

**COMMITTEE ON PERSONNEL/INSURANCE  
(PC 5-97)**

**June 3, 1997**

**5:45 PM**

Chairman Reiniger called the meeting to order.

The Clerk called the roll.

**Present:** Aldermen Reiniger, Cashin, Robert  
Alderman Hirschmann arrived late.

**Absent:** Alderman Domaingue

**Messrs.:** Solicitor Clark, Richard Ferdinando, Harry Ntapalis, John Dickey

**TABLED ITEM**

On motion of Alderman Robert, duly seconded by Alderman Cashin, it was voted to remove the following item from the table for discussion.

Communication from Alderman Wihby recommending that the City undertake a bidding process relative to property and liability insurance.  
(Tabled 4/1/97)

Chairman Reiniger stated the last time we met, we were talking about this communication from Alderman Wihby recommending that the City undertake a bidding process relative to property and liability insurance and I understand from talking to Harry that I pass this on to Mr. Ferdinando that since we will be going out to bid in a year the procedure will start in six months.

Mr. Ntapalis stated actually in January.

Alderman Robert stated why don't we do it then.

Mr. Ntapalis stated unless something changes with the Procurement Code like controlling the standard practice of agent prequalification, Mr. Ferdinando certainly has always been part of, we would hope he would participate in and then the bids for all of our commercially-insured which includes the ski area would be up for grabs.

Alderman Robert stated I think what Mr. Ferdinando is asking us to do is just do away with the process that Harry is talking about and just bid. I guess my question to the Committee would be, are we comfortable with that process or do we want to see a change in that process because it has come up from time-to-time and I think we've got to either reaffirm the process or we have to change it. I'd be willing to look at an alternative process, we've got to look at getting the best deal for the City. Now, the process that Harry uses is not a good process, let's find a new one. Or, on the other hand, if we think that what Harry is doing is okay, let's follow the process and bid next year. I essentially see those as the alternatives to where we're at.

Chairman Reiniger stated I have spoken to Harry and conveyed this to Mr. Ferdinando that the plan is to go out to bid in less than a year and start the process in about six months.

Mr. Ntapalis stated January would be the time we would start pre-qualifying and by the end of February the RFP's are designed and we allow two to three months for the bidders to present us with quotations. By the end of April or the beginning of May on all of our commercial insurance. There isn't a lot that is still out there commercially-insured, but we put a package together which includes bonds and the ski area, boiler machinery and so forth.

Chairman Reiniger stated Alderman Robert phrased the question of open bidding versus pre-qualified bidding and whether there are advantages to the City and savings. Now, the other issue is would that require a change in policy.

Mr. Ntapalis stated it certainly would require a Board change to do all of that. I wouldn't recommend it. I just want to be upfront with you on that as the Risk Manager. Our legal advisors as well would not recommend deviating from broker pre-qualification and control, market assignments, etc. It is designed and was put into place...

Alderman Hirschmann asked how often are you going to do pre-qualifications. You did that process, now that's an old process with old pre-qualifications. So, you're going to open it up with this RFP and do it again.

Mr. Ntapalis replied yes to new brokers and agents. We wouldn't be putting out the RFP with the current, this gentleman now represents our property carrier, he is the broker with Signa and he would compete just like Mr. Ferdinando to be a pre-qualified broker as well as anyone in the community.

Alderman Hirschmann asked so in the future that will all happen again.

Mr. Ntapalis replied right. A lot of time with changes in brokers, you may get three different brokers. We usually don't go beyond three brokers so as to not saturate the market.

Mr. Ferdinando stated I think what has happened here and I think Harry inherited the system that has really become archaic. What he does and he doesn't understand is that by saying you only have three agents and right now there's The Insurance Exchange which has had policies for the last 10 or 12 years, since Harry's been on board. In other words, the system the way it is set up right now deters another agency whether it be our agency or some other agency down the street, the guy across the street, any other agent from going out and getting one of those two thousand carriers to put proposals on the City to help the City, he's not allowed to do that because the system is set up where they have a pre-qualification and who's qualified. I know that we happen to know more about municipal insurance and have written municipal insurance for longer than most other agencies, but we are not even qualified. What I resent the most is that knowing that even four years ago that I had a carrier that wanted to help save the City some money the carrier...only our agency represented...I put a letter into Harry and we were clearly not allowed to bid on the policies. So, the City paid \$130,000 to \$140,000 for their property insurance that I thought we could have written for maybe \$80,000 for \$40,000 to \$50,000 less, but we couldn't even get a chance to do that and it's not that we are looking for more business, we have more business than we can handle. We are the largest privately-owned insurance business right now. It's a principle here that's wrong and this is what I am trying to get at and hopefully you, members of the Committee will say enough is enough. Whoever wants to help the City out, let's encourage them.

Alderman Robert stated I would be willing to reexamine the process. I saw the process go through once. What I saw I'm comfortable with, but I don't know if there is any other processes or approaches to follow. I'd be willing to look at that. It seems to me it might take some time and we've only got six months left in the term, maybe we can begin the process and the following Committee next year can take it up.

Mr. Ntapalis stated to clarify something that Mr. Ferdinando has mentioned, the broker pre-qualification that we put into place has been around for some time. Dick was a pre-qualified broker for a number of years, he was a successful two or three brokers that we had had. When the processes went through on the last two property insurance processes ago, I think you had mentioned \$130,000 or \$140,000 that was actually before my tenure and the premiums are substantially less now, we're talking about \$80,000 and it's come down again to about \$77,000 on the renewal for the City. So, the \$140,000 was also the tailend of a very hard market and the market has softened considerably over the years and we have availed ourselves of that. I think the question is do we now want to disregard the broker pre-qualification, the process that was highly recommended by insurance consultants and that isn't something that is being recommended by the consultant even to this day.

Chairman Reiniger asked who make the pre-qualification decisions, the consultant or you.

Mr. Ntapalis replied when the pre-qualification and the bid process takes places once every three or four years then the consultant is very much involved with recommendations as to what we do. As far as having an open field of say 20 local agents, the fear has been as I have mentioned to the Committee before, you could saturate, if you looked at specialty coverage, for example, you're going to have so many carriers that are going to bear the kinds of responses that we are looking for and if you have been approached by any number or a great number of agents, it could turn them off. What we try to do is not be restricted to the local people when we open it up and we hope that agencies or the brokers change. In other words if someone has had it for a while that there are three or four others and pretty much get a turn. We don't select...or haven't...it's been our experience beyond I think when Dick lapsed was to open the door for a pre-qualification process and there were about seven local brokers and he came in fourth in a grouping of the three that we selected, if we would have had four, he would have been our fourth broker. We tend to stay with three and again that is our consultant's recommendation and no less than two.

Mr. Ferdinando stated here you have a situation where we were supposedly fourth the last time and we were fourth for what reason. We happen to know more about the City policies than most other agencies, the existing carrier probably right now is the only one who is more familiar with it because they're writing it. The other agencies...for them to make us fourth and not let us bid on the policy, who's to say why are we fourth because the out-of-state consultant that you are paying thousands of dollars for doesn't know anything about what's going on in New Hampshire is guiding you, telling you who is qualified to bid on the policies.

We're not asking for any special recommendations here, we're asking for an opportunity to not only have us, but any other agency that wants to bid on the policies and should be encouraged, not limited by Harry and the consultant it's wrong. It's discriminatory. Nobody else does it like that...Hillsborough County doesn't do it like that, the State of New Hampshire doesn't do it like that, the Town of Derry doesn't do it like that, the Town of Laconia doesn't do it like that and I could go on and on. This is the only place that I know of that has the system.

Chairman Reiniger asked is what we do consistent with what other communities do in the State.

Solicitor Clark replied I don't know how other communities do it. Every community has a different bid law, every community has a different procedure that they go through. Some are self-insured and some buy insurance, some go through the Municipal Fund. Our procedure is one that I think has worked pretty well.

Chairman Reiniger stated there has been some discussion before you came in about maybe looking at ways to either change it, I don't know if it would make sense to refer this to you. Maybe instead of having three pre-qualified maybe have five, I'm not sure what you had in mind, but I'm not sure what the options are either.

Alderman Robert asked aren't you going to use a consultant again in your bid process.

Mr. Ntapolis replied when the bid process takes place that is one of the areas, by ordinance, that it is highly suggested that the consultant's utilize and we've done it since the 70's and it's paid its weight in gold. Whatever few dollars to expend to do things right and to work with someone who will protect the integrity of the City's program. Again, these people aren't out-of-town consultant's who don't know what they're doing, they're one of the top worldwide highly respected international consulting firms you can find and they do this for a living daily. So, we're very fortunate and they have no industry ties whereas the local consultants did. So, we specifically had to defer away from industry ties to get pure consulting advice and it's been to the benefit of the City.

Alderman Robert asked when we go out to bid this time around when you hire the consultant can we not review the process at the same time.

Solicitor Clark replied sure you can. You can do it before you go out.

Alderman Robert asked if we did that, what would it cost.

Mr. Ntapalis stated what you're suggesting Alderman is that before the bid process go through and find out from him if there has been changes or what options could be exercised, say an open market versus maybe adding additional brokers. Sure, that could be done as an update. Cost, I don't have at the top of my head but shouldn't be overly expensive.

Alderman Robert stated I believe I remember from last time that he did make some recommendations based on his experience and his knowledge and insights and I just assumed that was the best way, I'm not an insurance person and I guess I took it on faith. But, maybe if we could compare what we do with what else is possible maybe it might be a good thing.

Mr. Ntapalis stated I did take the opportunity to talk to him since we met last to make sure that I'm not doing anything that's away from the norm. I didn't suggest to him anything, he's the expert and he recommended again not to deviate from the pre-qualification process and controlling market assignments and loss experiences and all kinds of things that we may want to do .limiting the amount of players, not necessarily having the same amount of players for two or three decades, but if you have other individuals. He used the criteria the last time and, Tom, you sat through it on how they were selected. It was punitive that someone couldn't, there would probably be 20 agents, but he didn't feel comfortable in selecting more than three or at least recommending to us to work with more than three when we put things out to the marketplace.

Alderman Robert stated I wouldn't mind reviewing the process.

Chairman Reiniger stated that Alderman Wihby in his letter refers to the Town of Derry and UNH and I have spoken to him about the issues he's raising.

John Dickey of the Insurance Exchange stated I can tell you what Derry did. I represented the Town of Derry for five years or so and then we lost it to the Municipal Association. We had presented a number of proposal from the Great American Insurance Company for three years running to Derry and they took it under advisement and never did anything with it. This last year, we had called them again and we received a call from Manchester Risk Management who was handling the bid and doing market assignments for the Town and Dick was able to get Great American and I was precluded from it. So, that's the way Derry handled it.

Mr. Ferdinando stated you can either make this the most confusing system you have, which is what you have now or make it so simple. Make the policies available for anyone, you don't need and out-of-state consultant that come in and interview local agents whoever they are. First of all, there are no more than five or six agents that are capable or wanting to write municipal insurance for the city of Manchester, but of those that are say six encourage all six of them to do it. You don't have to hire a guy and say which three does he like, which one wears the right tie or has the right name. Anybody who has enough interest to fill out that application, who has enough expertise, has municipal insurance experience should be encourage, Harry, not to be ruled out. If you want to use the bidding system the way it can be effective you don't have to pay a consultant seven or eight thousand dollars to come up here and interview us. The same form is in your records, it just doesn't make any sense.

Chairman Reiniger asked what would the Committee like to do.

Alderman Robert replied I wouldn't mind looking over the process assuming costs wouldn't be excessive as we're going out to bid in a few months anyway. But, at least as far as that is concerned I'd just as soon wait until then.

Alderman Hirschmann asked what is a few months.

Solicitor Clark replied the schedule is a pre-qualification in January and then go out to bid shortly thereafter. The policy, I believe, is for May.

Mr. Ntapolis stated we had to renew it because it had expired.

Alderman Cashin asked, Tom, what do you want to do. Do you want to look at it.

Alderman Robert replied I wouldn't mind looking at the process. I know the process has help save us some money. Now, if there is a better process out there, I'd be interesting in knowing...I don't know what that is. I spoke with the Mayor a few years ago, he's an insurance person and I believe he feels fairly comfortable with the process that we have now. You have to trust somebody at some point.

Alderman Cashin stated he's recommending that we stay the way we are.

Mr. Ntapolis replied he likes the process that is in place. He's been at it longer than I have.

Solicitor Clark stated he's told me he's comfortable with the procedure.

Chairman Reiniger stated we could receive and file the letter.

Alderman Robert stated we have to report out, don't we.

Chairman Reiniger stated we could report out.

Alderman Robert stated I thought that everything that goes into Committee has to go out.

Clerk Johnson stated we can advise them of the action taken and report it out in that manner and would just be advising that you have considered it and received and filed it.

Chairman Reiniger stated we could also advise them too that at the time of the bidding we've invited Mr. Ferdinando to participate and we can also say that we are going to review the pre-qualification procedure at the time.

Solicitor Clark stated we'd be happy to ask the consultant to do that but it would have to be after July because there is no money in this year's budget.

Alderman Robert asked could you give us a cost on that though.

Mr. Ferdinando stated my suggestion would be that Harry could handle this very easily. You don't have to hire the out-of-state consultant to come over here and tell us who can bid on the policies. This is totally unnecessary. Harry, you're more than equipped to do that. You've got the advice of the agent...we've put together Hillsborough County bids, we helped them and it's a much more complicated account than a hospital or a jail or all of the public officials policies and the whole bit. This is not nuclear science. This is a very simple process, it's the easiest policy you have, Harry. You've got the values. Whoever follows up on your ad with your advertising, whoever wants to participate let them all bid on it. If there's ten, let them all bid on it. If you want the lowest price, encourage these guys to do it, don't narrow them down.

Chairman Reiniger stated couldn't we review the pre-qualification procedure with the Committee in December rather than spending money to do it.

Alderman Cashin asked when do you have to go to bid.

Mr. Ntapalis replied in January.

Alderman Cashin stated so that will be with the next Board.

Solicitor Clark stated we can look at the procedure before that. As I told you, we don't have the money now as the budget starts in July...

Alderman Cashin stated, Tom, just for the record. You're recommending that we stay the way we are.

Solicitor Clark replied yes.

Alderman Cashin stated you're recommending we stay as we are, the Mayor is recommending we stay as we are and that is what the consultants say also.

Mr. Ntapalis replied the consultant has been recommending that.

Chairman Reiniger stated for the next round the Committee could discuss, it might be helpful if the Committee discussed the pre-qualification procedure and the criteria and to go over it in December prior to the process noting we probably need a motion for that. Solicitor Clark advised that he would go over the costs, etc. with Harry and get back to the members.

On motion of Alderman Robert, duly seconded by Alderman Hirschmann, it was voted to receive and file the communication, and to advise the Board that the bidding schedule will begin with pre-qualification in January 1998, which Mr. Ferdinando would be invited to participate in.

There being no further business to come before the Committee, on motion of Alderman Cashin, duly seconded by Alderman Robert, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee