

MOTION NO. M2017-151

**Contract for Insurance Brokerage and Consulting Services**

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Operations and Administration Committee	12/07/2017	Final Action	Brian McCartan, Executive Director of Finance and IT <b>Michael Anastasi, Senior Risk Manager</b>

**PROPOSED ACTION**

Authorizes the chief executive officer to execute a three-year contract with two one-year options to Aon Risk Services South, Inc. to provide insurance brokerage and consulting services for the Agency Operations Insurance Program, Rail Operations Insurance Program, and the administration of the existing Owner Controlled Insurance Program for a total authorized contract amount not to exceed \$2,645,450 contingent upon Board approval of the 2018 Operating Budget.

**KEY FEATURES SUMMARY**

- The contract scope includes insurance brokerage and consulting services for Sound Transit's Agency Operations Insurance Program (AOIP), Rail Operations Insurance Program (ROIP), and the Administration of the existing Owner Controlled Insurance Program (OCIP), which includes:
  - Overall marketing, negotiation, placement of new and renewal insurance coverages, account administration, loss control services, and claims administration support services for the agency, including Sounder commuter rail, Link light rail, Tacoma Link light rail, Commercial General Liability, Fleet Auto Liability, Pollution Liability, Crime and Fidelity, Professional Liability, Cyber Liability and Property.
  - OCIP administration support services and reporting.
  - Insurance and risk management consulting on the capital development program for the current OCIP and other risk financing program structures.
- The consultant will be compensated on a fixed fee compensation structure rather than a commission-based compensation structure calculated as a percentage of insurance premiums. The contract scope of work and specific duties and responsibilities to be performed are defined by a brokerage service agreement. The combination of a fixed fee compensation structure with a brokerage service agreement will provide the best value for the insurance brokerage and consulting services for Sound Transit's AOIP, ROIP, and OCIP Administration.
- The amount requested is sufficient to cover the three-year contract and the two one-year options.

**BACKGROUND**

Currently, the AOIP and ROIP Insurance Brokerage and Consulting services are provided by two separate brokers. The current AOIP contract expires on December 31, 2017. The ROIP contract expires December 31, 2017, but has two option years remaining.

In August 2017, Sound Transit advertised a Request for Proposals for Brokerage and Consulting Services with the option to either continue to have two or combine the AOIP and ROIP Brokerage and Consulting Services contracts, which includes OCIP Administration. Four firms submitted proposals, and Aon Risk Services South, Inc. was selected as the most qualified firm to provide both the AOIP and ROIP brokerage and consulting services. The term for this contract is three years with two one-year options.

PROCUREMENT INFORMATION

Prior to issuing the solicitation for the Insurance Consultant and Brokerage Services, Sound Transit considered the project scope, the determining factors for contract award, and the need for proposal discussions and revisions, determining that a Request for Proposals procurement method was the most advantageous.

On August 28, 2017, the Sound Transit advertised Request for Proposals No. RTA/RP 0115-17 for Insurance Consultant and Brokerage Services. Sound Transit received four proposals.

Sound Transit’s evaluation team determined that Aon Risk Services South, Inc.’s proposal is the response that best meets the evaluation criteria, offered the best value, and is in the best interest of Sound Transit.

FISCAL INFORMATION

The proposed action will be funded from the services category within the Finance and Information Technology department’s annual operating budget. Spending for this contract will begin in 2018 and is included in the 2018 proposed budget. The proposed services category budget is \$14,221,748 of which a total of \$570,000 is estimated to be spent in the first year of the contract and is within the agency’s budget authority. After approval of this action, the remaining proposed annual budget amount will be used to fund other department expenditures anticipated in the 2018 proposed annual budget.

Funding for the additional years of the contract will be included in future annual budget requests.

**Finance and Information Technology** (in thousands)

Cost Category	2018 Proposed Operating Budget	Actuals to Date	This Action (2018 Impact Only)	Actuals to Date Plus Action	Remaining Annual Operating Budget
Salaries and Benefits	\$26,648	\$	\$	\$	\$26,648
Services	14,222		570	570	13,652
Materials and Supplies	1,876				1,876
Utilities	1,068				1,068
Insurance	8,533				8,533
Miscellaneous	448				448
Leases and Rentals	466				466
<b>Total Annual Operating Budget</b>	<b>\$53,260</b>	<b>\$</b>	<b>\$570</b>	<b>\$570</b>	<b>\$52,690</b>

  

Contract Spending Plan	Prior Year Spending	Forecast 2018 Spending	Future Expenditures	Total
Aon Risk Services South, Inc.	\$	\$570	\$2,075	\$2,645

  

Aon Risk Services South, Inc.	Board Approved Contract Value	Contract Actuals to Date	Proposed Action	Proposed Revised Board Approved Contract Value
Services	\$	\$	\$2,645	\$2,645
Contingency	-	-	-	-
<b>Contract Amount - Total</b>	<b>\$</b>	<b>\$</b>	<b>\$2,645</b>	<b>\$2,645</b>
Percent Contingency	0%	0%	0%	0%

**Notes:**  
 Budget detail for this action is located on page 18 of the Proposed 2018 Budget book.  
 2018 Proposed Operating Budget is pending Board approval.

## SMALL BUSINESS/DBE PARTICIPATION AND APPRENTICESHIP UTILIZATION

Sound Transit promotes and encourages small business participation, which also includes Disadvantaged Business Enterprises (DBEs). Small Business and DBE goals are based upon an examination of subcontracting opportunities contained in the work of this contract and the number of Small Businesses/DBEs available to perform such subcontracting work.

Because of the specialized nature of the services sought in this procurement, Sound Transit determined that Small Business and DBE subcontracting opportunities are infeasible or improbable, so Small Business/DBE goals were not established or required.

## PUBLIC INVOLVEMENT

Not applicable to this action.

## TIME CONSTRAINTS

The existing contract for Insurance Brokerage and Consulting Services for Sound Transit's Agency Operations Insurance Program (AOIP) expires December 31, 2017. A new contract for the AOIP Insurance Brokerage and Consulting Services should be executed by January 1, 2018, to ensure there is no gap in these services.

## ENVIRONMENTAL REVIEW

KH 11/27/17

## LEGAL REVIEW

AJP 11/30/17



## MOTION NO. M2017-151

A motion of the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute a three-year contract with two one-year options to Aon Risk Services South, Inc. to provide insurance brokerage and consulting services for the Agency Operations Insurance Program, Rail Operations Insurance Program, and the administration of the existing Owner Controlled Insurance Program for a total authorized contract amount not to exceed \$2,645,450 contingent upon Board approval of the 2018 Operating Budget.

## BACKGROUND:

Currently, the Agency Operations Insurance Program (AOIP) and Rail Operations Insurance Program (ROIP) Insurance Brokerage and Consulting services are provided by two separate brokers. The current AOIP contract expires on December 31, 2017. The ROIP contract expires December 31, 2017, but has two option years remaining.

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The consultant will be compensated on a fixed fee compensation structure rather than a commission-based compensation structure calculated as a percentage of insurance premiums. The contract scope of work and specific duties and responsibilities to be performed are defined by a brokerage service agreement. The combination of a fixed fee compensation structure with a brokerage service agreement will provide the best value for the insurance brokerage and consulting services for Sound Transit's AOIP, ROIP, and OCIP Administration. The amount requested is sufficient to cover the three-year contract and the two one-year options.

**MOTION:**

It is hereby moved by the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute a three-year contract with two one-year options to Aon Risk Services South, Inc. to provide insurance brokerage and consulting services for the Agency Operations Insurance Program, Rail Operations Insurance Program, and the administration of the existing Owner Controlled Insurance Program for a total authorized contract amount not to exceed \$2,645,450 contingent upon Board approval of the 2018 Operating Budget.

APPROVED by the Operations and Administration Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on December 7, 2017.



Paul Roberts  
Operations and Administration Committee Chair

ATTEST:



Kathryn Flores  
Board Administrator