

**Date:** September 28, 2016

**To:** Board of Directors

**From:** Neil McFarlane *Neil McFarlane*

**Subject: RESOLUTION 16-09-56 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH ALLIANT INSURANCE SERVICES, INC. FOR INSURANCE BROKER SERVICES**

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**1. Purpose of Item**

The purpose of this item is to request that the TriMet Board of Directors (“Board”) adopt a Resolution authorizing a contract with Alliant Insurance Services, Inc. (Alliant) for insurance brokerage and risk advisory services.

**2. Type of Agenda Item**

- Initial Contract
- Contract Modification
- Other \_\_\_\_\_

**3. Reason for Board Action**

Board approval is required for all personal services contracts obligating TriMet to pay in excess of \$150,000.00.

**4. Type of Action:**

- Resolution
- Ordinance 1<sup>st</sup> Reading
- Ordinance 2<sup>nd</sup> Reading
- Other \_\_\_\_\_

**5. Background**

In the course of its operations, TriMet is exposed to various risks related to damage or destruction of property, tort/liability claims, and injuries to personnel. To protect against these risks, TriMet has developed a comprehensive risk management program utilizing insurance and self insurance resources, which are managed by TriMet Finance and Administration staff. TriMet retains an outside insurance broker to provide insurance management services and assist in evaluating and managing risks.

TriMet’s Insurance Program includes the following elements of self insurance and commercial policies:

- *Property insurance*, which protects against the physical loss of or damage to our buildings, substations, buses, LIFT vehicles, light rail vehicles, rail cars and bridges. TriMet is subject to a minimum \$1 million self insured retention for such claims (with the exception of earthquake and flood damage, which has different deductibles). TriMet currently carries a property policy insuring against losses up to \$300 million per occurrence (with the exception of earthquake and flood damage, which are subject to lower limits).
  - A separate property policy is placed for Tilikum Crossing because more competitive terms (including a lower rate and higher earthquake limit) are available for this structure as opposed to including it together with all other TriMet property.
- *Excess liability insurance* to protect from both state and federal torts (insuring against injury to a third party). TriMet has \$5 million of self insured retention for this type of liability. TriMet currently carries excess liability policies insuring against losses up to \$25 million per occurrence.
- *Workers Compensation insurance*, a State of Oregon statutory requirement, TriMet self insures for the first \$2 million of this exposure, and purchases a commercial policy for any claims above \$2 million.
- *Railroad Protective liability insurance* to cover TriMet's contractual liability with the State of Oregon and Union Pacific Railroad for TriMet's use of the Steel Bridge. Claims arising out of this policy are subject to \$25,000 self insured retention. TriMet currently purchases Railroad Protective liability insurance policies insuring against losses up to \$25 million per occurrence.
- *Comprehensive Railroad liability insurance* to cover TriMet's liability arising out of WES operations and a segment of the Orange Line, in order to meet our contractual liability requirements with Portland & Western Railroad and Union Pacific. TriMet self insures for the first \$2 million and currently purchases comprehensive liability policies insuring against losses of up to \$295 million on a claims made basis.

Following execution of a new contract, TriMet will begin working with the broker on policy renewals which will require a substantial effort to understand the market with regards to our specific assets and operation. The insurance broker serves as TriMet's representative to the global insurance market for the purchase of commercial policies. The annual premium cost of purchased commercial policies is approximately \$2.5 million. The insurance broker also provides comprehensive risk advisory services to TriMet, including but not limited to, review of operating practices with the goal of minimizing risk exposures, benchmarking of TriMet's claims with peer agencies, evaluation of current insurance coverage, and potential recommendations for improved coverage and other comprehensive risk management services.

Alliant has served as TriMet's insurance broker since 2010. Prior to that, Marsh USA Inc. was TriMet's insurance broker for over fifteen years.

## 6. Procurement Process

TriMet issued a Request for Proposals (RFP) and received four proposals from Alliant, Propel Insurance, Marsh USA, Inc. (Marsh), and Aon Insurance Services West, Inc. (Aon). Proposals were evaluated by a source evaluation committee (SEC) comprised of representatives from TriMet's Finance and Administration, Capital Projects, and Safety and Security Divisions. Following the initial review and evaluation, the SEC narrowed the competitive range to three of the four proposers that responded. Those three firms were invited in for oral interviews. After the interviews, the SEC requested Best and Final Offers (BAFOs) from the three firms that were interviewed. BAFOs were received on August 31<sup>st</sup> and evaluated again by the SEC. A consensus was reached and the SEC has decided to recommend Alliant as the awardee resulting from the RFP. Below is a summary of the final scores from the three proposers within the competitive range:

Criterion (points)	Alliant	Marsh	Aon
<b>Qualifications of Firm &amp; Key Staff (20)</b>	<b>18.25</b>	<b>15</b>	<b>18.25</b>
<b>Approach to the Work/Work Plan (40)</b>	<b>38.5</b>	<b>30.5</b>	<b>38</b>
<b>Technical Score:</b>	<b>56.75</b>	<b>45.5</b>	<b>56.25</b>
<b>Price:</b>	<b>\$538,000.00</b>	<b>\$420,000.00</b>	<b>\$540,000.00</b>
<b>Pricing (40)</b>	<b>31.23</b>	<b>40</b>	<b>31.11</b>
<b>Total Score:</b>	<b>87.98</b>	<b>85.5</b>	<b>87.36</b>

Although Alliant is not the least expensive proposer, the SEC scored them higher on their technical proposal, which included qualifications of the firm and key staff as well as their approach to the work and work plan. Alliant's BAFO reduced the total price proposal from \$544,000.00 to \$538,000.00, which reflects an annual reduction of \$2,000 from the annual fixed fee for the base term (years one and two) and the third year, which is the first of three one-year options that can be renewed at TriMet's sole discretion.

The term of the contract will be a base term of two years with three, one year options to renew. Price increases will be permissible for the option years (years three, four and five, if exercised by TriMet), but will be capped at the Portland area Consumer Price Index. Below is a summary of Alliant's proposed annual fixed fee for the base term and option years. The annual fixed fee under the current Contract with Alliant is \$108,000 so year one of the proposed contract will be \$4,000 less.

<b>Base Term – Two Years</b>	
Year One	<b>\$104,000.00</b>
Year Two	<b>\$106,000.00</b>
<b>Option Years</b>	
Year Three	<b>\$108,000.00</b>
Year Four	<b>\$110,000.00</b>
Year Five	<b>\$110,000.00</b>
<b>Contract Total:</b>	<b>\$538,000.00</b>

**7. Diversity**

Given the nature of the services to be furnished, there are no subcontracting opportunities under the contract. Alliant provided workforce diversity for the entire company broken out by job classification. Below are their statistics:

<b>Job Classification</b>	<b># of Employees</b>	<b>Percent Female</b>	<b>Percent Minority</b>
Administrative Support Workers	937	84%	28%
Executive/Senior Managers	66	17%	6%
Mid-Level Managers	185	53%	14%
Professionals	825	64%	21%
Sales Workers	387	19%	6%
Operatives	1	0%	100%

**8. Financial/Budget Impact**

The adopted FY16-17 budget for Finance and Administration Division currently has an annual fixed fee of \$108,000 for insurance broker services. Alliant's annual fixed fee for the first year of the proposed contract is \$104,000, which represents a savings of \$4,000 for FY16-17.

**9. Impact if Not Approved**

If this Resolution is not approved, TriMet would need to quickly conduct a new RFP process for these services. Due to the policy renewal process discussed in the Background Section, conducting a new RFP would be severely disruptive and is not likely to result in a better outcome.

DB/LS/AW/pc

**RESOLUTION 16-09-56**

**RESOLUTION OF THE TRI-COUNTY METROPOLITAN  
TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING  
A CONTRACT WITH ALLIANT INSURANCE SERVICES, INC. FOR  
INSURANCE BROKER SERVICES**

**WHEREAS**, TriMet has authority under ORS 267.200 to enter into a contract with Alliant Insurance Services, Inc. for insurance broker services (“Contract”); and

**WHEREAS**, the total amount of the Contract shall exceed \$150,000; and

**WHEREAS**, the TriMet Board of Directors (“Board”), by Resolution dated November 25, 2009, adopted a Statement of Policies requiring the Board to approve personal services contracts obligating TriMet to pay in excess of \$150,000;

**NOW, THEREFORE, BE IT RESOLVED:**

1. That the Contract shall be in conformance with applicable laws.
2. That the General Manager or his designee is authorized to execute the Contract.

Dated: September 28, 2016

\_\_\_\_\_  
Presiding Officer

Attest:

\_\_\_\_\_  
Recording Secretary

Approved as to Legal Sufficiency:

  
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Legal Department