

BOARD OF SUPERVISORS

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Chief Executive Office.

COUNTY OF LOS ANGELES

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, CA 90012
(213) 974-1101 ceo.lacounty.gov

Chief Executive Officer
Fesia A. Davenport

"To Enrich Lives Through Effective and Caring Service"

June 06, 2023

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

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

43 June 6, 2023

CELIA ZAVALA
EXECUTIVE OFFICER

AUTHORIZATION TO INCREASE FUNDING FOR TWO CONTRACTS FOR INSURANCE BROKERAGE SERVICES AND APPROVAL OF PAYMENTS MADE (ALL DISTRICTS – 3 VOTES)

SUBJECT

This recommendation by the Chief Executive Office (CEO) seeks the Board of Supervisors' (Board) approval to increase funding for two contracts for insurance brokerage services: 1) Aon Risk Insurance Services West, Inc., (AON) for Aviation and Airport Insurance, including electronic certificates (A&A Insurance); and 2) Arthur J. Gallagher Risk Management Services, LLC, (Gallagher) for Consolidated Property Insurance, including Boiler and Machinery Insurance services (Property Insurance); effective January 1, 2023, through June 30, 2026. The recommended action requests authorization for the Chief Executive Officer, or her designee, to increase funding for the contracts for the three (3), one-year renewal options and the one (1), six-month optional extension.

IT IS RECOMMENDED THAT THE BOARD:

1. Delegate Authority to the Chief Executive Officer, or her designee, to increase funding by up to \$9,080,000, as applicable, to the existing contract with AON, as the extensions are exercised for the three (3), one-year renewal options, and the one (1) six-month optional extension through June 30, 2026, by execution of a contract amendment substantially similar to Enclosure I, Contract No. AO-18-404. Each funding increase is commensurate with the anticipated service delivery, including carry-overs of unspent funds between contract terms and is subject to review and approval as to form by County Counsel. The requested increase is 100 percent offset by the CEO Insurance Budget.
2. Delegate Authority to the Chief Executive Officer, or her designee, to increase funding by up to \$27,730,000, as applicable, to the existing contract with Gallagher, as the extensions are exercised for the three (3), one-year renewal options, and the one (1) six-month optional extension through

June 30, 2026, by execution of a contract amendment substantially similar to Enclosure II, Contract No. AO-18-405. Each funding increase is commensurate with the anticipated service delivery, including carry-overs of unspent funds between contract terms and is subject to review and approval as to form by County Counsel. The requested increase is 100 percent offset by the CEO Insurance Budget.

3. Delegate authority to the Chief Executive Officer, or her designee, to approve and execute amendments and change notices, pursuant to the provisions of these two contracts, and/or to increase funding, up to 20 percent above the approved amount for each one-year renewal option and six-month optional extension, or to the amount which meets the governing prevailing rate at the time of renewal, in order to ensure compliance with federal, State, or County of Los Angeles (County) requirements, modifications to the program requirements, or to address a natural disaster, pandemic, and/or any other unforeseen and unavoidable incidents relative to these services. CEO will obtain County Counsel's approval as to the form for any such amendment.

4. Delegate authority to the Chief Executive Officer, or her designee, to initiate contract amendments, approve CEO's Corrective Action Plan (Enclosure IV), for the aforementioned services authorized by the Board, and require notification to the Board when the funding increase triggers the prevailing rate.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Recommendations one, two, and three will allow the County to amend the contracts to increase funding in the event of changes to the insurance market due to inflation, increased property values, unpredictable and unavoidable incidents that cause a major fiscal impact on insurance premiums, and to cover additional risks that resulted from moving County airport management in-house. While the County is under no obligation to pay the contractors beyond what was agreed to in the contract, the County may determine that the contractors have provided evidence of eligible costs for qualifying contracted services, and that it is in the County's best interest to increase the maximum obligation of the contracts, as it is determined how funds should be reallocated.

Recommendation four will allow the CEO to execute amendments to remedy any overspending and also allow the Board to review and approve the Corrective Action Plan. It will also ensure notification to the Board in the event any funding increase triggers the governing prevailing rate. This is necessary because it is virtually impossible to predict the insurance premium fluctuations in future years, given unforeseeable market conditions.

The insurance market is cyclical by nature and its fluctuations have a major effect on the prevailing level of insurance premiums. A soft market – a period of increased competition, depressed premiums, and excess capacity is generally followed by a hard market – a period of rising premiums and decreased capacity.

As the aviation industry rebounds from a massive pandemic-induced downturn, aviation insurance rates are rising as insurers seek to address prior-year losses and the industry's evolving risks. Since mid-2019, the amount of competitive insurance capacity in the aviation insurance has been reduced. Some insurers have withdrawn from this class of business, while others have merged, generally resulting in a consolidation of available limits, and an impact to the competitive landscape. A string of major natural disasters and the residual effects of the economic downturn have been the main causes for the property insurance hard market conditions. The current property insurance hard market cycle started in mid-2018, and the premiums reached their highest levels this year. The

insurance brokers and analysts predict that the insurance hard market will continue at least into next year, and then begin softening. However, the actual situation will depend on additional macro- and micro-economic factors, such as wars, natural disasters, economic and political turmoil, and other local and global events. This uncertainty creates difficulties in estimating both the future needs of the Insurance Budget and the year-to-year fluctuations of premiums.

Implementation of Strategic Plan Goals

The services provided under these contracts support the County's Strategic Plan Goal III – Realize Tomorrow's Government Today, by providing vital insurance services through a third-party administrator to improve the effectiveness of Countywide risk management activities.

FISCAL IMPACT/FINANCING

The funding of \$18,748,000 for the insurance brokerage services under the two contracts with AON and Gallagher was requested in the Fiscal Year 2017-18 Budget. The annual contract amounts for A&A Insurance is \$2,300,000 under the current contract with AON, and the contract amount for Property Insurance is \$16,448,000 under the current contract with Gallagher. The maximum obligation that was requested in Fiscal Year 2017-18, for the five-year base term, was \$93,740,000 which was 100 percent offset by the CEO Insurance Budget. The total maximum contract obligation, assuming all option years and the six-month extension are exercised in the current contract, is \$159,358,000.

To ensure fiscal sovereignty, the request for a 42-month contract increase of \$36,810,000 will allow each period to be increased as follows:

- January 1, 2023 through December 31, 2023 = \$6,790,000
- January 1, 2024 through December 31, 2024 = \$9,540,000
- January 1, 2025 through December 31, 2025 = \$12,600,000
- January 1, 2026 through June 30, 2026 = \$7,880,000

As set forth in the Funding Increase Request (Enclosure III), the A&A Insurance's new maximum contract total is \$29,780,000 and the Property Insurance's new maximum contract amount is \$175,762,000. Insurance brokerage services are funded by the CEO Insurance Budget and do not have a direct impact on net County cost. CEO anticipated the current year costs for this contract and allocated funding in the CEO's Fiscal Year 2022-23 budget. CEO will continue to allocate funding for these services in future fiscal years.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The County is obligated to purchase A&A Insurance and Property Insurance. This is because the County is required to have loss-of-use coverage in order to ensure continuation of debt service payments in the event aircraft and/or airport property are damaged and unusable for an extended period.

The County's aircraft and airports are essential to the public safety services provided by the Fire Department and Sheriff's Department, and to the airport operations provided by the Department of Public Works. Loss or damage to County aircraft and interruption of airport operations would significantly disrupt the public safety services and the functioning of the County airports provided by these departments. The A&A Insurance program will cover the County's aircraft and airports by providing financial protection for third-party liability, potential employee injuries, physical damage to

the fleet and to airport grounds, and disruption to airport operations. Procurement of Property Insurance is required to finance some County properties and construction projects at an economical cost. Maintenance of the Property Insurance coverage also supports the County's favorable credit rating, allowing the County to obtain reduced interest rates from private lenders, if necessary. County Counsel has reviewed and approved Enclosures I and II as to form and concurs with the policies and legal requirements herein and with these recommendations.

CONTRACTING PROCESS

A Request for Proposals (RFP) for Broker Services for the Insurance Program, was released on October 31, 2016, and AON and Gallagher were awarded the A&A Insurance and Property Insurance, respectively, through a competitive solicitation process. These contracts were originally executed on January 1, 2018. If all option years are exercised, the two contracts will end June 30, 2026. Pursuant to Paragraph 8.1.3 (Amendments and Change Notices), the Chief Executive Officer, or her designee, has authority to execute contract amendments to exercise a future option.

The CEO, along with County Counsel, are currently working on an RFP to ensure the continuation of services. The RFP is anticipated to be released in Fiscal Year 2023-24. CEO may exercise Paragraph 8.42 (Termination for Convenience), to terminate the current contracts should the solicitation be completed prior to the end of the contract term.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of this funding increase will allow the CEO to continue to provide uninterrupted insurance brokerage services. Implementation of these contract amendments to increase funding will not have any adverse impact on services currently being provided by County employees.

Respectfully submitted,



FESIA A. DAVENPORT

Chief Executive Officer

FAD:JMN

STR:DC:DPL:RT:sg

Enclosures

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

**COUNTY OF LOS ANGELES BROKER SERVICES FOR INSURANCE PROGRAMS
AVIATION AND AIRPORT INSURANCE
(ELECTRONIC CERTIFICATES OF INSURANCE)**

CONTRACT NO. AO-18-404

AMENDMENT TWO

THIS AMENDMENT is made and entered into by and between

COUNTY OF LOS ANGELES
(hereinafter "COUNTY"),

and

AON RISK INSURANCE SERVICES WEST, INC.
(hereafter "CONTRACTOR" or "CONSULTANT")

Business Address:
707 Wilshire Boulevard, Suite 2500
Los Angeles, California 90017

Recitals

WHEREAS, on October 31, 2017, the Board of Supervisors (Board) authorized the Chief Executive Office (CEO) to enter into a contract with Contractor, to provide Aviation and Airport Insurance, including electronic certificates (A & A Insurance) for the County, for the period of January 1, 2018 through December 31, 2022, with three (3) one-year extensions from January 1, 2023 through December 31, 2025, and one (1), six-month optional extension through June 30, 2026; if needed, and

WHEREAS, the Board delegated authority to the CEO, or designee, to execute the three (3) one-year extensions; and

WHEREAS, Paragraph 8.1.3 of the Contract authorizes the CEO, or designee, to authorize extensions to the term of the Contract as defined in Paragraph 4.0, Term of Contract, and Paragraph 8.1.2 of the Contract authorizes the CEO, or designee, to add and/or change provisions as required by the County's Board; and

WHEREAS, on November 9, 2022, Amendment One was executed to: 1) extend the contract term from January 1, 2023 through December 31, 2023; 2) provide an increase of \$1,150,000, for a total maximum Contract sum of \$12,650,000; and 3) add and/or change provisions as required by the County's Board; and

WHEREAS, on June 6, 2023, the Board delegated authority to the CEO, or her designee, to approve and execute amendments to increase funding, up to 20 percent above or below the approved amount for each renewal option and optional extension, and increase funding for the three (3), one-year renewal options.

WHEREAS, the County and Contractor mutually agree to execute Amendment Two to: 1) increase funding for future extension years by \$9,080,000 for the period January 1, 2023 through June 30, 2026; 2) replace Exhibit B.1 (Pricing Schedule) with Exhibit B.2 (Pricing Schedule) which increases the new Contract sum to \$29,780,000; and 3) add and/or change provisions as required by the County's Board; and

NOW THEREFORE, in consideration of the mutual benefits derived therefrom, it is agreed between the parties that Agreement No. AO-18-404 is amended as follows:

1. This Amendment Two will commence on either the date of execution or the date of Board approval, June 6, 2023, whichever is later.
2. 5.1 (Total Contract Sum), is deleted in its entirety and is replaced as follows:

“5.1 Total Contract Sum

The maximum Contract Sum for this Contract is \$29,780,000 if all extensions are exercised. Allocation of the Contract Sum is based on placing policies described in Appendix C, Statement of Work Exhibits, for which Contractor is the Broker of Record. Contractor is entitled to additional compensation during the Contract term for placing any additional insurance placements that the County designates Contractor as Broker of Record. The method of compensating Contractor is specified in more details in the Contract's Standard Exhibit B – Pricing Schedule.”

3. **Exhibit B.1, Pricing Schedule**, is deleted in its entirety and is replaced by Exhibit B.2 (Pricing Schedule), attached hereto, and incorporated herein by reference. All references to Exhibits B and B.1 will hereafter refer to Exhibit B.2.
4. Except for the change(s) set forth hereinabove, Agreement will not be changed in any respect by this Amendment Two. All changes set forth in this Amendment Two will be effective upon execution or date of Board approval, whichever is later.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment Two to be executed on its behalf by its duly authorized officials:

COUNTY OF LOS ANGELES:

CONTRACTOR:
AON Risk Insurance Services, West, Inc.

By _____
FESIA A. DAVENPORT
Chief Executive Officer

By _____
WILLIAM S. DEEB
Director of Public Entities

APPROVED AS TO FORM:

DAWYN R. HARRIS
County Counsel

By _____
JASON C. CARNEVALE
Deputy County Counsel

PRICING SCHEDULE

Aon Risk Insurance Services West, Inc.	Year 1 01/01/18 – 12/31/18	Year 2 01/01/19 – 12/31/19	Year 3 01/01/20 – 12/31/20	Year 4 01/01/21 – 12/31/21	Year 5 01/01/22 – 12/31/22	Year 6 01/01/23 – 12/31/23 OPTIONAL	Year 7 01/01/24 – 12/31/24 OPTIONAL	Year 8 01/01/25 – 06/30/25 OPTIONAL
<i>Annual Allocation minus e-Certificates</i>	Not to exceed \$2,187,751.00	Not to exceed \$2,083,184.50	Not to exceed \$2,169,117.25	Not to exceed \$2,229,464.00	Not to exceed \$5,548,275.00	Not to exceed 3,878,275.00	Not to exceed 4,448,275.00	Not to exceed 5,188,275.00
<i>Aviation/Airport</i>	Maximum 9% earned premiums	Maximum 9% earned premiums	Maximum 9% earned premiums	Maximum 9% earned premiums	Maximum 9% earned premiums	Maximum 9% earned premiums	Maximum 9% earned premiums	Maximum 9% earned premiums
<i>¹ Future Placements (Included in SOW)</i>	Maximum 9% Commission	Maximum 9% Commission	Maximum 9% Commission	Maximum 9% Commission	Maximum 9% Commission	Maximum 9% Commission	Maximum 9% Commission	Maximum 9% Commission
<i>Non-Placements Services (Not Included in SOW)</i>	² Participation in Emergency Response Drills (Fire or Sheriff)	Peer Review of Aviation Program	To be negotiated at time of placement	² Participation in Emergency Response Drills (Fire or Sheriff)	Peer Review of Aviation Program	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement
<i>Optional Work</i>	As determined by changes in A&A Insurance Regs	As determined by changes in A&A Insurance Regs	As determined by changes in A&A Insurance Regs	As determined by changes in A&A Insurance Regs	As determined by changes in A&A Insurance Regs	As determined by changes in A&A Insurance Regs	As determined by changes in A&A Insurance Regs	As determined by changes in A&A Insurance Regs
Electronic Certificates of Insurance								
Monthly License Fee (per license, per unit)	Not to exceed \$ 81,600	Not to exceed \$ 81,600	Not to exceed \$ 81,600	Not to exceed \$ 81,600	Not to exceed \$ 81,600	Not to exceed \$ 81,600	Not to exceed \$ 81,600	Not to exceed \$ 81,600
System Technical Support	Not to exceed \$100,000	Not to exceed \$100,000	Not to exceed \$100,000	Not to exceed \$100,000	Not to exceed \$100,000	Not to exceed \$100,000	Not to exceed \$100,000	Not to exceed \$100,000
Software Development & Database Design	Not to exceed \$20,125	Not to exceed \$20,125	Not to exceed \$20,125	Not to exceed \$20,125	Not to exceed \$20,125	Not to exceed \$20,125	Not to exceed \$20,125	Not to exceed \$20,125

1. Future placements: For proprietary programs up to 22.5%

2. Subject to County's direction (Fire or Sheriff), or as per directed by County Risk Manager on behalf of County.

3. eCertificates (Electronic Certificates of Insurance) does not include any other line item or optional work.

- Monthly License Fee: \$170 per unit. Risk has 40 units (Countywide) Annual cost is \$ 81,600
- System Technical Support: \$125 per hour. Risk has 800 hours annually Annual cost is \$100,000
- Software Development and Database Design: \$175 per hour. Risk has 115 hours annually Annual cost is \$ 20,125

Electronic Certificate Annual Total: \$201,725

4. System Technical Support (maintenance, change, upgrades & training).

5. Software Development & Database Design are as requested by County.

Note: Risk Finance allowed excess costs for Year 3 and Year 4 above the "not to exceed" to be paid by savings in Year 1 and Year 2.

EXHIBIT B-2-1

\$ 11,500,000 (Five-year base term from January 1, 2018 through December 31, 2022)
\$ 1,150,000 (10% increase as authorized by the Board on October 31, 2017)
\$ 8,050,000 (Optional extension years from January 1, 2023 through June 30, 2026, if exercised; \$2,300,000 per each calendar year)
\$ 9,080,000 (Increase Contract amounts as authorized by the Board on June 6, 2023)
\$ 29,780,000

Note: The total maximum Contract Sum **may not exceed** \$29,780,000 unless Delegated authority is exercised to provide an increase in funding up to 20 percent above the amount for each optional extension or to the amount which meets the governing prevailing rate at the time of each renewal, for the periods January 1, 2018 through June 30, 2026, if each optional extension is exercised.

**COUNTY OF LOS ANGELES BROKER SERVICES FOR INSURANCE PROGRAMS
CONSOLIDATED PROPERTY INSURANCE
(INCLUDING BOILER MACHINERY INSURANCE)**

CONTRACT NO. AO-18-405

AMENDMENT TWO

THIS AMENDMENT is made and entered into by and between

COUNTY OF LOS ANGELES
(hereinafter "COUNTY"),

and

ARTHUR J. GALLAGHER RISK MANAGEMENT
SERVICES, LLC. (hereafter "CONTRACTOR" or
"CONSULTANT")

Business Address:
18201 Von Karman Avenue, Suite 200
Irvine, California 92612

Recitals

WHEREAS, on October 31, 2017, the Board of Supervisors (Board) authorized the Chief Executive Office (CEO) to enter into a contract with Contractor, to provide Consolidated Property Insurance, including boiler machinery (Property Insurance) for the County, for the period of January 1, 2018 through December 31, 2022, with three (3) one-year extensions from January 1, 2023 through December 31, 2025, and one (1), six-month optional extension through June 30, 2026; if needed, and

WHEREAS, the Board delegated authority to the CEO, or designee, to execute the three (3) one-year extensions and a six-month option extension; and

WHEREAS, Paragraph 8.1.3 of the Contract authorizes the CEO, or designee, to authorize extensions to the terms of the Contract as defined in Paragraph 4.0, Term of Contract, and Paragraph 8.1.2 of the Contract authorizes the CEO, or designee, to add and/or change provisions as required by the Board; and

WHEREAS, on April 3, 2023, Amendment One was executed to: 1) extend the contract term from January 1, 2023 through December 31, 2023; 2) provide an increase of \$8,224,000, for a total maximum Contract sum of \$90,464,000; and 3) add and/or change provisions as required by the County's Board; and

IN WITNESS WHEREOF, the parties hereto have executed this Amendment Two to be executed on its behalf by its duly authorized officials:

COUNTY OF LOS ANGELES:

CONTRACTOR:

Arthur J. Gallagher Risk Management Services,
LLC.

By _____

FESIA A. DAVENPORT
Chief Executive Officer

By _____

MARIA KING
Area President

APPROVED AS TO FORM:

DAWYN R. HARRIS
County Counsel

By _____

JASON C. CARNEVALE
Deputy County Counsel

PRICING SCHEDULE

Arthur J. Gallagher Risk Management Services, LLC.	Year 1 01/01/18 – 12/31/18	Year 2 01/01/19 – 12/31/19	Year 3 01/01/20 – 12/31/20	Year 4 01/01/21 – 12/31/21	Year 5 01/01/22 – 12/31/22	Year 6 01/01/23 – 12/31/23 OPTIONAL	Year 7 01/01/24 – 12/31/24 OPTIONAL	Year 8 01/01/25 – 06/30/25 OPTIONAL
<i>Consolidated Property minus Broker's Fees</i>	Not to exceed \$16,273,000	Not to exceed \$16,264,250	Not to exceed \$16,255,062	Not to exceed \$16,245,416	Not to exceed \$25,759,286	Not to exceed \$21,234,651	Not to exceed \$23,366,483	Not to exceed \$25,711,757
<i>Broker's Fees</i>	\$175,000	\$183,750	\$192,938	\$202,584	\$212,714	\$223,349	\$231,517	\$246,243
<i>*Boiler Machinery</i>	*Included	*Included	*Included	*Included	*Included	*Included	*Included	*Included
<i>Future Placements (Included in SOW)</i>	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement
<i>Non-Placements Services (Not Included in SOW)</i>	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement	To be negotiated at time of placement
<i>Optional Work</i>	As determined by changes in Consolidated Property Insurance Regulations	As determined by changes in Consolidated Property Insurance Regulations	As determined by changes in Consolidated Property Insurance Regulations	As determined by changes in Consolidated Property Insurance Regulations	As determined by changes in Consolidated Property Insurance Regulations	As determined by changes in Consolidated Property Insurance Regulations	As determined by changes in Consolidated Property Insurance Regulations	As determined by changes in Consolidated Property Insurance Regulations

*Allocation for boiler machinery insurance is included in the Consolidated Property line item.

\$ 82,240,000 (Five-year base term from January 1, 2018 through December 31, 2022)

\$ 8,224,000 (10% increase as authorized by the Board on October 31, 2017)

\$ 57,568,000 (Optional extension years from January 1, 2023 through June 30, 2026 if exercised; \$16,448,000 per each calendar year)

\$ 27,730,000 (Increase Contract amounts as authorized by the Board on June 6, 2023)

\$175,762,000

Note: The total maximum Contract Sum **may not exceed** \$175,762,000 unless Delegated authority is exercised to provide an increase in funding up to 20 percent above the amount for each renewal option and optional extension or to the amount which meets the governing prevailing rate at the time of each renewal, for the periods January 1, 2018 through June 30, 2026, if each optional extension is exercised.

Contract No. AO-18-405

Amendment Two – Arthur J. Gallagher Risk Management Services, LLC

FUNDING ADJUSTMENTS							
Contract Term	Original Contract Amount	Amendment No. 1	Current Contract Maximum Amount	Underspent/ Overspent Amounts	Funding Increase Term	Funding Increase Request Amount	Amended Maximum Contract Sums (Each Contract Term)
January 1, 2018 - December 31, 2018	\$ 2,300,000.00	\$ -	\$ 2,300,000.00	\$ (472,676.00)		\$ -	\$ 2,300,000.00
January 1, 2019 - December 31, 2019	\$ 2,300,000.00	\$ -	\$ 2,300,000.00	\$ (421,330.50)		\$ -	\$ 2,300,000.00
January 1, 2020 - December 31, 2020	\$ 2,300,000.00	\$ -	\$ 2,300,000.00	\$ 169,699.05		\$ -	\$ 2,300,000.00
January 1, 2021 - December 31, 2021	\$ 2,300,000.00	\$ -	\$ 2,300,000.00	\$ 824,234.00		\$ -	\$ 2,300,000.00
January 1, 2022 - December 31, 2022	\$ 2,300,000.00	\$ 1,150,000.00	\$ 3,450,000.00	\$ (78,564.00)		\$ -	\$ 3,450,000.00
Five-Year Totals	\$ 11,500,000.00	\$ 1,150,000.00	\$ 12,650,000.00	\$ 21,362.55		\$ -	\$ 12,650,000.00
Extension Year Increase Request							
January 1, 2023 - December 31, 2023	\$ 2,300,000.00	\$ -	\$ 2,300,000.00		January 1, 2023 - December 31, 2023	\$ 1,780,000.00	\$ 4,080,000.00
January 1, 2024 - December 31, 2024	\$ 2,300,000.00	\$ -	\$ 2,300,000.00		January 1, 2024 - December 31, 2024	\$ 2,390,000.00	\$ 4,690,000.00
January 1, 2025 - December 31, 2025	\$ 2,300,000.00	\$ -	\$ 2,300,000.00		January 1, 2025 - December 31, 2025	\$ 3,090,000.00	\$ 5,390,000.00
January 1, 2026 - June 30, 2026	\$ 1,150,000.00	\$ -	\$ 1,150,000.00		January 1, 2026 - June 30, 2026	\$ 1,820,000	\$ 2,970,000.00
Extension-Year Totals	\$ 8,050,000.00	\$ -	\$ 8,050,000.00		Extension Year Increase Request	\$ 9,080,000.00	\$ 17,130,000.00
A&A INSURANCE MAXIMUM CONTRACT TOTAL						\$	\$ 29,780,000.00
Property Insurance							
January 1, 2018 - December 31, 2018	\$ 16,448,000.00	\$ -	\$ 16,448,000.00	\$ (3,939,395.58)		\$ -	\$ 16,448,000.00
January 1, 2019 - December 31, 2019	\$ 16,448,000.00	\$ -	\$ 16,448,000.00	\$ (3,424,683.32)		\$ -	\$ 16,448,000.00
January 1, 2020 - December 31, 2020	\$ 16,448,000.00	\$ -	\$ 16,448,000.00	\$ (1,207,686.25)		\$ -	\$ 16,448,000.00
January 1, 2021 - December 31, 2021	\$ 16,448,000.00	\$ -	\$ 16,448,000.00	\$ (84,504.64)		\$ -	\$ 16,448,000.00
January 1, 2022 - December 31, 2022	\$ 16,448,000.00	\$ 8,224,000.00	\$ 24,672,000.00	\$ (6,943,374.64)		\$ -	\$ 24,672,000.00
Five-Year Total	\$ 82,240,000.00	\$ 8,224,000.00	\$ 90,464,000.00	\$ (15,599,644.43)		\$ -	\$ 90,464,000.00
Extension Year Increase Request							
January 1, 2023 - December 31, 2023	\$ 16,448,000.00	\$ -	\$ 16,448,000.00		January 1, 2023 - December 31, 2023	\$ 5,010,000.00	\$ 21,458,000.00
January 1, 2024 - December 31, 2024	\$ 16,448,000.00	\$ -	\$ 16,448,000.00		January 1, 2024 - December 31, 2024	\$ 7,150,000.00	\$ 23,598,000.00
January 1, 2025 - December 31, 2025	\$ 16,448,000.00	\$ -	\$ 16,448,000.00		January 1, 2025 - December 31, 2025	\$ 9,510,000.00	\$ 25,958,000.00
January 1, 2026 - June 30, 2026	\$ 8,224,000	\$ -	\$ 8,224,000		January 1, 2026 - June 30, 2026	\$ 6,060,000.00	\$ 14,284,000.00
Extension Year Totals	\$ 57,568,000.00	\$ -	\$ 57,568,000.00		Extension Year Increase Request	\$ 27,730,000.00	\$ 85,298,000.00
PROPERTY INSURANCE MAXIMUM CONTRACT TOTAL						\$	\$ 175,762,000.00

**CORRECTIVE ACTION PLAN
CHIEF EXECUTIVE OFFICE
FISCAL YEAR 2022-23**

ENCLOSURE IV

ROOT CAUSES	CORRECTIVE ACTION PLAN
<p><u>AON</u> The delegated spending authority granted by the October 17, 2017, Board letter has been exceeded for contract years 2020 and 2021, which limits the annual spending to \$2.3 million per year.</p> <ul style="list-style-type: none"> • Over expenditure for 2020 - \$169,699.05 • Over expenditure for 2021- \$824,234.00 <p>The original AON and Gallagher contract Pricing Schedules (Exhibit B) were ambiguous on contract costs and deliverables. The annual and total contract sums were not stated in the contract. Auditor-Controller’s Shared Services Division uses the contract to monitor encumbrances and since the contract did not specify annual amounts to be spent, they approved the encumbrances for both contracts at a stated amount greater than the contract authority.</p> <p>Insurance Premiums are based on market/economy conditions which make it extremely challenging to forecast future cost increases. When additional insurance and services were required, program staff did not ask Administrative Services to amend the contract.</p>	<p><u>AON and Gallagher</u> Amendment Two for AON and Gallagher will articulate specific an annual contract spending authority, as well as include the option to carry-over unspent funds and allow Risk to adjust annual limits depending on market conditions, while remaining compliant with County Fiscal Policy. Therefore, a more specific Pricing Sheet will be added to Amendment Two of the contract and will articulate specific annual amounts and total contract sum to establish an encumbrance that will not allow invoices to be paid that exceed the Board’s approved contractual authority.</p> <p>Moving forward, Risk Management will actively monitor the spending against the contract and will work with Administrative Services to amend the contract whenever equipment or services are added that will potentially exceed the annual contract authority.</p> <p>Risk Management will provide notification to the Board two weeks prior to the execution of any amendment when we exercise an increase which meets the governing prevailing rate.</p>
<p>Start and completion dates of the Corrective Action Plan</p>	<p>Plan Development</p> <ul style="list-style-type: none"> • Start Date: February 24, 2022 • Completion Date: June 30, 2026
<p>Responsible party for the Corrective Action Plan</p>	<p>Risk Management Branch</p>

**CORRECTIVE ACTION PLAN
CHIEF EXECUTIVE OFFICE
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<p>Lessons learned as a result of the situation</p>	<p><u>AON and Gallagher</u> Previously, the Risk Management Finance team was monitoring Workers’ Compensation contracts only. Going forward, Program staff will populate contract specifics on a template and email it to the Risk Management finance team, including but not limited to: Contract dates, Contract totals, and Annual contract amounts. Program staff will provide copies of the Board letter and contract to the finance staff.</p> <p>Finance staff will monitor all Risk Management contracts and keep a log to track payments made against contracted amounts. Finance staff will update the log when payment requests are sent to Auditor-Controller’s Shared Services Division.</p> <p>If a contract is getting close to the annual amount or close to exceeding the encumbrance, Finance staff will notify program staff. Finance staff will never encumber more than the contract or Board letter, whichever is the controlling document, indicates for any particular year.</p>
<p>How the Corrective Action Plan effectiveness will be measured</p>	<p><u>AON and Gallagher</u> Program staff must review the log as part of their review and approval for “okay to pay” stamp on invoices. This will ensure they know where their contract stands and if they will need a contract amendment or increase to the encumbrance.</p>