

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
7	10/24/11	Open	Action	10/11/11

Subject: Award a Contract for Insurance Broker Services to Aon Risk Services, Inc.

ISSUE

Whether or not to award a Contract for Insurance Broker Services to Aon Risk Services, Inc.

RECOMMENDED ACTION

Adopt Resolution No. 11-10-____, Awarding a Contract for Insurance Broker Services to Aon Risk Services, Inc.

FISCAL IMPACT

Budgeted:	Yes	This FY:	\$ 55,000
Budget Source:	Operating	Next FY:	\$ 110,000
Funding Source:	Local	Annualized:	\$ 110,000
Cost Cntr	GL 630005	Total Amount:	\$ 550,000
GL Acct(s):	CC 47		
Total Budget:	\$550,000		

DISCUSSION

On July 25, 2011, the RT Board authorized the release of a Request for Proposals (RFP) for a 5-year term contract for Insurance Broker Services. Staff released the RFP on July 28, 2011. The solicitation was advertised in publications of general circulation and posted on RT's website under Contracting Opportunities. In response, RT received eight proposals on August 10, 2011 from: Alliant Insurance Services, Inc. (Alliant); Aon Risk Services, Inc. (Aon); BB&T Insurance Services (BB&T); Edgewood Partners Insurance Center (EPIC); IOA Insurance Services (IOA); Merriwether & Williams Insurance Services, Inc. (Merriwether); USI Insurance Services of Northern California, Inc. (USI); and Wells Fargo Insurance Services USA, Inc (Wells Fargo).

The qualifying criteria in the RFP included the Proposer's understanding of the project (15%), staffing and experience (25%), project work plan (35%), and competitiveness of price (25%). The Selection Committee scored the written proposals, added applicable Small and Local Business Enterprise (SBE/LBE) point preferences, and created a short list for oral presentations.

The Selection Committee consisted of: Dan Bailey, Chief Administrative Officer/EEO; Donna Bonnel, Director, Human Resources; Darla Modjeski, Risk/Claims Administrator; and Diane Fite, Senior Claims Analyst. Written proposals were ranked based on a maximum of 100 points, using a scoring range of 1 to 10, and weighted in the four categories mentioned in the previous paragraph. Scoring results for written proposals are as follows:

Approved:

Presented:

Final 10/13/11

General Manager/CEO

Director, Human Resources

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	Alliant	Aon	BB&T	EPIC	IOA	Merriwether	USI	Wells Fargo
Project Understanding	45	54	37.5	37.5	19.5	39.75	30	45
Project Staffing & Exp.	73.75	87.5	60	57.5	47.5	71.25	52.5	70
Project Work Plan	105	113.75	89.25	77	75.25	98	77	108.5
Price	70	62.5	63.75	67.5	53.75	67.5	66.25	55
Total Points:	293.75	317.75	250.5	239.5	196	276.5	225.75	278.5

RT established a 10% point preference to Proposers meeting the 25% SBE participation goal and a 10% point preference to proposers meeting the Local Business (defined as a business located within Sacramento, El Dorado, Placer, Sutter, Yolo or Yuba county) participation goal for this Contract. Proposers that were eligible for both preferences received a 20% preference. The level of SBE/LBE participation is shown in the following table:

SBE/LBE Points	Alliant	Aon	BB&T	EPIC	IOA	Merriwether	USI	Wells Fargo
SBE Points (10%)	10%	No	10%	10%	None	10%	10%	10%
LBE Points (10%)	10%	10%	10%	10%	None	10%	10%	10%
Total SBE/LBE %	20%	10%	20%	20%	None	20%	20%	20%
New Total (Rounded)	353	350	301	287	196	332	271	334
Ranking after SBE/LBE %	1	2	5	6	8	4	7	3

Four firms who scored in the competitive range were invited to oral interviews: Alliant, Aon, Merriwether, and Wells Fargo. Oral interviews were held on September 28, 2011. The applicable Small and Local Business Enterprise point preferences were added to the oral presentation scores. The final rankings by the Selection Committee are as follows.

	Alliant	Aon	Merriwether	Wells Fargo
Project Understanding	48	56.25	40.5	42.75
Project Staffing & Exp.	72.5	90.625	57.5	68.75
Project Work Plan	96.25	129.5	75.25	87.5
Price	72.5	61.25	62.5	56.25
Total Points:	289.25	337.625	235.75	255.25
SBE/LBE Points				
SBE Points (10%)	10%	No	10%	10%
LBE Points (10%)	10%	10%	10%	10%
Total SBE/LBE %	0.20	0.10	0.20	0.20
Points added	57.85	33.76	47.15	51.15
New Total (Rounded)	347	371	283	307
Ranking:	2	1	4	3

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While all of the Proposers were very qualified and competitive, the committee determined Aon's proposal to be the most advantageous to RT.

Fourth-ranked Merriwether is a Bay area, certified Small Business Enterprise firm, with a qualified staff and experienced in Public Entity accounts such as BART, CalTip JPA, SMUD, City and County of San Francisco, and City of Los Angeles; however, they do not have direct access to the global markets that are needed to place RT's difficult rail coverages; therefore, an intermediary consultant would have to be used.

Third-ranked Wells Fargo is the fourth largest broker in the U.S., with Sacramento and Bay area locations, solid staffing, heavy public sector and public transit experience with clients such as BART, Caltrain, SamTrans, Golden Gate Bridge, Highway and Transportation District, and the Metropolitan Transportation Commission. Wells Fargo has direct access to global markets, has a high retention rate of clients, a solid understanding of loss control, and many other positive attributes; however, the strengths of the Aon and Alliant teams carried more weight with the evaluators.

Second-ranked Alliant is the largest public sector broker in California with more than 75 transit district clients in the U.S. including San Diego Metro Transit, North County Transit District, Santa Clara Valley Transportation Authority, and local public sector accounts such as the City of Sacramento, and Sacramento County. Alliant has a local office with a highly skilled and engaging staffing team. Alliant has direct access to global markets and exclusive (proprietary) markets. A concern with this firm is the proprietary bundling programs that they offer to clients may be difficult to unbundle later, even though they provide more options from which to choose from.

First-ranked Aon has been RT's local insurance broker for a number of years and has provided outstanding service. RT's Risk Management staff has worked with Aon's core team here in Sacramento - Alex Michon, Vice President and Lead, and Rob Esparz, Technical Services - Workers' Compensation Director for several years and has developed good relationships with Aon's newest team members James Irvin, Account Executive, and Jennifer Manry, Senior Account Manager. Aon has always met RT challenges and critical deadline schedules. They have done an excellent job of organizing details about RT and analyzing RT's risks to make appropriate recommendations and adjustments to insurance placements. Aon is quick to provide day-to-day support for insurance certificates, verification of insurance coverages, and all other needs. Aon has a large support team of specialists all over the country for various types of coverages and those service areas are specifically assigned to RT's account.

Aon is flexible, responsive, and has a large staff behind the scenes to assist with rush projects and challenging problems that are out of Risk Management's control. Aon is aggressive to push carriers that are slow to issue policies so as to receive them on a timely basis.

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Aon is the worlds largest broker with global resources, stable financial strength, and a deep bench of resources to tap into. Aon has a large support team of specialists all over the country for various types of coverages and those service areas are specifically assigned to RT's account. Aon's Rail Practice Group is the largest of its kind among the competitors. Aon has key relationships with experienced underwriters for rail liability. This is especially important as RT must carry an additional \$100,000,000 short-term excess in insurance coverage for the Green Line light rail expansion project required by Union Pacific Railroad. Aon is well prepared to place it as soon as the "go-live" date on the first phase of the Green Line project is known.

Moreover, Aon staff meets with representatives from RT and Travelers Insurance to inspect all of RTs property, facilities, and processes for the purpose of improving loss control and to fill coverage gaps. Staff meets with the various departments and corrective action recommendations are made. All of this helps to provide safer work environments and reduces premiums.

Aon has successfully and consistently reduced RT's insurance premiums by over 23% (\$566,000) since 2006-07 without sacrificing coverage and often broadening policy terms and conditions.

All of the Proposers' prices fell below the Independent Cost estimate of \$600,000 for a 5-year term contract. Aon Risk Services, Inc.'s price of \$550,000 for a 5-year contract is competitive, and is considered fair and reasonable. The contract price structure is based on an annual retainer fee that the broker invoices on a quarterly basis. The retainer fee covers all of the required services in the RFP scope of services. The annual fee only Proposer's prices were as follows (high-to-low) IOA \$557,459, Aon \$550,000, Wells Fargo \$525,000, Merriwether \$470,000, USI \$464,154, Edgewood \$450,000, BB&T \$445,000, and Alliant \$430,000. Aon proposed a flat annual fee of \$110,000; the same amount RT has been paying to Aon since 2006. No commissions are allowed for placing RT's insurance and no other costs are charged to RT by Aon.

Staff recommends the Board award the insurance broker services contract to Aon Risk Services, Inc., for an amount not to exceed \$550,000 for the 5-year term of January 1, 2012 through December 31, 2016.

RESOLUTION NO. 11-10-_____

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

October 24, 2011

AWARDING A CONTRACT FOR INSURANCE BROKER SERVICES TO AON RISK SERVICES, INC.

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

THAT, the Contract between Sacramento Regional Transit District, therein referred to as "RT," and Aon Risk Services, Inc., therein referred to as "Consultant," whereby Consultant agrees to provide Insurance Broker Services, as specified, for an amount not to exceed \$550,000, for the five year term of January 1, 2012 through December 31, 2016, is hereby approved.

THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute said Contract.

DON NOTTOLI, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary