

RESOLUTION NO. 2008-40

AUTHORIZING CONTRACT NO. 2007-151 WITH AON RISK SERVICES, INC. OF OHIO TO PROVIDE CASUALTY INSURANCE BROKER SERVICES FOR A PERIOD OF THREE YEARS IN AN AMOUNT NOT TO EXCEED \$421,197.00 WITH TWO ADDITIONAL ONE-YEAR OPTIONS IN AN AMOUNT NOT TO EXCEED \$144,610.00 FOR EACH OPTION YEAR FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$710,417.00 (INSURANCE FUND, RISK MANAGEMENT DEPARTMENT BUDGET)

WHEREAS, the Authority is seeking the services of a commercial insurance broker in the areas of casualty risk assessment, funding and insurance placement and support; and

WHEREAS, the proposal of Aon Risk Services, Inc. of Ohio located at 1660 West 2nd Street, Suite 650, Cleveland, Ohio 44113 to provide casualty insurance broker services was received on January 29, 2008, for a three-year period with two, one-year options; and

WHEREAS, the General Manager/Secretary-Treasurer deems the offer of Aon Risk Services, Inc. of Ohio, as negotiated, to be in the Authority's best interest 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 Aon Risk Services, Inc. of Ohio to provide casualty insurance broker services, as modified by negotiations, 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 enter into a contract with Aon Risk Services, Inc. of Ohio to provide casualty insurance broker services for a three-year period with two, one-year options, exercisable by the General Manager/Secretary-Treasurer.

Section 3. That said contract shall be payable out of the Insurance Fund, Risk Management Department budget, in an amount not to exceed four hundred twenty-one thousand one hundred ninety-seven & 00/100 dollars (\$421,197.00 for a three-year period with two, one-year options in an amount not to exceed one hundred forty-four thousand six hundred ten & 00/100 dollars (\$144,610.00) for each option year for a total contract amount not to exceed seven hundred ten thousand four hundred seventeen & 00/100 dollars (\$710,417.00).

Section 4. That said contract shall be binding upon and an obligation of the Authority contingent upon future funding, 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 the Greater Cleveland Regional Transit Authority's Board of Trustees expects Aon Risk Services, Inc. of Ohio will attempt to exceed the 20% minimum DBE goal assigned to this procurement.

Section 6. That this resolution shall become effective immediately upon its adoption.

Adopted: March 18, 2008



President

Attest: 

CEO, General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: AUTHORIZING CONTRACT NO. 2007-151 WITH AON RISK SERVICES, INC. OF OHIO TO PROVIDE CASUALTY INSURANCE BROKER SERVICES FOR A THREE-YEAR PERIOD IN AN AMOUNT NOT TO EXCEED \$421,197.00 WITH TWO, ONE-YEAR OPTIONS IN AN AMOUNT NOT TO EXCEED \$144,610.00 FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$710,417.00 (INSURANCE FUND, RISK MANAGEMENT DEPARTMENT BUDGET)	Resolution No.: 2008-40
	Date: March 13, 2008
	Initiator: Risk Management
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 enter into a contract for a casualty insurance broker.

2.0 **DESCRIPTION/JUSTIFICATION:** The Authority is seeking the services of a commercial insurance broker to assist in the areas of risk management and financing analysis, insurance program marketing and placement, assistance with liability claims and worker's compensation claims administration and similar support services for the Euclid Corridor Transportation Project.

Currently the Authority carries casualty insurance coverages including rail, general, and automobile liability at a level of \$75 million excess of a self-insured retention of \$5 million per occurrence. Other casualty insurance coverages include excess worker's compensation coverage at a limit of \$10 million and public officials/employment practices liability coverages at a limit of \$5 million. These programs are intended to provide protection of the Authority's assets against catastrophic loss and resulting financial impact.

The insurance broker will be responsible for assisting the Authority in evaluating any changes in exposures in the above areas, compiling submissions to underwriters, and negotiating the most favorable terms and conditions and pricing for renewal of the above described insurance programs. They will also provide expertise and support services in a variety of insurance and risk management related areas such as claims administration, insurance requirements and compliance for Authority contractors, surety bonding, actuarial analysis of loss experience and loss forecasting.

3.0 **PROCUREMENT BACKGROUND:** The Request for Proposal was posted on the procurement website and advertised in the local newspapers. Twenty-one (21) prospective proposers downloaded the solicitation and four (4) responded on January 29, 2008. After evaluation by a panel of Authority employees in accordance with established Procurement Department policies and procedures, the proposal of Aon Risk Services, Inc. of Ohio to provide casualty insurance broker services was determined to be the most advantageous to the Authority. After negotiations, an amount not to exceed \$421,197.00 for a three-year period was agreed upon with the Authority retaining two one-year options in an annual amount not to exceed \$144,610.00.

It is noted that Aon Ltd. (UK) and Aon, Ltd. (Bermuda) are compensated for their services in conducting the excess liability insurance marketing and placement via commission of 8.5% and 10% respectively, on the premiums for the carriers in the UK and Bermuda as is traditional for those markets.

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 maintain a National Rail Practice which allows the Authority access to specialists in evaluating and placing rail-related risks. They have proven experience handling unique exposures to risk management requirements for public entities and are currently the Authority's incumbent insurance broker. A cost/price analysis has been performed and the Procurement Department has determined that the proposal of Aon Risk Services, Inc. of Ohio is fair and reasonable to the Authority.

- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: All Affirmative Action requirements have been met. A 20% DBE goal was established for this procurement. Aon has committed to achieving DBE participation of 11.2% through the utilization of Pinkney Perry Insurance Agency, Inc. (African American-owned) in the amount of \$65,000.00. OBD received documentation from Aon that is deemed appropriate to support its determination of good faith effort on the portion of the DBE goal not achieved. The difference primarily comes from a greater sense of the contract's subcontractable parts including the domestic vs. international components of the services to be rendered.
- 5.0 POLICY IMPACT: Does not apply.
- 6.0 ECONOMIC IMPACT: The contract will be funded through the Insurance Fund, Risk Management Department budget in an amount not to exceed four hundred twenty-one thousand one hundred ninety-seven & 00/100 dollars (\$421,197.00) for a three-year period with two additional one-year options in an amount not to exceed one hundred forty-four thousand six hundred ten & 00/100 dollars (\$144,610.00) for each option year for a total contract amount not to exceed seven hundred ten thousand four hundred seventeen & 00/100 dollars (\$710,417.00). This pricing is 6% below the budgeted amount.
- 7.0 ALTERNATIVES: Reject this offer. Rejection of this offer would delay the identification of the casualty insurance needs, risking the Authority not having proper excess liability coverage.
- 8.0 RECOMMENDATION: This program was discussed by the Board of Trustees Finance Committee at their March 4, 2008 meeting. It is recommended that the offer of Aon Risk Services, Inc. of Ohio be accepted and the 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