, 2008**

**Council action:**

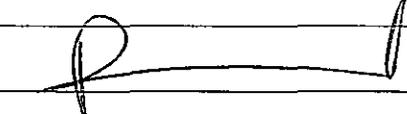
**Approved for presentation by B.B. Allen, City Manager** 

Route To:	Department/Individual:	Initials:	Remarks:
x	Originator – Director of Administration		
x	City Clerk		
x	City Attorney		
	Director Public Safety		
	Director of Administration		
	Director of Community Services		
	Director Public Works		

**Attachment(s):** Proposed Service Agreement with Alaska USA Insurance Brokers

**Fiscal note:**

	No fiscal impact.	
X	Funds are budgeted from this account number:	Various insurance accounts
	Funds are not budgeted. Budget modification is required. Affected account number:	

Finance Director Signature: 

**Summary statement:** Alaska USA insurance currently provides insurance brokerage services for the City of Palmer. The agreement ended on March 15, 2008. The attached service agreement with Alaska USA Insurance Brokers provides for a range of brokerage services, to include updating exposure questionnaires for submittal to underwriters, negotiation with underwriters, and presentation of insurance proposals, review of policies and endorsements, and assistance with claim submittals.

In reference to the second paragraph on page one of the agreement, administration proposes a three year agreement, March 15, 2008 to March 15, 2011, consisting of a one year agreement and two (2) additional one year terms upon mutual consent of the parties. The annual fee for these services will remain the same as the previous agreement, \$15,880 for 2008, and \$16,880

for 2009 and 2010.

**Administration recommendation:** Approve Action Memorandum No. 08-019.

**City of Palmer**

**Alaska USA Insurance Brokers  
PO Box 196530  
Anchorage, AK 99519-6350**

## **SERVICE AGREEMENT**

The purpose of this document is to record our mutual understanding regarding our professional relationship and the services with which we have agreed to provide you.

City of Palmer and Alaska USA Insurance Brokers we agree that the service and compensation arrangement set forth below will apply for a period beginning March 15, 2008 and ending March 15, 2009. This contract may be extended for two (2) additional one-year terms upon mutual consent of the parties.

### **Services and Responsibilities**

Subject to all other terms and conditions of this Agreement, AUIB shall provide the following services for the lines of coverage identified in Appendix A. We are committed to acting in your best interests at all times in providing services to you.

The Services we will provide to you rely in part on the facts, information and direction provided by you or your authorized representatives. The parties agree to provide each other with accurate and timely facts, information and direction as is reasonably required.

AUIB will work with your staff to update insurance underwriting data concerning exposures relative to the Coverages in Appendix A.

You agree to render complete and accurate information to AUIB as to your loss experience, risk exposures, and changes in the analysis or scope of your risk exposures and any other information reasonably requested by AUIB. You also agree to advise AUIB of any changes in your business operations that may affect the Services to be performed by AUIB hereunder.

We will assist you in the preparation of insurance underwriting submissions, from data gathered, for your review and approval prior to submission to insurance underwriters.

We will meet with you prior to policy renewals to develop a negotiation strategy for meetings with insurance underwriters. The strategy will address risks to be covered, markets to be solicited, and insurance limits. We will conduct negotiations on your behalf with interested insurance underwriters. Negotiations will include establishing the details of policy forms, coverage, premiums, and terms and conditions.

Before we bind the specific insurance coverage you desire to purchase we will disclose to you in writing:

- (a) a summary of all quotes and indications we sought and received with certain pertinent information, or, if you prefer, a copy of all quotes and indications we sought and all quotes or indications we received in connection with that coverage;
- (b) any interest we may have in, or contractual arrangements we may have with, any of the prospective insurers; and

and we will obtain your written consent to the amount or rate of compensation we will receive before coverage is bound.

You understand and agree that you shall make final decisions with respect to underwriting submissions and all matters relating to your insurance coverage, risk management, and loss control needs and activities. We will procure the insurance coverage chosen by you, prepare insurance binders, and review and transmit policies to you.

We will assess the financial soundness of the insurers we recommend to provide your coverages based on publicly available information, including that produced by well-recognized rating agencies. Upon request, we will provide you with our factual analysis of such insurers. We cannot, however, guarantee or warrant the solvency of any insurer or any intermediary that we may use to place your coverage.

We will review all policies and endorsements delivered to us by insurers or intermediaries for the purpose of confirming their accuracy and conformity to negotiated specifications and your instructions and advise you of any errors in, or recommended changes to, such policies. You agree that you will also review all policies and endorsements delivered to you and advise us of any questions you have or of any document or provision that you discover which you believe may not be in accordance with your instructions.

We will meet, as requested by you, with your representatives to explain coverage and policies. We will promptly respond to your requests for coverage information, analysis of changing market conditions, and assistance in developing procedures for handling loss exposures, and assist you in reporting subsequent changes in underwriting information to insurance companies.

We will inform you of the reporting requirements for claims, including where claims should be reported and the method of reporting to be used, if applicable. Please carefully review any claims-reporting instructions or information we provide you because failure to timely and properly report a claim may jeopardize coverage for the claim. In addition, you should retain copies of all insurance policies and coverage documents as

well as claims-reporting instructions after termination of the policies because in some cases you may need to report claims after termination of a policy.

Where your insurance risks are in more than one jurisdiction, we, where required, will liaise between you and insurers to seek to agree to the apportionment of the premium between applicable jurisdictions, and the amount of insurance premium tax payable in each such jurisdiction in relation to the policy. In providing such services, AUIB is acting in its capacity as an insurance broker and does not hold itself out to provide in relation to the tax laws of any applicable jurisdiction. We recommend you seek your own advice in relation to such tax laws where you consider it necessary. We will not be liable to you should the apportionment of premium or amount of tax payable under the policy be challenged by any tax authority. In addition, we will not be liable to you should the insurers fail, or refuse, to collect and pay such insurance premium tax to the relevant authorities.

## **II. Confidentiality**

Any information you provide us in the course of our professional relationship will be treated as confidential and will only be used in performing our Services for you. We may share this information with third parties as may be required to provide our Services. We may also disclose this information to the extent required to comply with applicable laws or regulations or the order of any court or tribunal. Records you provide us will remain your property and will be returned to you upon request, although we will have the right to retain copies of such records to the extent required in the ordinary course of our business or by law. You will treat any information we provide to you, including data, recommendations, proposals, or reports, as confidential, and you will not disclose it to any third parties. You may, however, disclose this information to the extent required to comply with applicable laws or regulations of the order of any court or tribunal. We retain the sole rights to all of our programs, systems, methods and procedures and to all files developed by us.

## **III. Compensation/Conflicts of Interest**

You agree that our compensation for the Services provided pursuant to this Agreement shall be a Fee of \$ 15,880 first year and \$16,880 each subsequent year. The Fee is in addition to the net premium paid for the Coverages and is payable as follows:

If any insurer requires us to receive commissions in regard to any of the Coverages which are inconsistent with the provisions above, we will promptly notify you of such commissions and seek your written consent to receive them.

Our compensation may be revised if you request a change in the Coverages and/or Services during the Term of this Agreement and we enter into a written agreement documenting any change in Coverages, Services and compensation.

***AlaskaUSA  
Insurance Brokers***

Other parties such as underwriting managers or managing general agents may also earn and retain usual and customary commissions for their roles in providing insurance products and services to you. If any such parties are corporate parents, subsidiaries or affiliates of ours, any compensation we or our corporate parents, subsidiaries or affiliates will receive is included in the total compensation provided for above in this Section III.

You may choose to use a premium finance company, property appraiser, structured settlement firm or other similar service provider in connection with the insurance coverages we place for you or the Services we provide to you. If you elect to use a service provider from which we or our corporate parents, subsidiaries or affiliates will receive any compensation directly or indirectly relating to the services you purchase from the provider, we will disclose additional information regarding that compensation to you before you make a final decision to use the service provider.

In the ordinary course of business we may also receive and retain interest on premiums you pay from the date we receive the funds until we pay them to the insurers or intermediaries.

We may also provide reinsurance brokerage services to insurers with which your coverage is placed pursuant to separate agreements with those insurers. We may be compensated by the insurers for these services in addition to any compensation we may receive for placement of your insurance coverage.

The insurance market is complex, and there could be other relationships which are not described in this document which might create conflicts of interest. Notwithstanding any possible conflict which might exist, we will act in your best interests at all times in providing the Services to you. If a conflict arises for which there is no practicable way of complying with this commitment, we will promptly inform you and withdraw from the engagement, unless you wish us to continue to provide the Services and will provide your written consent.

Prices on the Services specified herein are exclusive of all federal, state and local sales, use, excise, receipts, gross income and other similar taxes and governmental charges. Any such taxes or charges upon the Services provided hereunder, now imposed or hereafter becoming effective during the term of this agreement, shall be added to the price herein provided and paid by you unless, in lieu thereof, you provide us with a valid tax exemption certificate acceptable to us.

#### **IV. Premium/Handling of Funds**

You agree to provide immediately available funds for payment of premiums by the payment dates specified in the insurance policies, invoices or other payment documents. Failure to pay premium on time may prevent coverage from incepting or result in cancellation of coverage by the insurer.

We will handle any premiums you pay through us and any funds which we receive from insurers or intermediaries for payment or return to you in accordance with the requirements and restrictions of applicable state and federal insurance laws and regulations and state unclaimed property laws. In some cases we may transfer your funds directly to insurers. In other cases we may be required to transfer your funds to third parties such as wholesale brokers, excess and surplus lines brokers, or managing general agents for carrying out transactions for you.

#### **V. Termination**

Either party may terminate this agreement upon 60 days prior written notice.

If we terminate this agreement for convenience prior to the expiration of the Term, we will be deemed to have fully earned and be entitled to a pro rata portion of the Fee, calculated from the start of the Fee period through the date of termination. If you terminate this agreement for convenience prior to the expiration of the Term, we will be deemed to have fully earned and be entitled to a portion of the fee as set forth in the following schedule:

During the first six months:	75%
After six months	100%

Our obligation to render the Services under this agreement ceases at the end of the Term or on the effective date of termination of our relationship, whichever is sooner. Nevertheless, we will take reasonable steps to assist in the orderly transition of matters to you or to a new insurance broker which you designate. Claims and premium or other adjustments may arise after our relationship ends. Such items are normally handled by the insurance broker serving you at the time the claim or adjustment arises. However, we are willing to consider providing such services after the Term or termination of this agreement for mutually agreed additional compensation. Nevertheless, we will, process all remaining deposit premium installments on the policy(ies) in effect at the time of change.

#### **VI. Other Provisions**

During the term of this agreement and for a reasonable period thereafter, you may audit the records and accounts of AUIB related to this agreement, at your expense. You agree to give us reasonable advance written notice of any audit and to conduct the audit

during normal business hours in a manner which is not unduly disruptive to our ongoing business.

We agree that we may communicate with each other from time to time by electronic mail, sometimes attaching further electronic data as and when the circumstances require attachments. By consenting to this method of communication you and we accept the inherent risks (including the security risks of interception of or unauthorized access to such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). We each agree, however, that we will each be responsible for checking all electronic communications received for viruses. You will also be responsible for checking that messages received are complete. In the event of a dispute neither of us will challenge the legal evidentiary standing of an electronic document, and the AUIB system shall be deemed the definitive record of electronic communications and documentation.

This Agreement supersedes any and all prior agreements between us regarding the insurance Coverages and the Services provided.

This Agreement shall be governed by and construed in accordance with the laws of the state of Alaska and any dispute shall be resolved in the appropriate court of such state or in any federal court with proper jurisdiction thereof.

**VII. Inquiries and Complaints**

Thank you for choosing AUIB as your professional insurance service provider. Your satisfaction is important to us. If you have complaints, please inform the person who handles your account. Alternatively, you may contact the head of our office. Our phone number is 563-4567 or if out the Anchorage area 1-800-525-9094.

**City of Palmer**

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

**Alaska USA Insurance Brokers**

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

## Appendix A

A. General Liability	\$TBA Payroll
B. Workers Compensation	\$TBA Payroll
C. Auto Liability	Vehicles
D. Auto Comp/Collision	Valued at \$TBA
E. Property Coverage	Valued at \$TBA
F. Airport Owners & Op Liab	
G. Boiler & Machinery	
H. Public Official Bonds	
I. Notary Bonds	Less than thirty annually
J. Employee Dishonesty Bond	
K. Law Enforcement Liability	