

RESOLUTION NO. 2007-101

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 12 MONTHS FOR A TOTAL AMOUNT NOT TO EXCEED \$1,447,649.00 (RTA INSURANCE FUND (\$1,190,366.00) AND GENERAL FUND (\$257,283.00), RISK MANAGEMENT DEPARTMENT BUDGETS)

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

WHEREAS, proposals from various underwriters were received on July 17, 2007 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 twelve (12) months for coverage up to the limit of \$75 million at an amount not to exceed \$1,447,649.00 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 \$1,190,366.00 and the General Fund, Risk Management Department budget, in an amount not to exceed \$257,283.00, for a total amount not to exceed \$1,447,649.00 for a period of twelve (12) 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 2007-064, 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: July 24, 2007



President

Attest: 

CEO, General Manager/Secretary-Treasurer

ATTACHMENT A
CASUALTY INSURANCE RENEWAL

July 19, 2007

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:

Catlin
Lexington Insurance Company
XL Europe, Ltd.
Berkshire Hathaway, London
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: U.S. Specialty
Underwriters – Praetorian Insurance Company)
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



TITLE/DESCRIPTION: 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 12 MONTHS FOR A TOTAL AMOUNT NOT TO EXCEED \$1,447,649.00 (RTA INSURANCE FUND (\$1,190,366.00) AND GENERAL FUND (\$257,283.00), RISK MANAGEMENT DEPARTMENT BUDGETS)	Resolution No.: 2007-101
	Date: July 19, 2007
	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 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 July 31, 2007. 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 Officials & 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. Though the commercial liability insurance market has softened somewhat this year vs. the previous years since 9/11 and the severe hurricane losses of 2005, rail and transit exposures, in particular, are still difficult. This is in large part due to the two severe rail losses incurred in 2005; the Metrolink loss in LA and the Norfolk and Southern loss in the Carolinas. Due to these factors, the Authority budgeted for a 10% increase in the excess liability coverage for 2007. The Authority, along with Aon, were able to achieve a 0% increase in premium through negotiations for the first time in many years. On a twelve (12) month basis, the excess liability premium went from \$1,128,000 in 2006 to \$1,128,000 in 2007; a 0% increase. In 2005 certain portions of the program became subject to a Federal Excise tax, and there is also a potential for surplus lines tax on other segments of the premium. We are currently resolving which taxes will be payable. With the tax figures include, the 2007 premium figure would be \$1,190,366, which is the figure included in this resolution and for which we are requesting authority.

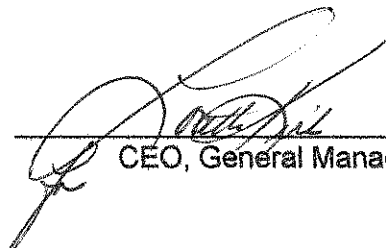
The Public Officials Liability and Employment Practices policy renewal was favorable and we actually achieved a decrease of 5%. Annual premium for 2006 was \$70,000 and the 2007 annual quotation is \$66,500, a \$3,500 savings and 33% under the budgeted amount of \$100,000. The Excess WC market has been extremely difficult for the past several years and many accounts were hit with 100% and greater increases after 9/11. The Authority had not previously been hit with this heavy an increase but last 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, for 2007 we were able to achieve a 1% decrease in the rate against payroll which translates to a 5% increase in premium. On a 12 month basis, the 2006 premium was \$181,000 vs. 2007 quoted at \$190,783, 12% under the budgeted amount of \$215,000.

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 \$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 \$1,447,469.00 for a period of twelve (12) 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 summarized in memorandum distributed before the Board of Trustees Finance Committee at their July 10, 2007 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.



CEO, General Manager/Secretary-Treasurer