

June 26, 2019

Stacey Barnier
Director Human Resources and Risk Management
San Bernardino County Employee Retirement Association
348 W. Hospitality Lane, Third Floor
San Bernardino, CA 92415-0014

VIA EMAIL

Proposal to Provide Risk Management Consulting Services 12-Month Plan

OUR UNDERSTANDING OF THE SITUATION

SBCERA seeks an independent risk management consulting firm to assist in developing, implementing and overseeing an objective and competitive request for proposal (RFP) process for commercial insurance broker services and insurance. In addition, SBCERA seeks, over the next 12-months, assistance with addressing/implementing numerous other corrective changes to insurance and risk management policy and procedures and to conduct further risk assessment activities.

SBCERA believes such activities are needed to:

- Ensure that the cost and scope of needed insurance protection is reflective of competitive market conditions
- Ensure due diligence in seeking optimum insurance protection for SBCERA and its members
- Establish needed policy and procedure guidelines to ensure conformance with established risk and insurance best practices
- Improve the performance of insurance broker services

ABOUT CONSULTANT

G2 Risk Consulting (G2Risk) is a highly experienced, nationally recognized management consulting firm specializing in insurance and risk management. We have served Fortune 500 corporations, nonprofit agencies and major governmental entities throughout the United States, as well as hundreds of medium and small firms and political subdivisions. A few of the firms we have performed similar work for, described in this proposal, include:

- Monterey Bay Aquarium Foundation
- Las Vegas Monorail
- State of Montana
- Tiger Woods Foundation
- CalPERS
- Southeast Alaska Power Agency (SEAPA)
- State of Alaska
- Alaska Electric Light & Power
- City and County of Los Angeles

- City and County of San Francisco
- San Francisco International Airport
- Golden Gate Bridge Transportation District
- Long Beach Mega-Terminal
- San Diego Housing Commission
- King County Housing Authority
- Irvine Ranch Water District

To maintain complete independence:

1. G2Risk is compensated by and has direct responsibility only to the clients for whom work is performed. No assignments are undertaken which would impair our independence and objectivity. We neither sell insurance nor participate in commissions.
2. G2Risk is not owned by, nor does G2Risk own an interest in, any insurance, agent, broker, claim administrator or other entity whose services may be the subject of our analysis.
3. G2Risk revenues are derived solely from its consulting activities and the publication of these nationally recognized resources by our parent organization, Griffin Communications, Inc. (GCI). GCI produces and publishes specialized and nationally recognized publications dealing with risk and insurance. Titles have included:
 - *Excess and Umbrella Liability Coverage for Utilities*
 - *The Umbrella Book* (a technical guide to excess and umbrella liability insurance)
 - *The Attorney's Umbrella Book* (a technical guide to excess and umbrella liability insurance)
 - *The D&O Book: A Comparison Guide to Directors & Officers Liability Insurance Policies*
 - *The Risk Management Letter* (a journal of articles, white papers and reports on risk and insurance)
 - *The EPL Book: The Practical Guide to Employment Practices Liability and Insurance*

G2Risk value-added service is to provide technical resources and objective independent viewpoints to supplement internal staff skills. As experienced consultants and problem-solvers, our people know how to find practical, expedient solutions to client risk problems. As former risk managers, brokers, and insurance professionals, we know how to manage vendor relationships to obtain the most value for contracted services. As publishers, lecturers and expert witnesses, we keep our technical skills sharp and current.

We respect the confidentiality of client information. While our wide experience with many organizations helps us to render competent service to every client, we will not divulge any specific client information without that client's consent. No information or reports are released to others without the express written consent of the client.

SCOPE OF WORK

To achieve results, we propose the following activities:

A. Insurance Bidding and Broker Selection RFP Process

1. Prepare a plan of action for implementing and overseeing an RFP process for insurance and related insurance broker services to be effective with the 07/01/2020 policy year. Such plan will include synchronizing all insurance policy periods to a common date.

2. Compile underwriting specifications and develop a request for competitive proposal (RFP) to provide insurance and related services to SBCERA Insurance specifications will be based on available loss and exposure data, findings from our previous work with Four Dam Pool and review of insurance policies or other documents evidencing coverage and loss exposures. The specifications will include:
 - a. Minimum servicing requirements for the successful proposer
 - b. Conditions and instructions for compliance with the terms of the bidding process
 - c. Type, limits and special extensions or conditions of insurance coverage
 - d. Underwriting information, including loss and exposure data
3. Submit RFP to SBCERA for their approval.
4. Deliver RFP to brokers, answer broker questions and provide additional information as needed.
5. Receive complete proposals (or declinations from insurers declining to participate), analyze and evaluate proposals.
6. Prepare a comparison matrix of proposals for SBCERA management review. Identify the merits and weaknesses of each proposal and formulate follow up questions.
7. Conduct oral interviews of selected brokers as needed.
8. Provide SBCERA with a written summary of findings from review of written proposals and oral interview. Select the preferred proposal and advise management on conditions, modifications or other changes that should be negotiated with the proposer.
9. Adjustments, as necessary, to insurance broker services agreement.
10. Once the best insurance program has been selected, SBCERA will issue binding instructions to the successful proposer.
11. Review binders of insurance and later review the actual policies to assure that coverage is issued as proposed.

B. Complete Additional Risk Assessment

1. Additional internal and external interviews and analysis of the following functions to identify and quantify risk:
 - Information Technology (cyber exposures)
 - Investment
 - Legal
 - County of San Bernardino Risk Management staff (including review of any inter agency agreement related to risk and insurance)
 - American Property Advisors and other property advisors, if any.
2. Analysis of Insurance Requirements in Contracts. Risk transfer through indemnification and hold harmless provisions in contracts/leases and minimum insurance requirements in contracts is a vital element of risk management. We propose to review a sampling of up to 5 contracts/leases to determine:
 - whether such contracts contain appropriate insurance requirements
 - How and whether such verification is documented and,
 - whether changes are needed to improve protections or

3. We will conduct a further analysis and assessment of appropriate limits/deductible/retentions for key coverages and provide a written justification for changes if needed.

C. Ongoing Support

We propose to provide ongoing support including the following

1. Work with SBCERA to develop a Risk Management Policy Statement. Such statement establishes a formal position as to insurable exposures to loss, minimum appropriate limits, capacity to retain risk without insurance, risk transfer and risk avoidance.
2. We will review the SBCERA employee manual and address any risk management/insurance related issues and any corrective measures as appropriate.
3. Review renewal insurance policy documents for accuracy when issued and note any corrections needed
4. Attend meeting/on-call consulting as needed

COST

We charge for professional services on an hourly fee basis as time is expended on the project. In addition, out-of-pocket expenses for travel, telephone, report production, etc. are billed at our cost.

For the scope of work described by this proposal and based on our understanding of the situation, we estimate professional fees, including out-of-pocket expenses will not exceed \$19,000 over the next 12 months:

Scope of work A \$10,000.00

Scope of Work B \$ 5,000.00

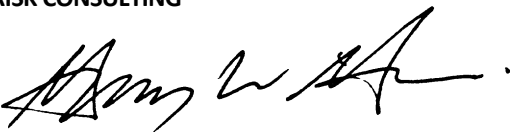
Scope of work C \$ 4,000.00

During the engagement, invoices will be presented to you monthly. We offer a 2% discount for all invoices paid within 15 days. Refer to the appended *Standard Conditions and Rate Schedule for Professional Services*, which is incorporated into and made a part of this proposal.

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We appreciate the opportunity to present this proposal and look forward to working with you.

G2 RISK CONSULTING

By 

Gary W. Griffin, ARM
President

STANDARD CONDITIONS AND RATE SCHEDULE FOR PROFESSIONAL SERVICES

FEES If G2 Risk Consulting (G2RISK) performs services for a fixed fee, the Client agrees to pay fees as set forth in the proposal, letter of engagement or contract submitted by G2RISK. If services are performed on a time-and-expense basis, the Client agrees to pay G2RISK in accordance with the following schedule of charges:

Professional Staff Rates

<i>Classification</i>	<i>Hourly Rates</i>	<i>Direct Expenses</i>
Principal/Officer.....	\$200	Expenses that are directly attributable to the performance of the work, such as travel and subsistence, long-distance communications, outside computer services, and sub-contracts not included professional staff rates or purchase orders covering special goods or services, shall be billed at actual cost. Photocopies will be billed at \$0.20 per copy.
Senior Consultant	\$200	
Consultant.....	\$150	
Actuary	\$400	
Technical Staff.....	\$150	
Clerical Staff.....	\$75	

The above hourly rates include salary cost, general and administrative expense, overhead, and profit. These rates shall be increased by 50% for time spent in court as an expert witness or in giving legal depositions or responding to subpoenas. G2RISK may increase its hourly rates from time to time upon not less than 30 days written notice to the Client.

INVOICES Invoices for services and expenses will be submitted no later than on a monthly basis or when the work is completed, at our option. Invoices will be due immediately and are past due 15 days from date of invoice. A finance charge of 1.5% per month, or the maximum rate allowed by law, will be charged on past-due accounts. In addition, if accounts become past due, G2RISK shall have the right to suspend or discontinue its work or to terminate its engagement, all without any liability to Client. If suit is filed for non-payment, Client shall pay to G2RISK its reasonable attorneys' fees, to be set by the court, and other costs incurred in collecting any delinquent account, whether in such suit, any appeals, any bankruptcy proceedings or any enforcement of judgment proceedings, and such amount shall be added to and included in any judgment in favor of G2RISK. The laws of the State of California shall govern any contract between G2RISK and Client and the work to be performed by G2RISK thereunder.

**RELATIONSHIP
BETWEEN CLIENT
AND G2RISK.** G2RISK is retained by the Client to investigate and to consult with the Client regarding the project described in the attached proposal, engagement letter or contract. G2RISK's services are for the benefit of the Client, but the extent of those services is limited by the funds made available for such purposes by the Client. The Client agrees that, due to the practical economic limitations Client may impose on the scope of the investigation, factors that might have affected some of G2RISK's decisions, conclusions and recommendations may remain undiscovered. Therefore, it is the Client that controls the degree of risk Client is willing to assume, by determining the scope of work and budget Client authorizes for this project.

In performing the professional services as requested by Client, G2RISK is not providing legal advice or services. Legal advice regarding the professional assignment of G2RISK's work must be obtained through Client's attorney. G2RISK is an independent contractor and is not an agent of Client.

No partnership, joint venture or relationship other than that of an independent contractor is created by any contract or agreement between G2RISK and Client for G2RISK's services.

The material contained in any report submitted by G2RISK is based on information provided by Client and by subsequent work deemed necessary by G2RISK and approved by Client.

In performing professional services, G2RISK and its professional staff will use that degree of skill and care ordinarily exercised, under similar circumstances, by reputable members of the risk management consulting profession in the same or a similar locality as Client's facility, subject to the scope of work and budget authorized by Client.

The work product of G2RISK under this contract shall be confidential and is intended only for Client's use. There are no third-party beneficiaries of this contract. The Client shall not use or disseminate or permit any other person to use or rely upon the work performed by G2RISK, or any reports or recommendations that result therefrom, without first obtaining G2RISK's prior written consent which such consent may be granted or denied in G2RISK's sole discretion.

LIABILITY

The Client expressly agrees to limit G2RISK's liability (including all legal costs and expenses incurred) to the Client and to all third parties on the project arising out of G2RISK's professional acts, errors or omissions, such that the total aggregate liability of G2RISK shall not exceed G2RISK's total fee for professional services rendered on this project.

G2RISK and its professional staff will not be liable in any way for loss, damage or legal costs and expenses attributable in whole or in part: (1) to the failure of Client to provide pertinent, relevant, necessary or accurate information or to allow G2RISK to perform services or inspections deemed necessary by G2RISK and/or (2) arising out of the acts, omissions or failures of a third party, including but not limited to subcontractors other than subcontractors retained by G2RISK, and others working on the same project as G2RISK. Client agrees to indemnify and defend G2RISK and to hold G2RISK harmless (including paying for attorney's fees and legal costs and expenses as they are incurred) from and against all claims, demands, damages, loss, cost, expense or liability arising out of or relating to this contract or the performance of work on this project, except for those which arise out of or are caused by the sole negligence or misconduct of G2RISK or its employees.