

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

**Item No.** 5c

**Date of Meeting** February 1, 2011

**DATE:** January 24, 2011

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Jeff Hollingsworth, Risk Manager

**SUBJECT:** Insurance Brokering Services - Liability Insurance Program

**Amount of This Request: \$385,000**

**Source of Funds: General Fund**

**Total Contract Cost: \$385,000**

**Estimated Jobs Created: ½ FTE**

**ACTION REQUESTED:**

Request authorization for the Chief Executive Officer to execute a contract with an insurance brokerage firm for the purpose of procuring liability insurance for the Port over a three-year period with two one-year extension options. The procurement of liability broker services insurance for the three years plus the two one year renewal options is estimated at \$385,000. The selection of the brokerage firms will utilize a competitive process.

**SYNOPSIS**

The purpose of this memorandum is to obtain Commission authorization for the CEO to execute a contract for insurance brokerage services to assist the Port in the purchase of liability insurance services. The current liability insurance for the Port expires on September 30, 2011. Upon selection of the broker, the Port will utilize the broker to submit insurance marketing information, applications, and specifications to various insurance markets to solicit bids on liability insurance coverage. The broker will be licensed in accordance with RCW 48.17 and authorized to serve as a broker (agent) of the Port in these transactions. Premium payments for insurance will be paid directly to the broker who in turn will pay the insurance companies. The broker will also provide on-going service throughout the policy year in other areas such as notice of claim submissions, claim evaluation and consulting, loss prevention, contract reviews, issuance of bonds, coverage reviews, endorsement issuance, and insurance certificate issuance. The scope of work will be in effect in 2011 through 2013 with two additional one-year extension options for 2014 and 2015 (insurance to expire on September 30, 2016). The Port's liability

## **COMMISSION AGENDA**

T. Yoshitani, Chief Executive Officer

January 24, 2011

Page 2 of 3

insurance renews annually and is purchased prior to or no later than October 1 for the ensuing 12 months.

### **BACKGROUND**

The Port is currently using Alliant Services for the purchase of liability insurance (through 9/30/2011) and has used Alliant since 2009. Alliant is currently partnering with a qualified small business insurance broker for the procurement of some of the purchased insurance. Prior to 2009, the Port utilized the services of Hugh Wood, Incorporated and another qualified small business, Tyrisco, for the purchase of its liability insurance. The cost of the expiring 12-month liability insurance premium is roughly \$685,000. Liability insurance premiums have averaged roughly \$775,000 per year over the past five years. The Port has paid its liability broker on average roughly \$65,000 per year over the past five years.

### **SCOPE OF WORK REQUESTED:**

The Port will competitively procure the broker services for procuring liability insurance.

The services the broker(s) will provide include:

- a. The utilization of a qualified small business, minority owned business, or disadvantaged business enterprise, are being evaluated. If there are small business opportunities available, they will be included in the process.
- b. Submission of marketing specifications to various insurance markets for the purposes of soliciting quotes on coverage from qualified and financially solvent insurance markets.
- c. Evaluate alternative risk financing possibilities in lieu of standard liability coverage.
- d. The execution all insurance purchase transactions in both the admitted and surplus markets. Premiums will be paid to the broker who in turn pays the respective insurance companies.
- e. Serve as the Port's insurance broker of record. Insurance transactions have to be done by licensed and bonded brokers or agents as defined in the Revised Code Washington.
- f. Issue any endorsements, bonds, insurance certificates, and notices of claim.
- g. Monitor the financial solvency of insurance companies at the Port and replace carriers as needed. Identify and evaluate new insurance carriers who are proposing on Port business.

## **COMMISSION AGENDA**

T. Yoshitani, Chief Executive Officer

January 24, 2011

Page 3 of 3

- h. Provide insurance support services in the area of loss control and underwriting studies.
- i. Review new contracts upon request in which the Port is being asked to indemnify and insure the other party to the agreement.

## **FINANCIAL IMPLICATIONS**

The estimated cost of the liability insurance and associated servicing fees are as follows:

- a. October 1, 2011 - Liability insurance at \$700,000 with \$75,000 for service fees
- b. October 1, 2012 - Liability insurance at \$710,000 with \$75,000 for service fees
- c. October 1, 2013 - Liability insurance at \$720,000 with \$75,000 for service fees

Option to Extend – Two One Year Terms

- d. October 1, 2014 - Liability insurance at \$720,000 with \$80,000 for service fees
- e. October 1, 2015 - Liability insurance at \$730,000 with \$80,000 for service fees

The request for authorization is only for the broker service fees and not for purchase of insurance. The purchase of insurance is delegated to the Chief Executive Officer under Resolution 3605 and does not require additional approval.

## **PREVIOUS COMMISSION ACTION**

The commission approved a similar request for broker services at the May 12, 2009 Commission Meeting.