

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 9/13/2023

Staff Report No. 18-162d

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager/Chief Executive Officer
SUBJECT: Exercise Contract Option with Alliant Insurance Services

ACTION ITEM

AGENDA PLANNING REQUEST:

RECOMMENDED ACTION(S):

Consider authorizing the General Manager to exercise Option 3 (Year 6) to extend the District's contract with Alliant Insurance Services, for the period beginning February 10, 2024, through February 9, 2025, for the provision of Insurance Broker Services.

Staff Contact:
Jill A. Sprague, General Counsel/Chief Legal Officer

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency
Initiative - Financial Efficiency and Revenue Maximization

The District's insurance broker serves as an exclusive intermediary between the District and commercial insurance carriers, working on behalf of the District, as its client, to place its Transit Operations Insurance Program with highly rated insurance providers at the best available premium rates. The District's insurance broker also provides impartial guidance, consulting, and services in the areas of risk management, commercial insurance, and contractual insurance provisions.

BUDGETARY/FISCAL IMPACT:

The cost of exercising Option 3 (Year 6) is \$84,000, as set by the terms of the initial contract, and is included within the operating budget.

BACKGROUND/RATIONALE:

The District currently manages its risk exposures through a program of contractual risk transfer, self-insured retentions, policy deductibles, and insurance. The District's insurance coverage portfolio includes Automobile and General Excess Liability; Cyber Liability; Excess Workers Compensation; Commercial Property; Auto Physical Damage & Boiler Machinery; Fiduciary Liability; Commercial Crime; Deadly Weapons Response; and Travel Accident coverages.

The District contracts with licensed commercial insurance brokers with public entity and transit expertise, to

market the District to insurance carriers and solicit coverage proposals for the various coverage lines that comprise the Transit Operations Insurance program that are then brought to the Board for review and approval for binding.

The District's current Insurance Broker Services Contract No. 2018-1445 will expire on February 9, 2024. The contract term is for a three-year base period with three (3) one (1) year options.

Alliant's Option 3 (Year 6) contract extension represents only a 5 percent increase over their 2018 broker fee and no increase over the expiring Option 2 (Year 5) fee.

The cumulative rate of inflation since 2018 is approximately 21.5%, rendering the current dollar value of the initial contract at \$97,204.46. Combined with brokerages returning to pre-COVID operational models, ongoing supply chain issues, and on-going challenges in the insurance market, the District will likely experience significantly higher broker fees if the Board chooses to decline the execution of Option 3 (Year 6) with Alliant and authorize the re-solicitation of these services at this time.

Therefore, staff recommends exercising the Option 3 (Year 6) Insurance Broker Services contract extension with Alliant Insurance Services.

ADVANTAGES/DISADVANTAGES:

The exercise of Option 3 (Year 6) will allow the District to retain its current level of Insurance Broker Services without experiencing any increase in insurance broker fees over the expiring. Additionally, the exercising of this Option 3 (Year 6) will allow the District additional time to monitor developing insurance market trends and determine the optimum scope of services when staff re-solicits for Insurance Broker Services in the future.

Staff cannot identify any disadvantage to this proposed option.

ALTERNATIVES ANALYSIS:

The District could choose to re-solicit for Insurance Broker Services. This course of action is not recommended for the reasons stated above.

PRIOR RELEVANT BOARD ACTION/POLICIES:

Staff Report 18-162c - Authorization to exercise Option 2 (Year 5) to extend the District's contract with Alliant Insurance Services

Staff Report 18-162b - Authorization to exercise Option 1 (Year 4) to extend the District's contract with Alliant Insurance Services

Staff Report 18-162a - Award of Contract for Insurance Broker Services to Alliant Insurance Services

Staff Report 18-162 - Authorization to Release the Request for Proposals for Insurance Broker Services

ATTACHMENTS:

None

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In Collaboration with:

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Approved/Reviewed by:

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