

RON RAKICH & ASSOCIATES, INC.

MANAGEMENT CONSULTANTS
RISK ■ INSURANCE ■ CLAIMS ■ LOSS CONTROL

June 1, 2009

John Rutledge
General Manager
Arrowhead Lake Association
870 N. State Hwy 173
Lake Arrowhead, CA 92352

Proposal for Risk Management Consulting Services – Insurance Broker Selection

Dear John:

Following our discussions, Ron Rakich & Associates, Inc. is pleased to present this proposal for risk management consulting services to Arrowhead Lake Association (ALA).

DEFINITION OF THE ISSUE

ALA desires independent and objective consulting assistance in developing a request for proposals for insurance broker services, evaluating the proposals, implementing a broker services agreement and monitoring the placement of the Association's October 2009 insurance.

Ron Rakich & Associates has assisted many organizations in identifying prospective brokers and analyzing their proposals and in assuring that the organization obtains the best qualified firm to place its insurance program. We are qualified to assist ALA in conducting a broker selection process. This letter is our proposal to provide that service to ALA.

OBJECTIVES

We propose to work with ALA to:

1. Identify the services ALA will require from your insurance representative,
2. Develop a list of qualified brokers,
3. Prepare a request for proposals (RFP) for broker services,
4. Assist in the response to questions for additional information
5. Evaluate the proposals.
6. Participate in the interview process,
7. Provide a recommendation for selection
8. Review the broker services agreement.
9. Monitor the placement of the October 2009 ALA insurance renewal to assure compliance with the requirements and recommend improvements to increase protection or reduce cost where feasible.

SCOPE

The project scope will include all services required to select a broker to provide insurance coverage for all areas of organizational endeavor that we can identify with ALA's help. The study does not cover any form of employee benefits. It is limited to property and casualty coverages.

The project is intended to result in the selection of a broker that will obtain the following coverages for ALA

- General liability
- Auto liability
- Fiduciary liability
- Excess liability
- Directors and officers liability
- Workers' compensation
- Property (including DIC)
- Boiler and machinery
- Business Income
- Crime

PROCESS

To accomplish the objectives defined above, we plan the following activities:

1. Interview ALA executive management to gain a thorough understanding of ALA's broker service requirements.
2. Formulate a concept of a best practices insurance program and identify the opportunities for improvement through the competitive bid process.
3. Create a short-list of brokers and screen out those unqualified or unwilling to serve you.
4. Supervise the compilation of the ALA information needed to prepare the request for proposals.
5. Prepare the request for proposals to be sent to the participating brokers and schedule and facilitate your meetings with them.
6. Prepare objective selection criteria (and score sheets) to use in evaluating the brokers' written and oral proposals.
7. Review the brokers' written insurance proposals and translate their service proposals into an "apples-to-apples" format.
8. Evaluate the services proposed in terms of scope, timeliness, effectiveness and cost. Our review will include evaluation of:
 - a) Broker reporting to ALA
 - b) Broker efforts at marketing the account to insurers to obtain best coverage and price
 - c) Broker services and assistance in establishing values for property, business interruption, and extra expense exposures
 - d) Broker efforts to help identify and measure risks
 - e) Broker compensation
9. Recommend which broker to select.
10. Advise you concerning the steps you must make to assure an orderly transition (if a change is made).
11. Review the new insurance policies (when they are issued) after the broker selection has been made.

CONSULTING STAFF

Gordon Davis will perform the work on this assignment with assistance from Ron Rakich and other associates if needed, although none is anticipated. Copies of our resumes are attached. Resumes for other associates are on our website (www.ronrakich.com).

REFERENCES

A more complete list of assignments is attached to this letter. For specific references for the type of work required by ALA please feel free to contact the following individuals. We would be glad to provide contact information for any of our other past and present clients.

Emerald Bay Service District

600 Emerald Bay
Laguna Beach, CA 92651

Dr. John Fox, Executive Director (949) 494-8571

Ron recently completed an insurance review for this special district that provides water, sewer, runoff management, coastal water quality and environmental management services to the Emerald Bay community. He also reviewed the program for the companion entity, the Community Association.

The J. David Gladstone Institutes

43 Corporate Park, STE 102
Irvine, CA 92606

Richard Hille, Executive Director (949) 660-8955

The Gladstone Institutes consist of three not-for-profit research organizations studying cardiovascular disease, virology/immunology and neurological disease. The Institutes are housed in the recently completed research facility at the Mission Bay campus of the University of California, San Francisco. We assisted the Institutes with risk analysis, audit of their comprehensive insurance program and selection of a new insurance broker.

City of Newport Beach

3300 Newport Beach Boulevard
Newport Beach, CA 92658-8915

Ms. Lauren F. Farley, Risk Manager (949) 644-3302

We completed a benchmarking/qualitative analysis of the City's risk financing procedures. Ron Rakich assisted the City with a number of other projects, including evaluation of insurance coverage proposals, selection of a broker of record and risk analysis.

City of Mission Viejo

25909 Pala, Suite 200
Mission Viejo, California 92691

Ms. Josephine Julian, Deputy Treasurer (949) 470-3059

Ron Rakich has provided risk management consulting services to the City since its formation. A recent project involved evaluation of the best risk-financing alternative for the City.

ARRANGEMENTS FOR OUR SERVICES

We bill consulting fees as time is expended at hourly rate ranging from 175-195. We bill at our cost out-of-pocket expenses for travel, or other extraordinary expenses incurred at the client's request. We invoice monthly. Payment is due in ten days from the date of the invoice.

For the scope of work outlined in this letter, we estimate our fees and expenses will be approximately as follows:

TASK	Rate	Hours	Cost
1. Identify RFP scope and criteria: On-site interviews and visits Compile ALA RFP information (Time includes telephone follow up)	175 175	8 4	1,400 700
2. Prepare RFP Draft Peer review and edits	175 175	10 2	1,750 350
4. Develop broker list Contact with prospective brokers Review results with ALA	175 175	4 2	700 350
5. Conduct RFP process Solicit proposals and respond to broker questions	175	8	1,400
6. Evaluate broker services Review proposals and correspondence Interviews with prospective brokers	175 175	10 8	1,750 1,400
7. Evaluate October 2009 insurance placement Review policies and correspondence Prepare report to ALA	175 175	10 4	1,750 700
TOTAL		70	12,250

This cost estimate assumes that we will encounter no unusual difficulty in contacting involved parties or in obtaining information. It is based on our current understanding of the project scope. It may be amended if that understanding changes. If desired, the scope can be reduced or expanded. We will require a retainer of \$2,500 prior to beginning work on the project.

SCHEDULING

We can complete the broker selection portion of the project within 60 days of ALA acceptance of the proposal. The review of the new October 2009 policies will be made within 30 days of receipt. This schedule assumes no delays beyond our control and that ALA will provide the required materials as requested during the project.



Thank you for the opportunity to present this proposal. We look forward to working with you on this project. Please indicate your acceptance of the scope and objectives by signing and returning a copy of this letter with the retainer.

Sincerely,



Ron Rakich, CPCU, ARM

Principal

Attachments:

Resumes

Assignment list

ACCEPTED

ARROWHEAD LAKE ASSOCIATION

By _____

Title _____

Date _____

Résumé

GORDON DAVIS, ARM-P

Business Experience

MERG Risk Services, LLC, Principal. 1998 to Present

Management consultant to corporations and public entities. Provides administrative and risk management services including analysis of human resource, financial, public safety, recreation and public works operations; risk management program audits; development of loss control procedures; risk transfer, litigation management and safety training programs; broker selection and data analysis.

Los Angeles County Office of Education, Risk Management Officer. 2006 to 2008

Responsible for risk management activities of County Office of Education including liability, property, workers' compensation, safety, investigating and litigating claims, analyzing trends and developing loss control procedures.

Mesa Consolidated Water District, Risk Management Coordinator. 2001 to 2006

Responsible for risk management and human resources activities of Water District including liability, property, workers' compensation safety, emergency preparedness and employee benefits coverages, investigating claims, analyzing trends and developing loss control procedures.

Independent Cities Risk Management Authority, General Manager. 1986 to 1998

Served as first General Manager of the Independent Cities Risk Management Authority (ICRMA), a risk sharing pool with 9,000 employees in thirty full-service cities with a total population of two million. Responsible for management of all activities of Authority including monitoring status of ICRMA programs; managing claims and litigation; conducting risk management audits; developing loss control procedures; providing risk management consulting to member cities; preparing budgets and financial reports; collecting, disbursing and accounting for Authority funds; calculating premiums, assessments and refunds; selecting and supervising employees, actuaries, auditors, brokers, consultants and claims administrators; issuing certificates and endorsements; conducting risk management seminars; publishing newsletters and soliciting new members.

City of Downey, Purchasing Manager/Risk Manager. 1981 to 1986

Directed the activities and supervised employees of the Purchasing Division of the General Services Department encompassing purchasing, print shop, mail service, telephone system and the City risk management function. Served as the City's ICRMA Governing Board Alternate from 1981 to 1986 and as ICRMA Treasurer from 1982 to 1986 performing all accounting for ICRMA.

Education

Bachelor of Arts Degree, California State University, Fullerton

Associate of Arts Degree, Long Beach City College

Associate in Risk Management for Public Entities (ARM-P), Insurance Institute of America

Professional Affiliations

Public Risk Management Association, Member 1981 to Present. Member Pooling Section 1986 to 1998.

Public Agency Risk Managers Association, Member 1986 to Present.

California Association of Joint Powers Authorities, Member 1986 to 2008.

Résumé

Ron Rakich, CPCU, ARM

Business Experience

Ron Rakich & Associates, Principal. 1995—Present

Management consultant to corporations and public entities. Perform management reviews, feasibility studies, contractor selection, negotiation, program design, strategic plan development, manual writing and publishing, information system development and other assignments. Manage major consulting projects involving outside subcontractors. Provides expert witness and litigation support on insurance and risk management issues in litigation. Specialist in contractual risk transfer and construction insurance, especially Owner Controlled Insurance Programs. Ron is also editor of *The Insurance Advisor*, a publication on issues and trends in insurance with a distribution of over 200,000.

Warren McVeigh & Griffin, Inc., Vice President. 1986—1995

Responsibilities substantially the same as above. Assisted in recruiting, training and supervising new consultants. Developed and presented seminars, including media design and creation. Managed major consulting projects involving multiple subcontractors. Developed database applications for clients. Edited a major risk management newsletter and was associate editor of a major insurance technical reference.

Texas Association of School Boards, Director Risk Management Services. 1981—1985

Provided management and administrative services to four self-insured pools (JPAs) for 1,100 member school districts, and community colleges. Pools included workers' compensation, employee benefits, property, professional liability, and general and auto liability. Responsibilities included consulting with members, rate development, coverage development, retention analysis, funding analysis, negotiation of excess insurance and reinsurance, settlement negotiation, selection and supervision of contractors for claims, actuarial services, etc. Program became the largest pool in the United States.

Houston Independent School District, Risk Manager. 1971—1981

Began as field safety representative and moved through several loss control and administrative positions to become the District's first risk manager. Developed self-insured programs for liability and workers' compensation. Recruited and supervised a staff of loss control and claims professionals. Worked as risk manager during the largest school capital improvement program in the U.S. up to that time.

Education

B.A. Behavioral Science. University of Houston. Magna cum Laude
Graduate Business Studies. University of Houston (MBA Program); Wharton School
Chartered Property Casualty Underwriter (CPCU)
Associate in Risk Management (ARM)

Professional Affiliations

Society of Chartered Property and Casualty Underwriters, Vice president, secretary, Central Texas chapter. 1983-1986. Current member, Orange County Chapter
Institute of Management Consultants, Current Member, Southern California Chapter.
Public Risk Management Association, Member 1981-1985, President Texas chapter, 1984. Director, Pooling Section, 1982—1985. Member annual conference committee, 1982.
Risk and Insurance Management Society, Member 1978—1985.
Texas Safety Association, Former Director of this National Safety Council affiliate
American Society of Safety Engineers, Member 1978—1985.

Academic Affiliations

St. Edward's University, Adjunct faculty instructor in insurance and risk management: 1984-1986
Austin Community College, Instructor in insurance: 1983-1986
University of Southern California, Guest lecturer on insurance to graduate business program in asset management
Insurance Educational Association, Instructor in contractual risk transfer, additional insureds and certificates of insurance

Ron Rakich – Partial List of Assignments

Associations, Captives and Pools

American Academy of Ophthalmologists
Association of Washington Cities
California Joint Powers Insurance Authority
California State University System AOA
California Sanitation Risk Management Authority
Central San Joaquin Valley RMA
City/County Insurance Services (OR)
College Liability Insurance Company
Independent Cities Risk Management Authority
Progressive Retailers Organization
Puget Sound Schools Risk Management Pool
Ventura County Schools Self-Funding Authority
Washington Cities Insurance Authority
Washington State Transit Association

Education

California State University
Fort Worth Independent School District
Houston Independent School District
Laredo Junior College
Los Angeles County Department of Education
Phar-San Juan-Alamo School District
Pomona Unified School District
Port Arthur Independent School District
Round Rock Independent School District
San Joaquin Delta College
University of California, Davis
University of Hawaii Sea Grant College Program
University of New Mexico

Construction/Development

Newhall Land & Farming
Westgate Group, Inc.

Financial

Cal-America Savings & Loan
Riverside National Bank
SunAmerica Inc.

Other

Automation Products, Inc.
Bryan Cave Law Firm
Foundation for the Junior Blind
Kinko's
Lewis and Roca Law Firm
Manat, Phelps & Phillips Law Firm
Payless Drug Stores, Inc.

Transportation

Alameda Corridor Transportation Auth.
Kitsap Transit
Los Angeles County MTA
Los Angeles Airports Department
Port of Los Angeles
Port of Long Beach
Port of Oakland
San Francisco International Airport
San Jose Airport
South Carolina State Ports Authority
Transportation Corridor Agencies
Tucson Airport Authority
Tri-County Metropolitan Transit Auth.

Healthcare

Children's Hospital & Health Center
Community Hospitals of Central California
Community Psychiatric Centers
Dominican Health Services
Good Samaritan Hospital (Portland)
Health Dimensions, Inc.
John Muir/Mt. Diablo Health System
Kaiser Permanente
Physicians Association of Clackamas County

Entertainment/Arts

Media Home Entertainment
Pacific Design Center
Sports Leisure Group

Governmental

Bernalillo County New Mexico
City of Boulder, Colorado
City of Carlsbad
City of Chino
City of Costa Mesa
City of Dana Point
City of El Segundo
City of La Mesa
City of Lake Forest
City of La Mirada
City of Los Angeles
City of Mission Viejo
City of Orange, Texas
City of Oxnard
City of Pasadena
City of Santa Barbara
City of West Covina
County of Sacramento
County of Los Angeles
County of Orange
County of Riverside
County of San Mateo
County of Spokane
El Toro Water District
Matagorda County Appraisal District
Mun. Water Dist. of Orange County
Oro Loma Sanitary District
Sacramento Empl./Training Agency
State of California
State of Idaho

Manufacturing

Applied Magnetics Corporation
Chemron Corporation
CIMCO
The Gates Corporation
Office Space, Inc.
Trojan Battery Company
Tulip Corporation