

**SOUND TRANSIT  
STAFF REPORT**

**MOTION NO. M2007-121**

**Contract for Insurance Brokerage and Consulting Services**

<b>Meeting:</b>	<b>Date:</b>	<b>Type of Action:</b>	<b>Staff Contact:</b>	<b>Phone:</b>
Finance Committee	12/6/07	Discussion/Possible Action	<b>Brian McCartan, Executive Director David Grenier, Risk Manager</b>	(206) 398-5100  (206) 398-5096

<b>Contract/Agreement Type:</b>	<input checked="" type="checkbox"/>	<b>Requested Action:</b>	<input checked="" type="checkbox"/>
Competitive Procurement	<input checked="" type="checkbox"/>	Execute New Contract/Agreement	<input checked="" type="checkbox"/>
Sole Source		Amend Existing Contract/Agreement	
Interlocal Agreement		Contingency Funds Required	
Purchase/Sale Agreement		Budget Amendment Required	

*✓Applicable to proposed transaction.*

**PROJECT NAME**

Insurance Brokerage and Consulting Services

**PROPOSED ACTION**

Authorizes the chief executive officer to execute a five-year contract with Willis of Seattle, Inc. to provide insurance brokerage and consulting services for a total authorized contract amount not to exceed \$1,595,704.

**KEY FEATURES OF PROPOSED ACTION**

- The proposed action would authorize the execution of a five-year contract with Willis of Seattle, Inc. to provide insurance brokerage and consulting services, which include:
  - **Risk Assessment** - Monitor and advise Sound Transit concerning current property and liability exposures to loss within each operating line of business, including agency operations;
  - **Risk Control** - Provide property and liability loss prevention and safety consulting services as respects Sound Transit operations, assets and human element exposure injury and/or loss;
  - **Risk Financing** - Advise Sound Transit concerning best practices for financing property & liability exposures to loss via contractual transfer, purchase of commercial insurance, self-funding or a combination of these techniques;
  - **Marketing** - Annual marketing and premium quotes for insurance policy renewal of Sound Transit's operating property & liability commercial insurance portfolio;

- **Loss Management** - Consult with Sound Transit regarding best practices for property & liability claims administration and consult with Sound Transit insurers on disputed property & liability claim losses;
- **Annual Report** - Provide an annual report summarizing insurance policies, premium costs and claims experience, trending, development & estimates of future costs to Sound Transit for its entire operating insurance program; and
- **Availability on an as-needed basis** - Willis must make itself and staff available to Sound Transit on an as-needed basis and not restrict its services to a pre-determined weekly or monthly timeframe basis.

**BUDGET IMPACT SUMMARY**

The budget was prepared prior to the RFP and included only an estimate of the final pricing under the new brokerage contract. In 2008, the (\$69 thousand) shortfall will be funded from savings within other line items of the Finance and Information Technology budget.

**BUDGET and FINANCIAL PLAN DISCUSSION**

The proposed action is higher than the amount included for insurance brokerage services in the Proposed 2008 budget. The budget assumed \$250 thousand for insurance brokerage services, a \$69 thousand shortfall over the negotiated contract with Willis. The budget was prepared prior to the RFP and included only an estimate of the final pricing under the new brokerage contract. In 2008, the \$69 thousand shortfall will be funded from savings within other line items of the Finance and Information Technology budget.

**BUDGET TABLE**

Summary for Board Action in (000s)

**Action Item: Insurance Brokerage & Consulting Services**

	(A) Current Approved Contract Value	(B) 2008 Amount	(C) Future Budget Amount	(D) Proposed Total Contract Value
<b>Contract Budget:</b>				
<b>Insurance Brokerage &amp; Consulting Services</b>	-	319	1,277	1,596
<b>Contingency</b>				-
<b>Total</b>	-	319	1,277	1,596
<b>Percent Contingency</b>	0%		0%	0%

<b>Direct Charge Budget:</b>	2008 Staff Budget	2008 Amount	Future Budget Amount	Total
<b>Risk Division's Consulting Services</b>	250	319	1,277	(69)
				-
				-
<b>TOTAL CONTRACT CHARGES</b>	250	319	1,277	(69)

Notes

This budget can be found, contained within the Finance & Information Technology Department's Consulting Budget on page 185 of the Proposed 2008 Budget Book.

**SMALL BUSINESS PARTICIPATION**

Willis of Seattle, Inc. is the prime broker and consultant for this contract. Willis of Seattle, Inc. has committed to 18% small business participation.

Utilization Breakdown Table

<b>Subconsultant</b>	<b>Business Type</b>	<b>% of Work</b>	<b>Dollar Value</b>
Charles R. Horn and Associates	MBE/DBE	18.8%	\$300,000
<b>Total</b>		18.8%	<b>\$300,000</b>

EEO Commitment

Willis of Seattle, Inc. workforce demographics are 67.4% women and 8.7% persons of color.

**PROJECT DESCRIPTION AND BACKGROUND FOR PROPOSED ACTION**

Sound Transit issued an RFP for insurance brokerage and consulting services on August 15, 2007 and received four responses. After an evaluation for firm experience and history; knowledge and experience of key individual price; capacity; project approach; outreach efforts to solicit and obtain participation by small businesses; EEO commitment; and price, Willis of Seattle, Inc. was selected to enter contract negotiations.

Willis of Seattle, Inc. will represent Sound Transit to the world insurance market with the objective of achieving insurance placement opportunities regarded by Sound Transit as optimal in cost, coverage, and continuity. It will not be bound to utilize a particular insurance company and will inform Sound Transit of any special circumstances whereby they have authority to bind coverage on behalf of an insurance carrier. Otherwise, it does not have, nor will it seek, authority to make such binding commitments with respect to policies or endorsements. It will negotiate on behalf of Sound Transit with insurance carriers and inform Sound Transit of significant developments in those negotiations, which are likely to have a bearing on the agency’s insurance program. Willis of Seattle, Inc. will use its best judgement in the use of intermediaries to assist in the marketing of Sound Transit’s insurance needs. It is understood that such intermediaries may be affiliates of Willis of Seattle, Inc. or other intermediaries not related to Willis of Seattle, Inc.

Willis of Seattle, Inc. is responsible for providing Sound Transit with the necessary resources for development and maintenance of a comprehensive insurance and risk management program that will grow with the activation of new work projects including regional commuter rail, light rail and bus transportation systems, and for managing the following specific programs:

- A. Agency Operations Insurance Program
- B. Owner Controlled Insurance Program (OCIP) for Phase 1 – Sound Move projects
- C. Alternative Insurance / Risk Financing / Risk Management Program
- D. Real Property Insurance Program (RPIP) – Property & Liability Insurance

The insurance brokerage and consulting services contract includes consolidation of the Agency Operations Insurance Program with the incumbent Owner Controlled Insurance Program (OCIP). It also includes providing Sound Transit with strategic planning and program development for formation of alternative risk transfer/risk financing programs. In addition, it includes the creation of a Real Property Insurance Program (RPIP) for liability & property insurance coverage for all Sound Transit property acquisitions and real estate holdings for operations and property management.

The RPIP was created to provide an opportunity for a DBE Small Business insurance broker to manage this new program through the prime broker.

**PRIOR BOARD/COMMITTEE ACTIONS**

None.

**CONSEQUENCES OF DELAY**

The current Insurance Brokerage Services contract with Willis of Seattle, Inc. expires December 31, 2007. Sound Transit would not have the ability to market and renew its insurance portfolio from year to year.

**PUBLIC INVOLVEMENT**

Not applicable to this action.

**ENVIRONMENTAL COMPLIANCE**

Not applicable to this action.

**LEGAL REVIEW**

JW 11/28/07

## SOUND TRANSIT

### MOTION NO. M2007-121

A motion of the Finance Committee of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a five-year contract with Willis of Seattle, Inc. to provide insurance brokerage and consulting services for a total authorized contract amount not to exceed \$1,595,704.

#### **Background:**

Sound Transit issued an RFP for insurance brokerage and consulting services on August 15, 2007 and received four responses. After an evaluation for firm experience and history; knowledge and experience of key individual price; capacity; project approach; outreach efforts to solicit and obtain participation by small businesses; EEO commitment; and price, Willis of Seattle, Inc. was selected to enter contract negotiations.

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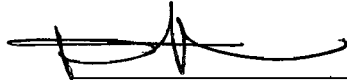
- A. Agency Operations Insurance Program
- B. Owner Controlled Insurance Program (OCIP) for Phase 1 – Sound Move projects
- C. Alternative Insurance / Risk Financing / Risk Management Program
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The insurance brokerage and consulting services contract includes consolidation of the Agency Operations Insurance Program with the incumbent Owner Controlled Insurance Program (OCIP). It also includes providing Sound Transit with strategic planning and program development for formation of alternative risk transfer/risk financing programs. In addition, it includes the creation of a Real Property Insurance Program (RPIP) for liability & property insurance coverage for all Sound Transit property acquisitions and real estate holdings for operations and property management. The RPIP was created to provide an opportunity for a DBE Small Business insurance broker to manage this new program through the prime broker.

**Motion:**

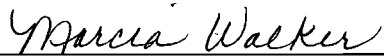
It is hereby moved by the Finance Committee of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a five-year contract with Willis of Seattle, Inc. to provide insurance brokerage and consulting services for a total authorized contract amount not to exceed \$1,595,704.

APPROVED by the Finance Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on December 6, 2007.



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Fred Butler  
Finance Committee Chair

ATTEST:



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Marcia Walker  
Board Administrator