



GOING OUT TO BID FOR INSURANCE?

What you need to know from potential insurers...

Each municipality has unique insurance needs. The following guidelines will assist you in writing an RFP that is catered directly to your city government. Asking the right questions will help you to know what company is the best fit for your city and if the products they provide will serve your government's specific needs, resulting in a quality partnership.

Who administers the trust and why?

Ask why this organization is in business. Why do they provide municipal insurance? In addition to municipalities, what other entities do they insure? Who serves on the board of directors? Do they have shareholders? Are they operating for profit?

How familiar are they with local government?

The services local governments provide are unlike any other insured organization. Do they understand your city's needs? Are they committed to local governments? Request recent examples of this commitment.

How much financial surplus is available to support the program and what is the financial confidence rating provided by the insurer's actuary?

Surplus is a main factor in determining a financial confidence rating. A financial confidence rating indicates that the combination of booked claim liability and fund equity is adequate to provide for future loss payments within an estimated percent probability.

Insurance experts recommend that for each year's claims, a self-insurer fund should be at a minimum confidence level of 70 percent. The higher the financial confidence rating, the more protected you will be.

According to Willis Towers Watson (a global professional services firm helping organizations with financial and risk management), a company's financial leverage, along with its underwriting leverage, is used to develop an overall picture of a company's financial strength. Industry standards illustrate high and low ratios of financial leverage and appropriate balance across the different ratios is reflective of an insurance pool's longevity.

The table below outlines ratio ranges. It is important that your insurance partner fall between these two ranges.

LEVERAGE RATIOS	LOW RANGE	HIGH RANGE
Premium to Surplus ratio: A gauge of an insurer's relative security and ability to take on risk. The US National Association of Insurance Commissioners (NAIC), considers ratios over 2:1 to be dangerously high for commercial insurers	0.40	3.00
Reserves to Surplus ratio: Measures how much the company's surplus and capital might be impaired if loss reserves are undervalued. A 3:1 ratio or lower is prudent.	0.50	1.50
Liabilities to Surplus ratio: Measures a company's exposures to errors of estimation in its loss reserves and all other liabilities. The higher the loss reserve, the more critical a company's solvency depends upon having and maintaining adequate reserve levels.	0.60	2.00

your **RESOURCE** | *your* **ADVOCATE** | *your* **PARTNER**

How long have they been working with their reinsurer(s)?

A long-term relationship with reinsurers reduces disputes over claims and will result in a more efficient process. If these coverage characteristics and relationships change every year, it could point to problems with the administration or financial condition of the trust.

Do they have response and recovery services?

If yes, ask them to explain how they work with the city before, during and after a disaster. What services does this include? Who directly provides the service? Ask for references of municipalities they have assisted during a crisis situation.

Ask them to provide complete and full disclosure of compensation paid to anyone working on the program (broker, agents, etc.) as a percentage of net written premium.

Ask for a list of references that include current and past clients.

Most RFPs simply ask for a few references. Be specific in the types of references you'd like to talk to. Past client references can be a good source for understanding service level and usually provide an unbiased response.



If you have any questions about these RFP tips, contact Florida League of Cities Assistant Director of Trust Services Clay Austin at caustin@flcities.com or (407) 367-3432.