



The Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Crown Management Services, Inc.

File: B-234563

Date: May 5, 1989

DIGEST

1. In invitation for bids for government-owned, contractor-operated laundry services, contracting agency may properly include property damage liability insurance requirements covering government-owned building and equipment to be entrusted to contractor, since government property is involved and the work is to be performed on a government installation.
2. In cost comparison to determine whether to retain in-house or to contract for operation of laundry services, the fact that, due to the government's self insurance capability, insurance costs included in government cost estimate are considerably lower than premiums for commercial insurance which bidders are required to provide, does not make invitation for bids defective nor invalidate the insurance requirement.

DECISION

Crown Management Services, Inc., protests the property damage liability insurance requirement in invitation for bids (IFB) No. 604-4-89, issued by the Department of Veterans Affairs (VA), calling for bids for government-owned, contractor-operated laundry services. The IFB was issued for cost comparison purposes pursuant to Office of Management and Budget (OMB) Circular No. A-76 to determine whether to contract for the laundry services or continue to provide the services in-house. We deny the protest.

The services called for under the IFB involve operation of laundry services at a VA Medical Center. The VA estimated the value of the government building and equipment to be used by the contractor at \$3 million. Based on this estimate, Section H of the IFB, as amended, requires the contractor to procure and maintain at least \$3 million of

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property damage liability insurance coverage for the building and equipment while the contract is in effect.

The protester contends that the insurance requirement is inconsistent with the government's general policy of acting as a self-insurer and unfairly restricts competition because of the high cost of the insurance to contractors. Specifically, Crown argues that the formula used to calculate the cost of self-insurance to be included in the government's estimate for purposes of the A-76 cost comparison is so low in comparison to the commercial insurance premiums paid by the bidders that it gives the government an unfair advantage in the cost comparison.^{1/} We find that Crown has failed to show that it was improper for the VA to include the insurance requirement in the IFB.

Although the government is not ordinarily concerned with a contractor's insurance coverage in a fixed-price contract, a contracting agency may specify insurance requirements in circumstances where government property is involved in the contract, or where work is to be performed on a government installation. Federal Acquisition Regulation (FAR) § 28.306(a)(2) and (3); SMC Information Systems, B-225815, June 1, 1987, 87-1 CPD ¶ 552 (upholding similar requirement in an OMB Circular No. A-76 cost comparison solicitation for the operation of a VA medical supply depot). Here, government property and equipment approximately valued at \$3 million will be entrusted to the successful bidder and the work will be performed on a government installation. Accordingly, the VA was authorized by the FAR to include the insurance requirement in the IFB.

Regarding Crown's argument that the VA should act as a self-insurer rather than require bidders to provide commercial insurance, there is no requirement that the VA do so in light of the specific authority in the FAR authorizing insurance requirements in appropriate cases. SMC Information Systems, B-225815, supra. According to the VA, the insurance requirement was included in the IFB to protect the government's property in light of the significant dollar value of the equipment and property involved in the contract. The fact that the cost of commercial insurance

^{1/} In its initial protest, Crown also alleged that it was unclear from the solicitation whether the contractor or the government would furnish the seamstress necessary to repair linen. Crown has withdrawn this ground for protest based on the VA's representation that it will issue a solicitation amendment clarifying that the VA will provide seamstress services.

may restrict the field of competitors, as Crown argues, does not demonstrate the insurance requirement is unreasonable, where, as here, the agency in good faith determines that it is necessary to protect the government's interest. See Intelcom Support Services, Inc., B-222560, July 18, 1986, 86-2 CPD ¶ 82.

Finally, Crown argues that the A-76 cost comparison will be defective because the insurance cost which will be included in the government's cost estimate is unreasonably low in comparison with the commercial insurance premiums. According to Crown, under the formula in OMB Circular No. A-76, VA's insurance cost would be approximately \$1,500 compared to Crown's own estimate of 10 times that amount, or \$15,000 for commercial premiums.^{2/} We find this argument to be without merit. While the government and the bidders must compete based on the same statement of work when a cost comparison is being conducted, the fact that the government may have a cost advantage by virtue of its self-insurance capability does not make the cost comparison defective or affect the validity of the insurance requirement. See Executive-Suite Services, Inc., B-212416, May 29, 1984, 84-1 CPD ¶ 577.

The protest is denied.


for James F. Hinchman
General Counsel

^{2/} In its comments on the agency report, Crown for the first time challenges the VA's method of valuation used to arrive at the \$3 million figure. We find no basis in the record for disputing that estimate.