Insurance Procurement: RFP vs. RFQ vs. Bids

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Port Administration and Legal Issues Seminar

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Speakers

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Understanding Insurance

- A financial product
- A vital tool to prevent business extinction
- *Not a commodity*
- An insurance policy is not an insurance policy…
- Specific coverages and forms
- Financial stability varies
- Non-Insurance Transfer
Definitions

- Request for Qualifications (RFQ) – A systematic approach to find a broker/agent to represent your entity in the insurance marketplace.
- Request for Proposals (RFP) – A process of assigning markets to agents/brokers in order to procure insurance coverages.
- Bids – A process of advertising the need for insurance on an open market basis.
Methodologies

- Pure Bid
- Assign Markets
- Request for Qualifications
RFQ’s – Pros and Cons

**Pro**
- ID’s Industry Specific Experts
- Comfort in Account Team and Staff
- Expertise in Program Design
- Knowledge of Markets
- Relationship with carriers
- Many More...

**Con**
- Perhaps a little more time consuming initially
RFP’s – Pros and Cons

- **Pro**
  - May appear to be a more level playing field
  - May satisfy purchasing requirements

- **Con**
  - Not really a level playing field
  - May get right broker/agent with wrong market
  - There might not be enough markets to go around
  - May be judged as unfair
Bids – Pros and Cons

Pro
- May *appear* to be a more level playing field
- May satisfy purchasing requirements

Con
- Not really a level playing field
- May get right broker/agent with wrong market
- There might not be enough markets to go around
- May be judged as unfair
- It is not just the cost of insurance
Speakers’ Preferred Method

- Conduct an RFQ to find Agent/Broker
  - If necessary, use a consultant to level the playing field and remove perception of biases.
  - Consider a fee based (or capped commissions) contract with broker/agent?
- Have chosen Broker conduct marketing efforts
  - Broker supplies policy comparisons
  - Broker makes policy recommendations
Considerations

- Transparency in the Transaction
- Industry Expertise
- Availability of Capacity
  - Especially in a Hard Market
  - Property may (will) need multiple insurers
- Access to Global Markets
- Pick your team
Other Discussion

- Lowest Price Buyers
- Market Leverage
- Longevity with Carriers
- Budget Consistencies
- Politics
- Developing Clear and Concise Specifications
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