

RESOLUTION NO. 2006-75

AUTHORIZING THE PURCHASE OF EXCESS CASUALTY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS THROUGH AON RISK SERVICES INC., CASUALTY INSURANCE BROKER FOR GCRTA, FOR A PERIOD OF 15 MONTHS FOR A TOTAL AMOUNT NOT TO EXCEED \$1,809,282.00 (GCRTA INSURANCE FUND (\$1,495,000.00) AND GENERAL FUND (\$314,282.00), RISK MANAGEMENT DEPARTMENT BUDGETS)

WHEREAS, the GCRTA requires catastrophic excess liability insurance protection; and

WHEREAS, proposals from various underwriters were received on April 12, 2006 and were evaluated in accordance with Procurement Policies and Procedures; and

WHEREAS, the submittal of a group of underwriters (Attachment A) through Aon Risk Services, Inc. located at 1660 West Second Street, Suite 650 Cleveland, Ohio 44113 for excess casualty insurance for a period of fifteen (15) months for coverage up to the limit of \$75 million at an amount not to exceed \$1,809,282.00 was determined to be the most advantageous to the Authority, price and all other factors considered; and

WHEREAS, the General Manager/Secretary-Treasurer deems acceptance of the submittal of the underwriters through Aon Risk Services, Inc. for an excess casualty insurance program, as modified by negotiation, to be the most advantageous to the Authority and recommends acceptance thereof to 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 submittal of the underwriters group through Aon Risk Services Inc., as modified by negotiations, for an excess casualty insurance program as described in Attachment A hereto is hereby accepted as the most advantageous to the Authority, price and all other factors considered.

Section 2. That the General Manager/Secretary-Treasurer of the Authority be and he is hereby authorized to enter into a contract with Aon Risk Services, Inc. for excess casualty insurance coverages with the carriers identified in Attachment A hereto and with such other carriers as the General Manager/Secretary-Treasurer may deem appropriate up to the limit of \$75 million.

Section 3. That said contract shall be payable out of the Authority's Insurance Fund, Risk Management Department budget in an amount not to exceed \$1,495,000.00 and the General Fund, Risk Management Department budget, in an amount not to exceed \$314,282.00, for a total amount not to exceed \$1,809,282.00 for a period of fifteen (15) months.

Section 4. That said contract shall be binding upon and an obligation of the Authority contingent upon compliance by the contractor to the Specifications and Addenda, if any, the Affirmative Action Plan adopted by the Board of Trustees in Resolution 2005-051, bonding and insurance requirements and all applicable laws relating to contractual obligations of the Authority.

Section 5. That this resolution shall become effective immediately upon its adoption.

Attachment A: Casualty Insurance Renewal

Adopted: April 18, 2006

\_\_\_\_\_  
President

Attest: \_\_\_\_\_  
CEO, General Manager/Secretary-Treasurer



<b>TITLE/DESCRIPTION:</b> AUTHORIZING THE PURCHASE OF EXCESS CASUALTY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS THROUGH AON RISK SERVICES, INC., CASUALTY INSURANCE BROKER FOR THE GCRTA, FOR A PERIOD OF 15 MONTHS FOR A TOTAL AMOUNT NOT TO EXCEED \$1,809,282.00 (GCRTA INSURANCE FUND (\$1,495,000.00) AND GENERAL FUND (\$314,282.00), RISK MANAGEMENT DEPARTMENT BUDGETS)	<b>Resolution No.:</b> 2006-75
	<b>Date:</b> April 13, 2006
	<b>Initiator:</b> Risk Management Department
<b>ACTION REQUEST:</b> <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 provide GCRTA with catastrophic liability insurance protection.
- 2.0 **DESCRIPTION/JUSTIFICATION:** GCRTA purchases excess casualty insurance to protect its assets against catastrophic loss. The current program expires on May 1, 2006. Proposals for a new program were requested. The main program contains General Liability, Rail Liability and Auto Liability coverage. Separate policies are purchased for Public & Employment Practices Liability as well as Excess Workers compensation.
- 3.0 **PROCUREMENT BACKGROUND:** Aon Risk Services, Inc., and their partners, Pinkney Perry, as brokers, approached several commercial insurance markets seeking proposals for the insurance program. The commercial liability insurance market continues to be difficult post 9/11 and also following the severe hurricane losses of 2005. Rail and transit exposures, in particular, are still difficult; in part, due to the two severe rail losses incurred in 2005. Due to these factors, the Authority budgeted for a 20% increase in the excess liability coverage for 2006. The Authority, along with Aon, were able to achieve a 5% increase through negotiations. On a twelve (12) month basis, the excess liability premium went from \$1,074,000 in 2005 to \$1,128,000 in 2006; a 5% increase. Ohio law was changed in 2005 eliminating a tax exemption which the Authority previously enjoyed so there is \$67,000 in taxes as well, bringing the twelve (12) month renewal figure up to \$1,195,000. The Authority also received an alternative to write the insurance for a fifteen (15) month term at the same rate which Aon and the Authority have determined to be in the best interests of GCRTA. The fifteen (15) month premium is \$1,410,000 and \$1,495,000 including the estimated premium tax.

The Public Officials Liability and Employment Practices policy renewal was favorable and we actually achieved a slight decrease of 3%. Annual premium for 2005 was \$72,000 and the 2006 annual quotation is \$69,962, roughly \$30,000 under the budgeted amount of \$100,000. The Excess WC market has been extremely difficult for the past several years and many accounts were hit with 100% and greater increases after 9/11. The Authority has not previously been hit with this heavy an increase but this year we did receive a 68% increase in the premium. The Authority is assured by Aon that we are still competitively priced in the market, and in fact, lower than the majority of their accounts. On a twelve (12) month basis, the 2005 premium was \$109,000 and the 2006 quotation is \$181,483.

The Authority and Aon did negotiate three (3) month extensions to both the Excess Worker's Compensation as well as the Public Officials Liability policies in order to keep the program concurrent; both at the same rates quoted for the twelve (12) month renewals. The fifteen (15) month premium for the Excess Worker's Compensation is \$226,829 and the fifteen (15) month premium for the Public Officials Liability is \$87,453 totaling \$314,282. After evaluation in accordance with the Authority's established Policies and Procedures, the submittal of a group of underwriters for an excess casualty insurance program was determined to be the most advantageous to the Authority. Coverage limits, self-insured retentions and a list of the underwriters are shown in Attachment A to the resolution.

Based on the evaluation of cost and price by Aon Risk Services, Inc., and its partners for the coverages identified, the Procurement Department has determined the negotiated price to be fair and reasonable.

- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: Does not apply.
- 5.0 POLICY IMPACT: Does not apply.
- 6.0 ECONOMIC IMPACT: The Authority maintains an insurance fund at a minimum level to fund severe losses within the self -insured retention. The intent is to utilize the interest income on that \$7.5 million dollar fund to offset (and cover, if feasible) the annual liability insurance premium. This program will be funded through the Authority's Insurance Fund and the General Fund, both Risk Management Department budgets in an amount not to exceed \$1,809,282.00 for a period of fifteen (15) months.
- 7.0 ALTERNATIVES: Reject this offer. Not adopting this resolution will put the Authority at risk of not having catastrophic liability insurance protection.
- 8.0 RECOMMENDATION: This procurement was discussed by the Board of Trustees Finance Committee at their April 4, 2006 meeting. It is recommended that the submittal of the underwriters through Aon Risk Service, Inc., as negotiated, be accepted and a resolution passed authorizing the General Manager/Secretary-Treasurer to enter into a contract.
- 9.0 ATTACHMENTS: None.

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

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CEO, General Manager/Secretary-Treasurer

ATTACHMENT A

CASUALTY INSURANCE RENEWAL

April 13, 2006

General, Auto and Rail Liability Insurance:

Coverage Limit: \$75 million Each Accident & Annual Aggregate  
Claims-Made Coverage Basis  
Self-Insured Retention: \$5 million Each Accident

Underwriters:

Wellington Syndicate, A Lloyd's Company  
Lexington Insurance Company  
XL Europe, Ltd.  
Atrium Syndicate, A Lloyd's Company  
Gerling – Konzern  
XL Insurance (Bermuda) Ltd.

Excess Workers' Compensation:

Coverage Limit: \$85 million Each Accident  
(\$75 million excess of \$10 million: Above underwriters)  
(\$10 million excess of self-insured retention: Insurance Corporation of  
Hannover)

Self-Insured Retention:

\$300,000 per accident, year one  
\$200,000 per accident, year two  
\$150,000 per accident, year three and ongoing

Public Officials/Employment Practices Liability:

Coverage Limit: \$5 million aggregate each policy year  
Self-Insured Retention: Coverage A: zero; Coverage B: \$250,000  
Carrier: AIU Insurance Company