



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT

Item No.
11

Meeting Date: **OCTOBER 7, 2010**

Subject:

Approve the First Amendment to the OCIP Insurance Broker Services Consulting Agreement with Marsh Risk and Insurance Services

Recommendations:

Adopt Resolution No. 2010-0108, approving the first amendment to the Owner Controlled Insurance Program (OCIP) Insurance Broker and Administration Services Agreement with Marsh Risk and Insurance Services, 204321OS, extending the term to August 1, 2013, and increasing the original not-to-exceed amount payable by \$785,846.92, to a new not-to-exceed amount payable of \$1,202,509.93.

Background/Justification:

The Office of Risk Management, on behalf of the Authority, issued a Request for Proposals ("RFP") for OCIP Insurance Broker and Administration Services on August 9, 2007, for a three (3) year term with an option for two (2) one year extensions to be exercised at the sole discretion of the Authority. Marsh Risk and Insurance Services, a Delaware Corporation ("Consultant") was awarded the agreement executed December 1, 2007.

I. Request to amend the term of the agreement to expire August 1, 2013:

The justification for the request to amend the agreement and extend through August 1, 2013, is two-fold;

1. The term stated in the executed OCIP services agreement was three (3) years beginning December 1, 2007 and expiring November 30, 2010. The two (2) one year extension options were inadvertently omitted from the agreement. Approving the amendment to correct the inadvertent omission of the two, one year options allows the Authority to exercise the options negotiated and annually extend the term of the current agreement to November 30, 2012, thereby reflecting the stated term in the RFP which provided up to five years if both options are exercised, and;
2. At the time of the original RFP in 2007, it was contemplated that broker services for the Capital Improvement Program (CIP) and the Green Build Program would be administered under a single OCIP. Broker fees and services were negotiated accordingly. As the negotiations advanced for the Green Build contracts, the manner in which

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insurance coverage was purchased and broker services were provided changed. The broker services originally designed to administer a single OCIP were now redesigned to administer three (3) OCIPs identified as CIP-OCIP, Green Build OCIP#1 and Green Build OCIP#2. Extending the broker services agreement for an additional eight (8) months beyond the two one-year options set forth above, allows the Authority to match the expiration of the broker services agreement with the expiration of the Green Build OCIP insurance coverage.

Best practice is to coincide the term of broker services with the term of the insurance program they are administering. It is not recommended to change broker services in the middle of an OCIP program.

II. Request to increase the original not to exceed amount by \$785,846.92 to a new not to exceed amount payable of \$1,202,509.93:

The amendment to extend the term of the agreement requested above necessitates seeking approval to increase the not to exceed amount from \$416,663.04 to \$1,246,402.93 allowing the Authority to compensate the broker for the OCIP broker services provided during the extension period, calculated as follows;

<u>Broker and Administrative Services</u>	
Original Contract not to exceed:	\$ 416,663.01
First of two, one year extension options:	\$ 65,840.00
Second of two, one year extension options:	\$ 65,840.00
Green Build Contract 1 broker services extension:	\$ 359,000.00
Green Build Contract 2 broker services extension:	\$ <u>295,166.92</u>

New Not to Exceed for Broker Services for all OCIPs: \$ 1,202,509.93

Broker Service Agreements of five (5) or more years are customarily used to the benefit of the client by providing the Consultant with an opportunity to demonstrate to insurance carriers the strength of their client relationship. The strength of the broker/client relationship helps the broker perform as an ally to the Authority when claims, breadth of coverage, and premium negotiation issues arise.

The Consultant has delivered a consistent standard of performance and exceptional customer service, specifically with their depth of knowledge of coverage analysis and claim expertise, which has leveraged the Authority's ability to negotiate and resolve claim issues with insurers. Further, due to the Consultant's knowledge regarding the Authority's current OCIP insurance program and the addition of the two Green Build OCIP programs, it is economically sound and efficient to make these amendments to the existing agreement terms and conditions.

Fiscal Impact:

All costs associated with the Owner Controlled Insurance Programs have been included in the approved budgets for Capital Improvement Projects and Green Build.

Environmental Review:

- A. This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (CEQA), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Cal. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Equal Opportunity Program:

Not Applicable.

Prepared by:

ERROL FITZPATRICK
MANAGER, RISK MANAGEMENT

RESOLUTION NO. 2010-0108

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY APPROVING THE FIRST AMENDMENT TO THE OWNER CONTROLLED INSURANCE PROGRAM (OCIP) INSURANCE BROKER AND ADMINISTRATION SERVICES AGREEMENT WITH MARSH RISK AND INSURANCE SERVICES, (204321OS), EXTENDING THE TERM TO AUGUST 1, 2013, AND INCREASING THE ORIGINAL NOT-TO- EXCEED AMOUNT PAYABLE BY \$785,846.92, TO A NEW NOT-TO-EXCEED AMOUNT PAYABLE TO \$1,202,509.93

WHEREAS, the Authority requires professional OCIP broker services and administration to provide professional services necessary to obtain appropriate OCIP liability policies on a cost effective basis and to assist in administering a professional cost effective Risk Management program; and

WHEREAS, the Office of Risk Management issued a Request for Proposals ("RFP") for OCIP Insurance Broker and Administration Services on August 9, 2007, for a three (3) year term with an option for two (2) one-year extensions to be exercised at the sole discretion of the Authority; and

WHEREAS, Marsh Risk and Insurance Services was awarded the Agreement for OCIP Insurance Broker and Administration Services ("Agreement") which was executed on December 1, 2007; and

WHEREAS, the term stated in the executed Agreement was three (3) years beginning December 1, 2007 and expiring November 30, 2010 which inadvertently omitted the two (2) one year extension options set forth in the RFP; and

WHEREAS, at the time of the RFP in 2007, it was contemplated that broker services for the Capital Improvement Program (CIP) and the Green Build Program would be administered under a single OCIP and Broker fees and services were negotiated accordingly; and

WHEREAS, as the negotiations advanced for the Green Build contracts, the manner in which insurance coverage was purchased and broker services were provided changed and the broker services originally designed to administer a single OCIP were now redesigned to administer three (3) OCIPs identified as CIP-OCIP, Green Build OCIP#1 and Green Build OCIP#2; and

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WHEREAS, best practice is to coincide the term of broker services with the term of the insurance program they are administering and it is not recommended to change broker services in the middle of an OCIP program; and

WHEREAS, it is recommended that the Board authorize the extension of the agreement term to August 1, 2013 to coincide with the termination of the Green Build OCIP program and increase the not to exceed amount payable to \$1,202,509.93; and

WHEREAS, the Board finds it in the best interest to correct the inadvertent omission of the two, one-year options to allow the Authority to exercise the options negotiated during the RFP process and extend the term of the current agreement to November 30, 2012, thereby reflecting the stated term in the RFP which provided up to five years if both options are exercised, and

WHEREAS, the Board finds it in the best interest of the Authority to increase the original not to exceed amount by \$785,846.92 to a new not to exceed amount payable of \$1,202,509.93 because Broker Service Agreements of five (5) or more years are customarily used to the benefit of the client by providing the Consultant with an opportunity to demonstrate to insurance carriers the strength of their client relationship; and

WHEREAS, the Board finds that the strength of the broker/client relationship helps the broker perform as an ally to the Authority when claims, breadth of coverage, and premium negotiation issues arise.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the first amendment to the Owner Controlled Insurance Program (OCIP) Insurance Broker and Administration Services Agreement with Marsh Risk and Insurance Services, 2043210S, extending the term to August 1, 2013, and increasing the original not-to-exceed amount payable by \$785,846.92, to a new not-to-exceed amount payable of \$1,202,509.93 upon the terms and conditions set forth in the amended agreement, with such minor changes or modifications as the Authority's President and Chief Executive Office (or designee) may deem to be in the best interest of the Authority and the public that it serves.

BE IT FURTHER RESOLVED, that the Authority's President and Chief Executive Officer (or designee) hereby is authorized to prepare, execute and deliver the first amendment to the Insurance Broker Services Consulting Agreement; and

BE IT FURTHER RESOLVED that the Authority and its officers, employees and agents hereby are authorized, empowered and directed to do and perform all such acts as may be necessary or appropriate in order to effectuate fully the foregoing resolution; and

BE IT FUTHER RESOLVED, that this Board action is not a "project" as defined by the California Environmental Quality Act (CEQA) Pub. Res. Code Section 21065; and is not a "development" as defined by the California Coastal Act Pub. Res. Code Section 30106.

PASSED, ADOPTED AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 7th day of October, 2010, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
**DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK**

APPROVED AS TO FORM:

BRETON LOBNER
GENERAL COUNSEL