


0150-11115-0000

**TRANSMITTAL**

TO Eugene D. Seroka, Executive Director Harbor Department	DATE <b>MAY 9 2018</b>	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT <b>15</b>	

**PROPOSED AGREEMENT WITH ALLIANT INSURANCE SERVICES, INC. FOR INSURANCE BROKERAGE AND RISK MANAGEMENT SERVICES**

Transmitted for further processing and Council consideration.  
See the City Administrative Officer report attached.

  
MAYOR

Ana Guerrero

RHL:ABN:10180086t

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

---

Date: May 9, 2018

CAO File No. 0150-11115-0000

Council File No.

Council District: 15

To: The Mayor

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Correspondence from the Harbor Department dated March 29, 2018; referred by the Mayor for report dated April 2, 2018

Subject: **PROPOSED AGREEMENT WITH ALLIANT INSURANCE SERVICES, INC. FOR INSURANCE BROKERAGE AND RISK MANAGEMENT SERVICES**

---

### RECOMMENDATIONS

That the Mayor:

1. Approve the Harbor Department (Port) Resolution No. 18-8258 authorizing proposed Agreement No. 18-3568 with Alliant Insurance Services, Inc., for insurance brokerage and risk management services for a contract term of five years and amount not to exceed \$28,000,000; and,
2. Return the document to the Port for further processing, including Council consideration.

### SUMMARY

The Harbor Department (Port) Board of Harbor Commissioners (Board) requests approval of Resolution No. 18-8258 authorizing proposed Agreement No. 18-3568 (Agreement) with Alliant Insurance Services, Incorporated (Alliant) for insurance brokerage and risk management services. The proposed Agreement will be for a term of five years and up to a total of \$28,000,000. The Board selected Alliant through a competitive-bid process to assist the Port staff in administering its insurance and risk management program and on-going procurement of commercial property and casualty insurance to support operational needs of the Port of Los Angeles (POLA). The Port will pay compensation fees to Alliant for its broker's services and the pass-through of insurance premium payments from the Port to insurance companies used for POLA operations. The Port will be financially responsible for costs incurred in the Agreement.

The Port states that staff customarily receives as-needed assistance from licensed professional insurance broker for insurance needs related to the purchase of commercial and casualty insurance policies, transfer of risk to third parties, use of self-insured holdings, and, use of risk control programs to protect the Port from potential losses. The Port states that the Department's insurance and risk management personnel are not licensed to procure the various types of insurance products needed to maintain and manage POLA operations because of the capacity and complexity of insurance coverages required to protect the POLA against its maritime, private and public exposures.

The Port states that licensed insurance brokers are commonly used by public and private entities for their expertise, special training, and access and familiarity with worldwide and regional risk insurance markets and products for the procurement of insurance required by the California Department of Insurance. Insurance brokers, like Alliant, will assist the Port to procure various types and levels of insurance coverage at competitive prices to offset the potential financial impact of losses resulting from POLA operations. These insurance coverages will include the financial means to accomplish the following: repair, rebuild or purchase damaged or destroyed assets; cover incidental costs incurred in resuming business operations; and, if needed, pay obligated amounts included in the insurance policy terms; and, minimize and mitigate the POLA's operational risks.

The Port states that Alliant is POLA's current insurance broker and has met expectations. However, Alliant's current three-year agreement was expired in April 2018. The Port decided to issue a new competitive-bid proposal for insurance brokerage and risk management services in November 2017. The Port received proposals from two firms and interviewed both of the firms. The Selection Committee was comprised of five risk management employees from the Port and Department of Water & Power. They used the following criteria to evaluate the firms: qualifications, experience, and references; personnel qualifications; technical knowledge; project approach, work plan, and management; and brokerage resources; and, fees. The Port selected Alliant as the most qualified.

Approval of the proposed Agreement will authorize the Port to expend up to \$28 million over a five-year period that will cover broker fees and insurance expenses. The Port will spread the \$28 million over each year of the five-year period. The yearly budgeted amount will be formulated and requested as part of the Port's annual budget process. Compensation will include \$413,917 in broker fees and \$211,083 in fees for as-needed specialized risk management consulting services, for a total of \$625,000 over the five-year term. The balance of the Agreement will include direct compensation for POLA-related insurance expenses in a total amount not to exceed \$27,375,000. This amount will be for payment of commercial property and casualty insurance policies and related contingency expenses. According to the Port, the contingencies expenses can include the following: premium cost increases resulting from insurance market changes; changes to Port's risk profile; increases to the number and value of POLA's capital assets; and, procurement of additional types of insurance policies.

As an alternative to the proposed Agreement for insurance brokerage services, the Port could fully self-insure all its own property and casualty risk exposures. However, if the Port was self-insured, the POLA could be exposed to negative impacts, such as: decreased financial viability and credit ratings; operational sustainability challenges; and, increased staffing needs to manage and defend claims once handled by insurance firms. The Port, like many other ports and public entities, uses a combination of widely practiced risk management techniques and insurance products. Alliant, as the brokerage firm, is responsible to secure the most competitively-priced and best firms.

The City Attorney has approved the proposed Agreement as to form and legality. The proposed Agreement will include and comply with all the existing terms and conditions of the City of Los Angeles (City) contracting requirements. Pursuant to Charter Section 1022, Port staff states that it is more feasible for outside consultants to perform this work than City employees. Mayor and Council approval is required pursuant to Charter Section 373 and Los Angeles Administrative Code Section

10.5, because the Agreement exceeds three years. The Port Director of Environmental Management has determined that the proposed Agreement is an administrative action and is exempt from the requirements of the California Environmental Quality Act (CEQA) and City CEQA Guidelines.

### **FISCAL IMPACT STATEMENT**

Approval of the proposed Agreement between the Harbor Department (Port) and Alliant Insurance Services, Inc. authorizes the Port to expend up to \$28 million for insurance brokerage and risk management services over a five-year period. Funds will be requested under the current and future annual budget adoption process, subject to Board approval. A funding out clause has been included in the Agreement. There is no impact to the City General Fund. The Port is financially responsible for the costs incurred under the proposed Agreement.

*RHL:ABN:10180086*