

COMMISSION AGENDA

Item No. 9A

Meeting of 5/20/21

DATE: April 30, 2021

TO: Port Commission

FROM: Eric D. Johnson, Executive Director

Project Manager: Lou Paulsen, Director, Strategic Operations Projects & Risk Management

SUBJECT: Property and Casualty Insurance Brokerage Services Agreement

A. ACTION REQUESTED

Request authorization to enter into a Personal Services Agreement with Alliant Insurance Services, Inc. commencing October 1, 2021, and continuing with optional extensions for a period of up to six (6) years concluding September 30, 2027, for a not to exceed amount of \$452,690.

B. SYNOPSIS

The establishment of cost-effective risk transfer mechanisms is a key element of prudent risk management. Risk transfer may be obtained via indemnity (as found in lease agreements and services contracts) and through the procurement of insurance.

Insurance policies covering a range of property and casualty exposures are acquired and purchased with the support of an insurance broker. The broker assists in the identification and quantification of risks and markets the insured to prospective insurance carriers ideally to obtain the best available coverage at competitive pricing. For the Port, this has involved the development of manuscript policies tailored to the specific needs of the Port. Approximately 95% of the Port's costs of insurance are found in the insurance policy premiums with the remaining costs found in either a fee and/or commission for insurance brokerage services. The Port has chosen to compensate its insurance broker on a fee basis.

An insurance broker is expected to have a comprehensive understanding of the client's industry and unique scope of operations. Both are critically important to decision-making relative the selection of coverage types and limits, and long-term stability is generally rewarded by the insurance market (through the insurance rates applied). For these reasons, client - broker relationships often extend into multiple years.

C. BACKGROUND

The procurement of insurance involves two distinct competitive processes. Firstly, a brokerage firm is selected based a competitive process which begins with the Port's issuance a Request for Proposal (RFP). Secondly, and following broker selection and execution of an agreement for services, the appointed broker works on behalf of the Port to

obtain and present insurance coverage and pricing proposals for needed lines of coverage. Price and quality (of services and coverage) factor into both selection processes.

As indicated above, Broker of Record agreements tend to be of relatively long duration. The last broker selection process was completed in 2013.

D. RECENT COMPETITIVE SELECTION PROCESS AND RESULTS

On February 9, 2021, the Port issued a Request for Proposals. Three (3) competing firms responded and were evaluated by a diverse, cross-functional team. Alliant Insurance Services, Inc., the current incumbent broker, received the highest overall score. Ratings given to the competing firms are available if requested.

E. FINANCIAL SUMMARY

Over the next six (6) years, the average annual cost for insurance brokerage services will be \$75,448.33. The initial annual fee (at contract inception) will be \$72,500. This compares to the current annual brokerage contract amount of \$76,732, a reduction of 5.5%. These costs are expensed as incurred and included in the annual operating budget.

F. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

The action now requested will result in the issuance of a new contract for services with Alliant Insurance Services having an inception date of October 1, 2021. This request is presented now to allow the Commission the flexibility to consider alternative options.

Alternative 1): Re-advertise the Request for Proposals. This alternative is not recommended. Staff considers the outcome of the recent process to be favorable to the Port. Attempts to stimulate further competition may have adverse consequences.

Alternative 2): Issue a new contract with Alliant Insurance Services for a shorter term (e.g., two years). This alternative may not require further Commission approval if the contract amount is within the Executive Director's authority as authorized by the Commission under the existing Master Policy Resolution. This alternative is not recommended as the Port will benefit from a stable client - broker relationship.

Alternative 3): Approve this action as recommended.

G. ATTACHMENTS TO THE REQUEST

- PowerPoint slide presentation

H. NEXT STEPS

Following the Commission's approval, Port staff will execute an agreement for services with Alliant Insurance Services, Inc. for the initial period October 1, 2021 through September 30, 2023, and, conditioned on satisfactory performance, exercise authorized options for up to two, 2-year extensions for a cumulative, six-year term at a cost not-to-exceed \$452,690.

Property and Casualty Insurance Brokerage Services

Request for Contract Authorization

Presented by:

Lou Paulsen

Director, Strategic Operations Projects and
Risk Management



Requested Action



Request authorization for the Executive Director or designee to enter into a Personal Services Agreement with Alliant Insurance Services, Inc., commencing October 1, 2021, and continuing with optional extensions for a period of up to six (6) years concluding September 30, 2027, for a not-to-exceed cost of \$452,690.

Background



- The management of the Port's risks involves both risk mitigation and risk transfer.
 - Risk transfer is achieved, in part, through the purchase of various insurance policies.
- An insurance broker is utilized to secure policy proposals and price quotes
 - An insurance broker also provides a variety of additional risk management services, and the Port has a continuous need for these services.

Competitive Selection



- Insurance broker selection is accomplished through a competitive process which begins with the Port's issuance a Request for Proposal (RFP).
- Respondents are evaluated on multiple factors.
 - Knowledge
 - Experience
 - Capabilities
 - Price

Competitive Selection



- On February 9, 2021, the Port (and the NWSA) issued a Request for Proposals (RFP).
- The RFP was publicly advertised, and 21 brokerage firms were contacted and notified of the opportunity.
- Three (3) firms responded to the RFP.

Competitive Selection



- Each firm was interviewed by an experienced and diverse team.
 - **Britt Doughtie**
Port of Tacoma Director of Financial Planning & Treasury
 - **Dana Henderson**
NWSA General Counsel
 - **Jennifer Hills**
Director of King County's Office of Risk Management Services
 - **Jeff Hollingsworth**
Port of Seattle Director of Risk Management
 - **Lou Paulsen**
Port of Tacoma/NWSA

Competitive Selection



- Alliant Insurance Services, Inc., the incumbent, was rated #1 by all evaluators.
- Alliant provides insurance services to an extensive number of public ports.



Scope of Services



- Design, recommend and implement marketing strategies for placement of property, casualty and additional liability coverage and bonds.
- Receive and process the Port's applications for insurance.
- Assist in the resolution of claims by and against the Port.

Scope of Services (cont.)



- Provide technical advice to Port staff related to loss control, risk management, and insurance-related matters associated with procurement and public works contracting, environmental issues and real estate matters.
- Provide reports to the Port summarizing current coverage and insurance market trends.

Contract Term and Costs



- The vendor has agreed to an initial contract term of two (2) years, with two, 2-year extensions which may be exercised at the Port's option.
- The initial annual service fee will \$72,500. A 2% rate increase will apply in each of the subsequent three (3) years.
- These service fees are an ongoing budgeted expense. The current fee for equivalent services is \$76,732.

Next Steps



Assuming Commission approval, Port staff will execute an agreement for services with Alliant Insurance Services, Inc. in the amount of \$146,450 for the initial term commencing October 1, 2021 and concluding September 30, 2023.

Authorized extension(s) may be exercised thereafter, dependent on the broker's performance.

Requested Action



Request authorization for the Executive Director or designee to enter into a Personal Services Agreement with Alliant Insurance Services, Inc., commencing October 1, 2021, and continuing with optional extensions for a period of up to six (6) years concluding September 30, 2027, for a not-to-exceed cost of \$452,690.