



Fort Bend County Toll Road Authority

Risk Management Consulting Proposal

December 1, 2012

**Cardinal Risk Management Alternatives, Inc.
1755 North Collins, Suite 220
Richardson, Texas 75080**

**(214) 365-0055
(214) 365-0077 fax
www.cardinalriskmanagement.com**

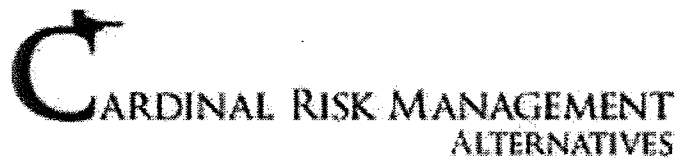


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Introduction

We appreciate the opportunity to present our proposal to the Fort Bend County Toll Road Authority (FBCTRA) for our risk management assessment and consulting services.

Cardinal is prepared to provide the risk management expertise necessary to provide a review of your corporate insurance and risk management program. We understand our assignment is to evaluate, educate and recommend the optimum course of action and to provide advice and direction for your risk management function.

Our overall goal will be to assist FBCTRA by recommending methods to reduce program costs and maximize coverage without accepting undue additional risk.

Scope of Services

- A. Review and analyze insurable risks arising from various operational and business activities, including interviews with Board Insurance Committee members, Independent Contractors, and legal advisors
- B. Review your risk management and insurance program to determine:
 - Are the business risks being recognized and appropriately handled by the risk management and insurance program?
 - Are there any gaps or overlaps in the insurance coverages?
 - Are deductible and self-retention levels optimized and appropriate?
 - Have exposures to Pollution Liability been recognized and addressed?
 - Are there any non-insurance means of addressing the risks?
 - Are unnecessary insurance coverages being purchased?
 - Are the insurance provisions of your contracts with suppliers, contractors, vendors and customers consistent and to FBCTRA's benefit?

- Have your direct and contingent exposures to Business Interruption and Extra Expense been recognized and addressed effectively?

C. Cardinal will prepare a report that will:

- delineate the hierarchy of insurable risks
- address the selection of limit and retention/self-insurance levels
- offer recommendations for cost effective methods to reduce or eliminate any deficiencies found in or between the above items.

Timeframe - January through March, 2013

Note: Our September 18, 2012 review of FBCTRA's insurance policies was limited to reviewing their insurance policies. By necessity, we also did limited risk assessment where we saw some obvious issues (flood, I.C. issues, uncovered areas in the Crime policy, etc.). We did not consider the insured and uninsured risks FBCTRA faces as an entity such as construction risks, pollution liability exposures, business interruption protection, and many others. This will be the top priority and focus of our review.

Proposed Service Fee

Phase 1 - Risk Management Assessment and Report: \$3,500

The fee for is payable 50% at the outset, and the remainder due 45 days from the delivery of our report. The fees include all of our expenses including a one day trip to the Houston area. Expenses for additional travel, if requested, will be accounted for and billed separately.

After you have an opportunity to review, we can discuss implementation and answer any questions you may have. We look forward to working again with FBCTRA.

Future Consideration - Phase 2

Cardinal will manage a competition to assist FBCTRA in the selection of their agent(s) and provide the necessary expertise to oversee the 2013 property, casualty, and financial insurance renewals by:

- ❖ Acting as liaison with agents, provide additional information as requested, and answer their questions as they arise
- ❖ Assisting in preparing RFP and establishing selection criteria, weighting options and grading matrix (see Appendices B and C)
- ❖ Conducting agent interviews as necessary
- ❖ Evaluating proposals from agents
- ❖ Recommending courses of action
- ❖ Assisting with renewal marketing and implementation as requested
- ❖ Providing quality control reviews of renewal binders and policies

Timeframe - Assuming all insurance policies and bonds will be extended to expire concurrently on September 30, 2013 to coincide with FBCTRA's fiscal year, we suggest a timeline that allows ample time to assess all proposals and select the agent that can most effectively market and service the insurance programs:

- June 1 - Begin gathering information for agent selection RFP
- July 1 - RFP invitations sent to selected agents (4 maximum)
- July 22 - Target date for receiving proposals
- July 28 - Agent interviews (as necessary)
- July 30 - Proposals graded with recommendations
- July 31 - Agents notified of selection decision

Once your agent(s) is selected, we will oversee the marketing of your September 30, 2013 renewals with a suggested timeline of:

- August 1 Agent strategy meeting(s)
- August 5 Renewal marketing begins
- September 2-6 Meetings with underwriters (as necessary)
- September 16 Renewal quotations delivered
- September 23 Renewal programs selected; binding orders given to selected carriers
- September 25 Renewal programs bound; Auto ID cards, Workers Comp certificates, certificates of insurance issued
- September 30 Renewal programs commence
- October 1 - December 1 - Review/analyze binders and policies to assure that coverage and pricing terms are delivered as promised

Using this approach, the selected agent will be free to approach the entire insurance marketplace on your behalf eight weeks before the renewal date which

allows ample time to manage the process. Under direction from the appropriate party, Cardinal can work directly with the agents on your behalf throughout the selection and marketing process.

We will be available to consult with you throughout this process without time restrictions.

Proposed Service Fee

Phase 2 - Broker Selection & Renewal Oversight : \$4,000

The fee for is payable 50% at the outset, and the remainder due 45 days from the selection of your agent(s). The fees include of all of our expenses including a one day trip to the Houston area. Expenses for additional travel, if requested, will be accounted for and billed separately.

Appendix A

Information Request for Risk Management & Insurance Review:

- ✓ Contact information for personnel to be interviewed
- ✓ Updated Schedule of Insurance from existing agents
- ✓ Major Construction Contracts

Appendix B

Broker Capabilities Questionnaire (DRAFT)

Background

- Name of your company, website and address
- Pertinent information you think we should know about your firm.

Account Management

- If your firm were selected, how would you propose to service these accounts?
- What are the professional qualifications and educational background of your service team?
- List three of your clients similar to the Toll Road Authorities, and the length of your relationship. Please provide a contact name and telephone number for each that we can contact as references.
- Provide an example of a time when your relationship with a client was in jeopardy, and the steps you took to remedy the situation.
- Identify a former client that has discontinued using your services within the past year and the reason for ending the relationship. May we contact them? If so, please provide contact data.
- What can/will you do to minimize the long-term cost of risk?
- How do you propose that we handle any current open claims in the event of a change of agent?
- What is the annual remuneration you propose for handling our these account and how is this determined? Is this your total amount of annual remuneration for this business?
- Are you willing to put a portion of your income "at risk"? If so, please describe your process.
- Do you carry at least \$10,000,000 of professional errors and omissions liability insurance?

- Will you provide certificates of insurance if requested?
- Will you employ a Client Service Agreement that limits or caps your liability? If yes, what is the limitation?

Insurance Marketing Services

- Describe your insurance marketing capabilities, and give details how you will implement them on these accounts.
- Describe your access to the excess or surplus lines markets.
- What is your opinion of the great challenge facing our insurance programs, and how to you propose solving it?
- What other exposures do you find unique to Toll Road Authorities, and what is your method of addressing them?
- What can we expect from the insurance marketplace over the next three to five years in terms of coverage availability and pricing?
- What can you do today to prepare us for future market conditions?
- Describe the process that you use for evaluating the financial security of markets that you use for your clients. What are your rating standards? If those standards are not met, will you require a disclaimer letter?

Risk Management and Loss Control

- Will you provide an annual stewardship report, including a complete accounting of fees/commissions earned, cumulative premium and loss records, observations on relevant changes in the insurance market, risk control activities, insurance policy summaries, status of prior years' goals, and goals for the coming year?
- Describe how you would provide the following services/information:
 - claim support services
 - loss runs
 - optimum deductible / risk benefit analyses
 - windstorm forecasting / modeling
 - maximum foreseeable loss and probable maximum loss estimates
 - loss prevention services
 - property valuation services

Appendix C

SAMPLE 1 - BROKER SERVICE GRADING MATRIX

10 point (**unweighted**) scale

<u>Broker</u>	<u>Tech./ Staff</u>	<u>References/ Clients</u>	<u>Creativity/ Urgency</u>	<u>Trust Factor</u>	<u>Price</u>	<u>Total</u>
Higginbotham	_____	_____	_____	_____	_____	_____

Other considerations:

- Price: \$_____ avg. 3 years
- Private
- 7th largest in DFW
-
-

McGriff	_____	_____	_____	_____	_____	_____
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Other considerations:

- Price: \$_____ avg. 3 years
- Public (owned by BB&T bank)
- 8th largest in world (#6 in DFW)
-
-
-

MHBT (McQueary)	_____	_____	_____	_____	_____	_____
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Other considerations:

- Price: \$_____ avg. 3 years
- Private
- 3rd largest in DFW-area
-
-
-

Willis	_____	_____	_____	_____	_____	_____
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Other considerations:

- Price: \$_____ avg. 3 years
- public
- 3rd largest in world
-

SAMPLE 2 - BROKER SERVICE GRADING MATRIX

4-3-2-1 Heirarchy (unweighted) scale

<u>Broker</u>	<u>Price</u>	<u>Staff</u>	<u>References/ Clients</u>	<u>Creative/ Urgency</u>	<u>Goodman Tech.</u>	<u>Exp.</u>	<u>Total</u>
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Agent A	1	3	3	4	3	2	16
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\$ 95m avg. 3 years

Other considerations: public bank-owned
banking relationship
personally delivered Friday morning
appendix includes data warehousing forms
collaborative – asked questions, created discussion
significant telecom experience locally
does not accept contingent income

Agent B	4	2	2	2	1	4	15
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\$ 54m avg. 3 years (plus some additional charges)

Other considerations: public (2nd largest – claiming #1)
only non-local entry (down-graded “urgency” category)
additional charge for certificate tracking
performance history with Company X
heavy emphasis on E&O – good resource locally
did not seek client input until the end of presentation
does not accept contingent income

Agent C	2	4	4	3	2	3	18
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\$ 87m avg. 3 years (50% “at risk” at your discretion)

Other considerations: private / family-owned (9th largest)
largest DFW-area broker
excellent team background
personally delivered Friday morning
significant telecom experience locally
accepts contingent income, but not on fee clients

Agent D	3	1	1	1	4	1	11
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\$ 64m avg. 3 years

Other considerations: public (3rd largest)
performed coverage review last year
not much local telecom activity
good team background
Company X would be important client in local office
does not accept contingent income

Appendix D

About Cardinal Risk Management Alternatives

Cardinal is an independent risk management consulting firm staffed with seasoned professionals, each with over twenty years experience in corporate

risk management, insurance brokerage and consulting. We exist solely on our objectivity and breadth of experience.

We only employ individuals with the highest integrity and having a reputation for treating all client data with confidentiality. Further information is available on our website at www.cardinalriskmanagement.com

Biographies



Robert Duty ARM, P.E., CSP

Cardinal Risk Management Alternatives - Founder and Principal
1994 – Present

Responsible for the delivery of consulting resources to clients in manufacturing, hotel, real estate, construction, and high technology. Specializes in risk identification, loss prevention, risk management program design and claims management.

Greyhound Lines, Inc. - Dallas, Texas

Senior Vice President, Customer Operations 1992 - 1994

Vice President, Human Resources 1990 - 1992

Vice President, Risk Management and Safety 1989 - 1990

Blount Construction, Inc. - Montgomery, Alabama

Corporate Director of Risk Management 1984 - 1989

\$1B sales construction, engineering and manufacturing company.

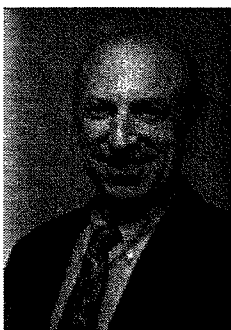
Hyatt Corporation - Chicago, Illinois

Assistant Vice President, Risk Management 1978 - 1984

\$1B sales hotel, gaming, real estate, and investment company.

B.S. in Engineering, *Lamar University*

Masters in Safety Engineering, *Texas A&M University*



**Thomas C. Bonow, Senior
Consultant**

Cardinal Risk Management Alternatives – Dallas, Texas

Senior Consultant 1997 - Present

Provides consulting services to major clients in Real Estate, Healthcare, Energy, and Public Entities.

Marsh & McLennan, Inc. – Dallas, Texas

Senior Vice President 1976-1997

Served as marketing manager, deputy office manager, southwest area sales director, and account executive specializing in Real Estate, Municipalities, Utility, and Banking industries.

Marsh & McLennan, Inc. - New York, New York

Vice President 1969-1976

B.A. in Sociology, Gettysburg College, PA

Masters in Neuro-Linguistics, Dallas NLP Institute, TX



Ruth Roberson, ARM

Cardinal Risk Management Alternatives – Dallas, Texas

Consultant 2004 – Present

Provides consulting services to major clients in Technology and Real Estate.

NCH Corporation – Irving, Texas

Risk Manager 1997 – 2002

\$275mil manufacturer and distributor of industrial maintenance products

Hall Financial Group, Inc. – Dallas, Texas

Risk Manager 1984 – 1992
\$2bil real estate management company

Chubb & Son, Inc. – Dallas, Texas

International Regional Manager 1981 – 1984
International insurance company

B.A. in Elementary Education, Western Michigan University



Carolyn Ellis, CPCU

Cardinal Risk Management Alternatives – Dallas, Texas

Consultant 2006 – Present
Provides consulting services to major clients in Technology, Real Estate and Mortgage Lending.

Palmer & Cay (now Wells Fargo) Insurance Agency – Dallas, Texas

Commercial Account Manager 2000 - 2006
Insurance brokerage firm

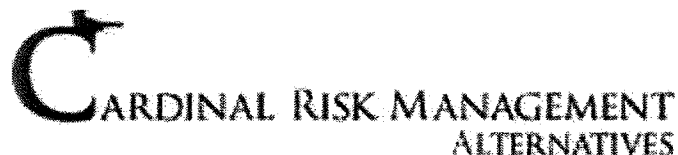
AMRESKO, Inc. – Dallas, Texas

Risk Manager 1992 - 2000
Property Asset Management company

Republic National Bank – Dallas, Texas

Insurance Administrator 1974 – 1992
Financial institution

B.B.A in Office Management, Texas A&M University



Client List

Affiliated Computer Services

Amegy Bank, Commercial Real Estate Lending Group, Dallas

American Campus Communities, Austin

CB Richard Ellis (formerly Trammell Crow Company), New York City

Clearwire Corporation, Seattle

Collin County Community College District

Comerica Bank, Commercial Real Estate Group, Austin

Dallas County Community College District

Episcopal Diocese of Dallas

Fannie Mae Mortgage Services, Dallas

Jackson-Shaw Development, Dallas

John Peter Smith Hospital, Fort Worth

Newland Communities, San Diego

Parkland Health System, Dallas

Rmax, Inc., Dallas

Societe Generale – U.S. Real Estate Group, New York City/Dallas

Texas Municipal Power Agency (TMPA), Bryan/College Station