



County of Los Angeles  
**CHIEF EXECUTIVE OFFICE  
OPERATIONS CLUSTER**

WILLIAM T FUJIOKA  
Chief Executive Officer

**DATE:** February 9, 2012  
**TIME:** 1:00 p.m.  
**LOCATION:** Kenneth Hahn Hall of Administration, Room 830

**AGENDA**

Members of the Public may address the Operations Cluster on any agenda item by submitting a written request prior to the meeting.  
Three (3) minutes are allowed for each item.

1. Call to order – Ellen Sandt
  - A) **Use of Certified Medical Assistants Classification Briefing**  
Health Services - Melinda Fonseca
  - B) **CIO Delegated Authority Request to Administer Board IT Standards**  
CIO – Richard Sanchez or designee
  - C) **Board Letter - RECOMMENDATION TO APPROVE TWO BROKER SERVICES CONTRACTS FOR COMMERCIAL INSURANCE PROGRAMS**  
CEO Risk Management – Laurie Milhiser or designee
  - D) **Board Letter – DISNEY HALL FINANCING**  
TTC – Mark Saladino or designee
2. Public Comment
3. Adjournment



# County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA  
Chief Executive Officer

**DRAFT**

February 28, 2012

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**RECOMMENDATION TO APPROVE TWO BROKER SERVICES CONTRACTS  
FOR COMMERCIAL INSURANCE PROGRAMS  
(ALL DISTRICTS – 3 VOTES)**

**SUBJECT**

Recommendation for your Board's approval to purchase insurance brokerage services for the County of Los Angeles (County) commercial insurance programs, for a contract period of three years with two additional one-year renewal options.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Authorize the purchase of commercial insurance through Willis Insurance Services of California (Willis) and Aon Risk Insurance Services West, Inc. (AON).
2. Approve and instruct the Chairman to sign the attached broker services contracts with Willis and AON to administer the County's Commercial Insurance Programs for a term of three years, commencing on July 1, 2012, with two, one-year renewal options.
3. Delegate authority to the Chief Executive Officer (CEO), or his designee, to approve the two, one-year renewal options.
4. Instruct the Auditor-Controller to pay program costs, adjustments, deductible amounts, and related loss expenditures under the broker services contracts, as invoiced and validated by the CEO.

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

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**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of the broker services contracts is to:

1. Continue to consolidate the County's commercial insurance programs, leverage the market advantages of two of the largest insurance brokers, and gain greater market access to obtain competitive insurance premium rates.

In 2008, the County was experiencing difficulty with the smaller insurance programs; therefore, under the authority of the CEO, the County consolidated several insurance programs under a single broker services contract with Willis (Thousand Oaks Animal Care and Control General Liability and Automobile, Book/Breath Mobile Automobile/Property and Boiler Machinery). The consolidation will continue with the inclusion of the Crime Insurance Program and the Public Officials Bond Program, until the current broker agreements expire.

Brokerage services for the County's Aviation and Airport Insurance Program will continue to be provided by AON. On November 19, 2002, your Board approved the purchase of commercial aviation insurance that provided third-party liability coverage for County-owned airports operated by the Department of Public Works, aircraft operated by the Fire Department and Sheriff's Department, and physical damage coverage for the entire County aircraft fleet, including loss of use coverage for aircraft that are financed. In addition, AON will now provide broker services for the Sheriff's Department reserve and volunteer accident and disability insurance at no additional charge to the County.

2. Provide the County the ability to efficiently and expeditiously take advantage of risk financing opportunities and better adapt to changing County requirements for risk transfer.

In the coming years, the County will likely be required to obtain additional types of insurance policies not currently placed under the expiring broker services agreements. For example, over the last two years, the County has purchased three Builders Risk policies for very large construction projects. The purchase of this insurance has provided the necessary coverage to protect the construction projects from the risk of fire and flood, at a project savings of over \$1.3 million over the same insurance quoted by the selected contractors. These new broker-of-record agreements will allow the County to obtain any new insurance efficiently, at competitive prices, and at already-negotiated compensation rates.

3. Provide additional insurance and related advice and expertise as the need arises at no additional cost to the County or at a pre-negotiated price.

These agreements allow the County to utilize the expert services of the selected brokers that are incidental to the purchase of insurance policies, but may be necessary for possible future risk financing.

### **Implementation of Strategic Plan Goals**

Approval of the recommended action is consistent with the County's Strategic Plan Goal 1, Operational Effectiveness; and Goal 4, Fiscal Responsibility. This insurance program assists the County to effectively manage its resources by providing required insurance to comply with finance and lease agreements requirements, and protection from potentially large losses.

### **FISCAL IMPACT/FINANCING**

The County will be able to place all of its current insurance, except aviation, for an annual fee of \$362,500, which represents a 20 percent reduction from earlier fees of \$450,000 by Willis. The County's aviation insurance will be provided at 9 percent of the premium, which is the same as the expiring contract.

Funding for these programs is included in the Fiscal Year 2012-13 Insurance Budget, and will be charged to the respective operating budgets. Funds to pay for future policy premiums will be subject to appropriation by your Board.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The County is obligated to purchase commercial property and boiler machinery insurance. In addition, under these agreements, the County is required to purchase loss-of-use coverage to ensure continuation of debt service payments in the event property or aircraft are damaged and unusable for an extended period.

Some County departments choose to insure additional buildings, property, equipment, and/or vehicles to meet their departmental needs and obligations.

### **CONTRACTING PROCESS**

A Request for Proposals (RFP) was released on August 26, 2011 to 67 firms and was posted on the County's website. Bickmore Risk Services, the County's risk management and insurance consultant, assisted in developing the RFP and provided technical assistance to the evaluation committee.

From the six proposals that were received, five met the minimum requirements and were evaluated by a committee comprised of representatives from the CEO's Risk Management Branch and Capital Projects, and two Risk Managers from other public agencies. The proposals were rated as to the vendor's qualifications, broker services design, and cost. Willis' and AON's proposals were rated highest. The attached broker services contracts have been approved as to form by County Counsel.

**IMPACT ON CURRENT SERVICES**

Procurement of commercial property insurance is required to enable the County to market public bonds to finance construction or the purchase of County properties at an economical cost. Maintenance of commercial insurance coverage also supports the County's favorable credit rating, allowing the County to obtain reduced interest rates from private lenders.

The County's aircraft is essential to the public safety services provided by the Fire Department and Sheriff's Department. Loss or damage to County aircraft would significantly disrupt the effectiveness of the public safety services provided by these departments. This insurance program will assist to ensure the operation of County aircraft by providing financial protection for third-party liability and physical damage to the County's fleet.

The ability to place other insurance "as needed" will allow the County to protect scarce resources from potential losses. These contracts provide the County with the versatility to respond to the changes that will occur during the term of these contracts.

**CONCLUSION**

Upon approval by your Board, please return two signed originals of the contract and one adopted-stamped copy of the letter to the CEO Risk Management Branch, attention Laurie Milhiser, County Risk Manager.

Respectfully submitted,

WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:ES  
LM:RC:LP:tv

Attachments

c: Executive Officer, Board of Supervisors  
County Counsel  
Auditor-Controller