

## Workshop A

*Tuesday, November 8, 1:30-3:00 p.m. and 3:30-5:00 p.m.*

### ***BLUEPRINT FOR A BROKER RFP***

Presented by



**Steven P. Kahn, CPCU, ARM**  
Managing Director  
ARM Tech

(PHOTO NOT AVAILABLE)

**Fred M. Muse**  
Senior Vice President  
Marsh SE Construction Practice  
Leader



**John P. Mundy**  
Senior Executive Vice President  
Lockton Companies

(PHOTO NOT AVAILABLE)

**Tom K. O'Brien**  
Chief Financial Officer  
The Raymond Group

Due to recent events in the insurance industry, many contractors are reexamining their relationships with their insurance providers. This process may include an agent/broker request for proposal (RFP), soliciting bids on all or part of the insurance program, or both. In this session, a consultant who has facilitated more than 30 broker selections during his career will guide you through an organized broker selection process that is fair to all parties. Hear practical insights into establishing an appropriate timeline, what data to provide, what questions to ask, how to structure the interviews, and how to evaluate proposals. Risk managers and other insurance buyers will leave this workshop with a good working knowledge of how to run an efficient and effective selection process. Agents and brokers will leave with a better understanding of risk managers' needs and concerns and how to respond most effectively.

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John F. Fish  
President and CEO  
Suffolk Construction Company, Inc.

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**Steven P. Kahn, CPCU, ARM**  
**Managing Director**  
**ARM Tech**

Mr. Kahn is panel moderator for Workshop A, "Blueprint for a Broker RFP," on Tuesday afternoon. He is a managing director of ARM Tech, an Aon Company providing risk management and actuarial consulting services to individual clients and association pools. Mr. Kahn has spent 2 years as an underwriter and 24 years as an independent consultant. He has worked with numerous pools, individual governmental entities, and other types of organizations throughout the country. Mr. Kahn is past president of the Risk Management Research Council, past president of the Orange Empire CPCU Chapter, and editor for *Practical Risk Management*. He holds the CPCU and ARM designations and an MBA with an emphasis in risk management from the University of Georgia.

**John P. Mundy**  
**Senior Executive Vice President**  
**Lockton Companies**

Mr. Mundy is a panelist for Workshop A, "Blueprint for a Broker RFP," on Tuesday afternoon. As senior executive vice president at Lockton Companies, he is an experienced producer who is committed to providing the best service in the industry to his clients. As a producer, Mr. Mundy is a client advocate and has the ultimate responsibility for delivering all aspects of customer service to Lockton's clients.

Mr. Mundy has been at Lockton since 1986. He has gained national account expertise through his work with Day & Zimmermann, Inc.; HDR, Inc.; Novar, Inc.; Peter Kiewit Sons, Inc.; Taylor Construction Group; Traylor Bros.; U.S. Xpress Enterprises; and Werner Enterprises.

Previously, he was employed in production at Marsh & McLennan and casualty underwriting at Commercial Union Insurance Company and was an estimator and job superintendent at Central Mechanical Construction Company.

He holds a B.A. in political science from St. Benedict's College in Atchison, Kansas, and construction science from the College of Engineering at Kansas State University in Manhattan.

**Fred Muse**  
**Senior Vice President**  
**MARSH—SE Construction Practice Leader**

Mr. Muse, one of the panelists for Workshop A, "Blueprint for a Broker RFP," on Tuesday afternoon, is the construction practice leader for the Marsh Southeast Trade Zone. Mr. Muse has over 17 years of experience in providing risk management services for Marsh clients in the construction industry including contractors, developers, homebuilders, and architect and engineering firms. He currently serves as the Marsh client executive for a few of Marsh's most prestigious E&C and homebuilder clients in the country. In addition, Mr. Muse's responsibilities encompass project-specific placement and risk control strategies for single and multisite construction projects.

Mr. Muse is active in all areas of construction including significant experience with industrial, civil, and commercial contractors. He has recently worked with contractors and owners in providing expertise on risk identification and leading-edge solutions for some of the largest projects in the country. These include: seven new office headquarters with total construction cost over \$1 billion; four new manufactur-

ing facilities valued at over \$250 million each; a 250-mile parkway/toll road and \$200 million cable span bridge; and three professional sports stadiums and arenas.

Mr. Muse was hired in 1988 by the Marsh Atlanta branch as the first employee in the Associates Program where he had 2 years of work/study experience in all major operating departments. After that time, he worked as a casualty broker in the Risk Management Department and went on to establish the Atlanta Construction Group in 1995. Before his current assignment, he was part of the Marsh Global Construction Group, where he served as the wrap-up practice leader and the A&E practice leader for a period spanning over 5 years. Before joining Marsh, Mr. Muse worked with a Lloyd's broker in London for 1 year in the North American Casualty and Reinsurance departments.

He holds a B.B.A, Finance/Risk Management and Insurance, from the University of Georgia. He is a member of the Associated Builders and Contractors, the Construction Financial Management Association, and the Design Build Institute of America, and he is a licensed property and casualty agent. He is a frequent speaker on construction insurance topics.

**Tom K. O'Brien**  
**Chief Financial Officer**  
**The Raymond Group**

Mr. O'Brien is a panelist for Workshop A, "Blueprint for a Broker RFP," on Tuesday afternoon. As Chief Financial Officer of The Raymond Group and affiliates for the past 11 years, he is responsible for the risk management activities of a regional commercial contractor. He has over 22 years of experience in the real estate industry working for developers, contractors, property managers, and leasing firms.

He holds a Bachelor of Science degree in business administration from California State University at Long Beach and is a licensed CPA.

# **BLUEPRINT FOR A BROKER RFP**

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**Steven P. Kahn**  
**ARM Tech, an Aon Company**

**John P. Mundy**  
**Lockton Companies**

**Fred M. Muse**  
**Marsh SE Construction Practice Leader**

**Tom K. O'Brien**  
**The Raymond Group**

**I. Keys to a Successful Renewal Process**

**II. Major Steps in the Renewal Process**

- A. Initial planning session
- B. Set renewal objectives
- C. Obtain renewal forecast from current broker
- D. Obtain information from other brokers
- E. Compile all needed renewal data
- F. Select broker(s) to obtain quotations
- G. Analyze quotations
- H. Negotiate final terms

**III. Evaluate the Brokers Services You Need**

**IV. Review the Four Methods You Can Use To Select Your Broker**

**V. Renewal Roadblocks and What To Do about Them**

- A. Market blocking
- B. Unable to get loss data from insurers and OCIPs
- C. Unable to obtain specimen renewal policies
- D. Quotes received late

**VI. Comment from the Panel**

## ***Notes***

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# Blueprint for a Broker RFP

Presented to:  
**IRMI Construction Risk Conference**  
**November 7 - 10, 2005**  
**Las Vegas, Nevada**



Presented by:  
**Steven P. Kahn, CPCU, ARM**  
**Managing Director**



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## List of Exhibits

1. Keys to a Successful Renewal Process
2. Renewal Schedule
3. Planning Session Topics
4. Broker Services
5. Broker Selection Methods
6. Broker Selection Steps
7. Request for Qualifications and Conceptual Proposals
8. Use of Insurers
9. Proposal Score Sheet
10. Renewal Specifications
11. Analyze Quotations
12. Negotiate Improvements
13. Roadblocks and What to Do

## Keys to a Successful Renewal Process

1. Realistic time schedule
2. Careful planning
3. Specific goals
4. Careful broker selection
5. Data control
6. Thorough specifications
7. Careful specimen policy analysis

Exhibit 1

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## Renewal Schedule

Step	Activity	Target Completion (Days Prior to Renewal)
1.	Initial planning session	150
2.	Renewal objectives set	140
3.	Renewal forecast obtained from current broker:	125
	• Forecast acceptable — move to step 8	
	• Forecast not acceptable — move to step 4	
4.	Request for conceptual proposals mailed	120
5.	Conceptual proposals returned	95
6.	Renewal data compiled	90
7.	Brokers interviewed	85
8.	Renewal specifications released	80
9.	Broker and insurer questions answered	80 - 30
10.	Quotations returned	30
11.	Quotations analyzed	20
12.	Negotiations completed and broker and program selected	15
13.	Binders issued	10
14.	Renewal date	0

Exhibit 2

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## Planning Session Topics

1. Initial goals:
  - a. Coverage improvements
  - b. Initial rate targets and deductibles
  - c. Evaluate alternative programs (e.g., retro rating plan, self-insurance or association pool)
  - d. Present risk to new underwriters
  - e. Restructure current insurance program (e.g., consolidate some coverages)
  - f. Improve financial strength of insurers
  - g. Improve claims administration service

Exhibit 3  
Page 1 of 2

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## Planning Session Topics

2. Identify data needs and who will get it:
  - a. Loss history
  - b. Exposure data
  - c. Property values
  - d. Safety program description
  - e. Description of operations (brochures, sensitive operations, etc.)
  - f. Description of claims handling program
  - g. Standard insurance and indemnity clauses
3. Establish time schedule (with assignments)
4. Consider services you want from broker
5. Consider which brokers to approach
6. Consider which selection process to use
7. Consider which coverages to be bid (if any)

Exhibit 3  
Page 2 of 2

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## Broker Services

### 1. Marketing:

- a. Selecting insurers most suitable for risk
- b. Deciding how to structure offering to insurers
- c. Access to special coverages or programs
- d. Negotiating coverage and price with underwriters
- e. Maintaining insurer relations
- f. Evaluating new exposures and adding coverage, as needed
- g. Handling mid-year coverage disruptions

## Broker Services

### 2. Servicing insurance policies:

- a. Issuing certificates of insurance
- b. Verifying rates and premiums
- c. Checking policy wording and accuracy
- d. Answering coverage questions
- e. Attending meetings with the client, customers or others
- f. Assisting with claims
- g. Checking payroll audits
- h. Checking unit statistical reports
- i. Checking experience modification worksheets
- j. Dealing with OCIPs

## Broker Services

### 3. Other functions:

- a. Answering questions regarding insurance and indemnity clauses in contracts
- b. Loss control advice
- c. Developing special policy wording
- d. Auditing claims handling
- e. Actuarial studies
- f. Assistance with property valuations
- g. Special studies

Exhibit 4  
Page 3 of 3

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## Broker Selection Methods

### 1. Work with current broker:

- a. Current broker will place renewal
- b. You work with broker to prepare coverage specifications
- c. Broker canvases markets on your behalf
- d. Broker must manage markets
- e. Broker works toward established goals

### 2. Assignment:

- a. You evaluate qualifications and marketing approaches of several brokers
- b. You select one broker to obtain quotations
- c. You work with broker to prepare coverage specifications
- d. Broker canvasses markets on your behalf
- e. Broker must manage markets

Exhibit 5  
Page 1 of 2

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## Broker Selection Methods

### 3. Restricted bidding:

- a. You evaluate qualifications and marketing approaches of several brokers
- b. You select two or three brokers to quote
- c. You must prepare **bid** specifications
- d. You must coordinate brokers to ensure best use of markets

### 4. Wide-open bidding:

- a. All interested brokers allowed to quote
- b. May advertise the offering
- c. You must carefully prepare **bid** specifications
- d. This process disrupts markets
- e. This approach is unlikely to provide best results (and could be a disaster)

## Broker Selection Steps

1. Understand your coverage and service needs
2. Consider:
  - Large national firm vs. regional firm
  - One broker vs. two brokers
3. Consider how well your current broker has performed. If you conclude you want to:
  - a. Involve other brokers, move to no. 4
  - b. Work with current broker, move to no. 6
4. Evaluate qualifications and approaches of several brokers
5. Interview brokerage personnel
6. Evaluate proposed fees/commissions
7. Consider broker performance measures

# Request for Qualifications and Conceptual Proposals

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A	Summary of Current Insurance	
B	Summary Exposure Data	
C	Summary Loss Data	

## XYZ Construction

### Insurance Company Requests 2006 Renewal

Name of Insurer	Name of Insurer Group	Name of Surplus Lines Broker or Managing General Agent	Individual Insurer Current A.M. Best's Rating	Admitted in Texas ("Yes" or "No")
<b>Workers Compensation</b>				
1.				
2.				
3.				
4.				
<b>General Liability Insurance</b>				
1.				
2.				
3.				
4.				
<b>Automobile Liability</b>				
1.				
2.				
3.				
4.				

*Add more pages as needed.*

## Use of Insurers

1. Understand all organizations involved in your insurance placement:
  - a. "Retail" broker
  - b. Surplus lines broker
  - c. Managing general agent
  - d. Insurer
  - e. Reinsurance broker
  - f. Reinsurer
  - g. Association pool and service firm
2. Eliminate unnecessary intermediaries
3. Check financial rating and service reputation

Exhibit 8

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## Proposal Score Sheet

Issue/Question (1)	Score (0 to 5) (2)	Weight (1 to 3) (3)	Weighted Score ((2) x (3)) (4)	Comments (5)
Marketing approach		3		
New ideas presented		2		
Qualifications of account manager				
Loss control services		2		
Claims control services		2		
Policy review		1		
Certificate issuance		2		
...				
...				
...				
<b>Total</b>				

Exhibit 9

16

## Renewal Specifications

1. Describe the renewal process and schedule
2. Describe coverages and options to quote
3. Present detailed loss and exposure data
3. Require specimen documents
4. Present your company in the best possible way
5. Provide data underwriters need to evaluate and price your risk

You must:

- Be complete
- Be truthful
- Be creative
- Be careful

Exhibit 10

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## Analyze Quotations

1. Policies issued to contractors are not standard:
  - "Contractor" endorsements
  - Umbrellas
2. Carefully analyze and compare:
 

<ul style="list-style-type: none"> <li>- Insuring agreements</li> <li>- Exclusions</li> <li>- Conditions</li> <li>- Named insureds</li> <li>- Rates and premiums</li> <li>- Minimum premiums</li> <li>- Maximum premiums</li> </ul>	<ul style="list-style-type: none"> <li>- Audit adjustments/terms</li> <li>- Limits and sublimits</li> <li>- Deductibles/SIRs</li> <li>- Insurer ratings</li> <li>- Service arrangements</li> <li>- Certificate issuance</li> </ul>
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3. Prepare comparison spreadsheets
4. Be sure you fully understand how and when premiums will be adjusted if they are not flat charges
5. Be sure broker compensation is included in the costs compared
6. Ask questions

Exhibit 11

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## Negotiate Improvements

1. Few quotations are presented on a take-it-or-leave-it basis
2. Few quotations fully answer all questions in the specifications
3. Consider in advance:
  - Which portions of a quotation an insurer is likely to negotiate
  - Where price reductions come from (broker, insurer, reinsurer, etc.)
  - Best way to obtain what you want

Exhibit 12

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## Roadblocks and What to Do

1. Market blocking
2. Can't get loss data from carriers
3. Can't get loss data from OCIP
4. Can't get specimen renewal policies
5. Quotes (or revised quotes) received after deadline

Exhibit 13

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## Bio for Steven P. Kahn

**Steven P. Kahn, CPCU, ARM**, is a Managing Director of ARM Tech, an Aon Company providing risk management and actuarial consulting services to individual clients and association pools. The firm is headquartered in Lake Forest (Los Angeles), California.

Mr. Kahn holds the CPCU and ARM designations and an MBA in risk management. He is past President of the Orange County CPCU Chapter, past President of the Risk Management Research Council and Editor of *Practical Risk Management*.

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Exhibit 14

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