

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2004-11

Contract Amendment for OCIP Insurance Brokerage Services

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	2/19/04	Discussion/Possible Action to Recommend Board Approval	Hugh Simpson/CFO Michael Bailey/Risk Manager	(206) 398-5082 (206) 398-5096
Board	2/26/04	Meeting Cancelled		
Board	3/11/04	Action		

Contract/Agreement Type:	✓	Requested Action:	✓
Competitive Procurement		Execute New Contract/Agreement	
Sole Source	✓	Amend Existing Contract/Agreement	✓
Interlocal Agreement		Contingency Funds Required	
Purchase/Sale Agreement		Budget Amendment Required	

3Applicable to proposed transaction.

OBJECTIVE OF ACTION

To amend the current sole source contract for Owner Controlled Insurance Program (OCIP) insurance brokerage services for Sound Transit.

ACTION

Authorize the Chief Executive Officer to amend the sole source contract with Willis of Seattle, Inc. to provide OCIP insurance brokerage services for Sound Transit through December 31, 2006 in the amount of \$206,250 for a new total authorized contract amount not to exceed \$300,000.

KEY FEATURES

- Willis of Seattle, Inc. currently provides insurance brokerage services for Sound Transit's OCIP under a \$93,750 sole source contract which expires March 31, 2004.
- This action would extend the sole source contract with Willis of Seattle, Inc. through December 31, 2006, to provide brokerage services for OCIP, in the additional amount of \$206,250.
- This \$206,250 amendment, in combination with the existing contract of \$93,750, would bring the total contract value to \$300,000.

BUDGET IMPACT SUMMARY

This action was included within the agency's adopted 2004 budget and has been included in the long-term forecast for risk management costs.

BUDGET DISCUSSION

The costs for 2004 are included with in the adopted budget. The future costs are included in the financial plan.

REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS

The proposed action is consistent with the current Board adopted budget and is affordable within the agency’s current long-term financial plan and subarea financial capacity. The action will have no new revenue impacts on Sound Transit.

BUDGET TABLE

(Budget is located on page 238 of the Proposed 2004 budget book in the Finance & Information Services department Consultant/management budget line (total: \$956,000) under the Services category.)

Action Item: OCIP Brokerage Services					
	(A) Current Approved Contract Value	(B) Spent to Date	Balance	(C) Proposed Action	(D) Proposed Total Contract Value
Contract Budget:					
OCIP Brokerage	93,750	93,750	-	206,250	300,000
Contingency					-
Total	93,750	93,750	-	206,250	300,000
Percent Contingency	0%			0.00%	0.00%

Accounts to be charged:	2004 Staff Budget	Future Staff Budgets	Direct Charges to Projects	Total
Consulting Services	75,000	131,250		206,250
				-
				-
TOTAL CONTRACT CHARGES:	75,000	131,250	-	206,250

Budget Shortfall			
Level	\$	Potential Revenues	Funding Source
NA	-	-	NA

Notes
 This contract covers the period from 12/31/02 to 12/31/06, a total of 16 quarters at the rate of \$18,750 each

M/W/DBE – SMALL BUSINESS PARTICIPATION

For this procurement, proposers were not required to submit a plan for M/W/DBE or small business participation because joint venture or subcontracting opportunities are infeasible or improbable. Willis of Seattle, Inc. has identified three small businesses that it will involve on its team as subcontractors for on-call, as-needed services: Diversified Insurance, (small business) to assist on Native American Tribal issues; PROTEC Documentation Services, Inc., to perform

pre-construction video inspection work for Central Link; and Classic Claims Service (M/DBE) to provide claims adjusting services.

CONTRACT HISTORY

In 1999, the Sound Transit Board authorized the agency to establish an OCIP for Sound Transit managed capital projects. Under the program, Sound Transit provides a comprehensive liability program for its design and construction contractors. OCIP ensures a high-quality level of insurance for all Sound Transit managed projects and improves the accessibility to major construction contracts for small businesses.

Brokerage Services

The current insurance underwriter is AIG. In addition Sound Transit has retained an insurance broker, Willis of Seattle, Inc., to provide the following services:

- Provide and maintain a proprietary OCIP web site including OCIP summary documentation, contact listings, OCIP enrollment capabilities, claims reporting forms and procedures and other relevant information customarily provided by the OCIP broker to its client, participating contractors, consultants and their respective sub-contractors/sub-consultants of all tiers.
- Assist Sound Transit with OCIP claims administration, interfacing with and directing the insurance underwriter's claims units with timely and equitable loss reporting and settlements.
- Provide Sound Transit, in cooperation with the insurance company(s), risk control and loss prevention resources in the development and maintenance of a comprehensive risk control program as new work projects evolve/develop for all construction projects, including light rail, commuter rail and regional bus transportation projects.
- Provide Sound Transit with consultation and support in the development and maintenance of risk financing plans including but not limited to commercial insurance, self-insurance, or other forms of risk finance/risk transfer programs.
- Provide Sound Transit with insurance/contract/agreement/policy audit for verification of terms, conditions, language, form, compliance with regulatory requirements and with expiring or renewal policies, as necessary.
- Provide Sound Transit with premium cost audits and invoicing services net of any traditional brokerage commissions, retail, or wholesale override commissions or fees.
- Negotiate with current underwriter (AIG) to extend the December 31, 2006, expiration date of the current OCIP program to cover Phase I projects through completion (estimated through December 31, 2009).
- Negotiate with insurance underwriters to include coverage for construction and maintenance activities along newly acquired Burlington Northern Santa Fe (BNSF) right of way from Everett to Seattle and from Nisqually to Lakewood and Lakewood to Tacoma alignments.

OCIP brokerage services were originally provided by Marsh USA, Inc. The services were provided under a comprehensive contract under which Marsh USA, Inc. provided both OCIP services and brokerage services for all of Sound Transit's non-OCIP programs.

In the summer of 2002, Sound Transit executed an RFP for bids for broker services for a new three-year contract, effective September 2002. This contract did not include broker services for OCIP, as it was originally planned to have Marsh USA, Inc. continue its OCIP broker services through 2006. Willis of Seattle, Inc. was awarded the three-year broker services contract (excluding OCIP), with two one-year extensions, in the amount of \$600,000 (\$200,000 per year).

Subsequently, Marsh USA, Inc. advised Sound Transit that it did not desire to continue servicing OCIP. Sound Transit awarded Willis of Seattle, Inc. a one-year sole source contract in the amount of \$75,000 for OCIP brokerage services effective December 31, 2002, to December 31, 2003.

There were only two brokers in the Northwestern United States with the capabilities and local staff to administer major, long term OCIP projects; Marsh USA, Inc. and Willis of Seattle, Inc. Marsh USA, Inc. chose not to participate after losing the agency broker services contract to Willis of Seattle, Inc. and Marsh USA, Inc.'s contract was terminated concurrent with the appointment of Willis of Seattle, Inc. to continue providing needed OCIP brokerage services.

On January 1, 2004, the Willis of Seattle, Inc. contract was extended for three-months through March 31, 2004, and \$18,750, was added bringing the new total contract amount to \$93,750.

Prior Board or Committee Actions and Relevant Board Policies

Motion or Resolution Number	Summary of Action	Date of Action
M2001-102	Executed a contract amendment to Contract No. RTA/FA 14-97 with Marsh USA, Inc. to provide insurance brokerage services until September 30, 2002.	10/4/01
M2000-59	Executed a contract amendment to Contract No. RTA/FA 14-97 with Marsh USA, Inc. to provide insurance brokerage services until September 30, 2001. Also, increased scope of work to include development, placement, and oversight of an Owners Controlled Insurance Program (OCIP).	7/20/00

CONSEQUENCES OF DELAY

The current OCIP insurance Brokerage Service sole source contract with Willis of Seattle, Inc. expires March 31, 2004. Board approval of this amendment in February will ensure continuity for administering the OCIP program.

LEGAL REVIEW

MMB 1/15/04

SOUND TRANSIT

MOTION NO. M2004-11

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the Chief Executive Officer to amend the sole source contract with Willis of Seattle, Inc., to provide Owner Controlled Insurance Program insurance brokerage services for Sound Transit through December 31, 2006, in the amount of \$206,250 for a new total authorized contract amount not to exceed \$300,000.

Background:

In 1999, the Sound Transit Board authorized the agency to establish an OCIP for Sound Transit managed capital projects. Under the program, Sound Transit provides a comprehensive liability program for its design and construction contractors. OCIP ensures a high-quality level of insurance for all Sound Transit managed projects and improves the accessibility to major construction contracts for small businesses.

Brokerage Services

The current insurance underwriter is AIG. In addition Sound Transit has retained an insurance broker Willis of Seattle, Inc. to provide assistance with OCIP claims administration; risk control and loss prevention resources; consultation and support in the development and maintenance of risk financing plans; insurance/contract/agreement/policy audit; negotiation assistance with the current underwriter (AIG) and other insurance underwriters for additional coverages.

Contract History

OCIP brokerage services were originally provided by Marsh USA, Inc. The services were provided under a comprehensive contract under which Marsh USA, Inc. provided both OCIP services and brokerage services for all of Sound Transit's non-OCIP programs.

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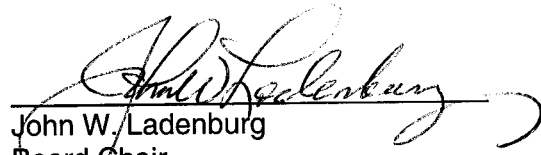
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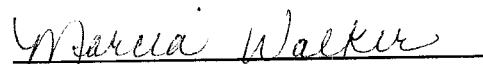
Motion:

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that Chief Executive Officer to amend the sole source contract with Willis of Seattle, Inc., to provide Owner Controlled Insurance Program insurance brokerage services for Sound Transit through December 31, 2006, in the amount of \$206,250 for a new total authorized contract amount not to exceed \$300,000.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on March 11, 2004.


John W. Ladenburg
Board Chair

ATTEST:


Marcia Walker
Board Administrator