

RECOMMENDATION APPROVED;
RESOLUTION 23-10133 ADOPTED AND;
AGREEMENT 23-9934 APPROVED
BY THE BOARD OF HARBOR COMMISSIONERS



February 23, 2023
AM KLESGES
AMBER M. KLESGES
Board Secretary

DATE: FEBRUARY 16, 2023

FROM: RISK MANAGEMENT

SUBJECT: RESOLUTION NO. 23-10133 - AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND ALLIANT INSURANCE SERVICES, INC. FOR INSURANCE BROKERAGE AND RISK MANAGEMENT SERVICES

SUMMARY:

Staff requests approval of an Agreement between the City of Los Angeles Harbor Department (Harbor Department) and Alliant Insurance Services, Inc. (Alliant) for insurance brokerage and risk management services. The proposed agreement is for a term of five years and a not-to-exceed amount of \$35,000,000.

As the Broker of Record for the Harbor Department, Alliant will assist the Harbor Department in procuring commercial property and casualty insurance to support operational needs and assist risk management staff in administering the Harbor Department's insurance and risk management program. Compensation under the proposed Agreement includes fees for the broker services and pass-through payments for the Harbor Department to the insurance companies for insurance premiums. The Harbor Department is financially responsible for the payment of costs incurred under the proposed Agreement.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Find that in accordance with the Los Angeles City Charter Section 1022, it is more feasible for outside consultants to perform this work than City employees;
3. Approve the Agreement with Alliant for a five-year term and not-to-exceed amount of \$35,000,000;
4. Authorize and direct the Board Secretary to transmit the Agreement to City Council for its approval pursuant to Section 373 of the City Charter and Section 10.5 of the Los Angeles City Administrative Code;

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5. Authorize the Executive Director to execute and the Board Secretary to attest the Agreement upon approval by City Council; and,
6. Adopt Resolution No. 23-10133

DISCUSSION:

Purpose – Approval of the Agreement with Alliant will secure a Broker of Record for the Harbor Department. The Department's Broker of Record will provide a full range of insurance brokerage and risk management services including assistance with the procurement of the Department's insurance policies such as General Liability, Property Insurance and Cyber Liability. Services also include, but are not limited to, property and liability insurance marketing, placement and servicing, risk exposure assessment, claims services, general advice on insurance and risk management related services, and assist in the overall management of risk for the Harbor Department.

Background – The Harbor Department's insurance and risk management program is traditionally managed by the Risk Management Division with assistance from a licensed professional insurance broker. The program utilizes widely practiced risk management techniques, which includes the purchase of commercial property and casualty insurance policies, transfer of risk to third parties, use of self-insured retentions, and use of loss control programs to protect the Harbor Department from operational risk perils.

Licensed insurance brokers are commonly utilized by public and private entities as insurance brokers are equipped with special training, expertise, access and familiarity with the worldwide insurance market and products, risk management resources to assist with claims management and loss control, and possess licenses required by the California Department of Insurance to procure insurance. Insurance brokers play a vital role in procuring the necessary types of coverage at appropriate levels of insurance and competitive prices to offset the potential financial impact of losses resulting from the Harbor Department's operational activities.

Commercial property and casualty insurance is beneficial as it protects Harbor Department assets and operations from minor accidents to major losses and from injury or damage claims made by other parties. Insurance can provide the financial means to repair, rebuild, or purchase damaged or destroyed assets; cover incidental costs incurred in resuming business operations; and if necessary, pay on behalf, any amount the Harbor Department is obligated to pay, up to the terms of the insurance policy. Holding such

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insurance is essential to mitigating the operational risk perils and maintaining the financial stability of the Harbor Department.

Harbor Department Risk Management staff are not licensed to procure insurance and because of the type, capacity, and complexity of coverages needed to protect the Harbor Department against its maritime and public entity exposures, insurance brokerage firms such as Alliant are traditionally utilized.

Selection Process – A Request for Proposals (RFP) was published on RAMPLA in August 2022, and a direct invitation to propose was sent to firms who provide brokerage services for other City of Los Angeles proprietary departments. Though there were 20 unique downloads of the RFP, one responsive proposal was received. In order to continue to promote competitive and transparent business practices, the Department's Contracts & Purchasing Division reached out to firms who downloaded the proposal to understand why firms chose not to submit a proposal. Among the reasons included was that firms were unable to find the right markets for the Department's insurance needs and the opportunity did not pertain to the type of services the firm provides.

An evaluation committee consisting of Department and Los Angeles Department of Water and Power Risk Management staff reviewed the proposal. Shown below are the rating criteria used by the evaluation committee:

CRITERIA	DESCRIPTION	WEIGHING FACTOR
Firm Qualifications, Experience and References	Has the firm performed work of similar scope and magnitude? Level of expertise in subject matter areas?	4
Personnel Qualifications, Experience, and References	Qualifications, commitment, depth of experience, and specialties of proposed services team for the requested services?	5
Project Approach, Work Plan, and Management	Services to be provided. Quality of proposed work plan to meet project requirements? Quality of project management?	5
Compensation	Competitive rates and fees proposed? Are proposed fees and staff hours clearly defined?	4
Clarity and Comprehensiveness of the Proposal	Is the proposal clear, comprehensive, and understandable? Does the	2

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	proposal meet all the RFP service requirements?	
	Maximum points possible = 100	

Based upon Alliant's written proposal and the fact that the Department has been satisfied with their services as the incumbent contractor, it was determined that Alliant is well qualified to provide the necessary services to the Department. Alliant possesses unique qualifications and skills that will be beneficial to our risk management programs.

As the Harbor Department's current insurance broker under Agreement 3568, Alliant has met expectations. Through November 2022, the Harbor Department has expended \$16,926,467 for broker fees and insurance expenses from the agreement's \$28,000,000 total compensation authority. This five-year agreement is due to expire in May 2023.

Proposed Agreement – Approval of the Agreement (Transmittal 02) would authorize the Harbor Department to expend up to \$35,000,000 over a five-year period to cover the broker's fee compensation and insurance expenses. The actual amount to be budgeted each year will be formulated and requested as part of the Harbor Department's annual budget process.

Broker compensation, comprised of broker fees and fees for as-needed specialized risk management consulting services and projects, shall not exceed \$750,000 for broker fees (\$451,278) and as-needed additional services (up to \$298,722). The \$451,278 broker fee shall be paid each year as follows:

First Year	\$85,000
Second Year	\$87,550
Third Year	\$90,177
Fourth Year	\$92,882
Fifth Year	\$95,669
Total	\$451,278

Insurance expenses under the proposed Agreement shall not exceed \$34,250,000 over the five-year period for the payment of commercial property and casualty insurance policies and related expenses. Due to the long lead time involved, the insurance expense amount request under the proposed Agreement has increased by \$7,000,000 as compared to Agreement 3568. This is because the total authority amount would need to sufficiently cover the Harbor Department's projected insurance expenses for the next five years and allow for contingencies that would arise during the course of the Agreement. Such contingencies include escalation in premium costs resulting from insurance market changes, changes in the Harbor Department operations, changes to the Harbor

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Department's risk profile, increases in the number or value of capital assets, and procurement of additional types of insurance policies.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Agreement between the Harbor Department and Alliant for insurance brokerage and risk management services, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Agreement would authorize spending of up to \$35,000,000 over a five-year period for insurance brokerage and risk management services. Staff anticipates future spending to occur as follows:

Fiscal Year	\$ Amount
2023	\$ 65,000
2024	\$5,241,000
2025	\$6,154,000
2026	\$6,966,000
2027	\$7,825,000
2028	\$8,749,000
Total	\$35,000,000

Fiscal Year (FY) 2023 funding in the amount of \$65,000 is available within Accounts 59330 (Pilotage Trip Insurance), 59350 (Fleet Insurance), and 59390 (Misc. Insurance), Center 0550, Program 000. FY 2024 funding in the amount of \$5,241,000 is being requested as part of the FY 2024 Budget process, subject to Board approval. Funds in future fiscal years will be requested as part of the annual budget adoption process and subject to Board approval.

If the proposed Agreement is not approved, then the Harbor Department would be required to fully self-insure all of its property and casualty risk exposures. This would expose the Harbor Department to potentially catastrophic risk and significant loss affecting its financial viability, ratings and operational stability as well as require additional

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staff to manage the claims and defense process which is typically handled by insurance firms.

CITY ATTORNEY:

The Office of the City Attorney has reviewed the proposed Agreement and approved it as to form and legality.

TRANSMITTALS:

1. Final Score for Proposer
2. Agreement with Alliant Insurance Services, Inc.

FIS Approval: MB

CA Approval: SO

JENNIFER BERSALES

JENNIFER BERSALES
Director of Risk Management

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director

APPROVED:

Marla Bleavins For

EUGENE D SEROKA
Executive Director

JB:cm
Author: C. Makaena