



## Board Report

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File #: 2019-0795, File Type: Contract

Agenda Number: 17.

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### FINANCE, BUDGET AND AUDIT COMMITTEE JANUARY 15, 2020

**SUBJECT: RISK MANAGEMENT INSURANCE BROKERAGE SERVICES**

**ACTION: APPROVE CONTRACT AWARD**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award a five-year, firm fixed price Contract No. PS63853000 to USI Insurance Services LLC in the amount of \$1,268,600 for a five-year base term, \$530,503 for the first 2-year option, and \$562,811 for the second 2-year option, for a combined total amount of \$2,361,914, effective June 1, 2020 subject to resolution of protest(s), if any.

#### **ISSUE**

Metro's current brokerage services contract with USI Insurance Services LLC ("USI"), expires on May 31, 2020.

#### **BACKGROUND**

An insurance broker of record is required for Metro to purchase insurance from commercial markets. Insurance is necessary because it covers risks such as potentially catastrophic property and liability damages that are better managed through commercial insurance. Additionally, many of our contracts and other agreements require commercial insurance coverage.

#### **DISCUSSION**

Metro uses a licensed broker to purchase insurance for its non-construction exposures. The broker markets Metro's excess liability insurance (\$300 million in limits with \$8 million self-insured retention), all risk property and flood coverage, (\$400 million in limits, no earthquake and varying deductibles), drone insurance, and railroad liability insurance (\$60 million in limits currently which is adjusted every three years based on Consumer Price Index). The broker has also handled major insurance project specific umbrella insurance (up to \$300 million historically) as well other coverages such as pollution legal liability, owner's protective, fraud and fidelity, and public official's directors and officers. Currently, Metro's total excess liability and property insurance premiums are about \$9.1 million per year.

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In addition to handling required marketing and placement of coverage, the broker reviews contracts to determine appropriate insurance requirements, insurance coverage placed by contractors to ensure compliance with contract terms and gives Metro staff expert advice on insurance matters including construction insurance coverage matters. The broker also provides insurance guidance on Measure M and R construction projects including Regional Connector, Westside Subway Extensions, Crenshaw Transportation Corridor, Gold Line Foothill Extensions and others.

### **DETERMINATION OF SAFETY IMPACT**

Approval of this recommendation will not impact the safety of Metro's patrons or employees.

### **FINANCIAL IMPACT**

The funding of \$172,025 for the remainder of this fiscal year is included in the FY20 budget in cost center 0531, Risk Management - Non-Departmental under various project numbers, account 50316 - Professional Services.

Since this is a multi-year contract, the cost center manager and the Chief Risk, Safety and Asset Management Officer will be responsible for budgeting this expense in future years.

#### **Impact to Budget**

The current year funding for this action will come from a combination of bus and rail operating funds. No other sources of funds were considered for this activity because the insurance coverage placed by the broker protects the agency against operational losses.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Recommendation supports strategic plan goal # 5 "Provide responsive, accountable and trustworthy governance within the LA Metro organization." The responsible administration of Metro's insurance and claims administration programs requires the use of proficient insurance brokers and actuaries.

### **ALTERNATIVES CONSIDERED**

The Board may elect not to approve the new contract. However, this action is not recommended because the fee proposed by USI represents the most competitive fee for services provided by the marketplace. Further, as USI is also the current broker of record for the agency, the addition of the nine-year term allows us to build upon the existing relationship and lock in the pricing advantage of today's highly competitive brokerage environment.

### **NEXT STEPS**

Upon Board approval, staff will execute Contract No. PS63853000 to USI Insurance Services LLC for brokerage services, effective June 1, 2020.

**ATTACHMENTS**

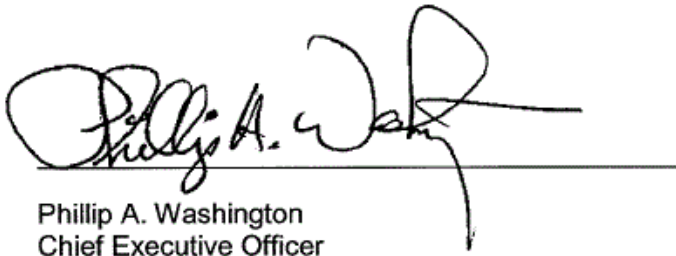
Attachment A - Procurement Summary

Attachment B - DEOD Summary

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922-2990

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Phillip A. Washington  
Chief Executive Officer

## PROCUREMENT SUMMARY

## RISK MANAGEMENT INSURANCE BORKERAGE SERVICES

1.	<b>Contract Number:</b> PS63853000	
2.	<b>Recommended Vendor:</b> USI INSURANCE SERVICES LLC	
3.	<b>Type of Procurement (check one):</b> <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	<b>Procurement Dates:</b>	
	<b>A. Issued:</b> August 12, 2019	
	<b>B. Advertised/Publicized:</b> August 12, 2019	
	<b>C. Pre-Proposal Conference:</b> August 28, 2019	
	<b>D. Proposals Due:</b> September 16, 2019	
	<b>E. Pre-Qualification Completed:</b> Pending	
	<b>F. Conflict of Interest Form Submitted to Ethics:</b> December 3, 2019	
	<b>G. Protest Period End Date:</b> 1/20/20	
5.	<b>Solicitations Picked up/Downloaded:</b> 30	<b>Bids/Proposals Received:</b> 4
6.	<b>Contract Administrator:</b> Marc Margoni	<b>Telephone Number:</b> (213) 922-1304
7.	<b>Project Manager:</b> Tim Rosevear	<b>Telephone Number:</b> (213) 922-6354

**A. Procurement Background**

This Board Action is to approve the award of Contract No. PS63853000 to USI Insurance Services LLC to provide insurance brokerage services. Board approval of contract awards are subject to resolution of any properly submitted protest.

On August 12, 2019, Request for Proposal (RFP) No. PS63853 was issued in accordance with Metro's Acquisition Policy. The contract type is firm fixed price. This RFP was issued with a DBE goal of 15%.

One amendment was issued during the solicitation phase of this RFP:

- Amendment No. 1, issued on September 10, 2019 extended the proposal due date.

A pre-proposal conference was held on August 28, 2019, and was attended by eight participants representing six firms. There were 40 questions received and responses were provided prior to the proposal due date. A total of 30 firms downloaded the RFP and were included on the plan holders list.

A total of four proposals were received on September 16, 2019 from firms listed below in alphabetical order:

- Alliant Insurance Services, Inc.
- Aon Risk Insurance Services West, Inc.

- Arthur J. Gallagher & Co., Insurance Brokers of California, Inc.
- USI Insurance Services LLC

**B. Evaluation of Proposals**

A Proposal Evaluation Team (PET) consisting of staff from Risk Management and San Diego Metropolitan Transit System (MTS), was convened and conducted a comprehensive technical evaluation of the proposals received.

On October 8, 2019, the PET met to review the evaluation criteria package, process confidentiality and conflict of interest forms and take receipt of the four proposals to initiate the evaluation phase. Evaluations were conducted from October 8, 2019 through October 23, 2019.

The proposals were initially evaluated based on pass/fail minimum qualifications criteria to determine proposals that are “technically acceptable.” The pass/fail criteria included experience in specialized insurance coverages, experience in the public sector, and having the required insurance licenses.

Of the four proposals received, Aon Risk Insurance Services West, Inc. was deemed non-responsive for failure to meet the DBE goal. The remaining three proposals were deemed technically acceptable and were further evaluated based on the following weighted evaluation criteria:

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|--|------------|
| • Qualification of Key Personnel Assigned                        | 35 Percent |
| • Qualifications of Contractor                                   | 35 Percent |
| • Commission Rate Earned on Major Construction Umbrella Policies | 10 Percent |
| • Brokerage Cost Proposal  | 20 Percent |

Several factors were considered in developing these weights, giving the greatest importance to both the qualifications of key personnel assigned and the qualifications of the contractor.

**Qualification Summary of Firms:**

**Alliant Insurance Services, Inc.**

Founded in 1925, Alliant Insurance Services, Inc. (Alliant) is headquartered in Newport Beach, CA. It is a nationwide distributor of diversified insurance products and services. Operating through a national network of offices, Alliant offers a comprehensive portfolio of services including risk solutions, employee benefits, co-brokered solutions, risk control consulting and property valuation.

## **Arthur J. Gallagher & Co., Insurance Brokers of CA, Inc.**

Arthur J. Gallagher & Co., Insurance Brokers of CA, Inc. is a U.S. based insurance brokerage and risk management services firm with principal place of business in Rolling Meadows, Illinois. The firm was established in 1927 and is one of the largest insurance brokers in the world. It provides personal, commercial, surety, life, health, and long-term care insurance solutions for individuals, families, and businesses.

## **USI Insurance Services LLC:**

Founded in 1994 Insurance Services LLC (USI) provides integrated distribution of general and specialty property and casualty insurance, as well as financial services including employee benefits outsourcing and related consulting. USI has served over 150,000 clients covering several industry sectors. Within the public sector, USI handles all lines of property/casualty insurance, employee benefits and bonds. Clients include Metropolitan Transit Authority of Harris County, San Joaquin Regional Transit District, Utah Department of Transportation and the Cities Atlanta, Chicago, Dallas, Charlotte and San Antonio.

On October 23, 2019, the PET reconvened and USI Insurance Services LLC was determined to be the top ranked firm.

The following is a summary of the PET Scores:

<b>1</b>	<b>Firm</b>	<b>Average Score</b>	<b>Factor Weight</b>	<b>Weighted Average Score</b>	<b>Rank</b>
<b>2</b>	<b>USI Insurance Services, LLC</b>				
<b>3</b>	Qualification of Key Personnel Assigned	91.69	35.00%	32.09	
<b>4</b>	Qualifications of Contractor	89.00	35.00%	31.15	
<b>5</b>	Commission Rate Earned on Major Construction Umbrella Policies	100.00	10.00%	10.00	
<b>6</b>	Brokerage Cost Proposal	81.70	20.00%	16.34	
<b>7</b>	<b>Total</b>		<b>100.00%</b>	<b>89.58</b>	<b>1</b>
<b>8</b>	<b>Alliant Insurance Services, Inc.</b>				
<b>9</b>	Qualification of Key Personnel Assigned	89.20	35.00%	31.22	
<b>10</b>	Qualifications of Contractor	91.34	35.00%	31.97	
<b>11</b>	Commission Rate Earned on Major Construction Umbrella Policies	100.00	10.00%	10.00	
<b>12</b>	Brokerage Cost Proposal	71.50	20.00%	14.30	
<b>13</b>	<b>Total</b>		<b>100.00%</b>	<b>87.49</b>	<b>2</b>

<b>14</b>	<b>Arthur J. Gallagher &amp; Co., Insurance Brokers of CA, Inc.</b>				
<b>15</b>	Qualification of Key Personnel Assigned	86.69	35.00%	30.34	
<b>16</b>	Qualifications of Contractor	83.66	35.00%	29.28	
<b>17</b>	Commission Rate Earned on Major Construction Umbrella Policies	75.00	10.00%	7.50	
<b>18</b>	Brokerage Cost Proposal	100.00	20.00%	20.00	
<b>19</b>	<b>Total</b>		<b>100.00%</b>	<b>87.12</b>	<b>3</b>

### **C. Cost/Price Analysis**

The recommended price has been determined to be fair and reasonable based upon adequate price competition, price analysis, technical analysis, fact finding, and historical costs. The recommended price is lower than Metro's independent cost estimate (ICE). Metro's ICE included a three percent rate of inflation for each year during the period of performance, inclusive of the option periods, while the proposed price included an escalation rate for the option periods only.

	<b>Proposer Name</b>	<b>Proposal Amount</b>	<b>Metro ICE</b>	<b>Negotiated or NTE amount</b>
1.	USI Insurance Services	\$2,361,914	<b>\$4,063,642</b>	<b>\$2,361,914</b>
2.	Alliant Insurance Services, Inc.	\$2,700,000		
3.	Arthur J. Gallagher & Co., Insurance Brokers of Ca, Inc.	\$1,930,050		

### **D. Background on Recommended Contractor**

The recommended firm, USI Insurance Services LLC (USI), is headquartered in Valhalla, New York. It is one of the largest insurance brokerage and consulting firms in the world, delivering property and casualty, employee benefits, personal risk programs, and retirement solutions throughout the United States. It is a leading insurance brokerage nationwide approaching \$2 billion in revenue and over \$12 billion in premium placements.

For the past eight years, USI has been assisting Metro in identifying risk exposure, coverages and trends that are unique to a transit agency and performance has been satisfactory. USI's team includes a DBE subcontractor, Barragan Corp International, that will provide associated safety and loss control services.

The proposed Project Manager has 40 years of large account experience and is well versed in all aspects of Metro's property and casualty programs. She has worked with Metro since 2011 and has been actively involved in every facet of Metro's insurance

brokerage program including marketing, placements, coverage and policy review, contract analyses and claims advocacy.



DEOD SUMMARY

RISK MANAGEMENT INSURANCE BORKERAGE SERVICES

**A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) established a 15% Disadvantaged Business Enterprise (DBE) goal for this solicitation. USI Insurance Services made a 15% DBE commitment.

<b>Small Business Goal</b>	<b>15% DBE</b>	<b>Small Business Commitment</b>	<b>15% DBE</b>
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	<b>DBE Subcontractors</b>	<b>% Committed</b>
1.	Barragan Corp International	15%
	<b>Total Commitment</b>	<b>15%</b>

**B. Living Wage and Service Contract Worker Retention Policy Applicability**

The Living Wage and Service Contract Worker Retention Policy (LW/SCWRP) is not applicable to this contract.

**C. Prevailing Wage Applicability**

Prevailing wage is not applicable to this contract.

**D. Project Labor Agreement/Construction Careers Policy**

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.