

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

<input checked="" type="radio"/> Action <input type="radio"/> Information	MEAD Number: 101129	Resolution: <input type="radio"/> Yes <input checked="" type="radio"/> No
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TITLE:

Insurance & Risk Mgmt Services-New Business Model

PURPOSE:

To obtain Board approval to initiate and award multiple contracts for brokerage and risk management-related services and insurance under a new business model. This will be an award for a three-year base period with two one-year options.

DESCRIPTION:

Metro currently procures its insurance and risk management services from a single brokerage selected in response to an RFP that provided boiler plate promises and a fee, without any commitment on the actual insurance placement. Under the new business model, brokerages will be appointed based on the structure and indicated pricing of the insurance programs they develop to fit Metro's needs. Most of Metro's insurance program is not procured as off-the-shelf product; rather, the individual insurance policies are manuscripts by the appointed broker and marketed to a limited number of commercial insurance markets who write the type of risks to which Metro is exposed. Basing the brokerage appointments on insurance structure and indicated pricing rather than boiler plate promises and broker's fee will enable the Office of Risk Management (RISK) to optimize the insurance program so that it will have the broadest coverage at the best price. "Boiler plate promises" are a brokerage's standard statements included in all responses to RFP, and as such are often empty (i.e. mere puffery). Having business relationships with more than one brokerage will result in premium savings through competition and awareness of the new insurance market initiatives. Savings will also result on risk management services because selecting consultants from a Basic Ordering Agreement (BOA) means Metro will only pay for the services for which it actually contracts, rather than prepaying (as part of the fee) for a set number of hours under the current arrangement. This new approach will expand the number of brokerages and risk management service providers, dividing the insurance and risk management services into four separate contracts or BOAs. RISK seeks to implement the new business model by letting separate contracts for: 1) master property insurance broking and 2) excess liability insurance broking; and BOAs for 3) other insurance and 4) risk management services. Participation by small and local businesses is encouraged; however, there will be no preference, nor will there be any penalty if a vendor does not include DBEs. There will be no additional staffing requirements for either the insurance or risk management service procurements.

In order for the new contracts to be awarded and fully in place upon the September 30, 2011 expiration of the current contract, four RFPs must be advertised, and proposals received and reviewed within thirty days for an expected award date of September 1, 2011.

FUNDING IMPACT:

Budget:	Operating Budget, Fiscal Years 2012 through 2016
Account:	Professional & Technical - 50303140
Project Manager:	Jim Hamilton
Department/Office:	Treasury / Risk Management
This Action:	\$2,900,000 - three base years plus two one-year options
Remarks:	<p>We will not be exercising the options for years 4 and 5 under the existing brokerage contract. Therefore, the Office of Risk Management is seeking to implement a new model beginning fiscal year 2012, pending board approval. The expenditures for FY2012 through FY2016 will be subject to board approval and availability of funds in their respective years.</p> <p>The current contract is for \$600,000 per year for the past three years for a total amount of \$1.8 million. This contract is estimated at \$1.7 million for FY 2012 through FY 2014 (base period); and \$1.2 million for FY 2015 through FY 2016 (two one-year options). Thus, the expense for all four contracts should not be more than the previous single contract.</p>

Fiscal Year:	2012	2013	2014	2015 Option I	2016 Option II
Budget:	\$566,667	\$566,667	\$566,667	\$600,000	\$600,000
This Action:	566,667	566,667	566,667	\$600,000	\$600,000
Prior Approval:	0	0	0	0	0
Remaining Budget:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

RECOMMENDATION:

Approval to initiate and award four new contracts effective October 1, 2011 for brokerage and risk management services under a new business model. Each Contract award will be for a three year base period with two one-year options.

