



May 10, 2017

To: Finance and Administration Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Agreement for Insurance Brokerage Services

Overview

On February 20, 2017, the Orange County Transportation Authority issued a request for proposals for insurance brokerage services. Offers were received in accordance with the Orange County Transportation Authority's procurement procedures for professional and technical services. Approval is requested to execute an agreement for these services.

Recommendations

- A. Approve the selection of Marsh USA, Inc. as the firm to provide insurance brokerage services.
- B. Authorize the Chief Executive Officer to negotiate and execute Agreement No. C-7-1585 between the Orange County Transportation Authority and Marsh USA, Inc., in the amount of \$520,000, to provide insurance brokerage services for a five-year term effective July 1, 2017 through June 30, 2022.

Discussion

The Orange County Transportation Authority (OCTA) is self-insured for excess liability and excess workers' compensation losses. In addition, OCTA purchases additional insurance through an insurance broker of record to protect OCTA's real and business personal property from accidental loss.

Currently, Marsh USA, Inc. (Marsh) is the broker of record for OCTA. Marsh markets and procures excess liability, excess workers' compensation, property, flood, earthquake, crime, security and privacy, as well as business interruption insurance.

Procurement Approach

This procurement was handled in accordance with OCTA's Board of Directors (Board)-approved procedures for professional and technical services. In addition to cost, many other factors are considered in an award for professional and technical services. The award is recommended to the firm offering the most comprehensive overall proposal considering such factors as staffing and project organization, prior experience with similar projects, work plan, as well as a fair and reasonable cost and price.

On February 20, 2017, Request for Proposals (RFP) 7-1585 was issued electronically on CAMM NET. The project was advertised in a newspaper of general circulation on February 20 and 27, 2017. A pre-proposal conference was held on February 28, 2017, with two attendees representing two firms. Addendum No. 1 was issued to provide a copy of the pre-proposal presentation and registration sheet. Addendum No. 2 was issued to advise offerors that no questions were received by the deadline identified in the RFP.

On March 16, 2017, three proposals were received. An evaluation committee consisting of OCTA staff from Contracts Administration and Materials Management and Risk Management departments, as well as external representatives from the County of Orange, City of Anaheim, and the Los Angeles – San Diego – San Luis Obispo Rail Corridor met to review all proposals received. The proposals were evaluated based on the following evaluation criteria and weights:

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|-------------------------------------|------------|
| • Qualifications of the Firm | 30 percent |
| • Staffing and Project Organization | 25 percent |
| • Work Plan | 20 percent |
| • Cost and Price | 25 percent |

Several factors were considered in developing the evaluation criteria weights. Qualifications of the firm were considered with the highest importance, as the firm must demonstrate experience in recommending insurance coverage, successfully source qualified insurance firms, and provide timely responses to inquiries in order to maintain adequate coverage and mitigate risk. Staffing and project organization was assigned a 25 percent weighting, as the project team needed to demonstrate experience in servicing similar-sized public transit agencies, and have the availability to respond to inquiries from risk management staff and OCTA's Board with minimal notice. Cost and price was assigned a 25 percent weighting to ensure that OCTA receives value for the services provided. The work plan was assigned a 20 percent weighting, as marketing, evaluating, and placing insurance is a standard function of services provided by insurance brokerage firms.

On March 23, 2017, the evaluation committee reviewed all proposals received based on the evaluation criteria, and interviewed all three firms on March 29, 2017, listed below in alphabetical order:

Firm and Location

Alliant Insurance Services, Inc. (Alliant)
Newport Beach, California

Aon Risk Insurance Services West, Inc. (Aon)
Los Angeles, California

Marsh
Irvine, California

The interviews consisted of a presentation to demonstrate the firms' understanding of OCTA's requirements for this project. The firms' project managers and key team members had an opportunity to present each team's qualifications and respond to the evaluation committee's questions. Questions were asked relative to the proposed team's experience with toll road exposures, the appropriate coverage limits for various liability programs for OCTA, self-insured retention (the dollar amount specified in a liability insurance policy that must be paid by the insured before the insurance policy will respond to a loss), together with the features and capabilities of their insurance certificate tracking system. Finally, each team was asked specific clarification questions related to their proposal.

At the conclusion of the interviews, the three firms were requested to submit a best and final offer (BAFO). The BAFO was issued to change the insurance certificate tracking services from an optional task to a required service. Firms were presented with the estimated number of OCTA contracts and were requested to submit a firm-fixed price to provide insurance certificate tracking services based on the updated information.

After considering the responses to the questions asked during the interviews and the information provided in the BAFO, the evaluation committee reviewed the preliminary ranking for all firms. As a result, the ranking of the firms remained unchanged.

Based on the evaluation of the written proposals, the firms' qualifications, the proposed firm-fixed prices, the information obtained from the interviews, and the BAFO, the evaluation committee recommends Marsh for consideration of the award. The following is a brief summary of the proposal evaluation results.

Qualifications of the Firm

Each of the three firms demonstrated experience recommending insurance coverage, successfully sourcing qualified insurance firms, and providing timely responses to inquiries in order to maintain adequate coverage and mitigate risk.

Marsh represents over 345 transportation clients in North America, including the Southern California Regional Rail Authority (Metrolink), the New York City Metropolitan Transit Authority, and the New Jersey Transit Authority. Their proposal and interview demonstrated comprehensive knowledge of OCTA's existing and future anticipated liability exposures.

Alliant represents over 50 large transit agencies including the San Diego Metropolitan Transit System, Omnitrans, and the Riverside Transit Agency (RTA). Alliant also proposed using a liability specialist subcontractor, Bedford Falls Insurance Services. This subcontractor was selected by Alliant to provide services related to the excess casualty placement, including establishing budget projections, marketing plans, maintaining marketing relationships, and developing competitive markets for consideration.

Aon has a strong presence in the transportation industry. Aon's clients include the Massachusetts Bay Transit Authority, the San Francisco Bay Rapid Transit District, and the Washington Metropolitan Transit Authority.

Staffing and Project Organization

All three firms proposed project teams with varied experience providing similar insurance brokerage services to public agencies. Some of the key staff proposed by the firms have worked with OCTA on previous insurance-related projects.

Marsh proposed the same team of professionals currently servicing OCTA. This project team is currently assigned to market, evaluate, negotiate, and place OCTA's insurance program. The majority of the proposed key personnel have over 20 years of industry experience. The project manager has 30 years of experience and handles only Southern California clients, such as the San Bernardino Associated Governments and Metrolink. The proposed project team exhibited strong cohesion during their interview, providing a seamless presentation.

Alliant proposed multiple project leads for their team of professionals who are specialized in different types of liability coverage for public entities in Orange County. The firm has a group of customer service representatives available to clients upon request. The proposed project managers have at least 15 years of industry experience. Alliant's proposed subcontractor was the only designated party to market and place OCTA's liability insurance.

The proposed account executive for Aon handles a variety of nationally-based public sector clients, including the Los Angeles County Metropolitan Transportation Authority and the San Francisco Bay Area Rapid Transit District. The proposed project manager has over 20 years of experience in the property and casualty insurance market. Although the team includes a strong account executive, the proposed project manager and the support staff have limited experience in providing insurance services to transit agencies.

Work Plan

The three firms all proposed to provide insurance brokerage services and offered a solution to introduce a certificate management program as identified in the scope of work through a subcontractor.

Marsh presented an approach to demonstrate their anticipation of OCTA's future liabilities related to cyber exposures, operating the OC Streetcar, and possible approaches to public transportation on demand. Beyond marketing and the placement of insurance, Marsh also proposed utilizing their national resources to provide source benchmarking data for analysis to assist OCTA's risk control program. In addition, their proposed certificate tracking program would be provided by a subcontractor and would be accessible by OCTA. As part of their general services, Marsh offers in-house property valuations for determining insurable values, as well as updating OCTA on regulation and legislative changes in accordance with the requirements of the scope of work.

Alliant provided a work plan that focused on their unique insurance solutions, which includes their experience with large pools for public entities. They identified exclusive programs that they utilize to reduce costs and foster competition during insurance marketing and placement efforts. Their presentation largely focused on this technique, with a small emphasis on the open market placement of insurance. In response to the BAFO, they proposed a new subcontractor who would provide a computer program for the tracking of OCTA's vendor insurance certificates. Alliant does not provide property valuations for determining insurable values, but would send requested appraisals to a subcontractor. In addition, they did not offer any services to update OCTA on regulation and legislative changes in accordance with the scope of work.

Aon's work plan primarily focused on marketing and placement of insurance services utilizing their three-stage approach. This approach consists of submission to market, carrier responses, and client binding. They did not address any reporting deliverables and did not propose providing services to update OCTA on regulation and legislative changes.

In addition, Aon does not offer property valuations for determining insurable values. Aon's certificate tracking system was limited to tracking certificates produced by Aon with an option of Aon buying licenses to a subcontractor's system.

Cost and Price

Pricing scores were based on a formula that assigns the highest score to the lowest total firm-fixed price for the tasks to be completed, and scores the other proposals' total firm-fixed prices based on their relation to the lowest total firm-fixed price. Marsh's firm-fixed price was the lowest among all proposing firms.

Procurement Summary

Based on the evaluation of the written proposals, the firms' qualifications, the information obtained from the interviews, and the BAFO, the evaluation committee recommends the selection of Marsh as the top-ranked firm to provide insurance brokerage services. Marsh demonstrated strong relevant experience and submitted a thorough and comprehensive proposal that was responsive to all requirements of the RFP. The firm presented a highly qualified staff that demonstrated a thorough understanding of the dynamics of insurance brokerage services.

Fiscal Impact

This project will be budgeted annually. The Risk Management Department has requested sufficient funds in the OCTA Proposed Fiscal Year 2017-18 Budget to adequately cover the first year's contract expense, pending approval by the Board.

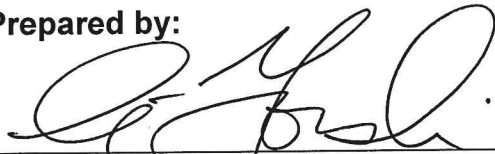
Summary

Based on the information provided, staff recommends the Board authorize the Chief Executive officer to negotiate and execute Agreement No. C-7-1585 between OCTA and Marsh, in the amount of \$520,000, to provide insurance brokerage services for a five-year term.

Attachments

- A. Review of Proposals, RFP 7-1585 Insurance Brokerage Services
- B. Proposal Evaluation Criteria Matrix, RFP 7-1585 Insurance Brokerage Services
- C. Contract History for the Past Two Years, RFP 7-1585 Insurance Brokerage Services

Prepared by:

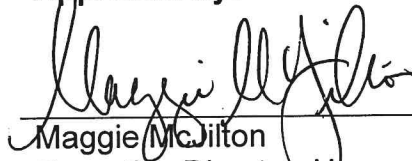


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