

**VII. STANDING COMMITTEE****B. Finance and Audit Committee**Appointment of Casualty Insurance Brokers**RECOMMENDED ACTION:**

It is the recommendation of the administration and the Finance and Audit Committee that the Board of Regents appoint as Insurance Broker of Record Parker, Smith & Feek for casualty coverages, effective Jan. 20, 2005 until Dec. 1, 2006 with an option to extend the appointment for an additional five year period, subject to satisfactory performance.

Background:

The University uses insurance brokers to obtain the best possible insurance coverage from worldwide insurance carriers and to consult on risk management and insurance matters. In 1991, the Board appointed Parker, Smith & Feek for builders' risk coverage, followed by a 1996 appointment for property insurance coverage. In 2001, the Board renewed those appointments for a five year period. The services and expertise of the firm have fully satisfied the University's requirements.

During this time, the brokerage firm of Johnson & Higgins, which was acquired by Marsh in 1998, held the appointment for casualty insurance brokerage services. That appointment was scheduled to expire on Dec. 1, 2006 unless the option to extend for an additional five year term was exercised.

The University's lead consultant at Marsh for over 15 years, Herb Van Der Veer, left the company in July, 2004 to join Parker, Smith & Feek. His expertise had contributed significantly to the 2002 formation and subsequent success of Portage Bay Insurance, the University's captive insurance company. For this reason, a competitive search was conducted for casualty brokerage services in the fall of 2004.

Three firms responded to the Request for Proposals, Parker, Smith & Feek, Marsh and AON. All three firms were invited to interviews with a University panel including: from the Office of Risk Management, the Director, Assistant Director and Insurance Coordinator; the Director of Health Sciences Risk Management; the Manager of Marine Operations; and the Senior Associate Treasurer. The interview panel focused not only on casualty insurance brokerage expertise but also on issues of corporate integrity, alignment of interests, compensation arrangements and corporate ownership and governance.

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Parker, Smith & Feek emerged as the most qualified firm. It is a privately owned, regional brokerage firm with offices in Bellevue and Anchorage. Founded in 1937, it currently employs 165 staff. Long recognized for its expertise in construction insurance, it has strategically developed into the real estate, high tech and healthcare insurance areas. Given the University's lengthy experience with the firm, and Mr. Van Der Veer's recent association, the administration is confident that this appointment is both appropriate and timely.