

Exhibit to Agenda Item #3

Board Finance & Audit Committee Meeting and Special SMUD Board of Directors' Meeting

Tuesday, May 1, 2018, scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

Requested Action

- Approve Contract Change No. 2 to Contract No. 4500088176 with Aon Risk Services West, Inc. to:
 - Extend the Contract Through Year 5 (October 1, 2018 Through September 30, 2019),
 - Approve \$1,128,100 in Year 5 for New Not-to-Exceed \$3,018,700 for the Full Contract Term

Broker Roles

- Represent SMUD in World-Wide Insurance Market
- Ongoing Relationships With Property and Liability Insurers
 - Domestic
 - UK/European/Bermudian/Others
- Claim Advocacy
- Risk Assessments (Eval and Quantification)

Contract History

- Awarded In 2014 On A **Competitive** Basis To Aon Risk Services Southwest, Inc., For Property Insurance Broking Services
 - (1) Fee Basis Much Cheaper Than Commission Basis
- Change No. 1 In 2017 To:
 - (1) Extend Contract Into The Fourth Year,
 - (2) Add Liability Insurance Broking Services Assumed From Other Broker,
 - (3) Change Contractor Name From Aon Risk Services Southwest, Inc., To Aon Risk Services West, Inc., And
 - (4) Increase The Total Aon Compensation Cap Through For Years 1 - 4 To Not-to-Exceed Amount Of \$1,998,600.

Reasons for Contract Changes

Service Issues in Concurrent Liability Insurance Broking Contract in Year 4

- Key Staff Left Other (Liability) Broker
- Remaining Staff Could Not Provide Timely Service
- Contract Was Terminated in 2017

Transition of Liability Broking Scope to Aon

- Aon Assumed Liability Broking Work Scope in 2017
- Swift Assumption of Work Scope Required – Ongoing Broking Initiatives
- Aon Agreed to Liability Broker's Fee Schedule (Lower Than Aon's Proposal in 2014)
- No Impact to SMUD Budget
- SEED Broker Participation Continued With Aon

Broking Scope in Year 5

- Continuation of Core Liability Insurance Broking
- Added Cyber, Power Academy, HQ Design, Drone, Forensic Claim Assistance
- Expanded Wildfire Broking
- Risk Evaluation Studies

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