



FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2013 JUL 11 PM 5:51

# AGENDA REPORT

**TO:** DEANNA J. SANTANA  
CITY ADMINISTRATOR

**FROM:** Katano Kasaine

**SUBJECT:** ROLLING OWNER CONTROLLED  
INSURANCE PROGRAM (ROCIP)  
BROKERAGE AND ADMINISTRATION  
SERVICES FOR A TOTAL CONTRACT  
VALUE OF \$1,233,015.31

**DATE:** June 23, 2013

City Administrator  
Approval

Date:

7/11/13

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

Resolution awarding a four-year contract to Alliant Insurance Services, Inc. for the provision of Rolling Owner Controlled Insurance Program (ROCIP) Brokerage and Administration Services for an annual contract amount of \$308,253.83 for each contract year covering Fiscal Years 2013-14, 2014-15, 2015-16 and 2016-17; and, authorizing the City Administrator to execute all necessary documents to enter such contract. The Four (4) Year Contract Amount will not exceed 1,233,015.31.

## EXECUTIVE SUMMARY

A Request for Proposal (RFP) was issued for the provision of Rolling Owner Controlled Insurance Program (ROCIP) Brokerage and Administration Services. This action was taken at the request of the Community & Economic Development Committee (CED) following a series of committee meetings discussing the feasibility of establishing a ROCIP for planned Capital Improvement and public works construction projects. Included in the proposed projects is the Oakland Army Based development, scheduled to break ground the summer of 2013.

Staff recommends that Council authorize the City Administrator to enter into a four-year contract for ROCIP Broker & Administration Services with Alliant Insurance Services. AIS submitted the most responsive proposal and was determined by independent reviewers to be the most responsible and qualified bidder. AIS proposed a consultant team subcontracting a significant portion (49%) of the services to Merriwether & Williams Insurance Services, a City of Oakland Local Business Enterprise (LBE).

Item: \_\_\_\_\_  
Community & Economic Development Committee  
July 23, 2013

The proposed contract amount includes the cost of all broker compensation fees and administration fees associated with the implementation of a ROCIP. It does not include the actual cost of the insurance premium, which is exempt from the competitive bid process in the Oakland Purchasing Ordinance. Premium expenditures will be reviewed and approved by the Risk and Benefits Division of the Department of Human Resources Management.

### OUTCOME

Authorization of this action will result in a contract with Alliant Insurance Services for the provision of Rolling Owner Controlled Insurance Program Broker and Administration Services for the planned Capital Improvement and public works construction projects including the Oakland Army Base Development Project.

### BACKGROUND/LEGISLATIVE HISTORY

After a number of Community & Economic Development Committee meetings, the Administration determined to engage in a formal Request for Proposal process for Rolling Owner Controlled Insurance Program Broker and Administration Services.

The City conducted a RFP process seeking the most qualified vendor to provide these services beginning August 1, 2013. On May 4, 2013, the RFP for Rolling Owner Controlled Insurance Program Broker and Administration Services was released. The RFP process sought to determine the most overall qualified Insurance Broker/Consultant Teams to service the needs of the City in its efforts to establish a ROCIP and make City construction projects more achievable for small local construction contractors. The services sought included, but were not limited to, certain enhancements of traditional Insurance Broker and OCIP Administration services such as:

- Develop conceptual ROCIP feasibility/design
- Develop ROCIP Implementation Plan
- ROCIP Implementation/Insurance Brokerage Services
- ROCIP Administration
- ROCIP Risk, Safety & Loss Control and Claims Services

In preparation for the RFP process, Risk & Benefits Division researched a number of OCIPs and ROCIPs implemented by other Public Agencies including the City/County of San Francisco, Alameda County, Alameda County Courts and the Port of Oakland. Staff modeled the RFP and its scope of work after these established programs and incorporated the City's existing Contract Compliance goals of small, local business entity inclusion.

On May 4, 2013, the City Administrator's Office - Contract Compliance issued a Request for Proposal for the provision of Rolling Owner Controlled Insurance Program Broker and Administration Services. Invitations to participate in the process were sent to eighteen (18) Insurance Brokerage firms who had previously expressed interest in participating in the RFP process or had participated in the process with other local public entities.

The City also advertised in local papers including the Oakland Tribune, Oakland Post, El Mundo and San Francisco Chronicle. The RFP document was made available on the City’s website. A mandatory Bidders’ Conference was held on May 15, 2013. Five (5) Insurance Brokers attended the Bidders’ Conference. In order to accommodate specified timelines in the City’s Professional Services Program, the published submission deadline was set for May 28, 2013.

At the specified closing time on May 28, 2013, a total of two (2) proposals were received from the interested firms. To date, no other proposals have been received. Both proposals were found to be qualified as they met the minimum requirements outlined in the RFP and cover letter. Both bidders were considered throughout the review process which included independent review and scoring of the submitted proposal documents.

The independent review/scoring panel consisted of one City representative and two external representatives, including:

- Staff representative from Public Works Agency, Project Design Division;
- Port of Oakland, Risk Manager; and
- Alameda County, Assistant Risk Manager.

Independent scoring of the submittals was performed on May 31, 2013. Based on the review process, the vendors were scored as indicated below.

<u>Third Party Administrator</u>	<u>Proposal Review Score (150 pts total)</u>	<u>Four-Year Broker/ Admin. Cost</u>	<u>Annual Contract Cost</u>	<u>Estimated Premium Cost</u>	<u>Overall Ranking</u>
Alliant Insurance Services / Merriwether Williams Insurance Services	149.7 pts	\$1,233,015.31	\$308,253.83	\$7,110,000	1
POMS & Associates	116.6 pts	\$2,299,563	\$574,890.75	\$5,696,242* (not inclusive of all requested coverages)	2

**ANALYSIS**

Owner-controlled insurance programs (OCIPs) are an insurance procurement option that allows coverage for multiple insured's to be provided in one consolidated program. OCIPs are typically used on very large construction projects involving many contractors and subcontractors, or on a series of smaller projects that reach a minimum feasible threshold. They provide an owner with opportunities for cost savings through effective loss control and volume insurance purchasing discounts, as well as offering advantages to the contractors and subcontractors working on the project, such as improved access to insurance coverage.

The City currently has over 150 capital improvement projects underway at various stages of completion. Each project requires separate insurance policies to meet the City's construction specification requirements. Due to the limits and coverage requirements, some contractors are excluded from performing this work due to their inability to secure the insurance elements required as part of a public works construction contract. Implementation of a Rolling OCIP will make projects more accessible for small, local and/or specialized construction vendors.

Construction project insurance is typically a collection of pieced together contractor and subcontractor indemnities and individual insurance policies. Each contractor and subcontractor agrees to provide insurance required by the project owner or primary contractor and provides evidence annually of their coverage. Unfortunately, the terms and conditions of each insurance policy are based on the contractor's overall portfolio needs and not the specific public works construction project. Additionally, the limits of liability under each contractor policy are shared with all other project owners for which the contractor performs work during the policy period. As a result, a degree of uncertainty exists for project owners as to whether or not appropriate insurance has been obtained by all contractors or is in effect or available at the time of a loss. Although project-specific limits are available in the market, they are usually cost-prohibitive.

ROCIPs create significant savings in construction projects since contractors do not include the aggregate insurance premium costs and associated overhead when formulating their project cost estimates and contracts. Rather, the City would purchase a larger portfolio of coverage that would be extended to the contractors whose projects have been enrolled into the ROCIP. Ultimately, a ROCIP eliminates multiple insurers and cost duplication, coverage gaps and inadequate limits, potential uninsured contractors, coordinates loss control and loss prevention efforts and provides a competitive advantage for disadvantaged, small and/or specialty contractors.

#### **PUBLIC OUTREACH/INTEREST**

The RFP was advertised in four local newspapers and made available on the City's iSupplier system as well as the general Contract Compliance webpage to encourage participation by qualified local firms.

#### **COORDINATION**

The RFP process was conducted in coordination with the Contract Compliance Division to ensure compliance with the City's contracting requirements. This report has been reviewed by the City Attorney's Office and the Budget Office.

#### **FISCAL/POLICY ALIGNMENT**

The proposed contract with Alliant Insurance Services would provide Rolling Owner Controlled Insurance Program Broker and Administration Services for Fiscal Years 2013 through 2017. The total contract amount is \$1,233,015.31, which would be expended equally across the four

fiscal years for an amount not to exceed \$1,233,015.31 covering Fiscal Years 2013-14, 2014-15, 2015-16 and 2016-17. This program will be funded initially through the Citywide Insurance and Bond Premium Fund (1010-90311-53411-IP08). As projects are implemented, each project will reimburse the fund in an amount proportionate with the program cost based on the project's construction value. No additional funding is needed to administer the program in this manner.

The contract amount is not inclusive of the insurance premium amounts required to support the ROCIP. It is currently estimated that a total of \$7,110,000 will be expended for premiums to provide sufficient insurance coverage for the identified Capital Improvement Projects and other public works construction projects. Insurance premium expenses will be incurred at the inception of each individual project, based on the construction value of the project. Each construction project budget will allocate 2-3% of the total construction value and allocate monies to pay for the insurance premium costs. This expense will not be incurred until the project has been approved for implementation.

### COST SUMMARY/IMPLICATIONS

Based on the results of the review process summarized above, staff recommends that the Council authorize the City to enter into an agreement with Alliant Insurance Services for the provision of Rolling Owner Controlled Insurance Program Broker and Administration Services. The overall scoring ranked Alliant Insurance Services as the most qualified for the contract services, staff recommends Alliant Insurance Services over the other submitting vendor for a number of reasons.

1. AIS provided documented evidence of their ability to develop and manage a ROCIP based on their experience with public entities and public entity pools within the State of California.
2. AIS demonstrated their ability and willingness to conform to City programs by partnering with another local business enterprise – Merriwether Williams Insurance Services (MWIS) - and extending a meaningful portion of the project, creating an opportunity for both businesses to positively impact the small, local construction contractor industry.
3. AIS is very familiar with the City of Oakland insurance programs and Risk Management objectives, as they have provided service in their role with CSAC-EIA as the primary broker for a number of insurance policies procured through the public entity pool.
4. With MWIS as their project partner, local expertise and talent can be showcased in this program, reinforcing the City's commitment to nurture and grow local business enterprises.

Partnering with MWIS, the ROCIP's local presence will be at the MWIS Oakland Office. MWIS is a Local Business Enterprise with the City of Oakland and has provided insurance services in the State of California for over 18 years. The portion of the contract allocated to MWIS is approximately 49%.

**SUSTAINABLE OPPORTUNITIES**

**Economic:** MWIS, subcontractor to AIS, is certified as a Local Business Enterprise (SLBE) for the City of Oakland. They will provide 49% of the contract services, representing a significant portion of this project. By securing this partnership, AIS has demonstrated their support of local businesses through the utilization of these firms as part of the mandatory services associated with the ROCIP.

**Environmental:** There are no environmental opportunities associated with this report.


**Social Equity:** There are no social equity opportunities associated with this report.

**CEQA**

This report is not a project under CEQA.

For questions regarding this report, please contact Deborah Grant, Risk Manager, at (510) 238-7165.

Respectfully submitted,



Katano Kasaine  
Acting Director, Department of Human  
Resources Management

*Prepared by:*  
*Deborah Grant, Risk Manager*  
*Risk and Benefits Division*

**Attachment (1)**  
**Attachment A - Resolution**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2013 JUL 11 PM 5: 54

Approved as to Form and Legality

  
City Attorney

## OAKLAND CITY COUNCIL

RESOLUTION No. \_\_\_\_\_ C.M.S.

Introduced by Councilmember \_\_\_\_\_

---

**RESOLUTION AWARDDING A FOUR (4) YEAR CONTRACT TO ALLIANT INSURANCE SERVICES, INC. FOR THE PROVISION OF ROLLING OWNER CONTROLLED INSURANCE PROGRAM (ROCIP) BROKERAGE AND ADMINISTRATION SERVICES FOR AN ANNUAL CONTRACT AMOUNT OF \$308,253.83 FOR EACH CONTRACT YEAR COVERING FISCAL YEARS 2013-14, 2014-15, 2015-16 AND 2016-17 FOR A TOTAL CONTRACT AMOUNT NOT EXCEED 1,233,015.31**

**WHEREAS**, the City Council desires Rolling Owner Controlled Insurance Program Broker and Administration Services; and

**WHEREAS**, after engaging in an RFP process, the City determined that Alliant Insurance Services provided the most efficient and effective option for the provision of Rolling Owner Controlled Insurance Program Broker and Administration Services; and

**WHEREAS**, pursuant to the City Council's motion authorizing the agreement with Alliant Insurance Services, the agreement provides that the term thereof shall be four years; and

**WHEREAS**, the City Council finds that this contract is for services of a professional nature; and

**WHEREAS**, the City Council finds that services under this contract will be temporary; and

**WHEREAS**, the City Council finds that this contract shall not result in the loss of employment or salary by any person having permanent status in the competitive service; now, therefore be it

**RESOLVED:** That a contract is awarded to Alliant Insurance Services to provide a Rolling Owner Controlled Insurance Program Broker and Administration Services for a contract amount of \$1,233,015.31 for a four-year term from July 1, 2013 through June 30, 2017;

**FURTHER RESOLVED:** That the contract budget will be split evenly between the four fiscal years in an amount not to exceed \$308,253.83 per year; and be it

**FURTHER RESOLVED:** That funding for these contract services is contained in the FY 2013-15 Proposed Policy Budget in the Insurance and Bond Premium fund; and be it

**FURTHER RESOLVED:** That as construction projects are implemented, the cost for program brokerage and administration services will be reimbursed to the Insurance and Bond Premium fund in an amount equal to the proportionate value of the services based on the construction value of the project; and be it

**FURTHER RESOLVED:** That the City Administrator is authorized to complete all negotiations and execute all contracts, amendments, modifications and extensions consistent with this resolution and its basic purposes.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 20\_\_\_\_\_

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF, and  
PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_  
LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California