

0150-11115-0001

TRANSMITTAL

TO Eugene D. Seroka, Executive Director Harbor Department	DATE 06/02/2023	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT 15	

**RESOLUTION NO. 23-10133 AND PROPOSED AGREEMENT NO. 23-9934
WITH ALLIANT INSURANCE SERVICES, INC.
FOR INSURANCE BROKERAGE AND RISK MANAGEMENT SERVICES**

Approved and transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.



MAYOR

(Chris Thompson for)

Attachment

MWS/PJH/JVW:SHF:10230131t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER


Date: May 25, 2023

CAO File No. 0150-11115-0001

Council File No.

Council District: 15

To: The Mayor

From: 
Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from Los Angeles Board of Harbor Commissioners (Board) dated February 23, 2023 regarding February 23, 2023 Board Resolution; referred by the Mayor for report on February 23, 2023

Subject: **RESOLUTION NO. 23-10133 AND PROPOSED AGREEMENT NO. 23-9934 WITH ALLIANT INSURANCE SERVICES, INC. FOR INSURANCE BROKERAGE AND RISK MANAGEMENT SERVICES**

RECOMMENDATIONS

1. Approve Los Angeles Harbor Department (Port) Resolution No. 23-10133 authorizing approval of proposed Agreement No. 23-9934 with Alliant Insurance Services, Inc. to provide insurance brokerage and risk management services for a term of five years and a not-to-exceed amount of \$35,000,000;
2. Adopt the February 23, 2023 Board of Harbor Commissioners findings that the proposed action is administratively exempt from requirements of California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines; and
3. Authorize the Port Executive Director, or designee, to execute the proposed agreement, already approved as to form by the City Attorney, and return the Resolution to Port for further processing, including Council consideration.

SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requested approval of its February 23, 2023 Resolution No. 23-10133 (Attachment 1) authorizing approval of proposed Agreement No. 23-9934 between Los Angeles Harbor Department (Port) and Alliant Insurance Services, Inc. (Alliant) for a term of five years and a not-to-exceed amount \$35,000,000 for providing insurance brokerage and risk management services. Selected through a competitive bid process, Alliant will assist the Port in procuring commercial property and casualty insurance to support operational needs and assist risk management staff in administering the Port's insurance and risk management program. Compensation under the proposed agreement includes fees for the broker

services and pass-through payments for Port to pay insurance companies for its insurance premiums. The Port will be financially responsible for all costs incurred under the proposed agreement.

The proposed agreement has been approved as to form by the City Attorney. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds three years. Our office has reviewed the request and recommends approval.

BACKGROUND

The Port's insurance and risk management program is traditionally managed by its Risk Management Division with assistance from a licensed professional insurance broker. Licensed insurance brokers are commonly utilized by public and private entities for their special training, expertise, and 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.

The City of Los Angeles (City) does not employ personnel with the required insurance brokerage and risk management expertise nor is it feasible to do so on a temporary or occasional basis. Port states that the Department's Risk Management personnel are not licensed to procure the various types of insurance products and coverages needed to mitigate its operational risk perils, maintain its financial stability, as well as protect Port against its maritime, private, and public entity exposures. A Broker of Record will provide a full range of insurance and risk management services, and assist in the overall management of risk for the Port.

Current Insurance Broker - Alliant is the current insurance broker under Agreement No. 3568 providing insurance brokerage and risk management services for a maximum contract amount of \$28 million. The five-year contract is due to expire in May 2023. Through November 2022, the Port has expended near \$17 million under this agreement and reports that Alliant has met expectations.

Selection Process – In anticipation of the contract expiration, the Port published a Request for Proposals (RFP) on RAMPLA on August 10, 2022, which was due on October 5, 2022. Because of the difficulty in securing proposals, the Port sent direct invitations to firms that provide brokerage services for other City proprietary departments requesting they submit proposals. Although there were 20 unique downloads of the RFP, Alliant was the only firm to provide a response. The Port reached out to the firms who downloaded the RFP but did not submit a proposal. Among the reasons for these firms not submitting a proposal was that they were unable to find the right markets for the required insurance needs. The Port's selection panel, consisting of risk management personnel from the Los Angeles Department of Water and Power and the Port, determined that Alliant exceeded the requirements and was well qualified.

Compensation - The proposed agreement requests the authority for the Port to expend up to \$35,000,000 over a five-year period to cover broker compensation and insurance expenses. The total broker compensation amount is up to \$750,000 and includes fees and specialized as-needed risk management consultant services. The actual amount to be budgeted each year for this agreement will be formulated and requested as part of the annual budget process. The proposed new five-year agreement is \$7,000,000 higher in comparison to the current five-year agreement in order to sufficiently cover its projected insurance expenses and to allow for contingencies and unforeseen issues. Contingencies include, but are not limited to, escalation in premium costs due to insurance market changes as well as changes in the Port's operations and risk profile.

The Port asserts that if the proposed agreement is not approved, the department would be required to fully self-insure all of its properties and casualty risk exposures which could expose the Port to potentially catastrophic risk and significant loss affecting its financial viability, ratings, and operational stability due to the immediate and long-term need for additional staff for work typically handled by insurance firms.

CITY COMPLIANCE

On February 23, 2023, the Board approved staff report and findings that, in accordance with the City Charter Section 1022, the services required can be performed more feasibly by an outside contractor than by City employees. The City Attorney has reviewed and approved the proposed agreement No. 23-9934 as to form. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council approval is required because the contract term exceeds three years.

California Environmental Quality Act (CEQA) – On February 23, 2023, the Board determined that the proposed agreement with Alliant Insurance Services, Inc. is administratively exempt from requirements of the CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FISCAL IMPACT STATEMENT

Funding for the Port's proposed Agreement No. 23-9934 with Alliant Insurance Services, Inc. is provided from and budgeted in Port's various accounts through its annual budget adoption process, subject to Board approval. There is no impact on the City's General Fund. The recommendations in this report and proposed actions comply with the Port's Financial Policies.

Attachment 1 – February 23, 2023 Harbor Board report, Resolution 23-10133