

**SOUND TRANSIT
STAFF REPORT**

MOTION NO. M2007-08

**Contract Amendment for Owner Controlled Insurance Program
Insurance Brokerage Services**

Meeting:	Date:	Type of Action:	Staff Contact:	Phone:
Finance Committee	1/18/07	Discussion/Possible Action to Recommend Board Approval Action	Brian McCartan, Chief Financial Officer David Grenier, Risk Manager	(206) 398-5100
Board	1/25/07			(206) 398-5096

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	

✓Applicable to proposed transaction.

PROJECT NAME

Owner Controlled Insurance Program Insurance Brokerage Services

PROPOSED ACTION

Authorizes the chief executive officer to execute a contract amendment with Willis of Seattle, Inc. to provide Owner Controlled Insurance Program insurance brokerage services for Sound Transit through December 31, 2007, in the amount of \$75,000 for a new total authorized contract amount not to exceed \$375,000.

KEY FEATURES of PROPOSED ACTION

- The purpose of this action is to amend the current sole source contract for Owner Controlled Insurance Program (OCIP) insurance brokerage services for Sound Transit.
- Willis of Seattle, Inc. currently provides OCIP insurance brokerage services for Sound Transit's OCIP under a \$300,000 sole source contract which expires December 31, 2006.
- This action would extend the sole source contract with Willis of Seattle, Inc. through December 31, 2007, to provide brokerage services for OCIP in the additional amount of \$75,000.

BUDGET IMPACT SUMMARY

There is no action outside of the Board-adopted budget; there are no contingency funds required, no subarea impacts, or funding required from other parties other than what is already assumed in the financial plan.

BUDGET and FINANCIAL PLAN DISCUSSION

The proposed action is consistent with the current adopted budget, Adopted 2007 Budget, and is affordable within the agency’s long-term financial plan and subarea financial capacity. This action will have no new revenue impact on Sound Transit.

Expenditures for this contract will be charged to the Adopted 2007 Finance and IT Staff Department budget for Consultant and Management expenses of \$1.2M which includes the \$75K needed for this contract extension. This budget can be found on page 178 of the Proposed 2007 Budget Book.

BUDGET TABLE

Summary for Board Action 000s

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	300	281	19	75	375
Contingency					-
Total	300	281	19	75	375

Accounts to be charged:	2007 Staff Budget			Proposed Action	Surplus
Consulting Services	1,191			75	1,116
					-
					-
TOTAL CONTRACT CHARGES:	1,191	-		75	1,116

Notes

This budget can be found on page 178 of the Proposed 2007 Budget Book.

M/W/DBE – SMALL BUSINESS PARTICIPATION

Willis voluntarily submitted a plan for M/W/DBE or Small Business firms to participate on its team as subcontractors for on-call, as-needed services. On this contract to date, approximately 25% of the contract budget has been subcontracted to small businesses.

Willis has utilized the services of Protec Documentation Services, Inc. for seismographic study work for the Link Light Rail segments. Protec Documentation Services is a woman-owned small business firm and has been awarded approximately \$250,618. Willis has also subcontracted with Partners Claim Services for third party claims investigative services for Sound Transit’s operational insurance policies. Partners Claim Services is a small business firm and has been awarded approximately \$6,932.

Additionally, Willis has a continuing commitment from Ogishima & Associates, a small minority-owned insurance brokerage firm, to work with Willis on any surety issues that Sound Transit might need.

EEO Commitment

Willis of Seattle, Inc.'s workforce demographics are 67.2% women and 3.1% persons of color.

Apprentice Utilization

Not applicable to this action.

PROJECT DESCRIPTION AND BACKGROUND FOR PROPOSED ACTION

In 1999, the Sound Transit Board authorized the agency to establish an Owner Controlled Insurance Program (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. The OCIP brokerage services are currently being provided to Sound Transit by Willis of Seattle, Inc. (Willis), who replaced Marsh USA, Inc. (Marsh) in December of 2002, and 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 subcontractors/subconsultants 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 insurance underwriters to include coverage for construction and maintenance activities along newly acquired Burlington Northern Santa Fe right of way from Everett to Seattle and from Nisqually to Lakewood and Lakewood to Tacoma alignments.

- Collaborate with AON Risk Services National Rail Transportation Practice on issues involving Sound Transit Rail operations and Right of ways associated with OCIP projects.

Sole Source Justification

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 contract was extended for three months through March 31, 2004 in the amount of \$18,750, for a new total authorized contract amount of \$93,750.

On March 11, 2004, the Willis sole source contract to provide OCIP brokerage services for Sound Transit was amended through December 31, 2006 in the amount of \$206,250 for a new total authorized contract amount of \$300,000.

Willis was selected by Sound Transit to provide OCIP brokerage services and manage the Sound Transit OCIP because of their experience, capacity and capabilities with large OCIPs throughout the United States, and because Willis, through Willis of Seattle, Inc. has the local staff to effectively administer major, long term OCIP projects, providing Sound Transit with value-added services and a dedicated level of effort for the OCIP.

This action is to align the OCIP Insurance Brokerage Services contract (RTA/FI 0161-02), which expires on December 31, 2007, with the Agency Operations Insurance Brokerage Services contract (RTA/FI 25-02), which expires on October 1, 2007. Staff plans to combine both issue a formal RFP for a comprehensive OCIP and Agency Operations Insurance Brokerage Services contract, providing for insurance and risk management program continuity for the agency.

Prior Board or Committee Actions and Relevant Board Policies

Motion/Resolution Number and Date	Summary of Action
M2004-11 3/11/04	Amended 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
M2001-102 10/4/01	Executed a contract amendment to Contract No. RTA/FA 14-97 with Marsh USA, Inc. to provide insurance brokerage services until September 30, 2002.
M2000-59 7/20/00	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).

PUBLIC INVOLVEMENT

Not applicable to this action.

ENVIRONMENTAL COMPLIANCE

Not applicable to this action.

LEGAL REVIEW

DLB 12/29/06

SOUND TRANSIT

MOTION NO. M2007-08

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a contract amendment with Willis of Seattle, Inc. to provide Owner Controlled Insurance Program insurance brokerage services for Sound Transit through December 31, 2007, in the amount of \$75,000 for a new total authorized contract amount not to exceed \$375,000.

Background:

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- 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 insurance underwriters to include coverage for construction and maintenance activities along newly acquired Burlington Northern Santa Fe right of way from Everett to Seattle and from Nisqually to Lakewood and Lakewood to Tacoma alignments.

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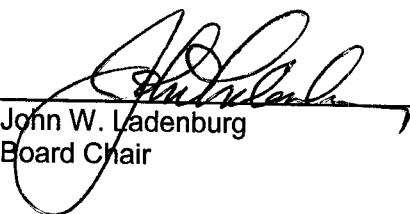
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Motion:

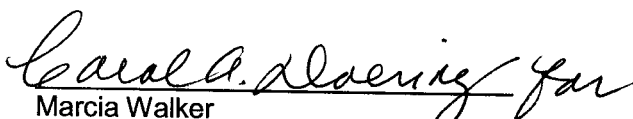
It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a contract amendment with Willis of Seattle, Inc. to provide Owner Controlled Insurance Program insurance brokerage services for Sound Transit through December 31, 2007, in the amount of \$75,000 for a new total authorized contract amount not to exceed \$375,000.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on January 25, 2007.



John W. Ladenburg
Board Chair

ATTEST:



Marcia Walker
Board Administrator