

RESOLUTION 2004-157

AUTHORIZING THE EXERCISE OF AN OPTION FOR CONTRACT 2002-116 WITH AON RISK SERVICES, INC. OF OHIO TO PROVIDE PROPERTY AND CRIME INSURANCE BROKERAGE SERVICES FOR AN ADDITIONAL ONE-YEAR PERIOD AT A PRICE OF \$67,941.00 AND PROPERTY INSURANCE FOR A PRICE OF \$558,343.00 FOR A TOTAL CONTRACT PRICE OF \$626,284.00 (GENERAL FUND 2005 - RISK MANAGEMENT DEPARTMENT BUDGET).

WHEREAS, the Authority is seeking the services of a commercial insurance broker in the areas of property and crime insurance placement and support; and

WHEREAS, by Resolution 2002-197, the Board of Trustees authorized Contract 2002-116 with Aon Risk Services, Inc. of Ohio located at 1660 West 2nd Street, Suite 650, Cleveland, Ohio 44113 to provide property and crime insurance broker services for a one-year period with the Authority retaining two, one-year options at a price of \$67,941.00 per year, subject to approval of the exercise of each option by the Authority's Board of Trustees; and

WHEREAS, by Resolution 2003-182, the Board of Trustees authorized the exercise of the first option year of this contract; and

WHEREAS, the General Manager/Secretary-Treasurer deems exercising the second option year, as negotiated, to be advantageous to the Authority and recommends acceptance by the Board of Trustees; and

WHEREAS, Aon Risk Services, Inc. of Ohio, after analyzing the marketplace and participating in negotiations, has proposed that said property insurance be provided by FM Global at a price of \$558,343.00; and

WHEREAS, the General Manager/Secretary-Treasurer deems the proposal provided by FM Global through Aon Risk Services, Inc. of Ohio as the most advantageous for the provision of property insurance to the Authority and recommends acceptance thereof by the Board of Trustees.

NOW, THEREFORE BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio:

Section 1. That the offer of Aon Risk Services, Inc. of Ohio to provide property and crime insurance brokerage services for an additional one-year period be and the same is hereby accepted.

Section 2. That the General Manager/Secretary-Treasurer of the Authority be and he is hereby authorized to exercise the second one-year option to Contract 2002-116 with Aon Risk Services, Inc. of Ohio to provide property and crime insurance brokerage services.

Section 3. That the proposal submitted by FM Global through Aon Risk Services, Inc. of Ohio as the Authority's broker for the property insurance policy for an additional one-year period be and the same is hereby accepted.

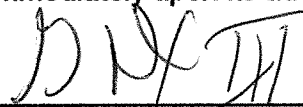
Section 4. That said contract option shall be payable out of the General Fund, Risk Management Department budget payable with 2005 funds (contingent upon Board Approval of the 2005 Operating Budget) at a total price of sixty-seven thousand nine hundred forty-one and 00/100 dollars (\$67,941.00) for said broker services and at a total price of five hundred fifty-eight thousand three hundred forty-three and 00/100 dollars (\$558,343.00) for the property insurance premium for a total contract price of six hundred twenty-six thousand two hundred eighty-four and 00/100 dollars (\$626,284.00) for the second year option.

Section 5. That all other terms and conditions of said contract shall remain unchanged.

Section 6. That the Greater Cleveland Regional Transit Authority's Board of Trustees expects Aon Risk Services, Inc. of Ohio will attempt to exceed the 8% minimum DBE goal assigned to the brokerage services portion of this procurement.

Section 7. That this resolution shall become effective immediately upon its adoption.

Adopted: December 21, 2004



President

Attest: 

CEO, General Manager/Secretary-Treasurer



Title/Description: AUTHORIZING THE EXERCISE OF AN OPTION TO CONTRACT 2002-116 WITH AON RISK SERVICES, INC. OF OHIO TO PROVIDE PROPERTY AND CRIME INSURANCE BROKERAGE SERVICES FOR AN ADDITIONAL ONE-YEAR PERIOD AT A PRICE OF \$67,941.00 AND PROPERTY INSURANCE AT A PRICE OF \$558,343.00 FOR A TOTAL CONTRACT PRICE OF \$626,284.00 (GENERAL FUND 2005 - RISK MANAGEMENT DEPARTMENT BUDGET).	Resolution No.: 2004- 157
	Date: December 16, 2004
	Initiator: Risk Management Department
ACTION REQUEST: <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

- 1.0 **PURPOSE/SCOPE:** This action will allow the Authority to exercise the second one-year option on Contract 2002-116 for a commercial insurance broker in the areas of property and crime insurance placement and support and to obtain property insurance to protect the physical assets of the Authority.
- 2.0 **DESCRIPTION/JUSTIFICATION:** The Authority requires services of a commercial insurance broker to assist in the areas of property and crime insurance marketing, placement and support. In addition to obtaining property insurance for the year commencing January 1, 2005 and crime insurance for the year commencing February 1, 2005, the broker will continue to provide market research and benchmarking services to improve the Authority's ability to evaluate its needs and costs in terms of the overall marketplace. Aon Risk Services, Inc. of Ohio and the Authority worked together early in the renewal process for the insurance placement to establish a strategy centered around continuous risk improvement, a "win-win" for all stakeholders.
- 3.0 **PROCUREMENT BACKGROUND:** Aon Risk Services, Inc. of Ohio was awarded Contract 2002-116 as a result of a competitive Request for Proposal process, which included two one-year options subject to approval of the exercise of each option by the Board of Trustees. On December 16, 2003, the Board of Trustees authorized the exercise of the first option year by Resolution 2003-182.

Aon Risk Services, Inc. of Ohio is one of the largest commercial insurance brokers in the United States with a strong local presence. They provide the Authority with extensive experience in the design and placement of insurance programs. They demonstrate particular expertise in the area of large commercial property accounts; e.g. they employ specialized property insurance syndicators that are dedicated to this task. They also maintain a National Rail Practice which allows the Authority to access specialists in evaluating and placing rail-related risks. They have proven experience handling unique exposures.

For the policy year beginning January 1, 2005, Aon Risk Services, Inc. of Ohio has proposed coverage for property insurance through FM Global, our incumbent carrier and one of the premier property insurance carriers in the world. The premium proposed by FM Global is \$64,657.00 below the budgeted amount of \$623,000.00 for this coverage.

H-4

Through the Authority's and Aon's work with FM Global on loss prevention efforts and their recognition of our commitment to continuous risk improvement, a rate reduction of 8% was negotiated to offset a 6% increase in total insured property values.

The rates for the option year for brokerage services were negotiated and evaluated as part of the initial RFP. A cost analysis has been performed and the Procurement Department has determined that the price is fair and reasonable.

- 4.0 **AFFIRMATIVE ACTION/DBE BACKGROUND:** All Affirmative Action requirements have been met. A 8% DBE goal was established for this procurement in December 2003 (Reso. #2002-116). The change order/contract modification will increase this contract amount by \$67,941.00. For the contract period, Aon Risk Services, Inc. has committed to achieve 8% DBE participation through the utilization of the following DBE firm(s):

DBE(s) Name/Address	DBE Category	Scope of Work	AMOUNT	PERCENT
Washington Insurance Cleveland, Ohio	African American Male	Insurance Services	\$5,435.28	8%
Total DBE Participation			\$5,435.28	8%

- 5.0 **POLICY IMPACT:** Does not apply.
- 6.0 **ECONOMIC IMPACT:** The option year of this contract shall be funded through the General Fund, 2005 Risk Management Department budget (contingent upon Board Approval of the 2005 Operating Budget) at a total price of sixty-seven thousand nine hundred forty-one and 00/100 dollars (\$67,941.00) for said broker services and at a total price of five hundred fifty-eight thousand three hundred forty-three and 00/100 dollars (\$558,343.00) for the property insurance premium for a total contract price of six hundred twenty-six thousand two hundred eighty four and 00/100 dollars (\$626,284.00).
- 7.0 **ALTERNATIVES:** Reject this offer. Rejection of this proposal will leave the Authority without property and crime insurance, putting substantial assets of the Authority at risk.
- 8.0 **RECOMMENDATION:** It is recommended that the exercise of this second one-year option be accepted and the resolution passed authorizing the General Manager/Secretary-Treasurer to amend the contract, contingent upon funding availability for said option.
- 9.0 **ATTACHMENTS:** None.

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement Requirements.



CEO, General Manager/Secretary-Treasurer