

Staff Summary

Schedule H: Modifications to Personal Service & Miscellaneous Service Contracts

Item Number:

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Vendor Name (& Location): Willis of New York	
Description: Owner Controlled Insurance: Addition of LIRR Expansion Project	
Contract Term (including Options, if any): Six Years	
Option(s) included in Total Amount? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Procurement Type: <input checked="" type="checkbox"/> Competitive <input type="checkbox"/> Non-competitive	
Solicitation Type: <input checked="" type="checkbox"/> RFP <input type="checkbox"/> Bid <input type="checkbox"/> Other:	
Funding Source: <input type="checkbox"/> Operating <input checked="" type="checkbox"/> Capital <input type="checkbox"/> Federal <input type="checkbox"/> Other:	
Requesting Dept/Div & Dept/Div Head Name: <i>Phyllis Rachmuth</i> Risk and Insurance Management / Phyllis Rachmuth	

Contract Number: RM019-0100	AWO/Modification # 1
Original Amount:	\$225,000,000
Prior Modifications:	\$
Prior Budgetary Increases:	\$
Current Amount:	\$225,000,000
This Request:	\$84,500,000
% of This Request to Current Amount:	37.5%
% of Modifications (including This Request) to Original Amount:	37.5%

PURPOSE:

To obtain Board approval to procure additional insurance coverage related to MTA's 2015-2019 Capital Plan Owner Controlled Insurance Program (OCIP) to include the Long Island Railroad Expansion Project (Project). Total amount of this request \$84,500,000.00.

SUMMARY:

An MTA Owner Controlled Insurance Program (OCIP) for the 2015-2019 Capital Plan was approved by the Board on March 22, 2017. Willis of NY, the OCIP broker, selected through a competitive RFP process, subsequently marketed and placed OCIP policies based upon a selection of Capital Program projects in the approved plan. The authorization to procure the insurance and establish a not to exceed budget of \$225 million was approved by the Board on June 21, 2017. The LIRR Expansion Project was included in the original proposals as an option. Through this request for approval, that option will be executed to increase the OCIP insurance budget by \$84,500,000.00 for a total not to exceed budget of \$309,500,000.00. A procurement action is currently being processed for insurance broker services needed for the LIRR Expansion Project.

DISCUSSION:

On June 21, 2017, MTA Board approved the establishment of a not-to exceed budget of \$225 million to execute the purchase of insurance. This budget contemplated coverage for a listing of over 300 NYCT, LIRR, MNR and SBMP projects expected to be awarded over the next three years with construction values estimated at \$3.7 billion.

Based on discussions surrounding the scope of the projects to be included in the OCIP, the safety controls to be put in place, and a thorough review of the quotations presented by the broker, Willis recommended, and MTA Risk and Insurance Management (RIM) agreed, that Starr in conjunction with Helmsman claims services provided the best quotation, at the lowest cost, for the OCIP primary insurance program and that the London Syndicates of Liberty Mutual Insurance Europe Limited, Aegis Casualty Consortium 9224, AIG Europe Limited, and Aspen 4711 have structured the best quotation for OCIP Excess Liability coverage. MTA RIM expects the maximum aggregated premium, safety management and administrative cost to be approximately \$225 million, or just over 6% of total contract cost for covered projects. The insurance premium for the primary Workers' Compensation and General Liability coverage is based on loss experience. Starr has capped self-insured losses at a maximum of approximately \$172 million subject to final audited payroll. Based upon actuarial analysis of prior OCIP program losses, MTA's Captive insurance company subsidiary, First Mutual Transportation Assurance Corporation (FMTAC) wrote a deductible reimbursement policy that limits the maximum loss exposure of the Capital Program to approximately \$115 million, reducing the maximum cost of the program by \$57 million.

As part of the insurance proposal from Starr, FMTAC entered into a trust agreement with the insurance company whereby the Captive will hold collateral of \$50.05 million to secure the insurance company against exposure to the self-insured layer of Workers' Compensation/General Liability claims. FMTAC will hold and invest the funds, with any interest earned being retained by the Captive. This transaction eliminates the need for a letter of credit or the posting of other security that would otherwise be required in order to place the policy.

The MTA Board authorized Captive to manage the OCIP's claims, safety and administrative expenses, as has been done with past OCIPs. Helmsman Management Services LLC has been selected as the claims administrator and a loss fund of \$65 million will be established to pay losses and related claim costs within the self-insured retention. Safety services and administrative expenses will be funded by investment income on the funds held by the Captive over the life of the program. With a fair rate of return and minimal loss history, it is expected that FMTAC can fully fund these expenses

Additionally, Builder's Risk coverage was procured to protect MTA's interests in the property being constructed and Railroad Protective Liability was procured for the LIRR and MNR projects to protect the assets and employees of the MTA railroads and to meet our obligations to protect the railroads that operate on the right of way. These policies were procured within the aggregate OCIP maximum budget of \$225 million and based on past OCIP procurements of such policies, are anticipated to have a cost not to exceed \$15 million.

This past fall, at the request of project management, MTA RIM entered into discussions with Willis of NY to determine the cost and feasibility of including the LIRR Expansion Project in the OCIP. The primary insurance markets who had already quoted a program that included the Project, agreed to underwrite the Project on similar terms. The Project elected to use OCIP and in December 2017, Willis fully marketed the program for the MTA Board approved Base Contract Work of \$1,457,111,009.99, Completion Scope of \$270,608,499.00 and Garage Scope of \$85,449,409.26. The OCIP budget for this request only includes the hard construction costs of the Base Contract Work. This amount is estimated to be \$1.3 billion of the \$1.46 billion design-build contract.

Starr, the primary insurance carrier agreed to add the Project at a slightly reduced cost and to modify the policy terms to extend coverage for a six year period beginning January 1, 2018. The excess carriers declined to add the Project to the Capital Program OCIP but offered similar terms for a project specific policy. This resulted in a slight increase in rates. The builders risk carrier also increase its premiums due to project extending a full six year term. Railroad Protective extended coverage at similar rates and terms.

Coverage will be for the entire term of the Project, estimated to be six (6) years, and will be non-cancelable by the insurers except for non-payment of premium or non-compliance with serious safety recommendations. The OCIP primary coverage (Workers' Compensation/General Liability) will provide MTA and the contractors with limits of \$3 million per occurrence and \$6 million in the aggregate, subject to self-insured retentions of \$750,000 on the Workers' Compensation policy and \$1.5 million on the General Liability. Excess Liability will increase primary limits to \$100 million per occurrence and \$108 million in the aggregate.

MTA RIM expects the maximum aggregated premium, safety management and administrative cost for the Project to be approximately \$84.5 million, or just over 6.5% of total hard construction cost of Base Contract Work. The insurance premium for the primary Workers' Compensation and General Liability coverage is based on loss experience. Starr has capped self-insured losses at a maximum of approximately \$55.7 million subject to final audited payroll. Based upon actuarial analysis of prior OCIP program losses, MTA's Captive insurance company subsidiary, First Mutual Transportation Assurance Corporation (FMTAC) wrote a deductible reimbursement policy that limits the maximum loss exposure of the Project to approximately \$39 million, reducing the maximum cost of the program by \$16.7 million. As part of the insurance proposal from Starr, FMTAC will hold additional collateral of \$19.25 million to secure the insurance company against exposure to the self-insured layer of Workers' Compensation/General Liability claims. A loss fund of \$19.25 million will be established to pay losses and related claim costs within the self-insured retention.

The insurance programs are based upon rates and the carriers have all agreed to accept the addition of the Completion Scope and the Garage Scope within the six year program. The budget for OCIP insurance will need to increase at a rate of 6.5% of hard construction cost with any additional work orders including the award of these options.

IMPACT ON FUNDING:

The Base Contract work is funded under the 2015-2019 Capital Plan.

ALTERNATIVES:

The alternative would be to require the Design-Builder to carry their own Workers Compensation, General Liability, Excess Liability, and Railroad Protective Liability for their work. During the negotiation period with the Design-Builders, the option of Contractor provided insurance was explored. It was determined that the OCIP afforded greater protection to the MTA at a cost similar to if not less than Design-Builder provided coverage.

Staff Summary

Subject Request for Authorization to Award Various Procurements
Department Executive
Department Head Name Phillip Eng
Department Head Signature
Division Head Name Wael Hibri

Date January 11, 2018
Vendor Name Various
Contract Number Various
Contract Manager Name Various
Table of Contents Ref #

Board Action					
Order	To	Date	Approval	Info	Other
1	Finance	1/22/2018	X		
2	Board	1/24/2018	X		

Internal Approvals			
Order	Approval	Order	Approval
1	Procurement	3	CFO
2	Legal		

PURPOSE:

To obtain approval of the Board to award various contracts/contract modifications and purchase orders, as reviewed by the MTA Finance Committee.

DISCUSSION:

MTAHQ proposes to award Non-competitive procurements in the following categories:

	<u># of Actions</u>	<u>\$ Amount</u>
Schedule E: Miscellaneous Procurement Contracts	1	\$16,783,066
SUBTOTAL	1	\$16,783,066

MTAHQ proposes to award Competitive procurements in the following categories:

Schedules Requiring Majority Vote

Schedule E: Miscellaneous Procurement Contracts	1	\$ 4,795,879
Schedule F: Personal Services Contracts	15	\$ 4,315,000
Schedule H: Modification to Personal Service/Miscellaneous Service Contracts	1	\$ 12,136,076
SUBTOTAL	17	\$ 21,246,955

MTAHQ presents the following procurement actions for Ratification:

Schedule K: Ratification of Completed Procurement Actions	9	\$ 22,947,222
TOTAL	27	\$ 60,977,243

BUDGET IMPACT: The purchases/contracts will result in obligating MTAHQ operating and capital funds in the amount listed. Funds are available in the current MTAHQ operating/capital budgets for this purpose.

RECOMMENDATION: That the purchases/contracts be approved as proposed. (Items are included in the resolution of approval at the beginning of the Procurement Section.)