



Board Report

File #: 2019-0795, File Type: Contract

Agenda Number: 17.

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.

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

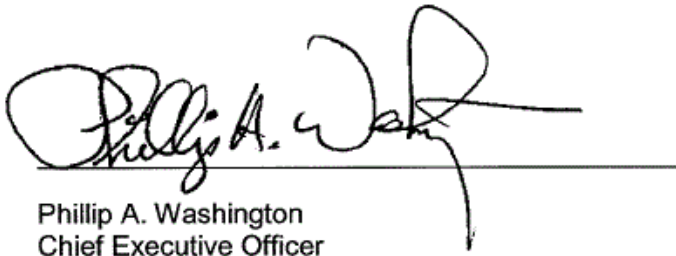
Attachment A - Procurement Summary

Attachment B - DEOD Summary

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