

DATE: JUNE 13, 2023

FROM: RISK MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND ALLIANT INSURANCE SERVICES, INC. FOR INTERIM INSURANCE BROKERAGE AND RISK MANAGEMENT SERVICES

SUMMARY:

Staff requests approval of an interim Agreement with Alliant Insurance Services, Inc. (Alliant) for interim insurance brokerage and risk management services, including pass-through payment services for the City of Los Angeles Harbor Department (Department) insurance premiums, while City Council considers approval of a pending five-year contract approved by the Board of Harbor Commissioners on February 23, 2023 for the same services (Pending Contract). The proposed agreement is for a term of one year and a not-to-exceed compensation amount of \$6,100,000.

The Department utilizes a Broker of Record to assist in procuring commercial property and casualty insurance to support operational needs and assist risk management staff in administering the Department's insurance and risk management program. The current agreement for brokerage and risk management services with Alliant (Agreement 3568) expired on May 25, 2023, and will be replaced by the Pending Contract if it is approved by City Council.

The Harbor Department will be financially responsible for the payment of expenditures incurred under the proposed Agreement.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Find that in accordance with the Los Angeles City Charter Section 1022, it is more feasible for outside consultants to perform this work than City employees;

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3. Approve the Agreement with Alliant for a one-year term and not-to-exceed amount of \$6,100,000;
4. Authorize the Chief Financial Officer to submit the above premiums discussed herein to the Primary Underwriter and/or the contracted Broker of Record (Alliant) who has the authority to receive and disburse payments to the various participating insurance underwriters on behalf of the Harbor Department;
5. Authorize the Executive Director to execute and the Board Secretary to attest the Agreement; and,
6. Adopt Resolution No. _____

DISCUSSION:

Purpose – Approval of the Agreement with Alliant will secure a Broker of Record for the Department while the Mayor’s Office and City Council consider approving of the Pending Contract.

As the Department’s Broker of Record, Alliant will provide a full range of insurance brokerage and risk management services including assistance with the procurement of the Department’s insurance policies such as General Liability, Property Insurance and Cyber Liability. Services also include, but are not limited to, property and liability insurance marketing, placement and servicing, risk exposure assessment, claims services, general advice on insurance and risk management related services, and assisting in the overall management of risk for the Department.

Background – The Department’s insurance and risk management program is traditionally managed by the Risk Management Division with assistance from a licensed professional insurance broker. The program utilizes widely practiced risk management techniques, which includes the purchase of commercial property and casualty insurance policies, transfer of risk to third parties, use of self-insured retentions, and use of loss control programs to protect the Department from operational risk perils.

Licensed insurance brokers are commonly utilized by public and private entities as insurance brokers are equipped with special training, expertise, access and familiarity with the worldwide insurance market and products, risk management resources to assist with claims management and loss control, and licenses required by the California Department of Insurance to procure insurance. Insurance brokers play a vital role in

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procuring the necessary types of coverage at appropriate levels of insurance and competitive prices to offset the potential financial impact of losses resulting from the Department's operational activities.

Commercial property and casualty insurance is beneficial as it protects Department assets and operations from minor accidents to major losses and from injury or damage claims made by other parties. Insurance can provide the financial means to repair, rebuild, or purchase damaged or destroyed assets; cover incidental costs incurred in resuming business operations; and if necessary, pay any amount the Department is obligated to pay, up to the terms of the insurance policy. Holding such insurance is essential to mitigating the operational risk perils and maintaining the financial stability of the Department.

The Department's Risk Management staff are not licensed to procure insurance and because of the type, capacity, and complexity of coverages needed to protect the Department against its maritime and public entity exposures, insurance brokerage firms such as Alliant are traditionally utilized.

Selection Process – Based upon Alliant's history as a satisfactory Broker of Record for the Department since 2012, and because Alliant was selected using a competitive process for the Pending Contract, Alliant is well qualified to provide the necessary services to the Department under this proposed interim Agreement.

Proposed Agreement – Approval of the Agreement (Transmittal 1) will authorize the Harbor Department to expend up to \$6,100,000 to cover the broker's annual fee (\$87,736 prorated monthly) and insurance premium expenses (\$6,000,000), along with nominal funding for as-needed on-call services, billed hourly. This proposed Agreement has a one-year term; however, the Pending Contract, if approved by City Council, will replace it upon the effective date of the Pending Contract.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of an emergency Agreement with Alliant for interim insurance brokerage and risk management services, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

Approval of the proposed Agreement would authorize spending of up to \$6,100,000 in the one-year term for insurance brokerage and risk management services. Staff anticipates spending under this Agreement to occur as follows:

Fiscal Year (FY)	\$ Amount
2024	\$5,241,000
2025	\$859,000
TOTAL	\$6,100,000

FY 2024 funding in the amount of \$5,241,000 has been requested to be budgeted in Center 0550, Program 000 within the following accounts:

Account	Account Name	\$ Amount
54490	Financial Services	\$ 85,000
59310	General Liability Ins.	\$ 1,504,000
59330	Pilotage Liab. & Trip Ins.	\$ 46,000
59340	All Risk Property Ins.	\$ 2,930,000
59350	Marine Liability – Fleet	\$ 300,000
59390	Miscellaneous Insurance	\$ 376,000
TOTAL		\$ 5,241,000

If the proposed Agreement is not approved, the Department would be required to fully self-insure all of its property and casualty risk exposures. This would expose the Department to potentially catastrophic risk and significant loss affecting its financial viability, ratings and operational stability as well as require additional staff to manage the claims and defense process which is typically handled by insurance firms.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the Agreement as to form and legality.

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INC.

TRANSMITTALS:

1. Agreement with Alliant Insurance Services, Inc.

FIS Approval: MB

CA Approval: SO

Jennifer M. Bersales
Digitally signed by Jennifer M. Bersales
Date: 2023.06.14 09:50:01 -07'00'
JENNIFER BERSALES
Director of Risk Management

Marla Bleavins
Marla Bleavins
dc=portia, dc=latid, ou=HQ,
ou=EXECCOFFICE, ou=Users, ou=Emp,
cn=Marla Bleavins,
email=MBleavins@portia.org
2023.06.15 10:34:05 -07'00'
MARLA BLEAVINS
Deputy Executive Director

APPROVED:

Marla Bleavins For

EUGENE D SEROKA
Executive Director

JB:cm
Author: C. Makaena