RESOLUTION NO. 2005-136

RATIFYING AN EXTENSION OF CONTRACT NO. 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 AN ADDITIONAL ONE-YEAR PERIOD AT A PRICE OF \$589,273.00 FOR A TOTAL CONTRACT PRICE OF \$657,214.00 (GENERAL FUND – RISK MANAGEMENT DEPARTMENT BUDGET).

WHEREAS, the Authority requires 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 Nos. 2003-182 and 2004-157, the Board of Trustees authorized the exercise of both one-year options of the contract, respectively; and

WHEREAS, it has been determined, based upon recent severe losses to the commercial property insurance market inflicted by Hurricanes Katrina and Rita, that an emergency exists and the Authority has been advised to solicit and secure an early renewal of its current property insurance; and

WHEREAS, in order to secure this emergency renewal, it is necessary to extend the current property and crime insurance broker contract for an additional one-year period in the amount of \$67,941.00; and

WHEREAS, GCRTA Procurement Policy states that upon authorization by the General Manager/Secretary-Treasurer, the Director of Procurement may direct that a non-competitive procurement be conducted to the minimum extent needed to meet an emergency situation and that the General Manager/Secretary-Treasurer shall contact the President of the Board of Trustees if the estimated cost to abate the emergency is anticipated to exceed his delegated authority; and

WHEREAS, said discussions were made and approval was received for the General Manager/Secretary-Treasurer to proceed; and

WHEREAS, the General Manager/Secretary-Treasurer deems that an extension of this contract is necessary based upon the uncertainty of the marketplace due to the recent hurricanes; and

WHEREAS, Aon Risk Services, Inc. of Ohio, after analyzing the marketplace strongly recommends that the Authority accept the offer of FM Global for renewal terms of its property insurance policy for the January 1, 2006 to December 31, 2006 term be accepted at a total price of \$589,273.00; and

WHEREAS, the General Manager/Secretary-Treasurer deems the proposal provided by FM Global through Aon Risk Services, Inc. of Ohio to be advantageous to the Authority and recommends acceptance 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 additional 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 by the Board of Trustees, under emergency procurement action, to extend Contract 2002-116 with Aon Risk Services, Inc. of Ohio in the amount of \$67,941.00 to provide property and crime insurance brokerage services for an additional one-year period.

Section 3. That the proposal submitted by FM Global through Aon Risk Services, Inc. of Ohio is the Authority's broker for the property insurance policy for an additional one-year period in the amount of \$589,273.00 be and the same is hereby accepted.

Section 4. That said contract extension shall be payable out of the General Fund, 2006 Risk Management Department budget (contingent upon Board Approval of the 2006 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 eighty-nine thousand two hundred seventy-three and 00/100 dollars (\$589,273.00) for the property insurance premium for a total contract price of six hundred fifty-seven thousand two hundred fourteen and 00/100 dollars (\$657,214.00) for the period January 1, 2006 to December 31, 2006.

Section 5. 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 portion of this procurement.

Section 6. That all other terms and conditions of said contract shall remain unchanged.

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

Adopted: ______0ctober 18_____, 2005

President

Attest:

CEO, General Manager/Secretary-Treasurer

Form 100-326 07-03-97



Greater Cleveland Regional Transit Authority STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: RATIFYING AN EXTENSION OF CONTRACT NO. 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 AN ADDITIONAL ONE-YEAR PERIOD AT A PRICE	Resolution No.: 2005- 136	
	Date:	
	October 13, 2005	
	Initiator:	
OF \$589,273.00 FOR A TOTAL CONTRACT PRICE OF \$657,214.00 (GENERAL FUND – RISK MANAGEMENT DEPARTMENT BUDGET).	Risk Management Department	
ACTION REQUEST:		
x Approval Review/Comment Information Only Other		

- 1.0 PURPOSE/SCOPE: This action will allow the Authority to ratify an extension of Contract 2002-116 with Aon Risk Services, Inc. of Ohio 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.
- DESCRIPTION/JUSTIFICATION: The Authority requires services of a commercial insurance 2.0 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, 2006 and crime insurance for the year commencing February 1, 2006, 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 the best strategy for the marketplace at the particular point in time. In this instance, there are exceptional circumstances created by the recent severe losses to the commercial property insurance market inflicted by Hurricane Katrina and Rita. Aon Risk Services, Inc. of Ohio recommended that we seek and accept early renewal terms with our current property insurance carrier, FM Global. The situation was declared an emergency and the General Manager/Secretary-Treasurer was called to authorize this extension. Contact with the President and Vice President of the Board of Trustees was made to describe the situation and gain approval of the emergency procurement. After the approvals were gained, Aon Risk Services, Inc. of Ohio was instructed to move forward and bind the property insurance coverage.
- 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. Both option years have been exercised. The GCRTA Procurement Policies approved by Board Resolution No. 2002-186 also provides that the General Manager/Secretary-Treasurer under emergency situations may direct that a non-competitive procurement be conducted to the minimum extent needed to meet an emergency situation.

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. Aon's exposure to numerous large accounts and the worldwide property insurance markets allowed them to observe the reaction of the markets early and to come to us with a recommendation for action prior to predicted potential 30-40% rate increases in the marketplace. This would translate into a savings for GCRTA of \$200,000.00 more.

The Authority's long-term excellent relationship with FM Global resulted in a favorable reaction to our request for an early renewal proposal. The premium proposed for 2006 is calculated at no rate increase over expiring; an extremely good result. They are unable to guarantee the terrorism premium at this time as the Federal Government has not acted on the renewal of the Terrorism Risk and Insurance Act and its renewal. We have included an estimated premium of \$70,000.00 for the terrorism coverage in the \$589,273.00 premium referenced above (\$519,273.00 basic coverage plus \$70,000.00 estimated Terrorism premium). This resolution will allow the Authority to lock in the basic property insurance program coverage now for 2006 and the final terrorism premium will be provided in December, 2005.

As described above, for the policy year beginning January 1, 2006, Aon Risk Services, Inc. of Ohio has proposed coverage for property insurance through FM Global, the incumbent carrier and one of the premier property insurance carriers in the world. The premium proposed by FM Global, including the estimated premium for Terrorism coverage, is below the base budget amount of \$750,000.00 for this coverage. The rates for the extension for brokerage services were negotiated and evaluated as part of the initial RFP. A cost/price analysis has been performed and the Procurement Department has determined that the price is fair and reasonable to the Authority.

4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: All Affirmative Action requirements have been met. An 8% DBE goal was established for this procurement in December, 2003 (Resolution No. 2002-116). The change order/contract modification for the broker portion of the contract will increase this contract amount \$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 Agency, Inc. Mayfield Heights, Ohio	African- American Male	Loss Control	\$5,435.00	8%
		Total DBE Participation	\$5,435.00	8 %

- 5.0 POLICY IMPACT: Does not apply.
- 6.0 ECONOMIC IMPACT: This contract extension shall be funded through the General Fund, 2006 Risk Management Department budget (contingent upon Board Approval of the 2006 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 eighty-nine thousand two hundred seventy-three and 00/100 dollars (\$589,273.00) for the property insurance premium for a total contract price of six hundred fifty-seven thousand two hundred fourteen and 00/100 dollars (\$657,214.00). This is the budgeted amount for the brokerage services and the premium amount is 11.5% below the base budget.
- 7.0 ALTERNATIVES: Reject this offer. Rejection of this ratification will leave the Authority without property and crime insurance, putting substantial assets of the Authority at risk.

Staff Summary & Comments Property and Crime Broker Extension Page 3

- 8.0 RECOMMENDATION: It is recommended that the extension of this contract for an additional one-year period with Aon Risk Services, Inc. Of Ohio be accepted and the resolution passed authorizing the General Manager/Secretary-Treasurer to ratify the amendment to this contract.
- 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