



Motion No. M2020-29

Contract for Insurance Brokerage and Consulting Services

Meeting:	Date:	Type of action:	Staff contact:
Rider Experience and Operations Committee	06/04/2020	Final Action	Tracy Butler, Chief Financial Officer Michael Anastasi, Director of Insurance & Claims

Proposed action

Authorizes the chief executive officer to execute a three-year contract with two one-year options to extend with Arthur J. Gallagher Risk Management Services, 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 \$2,770,250.

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 newly selected 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 to extend.

Background

Currently, Insurance Brokerage and Consulting Services are provided by Aon Risk Insurance Services West, Inc. (Aon). This current contract expires on December 31, 2020. With Sound Transit's significant asset and exposure growth, combined with a volatile Global Insurance Marketplace, Sound Transit determined it was in its best interest to advertise a Request for Proposals for Insurance Brokerage and

Consulting Services prior to expiration of the current contract. The goal is to ensure the highest quality representation while marketing Sound Transit's current and future insurance programs.

Procurement information

Prior to issuing the solicitation for the Insurance Brokerage and Consulting 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 March 25, 2020, Sound Transit advertised a Request for Proposals No. RTA/RP 0038-20 for Insurance Brokerage and Consulting Services. Aon and Gallagher were the only two firms that submitted proposals, and Arthur J. Gallagher Risk Management Services, Inc. (GALLAGHER) was selected as the most qualified firm to provide the AOIP, ROIP and OCIP Administration brokerage and consulting services.

Fiscal information

The proposed action will be funded from the services category within the Finance Department's annual operating budget. Spending for this contract will begin in 2020 and is included in the 2020 budget. The services category budget is \$5,373,866 of which a total of \$250,000 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 annual budget amount will be used to fund other department expenditures anticipated in the 2020 annual budget.

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

Finance

(in thousands)

Cost Category	2020 Annual Operating Budget ¹	YTD Actuals ²	This Action (Current Year Impact Only)	YTD Actuals Plus Action (Current Year Only)	Remaining Annual Operating Budget
Salaries and Benefits	\$13,357	\$3,954	\$	\$3,954	\$9,403
Services	\$5,374	\$947	\$250	\$1,197	\$4,177
Materials and Supplies	\$247	85		\$85	5,289
Utilities	\$45	7		\$7	239
Insurance	\$11,198	2,713		\$2,713	-2,668
Miscellaneous	\$211	62		\$62	11,136
Interest Expense	\$13	1		\$1	210
Leases and Rentals	\$15	5		\$5	8
Total Annual Operating Budget	\$30,459	\$7,775	\$250	\$8,025	\$27,793

Contract Spending Plan	Forecasted Spend for Remainder of			Total
	Spending to Date ³	2020	Future Spending	
Gallagher, Inc	\$	\$250	\$2,520	\$2,770

Contract Detail	Approved Contract Value	Proposed Action	Proposed Contract Value
	Gallagher, Inc	\$	\$2,770
Contingency			
Estimated Taxes			
Contract Amount - Total	\$	\$2,770	\$2,770
Percent Contingency	0%	0%	0%

Notes:

¹2020 Annual Operating Budget is located on page 67 of the 2020 Financial Plan and Adopted Budget book.

²YTD Actuals as of April 30, 2020.

³Spending to Date as of April 30, 2020.

Disadvantaged and small business participation

Participation by small businesses and disadvantaged business enterprises (DBEs)

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

A change in consultant prior to December 31, 2020 expiration date for the current Insurance Brokerage and Consulting Services is desired and is in the best interest of Sound Transit.

Environmental review – KH 5/26/20

Legal review – JEN 05/29/20



Motion No. M2020-29

A motion of the Rider Experience and Operations 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 extend with Arthur J. Gallagher Risk Management Services, 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 \$2,770,250.

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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.
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The amount requested is sufficient to cover the three-year contract and the two one-year options to extend.

Motion

It is hereby moved by the Rider Experience and Operations 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 extend with Arthur J. Gallagher Risk Management Services, 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 \$2,770,250.

APPROVED by the Rider Experience and Operations Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on June 4, 2020.



Paul Roberts
Rider Experience and Operations Chair

Attest:



Kathryn Flores
Board Administrator