

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
3	11/09/09	Open	Action	10/28/09

Subject: Approve the First Amendment to the Contract for Insurance Broker Services with Aon Risk Services, Inc. of Central California Insurance Services

ISSUE

Whether to Approve the First Amendment to the Contract for Insurance Broker Services with Aon Risk Services, Inc. of Central California Insurance Services.

RECOMMENDED ACTION

Adopt Resolution No. 09-11- _____, Approving the First Amendment to the Contract for Insurance Broker Services with Aon Risk Services, Inc. of Central California Insurance Services.

FISCAL IMPACT

Budgeted:	Yes	This FY (FY10):	\$ 55,000
Budget Source:	Operating	Next FY (FY11):	\$ 110,000
Funding Source:	Local	FY12 :	\$ 55,000
Cost Cntr/GL Acct(s):	GL 630005, CC 47		
Total Budget:	\$220,000*	Total Amount:	\$ 220,000
Original Contract:	\$330,000 Years 1, 2 & 3		
*First Amendment:	\$192,500 Years 4 & 5		
Total Contract:	\$522,500		

DISCUSSION

On February 26, 2007, the Board awarded an insurance broker services contract to Aon Risk Services of Central California, Inc., for an amount not to exceed \$330,000 for a 3-year term, with an option to renew for years 4 and 5. The current contract was entered into on April 1, 2007. The total compensation should have been modified to a not-to-exceed amount of \$302,500 to reflect a change in contract term from a 3-year term to 2 years and 9 months, but was not. Staff determined that it was more advantageous to enter a contract that expires on December 31, 2009 rather than in the spring when the broker would be in the middle of obtaining bids for insurance renewals. Staff is ready to proceed with a contract amendment to extend the contract for two additional 1-year periods for an annual brokerage fee of \$110,000 per year and reconcile the earlier change in term with the total compensation. Although the contract language states that the exercise of option years 4 and 5 is to be done consecutively, staff requests that both option years 4 and 5 be approved now (the contract language will be modified accordingly).

Aon Risk Services has done an excellent job as RT's broker. Because Aon is so familiar with RT's business and understands RT's potential exposures, the firm is able to successfully market

Approved:


General Manager/CEO

Presented:


Chief Administrative Officer

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the insurance program with the best coverages at the lowest rates. Aon has come in significantly under budget every year and has reduced overall premiums in the following amounts:

2009 Renewal: Premiums reduced by \$321,000
2008 Renewal: Premiums reduced by \$113,000
2007 Renewal: Premiums reduced by \$138,000

These premium reductions were secured by Aon despite RT facing rising exposures (property values, ridership, and light rail car values) in a difficult insurance market. Coverage was also enhanced every year and in some cases deductibles were decreased. One example is that although privacy liability coverage was added to RT's program in 2009; RT still realized an overall premium reduction of \$321,000.

In 2007, Aon proposed an annual brokerage fee of \$110,000 per year, for option years 4 and 5. The option year pricing is determined to be fair and reasonable.

Staff recommends the Board approve the First Amendment to the Contract for Insurance Broker Services with Aon Risk Services, Inc. of Central California Insurance Services by which RT exercises its options to extend the Contract for years 4 and 5, commencing on January 1, 2010, and the total consideration is increased by \$192,500, from \$330,000 to \$522,500.

RESOLUTION NO. 09-11-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

November 9, 2009

**APPROVING THE FIRST AMENDMENT TO THE CONTRACT FOR INSURANCE
BROKER SERVICES WITH AON RISK SERVICES, INC. OF CENTRAL CALIFORNIA
INSURANCE SERVICES**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the First Amendment to the Contract between the Sacramento Regional Transit District, therein referred to as "RT," and Aon Risk Services, Inc. of Central California Insurance Services, therein referred to as "Contractor," whereby RT exercises its options to extend the Contract for years 4 and 5, commencing on January 1, 2010, and terminating December 31, 2011 and the total consideration is increased by \$192,500, from \$330,000 to \$522,500, is hereby approved.

THAT, the Chair and General Manager are hereby authorized and directed to execute said First Amendment.

STEVE COHN, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary