



## Board Report

File #: 2024-1083, File Type: Contract

Agenda Number: 17.

### FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 20, 2025

**SUBJECT: RISK MANAGEMENT INSURANCE BROKERAGE SERVICES**

**ACTION: APPROVE CONTRACT AWARD**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to award a firm fixed price Contract No. PS126876000 to Marsh USA LLC for insurance brokerage services in the amount of \$1,503,513 for the five-year base term, and \$601,405 for each of the two, two-year options, for a total amount of \$2,706,323, effective March 1, 2025, subject to the resolution of any properly submitted protest(s), if any.

#### **ISSUE**

Metro's current insurance brokerage services contract will expire on May 31, 2025, and the new contract, if approved by the Board, will start on March 1, 2025. This ensures a smooth transition, avoids disruption, and allows the new broker time to onboard.

#### **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 Metro 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 the excess liability insurance program, currently with \$300 million in limits and an \$8 million self-insured retention for rail exposures, and up to \$12.5 million self-insured retention for bus and other related exposures. In addition, the broker will market the program of all risk property and flood coverage. The current property program has \$650 million in limits with a \$1 million deductible. Further, Metro established a program of cyber liability insurance with limits of \$50 million with a \$10 million retention. Metro has considered and may direct the broker to market additional coverage including pollution legal liability, owner's protective, fraud and fidelity, and public official's directors and officers. Total insurance premiums for Metro are approximately \$37.6 million per year.

Insurance premiums have increased exponentially over the past few years, leading to an assessment

of pricing and the identification of ways to mitigate future increases. In an assessment conducted in January 2024, it was recommended that a new competitive solicitation, request for proposals (RFP), for broker services be issued to spur broker competition and ensure Metro is receiving the most competitive premium pricing.

In addition to handling required marketing and placement of coverage, the broker reviews Metro contracts to determine appropriate insurance requirements, reviews insurance coverage placed by contractors, and gives expert advice on insurance matters including construction insurance coverage. The broker also provides insurance guidance on Measure M and R construction projects including, Westside Subway Extensions, LAX/Metro Transit Center, East San Fernando Valley Transit Corridor, Gold Line Foothill Extensions, and others.

Attachment A summarizes the procurement activities for Request for Proposals (RFP) No. PS126876000, which was solicited as an open solicitation and included a Disadvantaged Business Enterprise (DBE) goal of 10% as shown in attachment B. The solicitation was posted on Metro's Vendor Portal from September 13, 2024, through October 16, 2024, and was advertised in four publications - LA Daily News, LA Sentinel, LA Opinion, and Asian Week. Approximately 24 firms either picked up or downloaded the solicitation for review. A virtual pre-proposal conference was made available to the public and was held on September 23, 2024, and was attended by 25 participants. A copy of the plan holders list was posted on Metro's Vendor Portal to facilitate outreach and networking opportunities amongst interested vendors.

Four vendors were selected as responsive to the requirements of the solicitation. Of the four, Marsh USA LLC (Marsh) was selected as the most qualified and competitive broker to provide services for the agency. Marsh, in support of the DBE commitment, selected National Insurance Consultants, Inc. dba Transportation Management Services, an African American Owned Small Business, to support scope of services to be provided and made a commitment of 10%.

### **DETERMINATION OF SAFETY IMPACT**

Approval of this recommendation will positively impact the safety of Metro's patrons and employees. Marsh USA LLC will provide a wide array of services to improve Metro's risk profile. In addition to providing contract review, insurance guidance, and marketing Metro's insurance portfolio, consulting and risk management services to mitigate exposure will also be provided. Risk Management will partner with Marsh USA LLC, and insurance carriers to identify and mitigate loss trends.

### **FINANCIAL IMPACT**

The FY25 Budget includes \$300,702.50 for this service in Project 100004, PRMA- Workers Compensation (W/C), under Cost Center 0531, Non-Departmental Operations Risk Management.

Since this is a multi-year contract, the cost center manager and the Chief Transit Safety Officer will be accountable for budgeting the cost in future years. Insurance premiums are approved through separate Board action as each program is renewed in the marketplace.

### **Impact to Budget**

The source of funding for this action will come from federal, state and local funding sources that are eligible for bus and rail operations.

### **EQUITY PLATFORM**

The services provided by the selected insurance broker ensure the expertise required to provide insurance protections to cover all Metro-owned property, stations, tunnels, bridges, rolling stock fleet, right of ways, facilities, and buildings that provide transportation service and benefits to low-income residents, black, indigenous, and people of color, people with disabilities, people with limited English proficiency, minorities, women, disadvantaged or disabled veterans, LGBTQ community, and other marginalized groups. Furthermore, services provided by the selected broker ensure that the expertise required to support ongoing and upcoming development projects remains readily available to ensure the interests of Metro and the public at large remain protected in the event of catastrophic losses.

### **VEHICLE MILES TRAVELED OUTCOME**

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.\* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides liability coverage for some of Metro's largest programs. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

\*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

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

The recommendation supports strategic plan goal # 5, "Provide responsive, accountable and trustworthy governance within the LA Metro organization." The responsible administration of Metro's insurance programs requires the use of proficient insurance brokers. Furthermore, the broker must possess the expertise and access to represent Metro to insurance underwriters both domestically and internationally.

### **ALTERNATIVES CONSIDERED**

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

**NEXT STEPS**

Upon Board approval, staff will execute Contract No. PS126876000 with Marsh USA LLC to provide brokerage services, effective March 1, 2025.

**ATTACHMENTS**

Attachment A - Procurement Summary

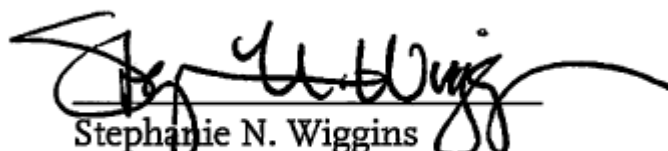
Attachment B - DEOD Summary

Prepared by: William Douglas, Senior Manager, Risk Financing, (213) 922-2105

Claudia Castillo del Muro, Executive Officer, Risk Management, (213) 922-4518

Carolina Coppolo, Deputy Chief Vendor/Contract Management Officer (Interim),  
(213) 922-4471

Reviewed by: Kenneth Hernandez, Chief Transit Safety Officer (Interim), (213) 922-2990

  
Stephanie N. Wiggins  
Chief Executive Officer

**PROCUREMENT SUMMARY**

**RISK MANAGEMENT INSURANCE BROKERAGE SERVICES/PS126876000**

1.	<b>Contract Number:</b> PS126876000	
2.	<b>Recommended Vendor:</b> Marsh USA 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> September 13, 2024	
	<b>B. Advertised/Publicized:</b> September 13, 2024	
	<b>C. Pre-Proposal Conference:</b> September 23, 2024	
	<b>D. Proposals Due:</b> October 16, 2024	
	<b>E. Pre-Qualification Completed:</b> January 7, 2025	
	<b>F. Ethics Declaration Forms Submitted to Ethics:</b> October 17, 2024	
	<b>G. Protest Period End Date:</b> February 25, 2025	
5.	<b>Solicitations Downloaded:</b>  24	<b>Bids/Proposals Received:</b>  4
6.	<b>Contract Administrator:</b> Annie Duong	<b>Telephone Number:</b> (213) 418-3048
7.	<b>Project Manager:</b> William Douglas	<b>Telephone Number:</b> (213) 922-2105

**A. Procurement Background**

This Board Action is to approve Contract No. PS126876000 to provide insurance brokerage services. Board approval of contract award is subject to the resolution of any properly submitted protest(s), if any.

On September 13, 2024, Request for Proposal (RFP) No. PS126876 was issued as a competitive procurement in accordance with Metro’s Acquisition Policy, and the contract type is firm fixed price. The Diversity and Economic Opportunity Department (DEOD) established a 10% Disadvantaged Business Enterprise (DBE) goal for this procurement.

No amendments were issued during the solicitation phase of this RFP.

A total of 24 downloads of the RFP were included in the planholders list. A virtual pre-proposal conference was held on September 23, 2024, and was attended by 25 participants representing 15 firms. There were 28 questions received, and responses were issued prior to the proposal due date.

A total of four proposals were received by the proposal due date of October 16, 2024, and are listed below in alphabetical order:

1. Alliant Insurance Services, Inc.
2. Aon Risk Insurance Services West, Inc.

3. Arthur J. Gallagher Risk Management Services, LLC
4. Marsh USA LLC

## **B. Evaluation of Proposals**

A Proposal Evaluation Team (PET) consisting of staff from Risk Management, System Security and Law Enforcement, and Executive Office Transit Service Delivery departments was convened, and conducted a comprehensive technical evaluation of the proposals received.

Of the four proposals received, Alliant Insurance Services, Inc. and Arthur J. Gallagher Risk Management Services, LLC were determined by DEOD to be non-responsive for failure to meet the DBE goal. Hence, both firms were excluded from further evaluation.

From October 24, 2024, through November 25, 2024, the PET independently evaluated and scored the technical proposals of Aon Risk Insurance Services West, Inc. and Marsh USA LLC.

The proposals were evaluated based on the following evaluation criteria:

Phase 1 Evaluation – Minimum Qualification Requirements (Pass/Fail): To be responsive to the RFP minimum qualification requirements, proposers must meet all of the following:

- The Prime Contractor must have at least \$1 billion in written property and casualty premiums annually for the past three years in the United States.
- The Prime Contractor must have an active insurance broker license in the State of California at the time of proposal submittal.
- Prime Contractor must have at least five public sector clients in the State of California.
- Prime Contractor must have at least two public sector clients in the United States with gross revenues in excess of \$2 billion.
- Prime Contractor must have at least two clients in the United States that provide bus and/or rail public transit services with a fleet that exceeds 500 vehicles.
- Prime Contractor must have a physical office in San Diego, Riverside, San Bernardino, Orange, Ventura, or Los Angeles County.
- Prime Contractor must agree to rebate to Metro all commissions (including contingent commissions and fees paid by insurance companies) earned through placement of policies under this contract except for placement of Major Construction Liability Umbrella insurance policies as provided for in the Scope of Services.

Both Aon Risk Insurance Services West, Inc. and Marsh USA LLC met the Minimum Qualification Requirements and were further evaluated based on the following Phase 2 Evaluation - Weighted Technical Evaluation criteria:

- Qualifications of the Prime Contractor 40%
- Qualifications of Proposed Key Personnel 30%
- Understanding of the Scope of Services Proposed Work Plan 10%
- Price Proposal 20%

Several factors were considered in developing these weights, giving the greatest importance to the qualifications of the prime contractor.

At the conclusion of the evaluation, the PET determined Marsh USA LLC to be the top ranked firm.

**Qualification Summary of Firms:**

Marsh USA LLC (Marsh)

Marsh, a subsidiary of Marsh LLC, was founded in 1923 and is headquartered in New York, NY. It is an insurance broker and risk advisor, serving companies, institutions, and individuals across the United States and over 130 countries, providing clients with industry-focused brokerage, consulting, and claims advocacy services. The Marsh client team is made up of industry specialists focused on transportation, rail, construction and public entity risks and have decades of experience servicing risk management needs and delivering risk solutions for transportation and public sector clients. Transportation clients include BNSF Railway, Metropolitan Atlanta Rapid Transit Authority, Hillsborough Area Regional Transit Authority, Amtrak, Orange County Transportation Authority (OCTA), Denver Regional Transportation District, and Metrolink.

Aon Risk Insurance Services West, Inc. (Aon)

Aon, established in 1902, is headquartered in Dublin, Ireland, with its U.S. operations managed from Chicago, Illinois. It operates mainly on the U.S. West Coast, offering services such as risk advisory, risk transfer, and structured solutions to help organizations and individuals manage their risk exposure. Aon specializes in professional liability, cyber risk, property and casualty, and transactional solutions and has been working with the public sector since 1979.

Transportation clients include Amtrak, New Jersey Transit, Delaware River Port Authority, Utah Transit Authority, Metrolink, Long Beach Transit, OCTA, Sacramento Regional Transit, and Metro.

The following is a summary of the PET scores:

1	Firm	Average Score	Factor Weight	Weighted Average Score	Rank
2	<b>Marsh USA LLC</b>				
3	Qualifications of the Prime Contractor	84.00	40.00%	33.60	
4	Qualifications of Proposed Key Personnel	90.00	30.00%	27.00	
5	Understanding of the Scope of Services Proposed Work Plan	86.70	10.00%	8.67	
6	Price Proposal	100.00	20.00%	20.00	
7	<b>Total</b>		<b>100.00%</b>	<b>89.27</b>	<b>1</b>
8	<b>Aon Risk Insurance Services West, Inc.</b>				
9	Qualifications of the Prime Contractor	87.68	40.00%	35.07	
10	Qualifications of Proposed Key Personnel	81.67	30.00%	24.50	
11	Understanding of the Scope of Services Proposed Work Plan	68.30	10.00%	6.83	
12	Price Proposal	91.65	20.00%	18.33	
13	<b>Total</b>		<b>100.00%</b>	<b>84.73</b>	<b>2</b>

### **C. Price Analysis**

The recommended amount has been determined to be fair and reasonable based on adequate competition, fact-finding, technical analysis and price analysis. Staff successfully negotiated a cost savings of \$240,677.

	Proposer Name	Proposal Amount	Metro ICE	Recommended Amount
1	Marsh USA LLC	\$2,947,000	\$4,063,642	\$2,706,323
2	Aon Risk Insurance Services West, Inc.	\$3,216,240		

The variance between the Independent Cost Estimate (ICE) and the negotiated amount is attributed to the ICE utilizing a conservative approach in estimating costs for establishing alternative insurance solutions and including escalated rates for the base and option terms. The negotiated amount consists of a fixed annual fee for the entire contract term, inclusive of options.



**D. Background on Recommended Contractor**

Marsh provides risk management, insurance broker, insurance program management, risk consulting, analytical modeling and alternative risk financing services to a wide range of businesses, government entities, professional service organizations and individuals.

The Marsh team includes a DBE subcontractor that will handle insurance related activities and marketing consulting services.

DEOD SUMMARY

RISK MANAGEMENT INSURANCE BROKERAGE SERVICES / PS126876000

**A. Small Business Participation**

The Diversity and Economic Opportunity Department (DEOD) established a 10% Disadvantaged Business Enterprise (DBE) goal for this solicitation. Marsh USA LLC made a 10% DBE commitment.

<b>Small Business Goal</b>	<b>10% DBE</b>	<b>Small Business Commitment</b>	<b>10% DBE</b>
----------------------------	----------------	----------------------------------	----------------

	<b>DBE Subcontractors</b>	<b>Ethnicity</b>	<b>% Committed</b>
1.	National Insurance Consultants, Inc. dba Transportation Management Services	African American	10%
<b>Total Commitment</b>			<b>10%</b>

**B. Local Small Business Enterprise (LSBE) Preference**

LSBE preference is not applicable to federally funded procurements. Federal law (49 CFR § 661.21) prohibits the use of local procurement preferences on FTA-funded projects.

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

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

**D. Prevailing Wage Applicability**

Prevailing Wage is not applicable to this contract.

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

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



# Risk Management Insurance Brokerage Services

Finance, Budget and Audit Committee

February 20, 2025

File ID #2024-1083

# Risk Management Insurance Brokerage Services

## **Recommendation:**

AUTHORIZE the Chief Executive Officer to award a firm fixed price Contract No. PS126876000 to Marsh USA LLC for insurance brokerage services in the amount of \$1,503,513 for the five-year base term, and \$601,405 for each of the two, two-year options, for a total amount of \$2,706,323, effective March 1, 2025, subject to the resolution of any properly submitted protest(s), if any.

# Risk Management Insurance Brokerage Services

## Current Contract Expiration:

- Metro's current insurance brokerage services contract with USI Insurance Services, Inc. ("USI") expires May 31, 2025.
- Insurance premiums have increased exponentially over the past few years, leading to an assessment of pricing and the identification of ways to mitigate future increases.
- In an assessment conducted by McKinsey in January 2024, it was recommended that a new competitive request for proposals (RFP) for broker services be issued to spur broker competition and ensure Metro is receiving the most competitive premium pricing.

# Risk Management Insurance Brokerage Services

## Marketing Services:

- An insurance broker of record is required for Metro to purchase insurance from commercial markets.
- Metro's insurance portfolio includes General Liability, Property, and Cyber insurance coverages. Additionally, many Metro contracts and other agreements require commercial insurance coverage.
- The RFP process afforded an opportunity to evaluate the professional expertise, dedicated staff, and presence within the insurance marketplace
- The selected broker demonstrated the expertise, staffing, and market reach that will support the goal of enhanced services and premium pricing, which will serve to ensure preferential premium pricing.

# Risk Management Insurance Brokerage Services

## Marsh USA, LLC Services

- Insurance Marketplace Services
  - Professional Staff to Manage Complex Negotiations
  - Excess Liability
  - Commercial Property
  - Cyber Extortion/Ransomware
- Professional Expertise
  - Engineering Loss Control Services
  - Review of Contractual Obligations
  - Insurance Market Advice
  - Support for Future Programs (i.e., Captive Insurance Program)
- Support for Claims handling
  - Expert Liaison to Communicate to Claims and Underwriting Professionals
  - Coverage Guidance for Potential Claims Actions
- Advice and Guidance for Future Programs
  - Insurance Captive Formation
  - Owner Controlled Insurance Programs



Thank you.



Metro®