

RESOLUTION NO. 2007-176

AUTHORIZING THE PURCHASE OF PROPERTY INSURANCE FROM FM GLOBAL THROUGH AON RISK SERVICES, INC. OF OHIO, PROPERTY INSURANCE BROKER FOR THE GCRTA, FOR A PERIOD OF 12 MONTHS FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$574,952.00 (GENERAL FUND 2008, RISK MANAGEMENT DEPARTMENT BUDGET)

WHEREAS, the Authority requires insurance to protect its physical assets; and

WHEREAS, the Authority along with Aon Risk Services, Inc. of Ohio and Pinkney Perry, property insurance brokers for the Authority as authorized by Resolution No. 2006-161, negotiated a property insurance renewal with FM Global for a period of twelve (12) months in an amount not to exceed \$574,952.00; and

WHEREAS, the General Manager/Secretary-Treasurer deems the negotiated offer of FM Global through Aon Risk Services, Inc. of Ohio to provide property insurance coverage to be the most advantageous 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 proposal submitted by FM Global through Aon Risk Services, Inc. of Ohio to provide property insurance coverage to the Authority for a period of twelve (12) months be and the same is hereby accepted.

Section 2. That the General Manager/Secretary-Treasurer be, and he is hereby authorized to purchase a property insurance policy through Aon Risk Services, Inc. of Ohio to provide this insurance coverage.

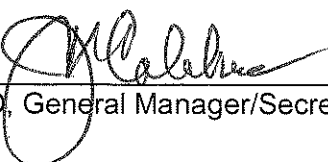
Section 3. That this insurance policy shall be payable out of the General Fund, Risk Management Department budget payable with 2008 funds (contingent upon Board Approval of the 2008 Operating Budget), at a total amount not to exceed five hundred seventy-four thousand nine hundred fifty-two & 00/100 dollars (\$574,952.00).

Section 4. That said agreement shall be binding upon and an obligation of the Authority contingent upon appropriation of funds, compliance by the contractor to 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 the contractual obligation of the Authority.

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

Adopted: December 18, 2007

  
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President

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



<b>TITLE/DESCRIPTION:</b> AUTHORIZING THE PURCHASE OF PROPERTY INSURANCE FROM FM GLOBAL THROUGH AON RISK SERVICES, INC. OF OHIO, PROPERTY INSURANCE BROKER FOR THE GCRTA, FOR A PERIOD OF 12 MONTHS FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$574,952.00 (GENERAL FUND 2008, RISK MANAGEMENT DEPARTMENT BUDGET)	<b>Resolution No.:</b> 2007-176
	<b>Date:</b> December 13, 2007
	<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 the Authority with insurance to protect the physical assets of the Authority.
- 2.0 **DESCRIPTION/JUSTIFICATION:** The Authority requires all risk property insurance to protect its physical assets in case of fire, explosion, windstorm and similar perils. The current property insurance policy expires January 1, 2008.
- 3.0 **PROCUREMENT BACKGROUND:** As a result of a competitive solicitation, Aon Risk Services, Inc. of Ohio and Pinkney Perry were awarded a contract in September, 2006 by Resolution No. 2006-161 to act as property insurance brokers for the Authority. With their assistance, renewal terms were negotiated with FM Global, the Authority's incumbent property insurer and one of the premier property insurance carriers in the world, for the period January 1, 2008 to January 1, 2009.

Last year, the Authority's annual property premium was \$651,000 but we were given the benefit of a "premium credit" of \$88,000, making the net payment \$563,000. FM Global experienced favorable underwriting results for the second year in a row and the premium credit is their way of sharing the good results with their insureds. This year, the insured values increased by almost 8% including the estimate of value for the new ECTP vehicles. FM Global offered a 3% rate discount at renewal which results in a calculated annual premium for the January 1, 2008/2009 policy year of \$672,494.00. Taking into account the premium credit this year of \$97,542.00, our net premium payment will be \$574,952.00.

Comparison	<u>1-1-07</u>	vs.	<u>1-1-08</u>	
Total Insured Values:	\$1,201,000,000		\$1,295,000,000	+8%
Gross Premium	651,000		672,000	+3%
Rate per \$100 of Value	.054		.052498	-3%
Premium Credit	88,000		97,542	+11%
Net Premium	563,000		574,952	+2%

While this is the second year the Authority has enjoyed the premium credit granted by FM Global it is not in any way assured for future years so the Authority needs to budget for next year's premium on a gross vs. net basis as we did this year. Nevertheless, this year's renewal is an excellent result, with even the gross premium being \$59,000.00 under the budgeted amount of \$731,000.00 for 2008. With the benefit of the premium credit, the net premium being requested in this resolution is \$156,048.00 under budget.

A cost analysis has been performed and the Procurement Department has determined the negotiated rates to be fair and reasonable to the Authority.

- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: Does no apply.
- 5.0 POLICY IMPACT: Does not apply.
- 6.0 ECONOMIC IMPACT: This insurance policy shall be funded through the General Fund, Risk Management Department budget payable with 2008 funds (contingent upon Board Approval of the 2008 Operating Budget) at a total contract amount not to exceed five hundred seventy-four thousand nine hundred fifty-two dollars and 00/100 dollars (\$574,952.00).
- 7.0 ALTERNATIVES: Reject this offer. Rejection of this proposal will leave the Authority without property insurance, putting substantial assets of the Authority at risk.
- 8.0 RECOMMENDATION: It is recommended that the offer of FM Global, through Aon Risk Services, Inc. of Ohio be accepted and the resolution passed authorizing the General Manager/Secretary-Treasurer to purchase the property insurance policy.
- 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