

RESOLUTION NO. 2008-167

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 \$658,763.00 (GENERAL FUND 2009, 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 \$658,763.00; 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 2009 funds (contingent upon Board Approval of the 2009 Operating Budget), at a total amount not to exceed six hundred fifty-eight thousand seven hundred sixty-three & 00/100 dollars (\$658,763.00).

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 2008-061; 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 16, 2008



President

Attest: 

CEO/General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: 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 \$658,763.00 (GENERAL FUND 2009, RISK MANAGEMENT DEPARTMENT BUDGET)	Resolution No.: 2008-167
	Date: December 11, 2008
	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 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, 2009.
- 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. The current policy contains a blanket coverage limit of \$500 million per occurrence and a deductible of \$250,000 per occurrence, both with various sublimits and exceptions for specialty coverages.

A strategy session with representatives from Aon, Pinkney Perry and GCRTA occurred in September and goals for the renewal were established that included reducing the premium paid, obtaining competitive pricing and coverage terms in the marketplace, and renewing with comparable or better insurer security.

It was determined that Aon would approach FM Global early to determine willingness and ability to meet the established goals. As a result of negotiations with FM Global, the following results were achieved:

- An all risk program with incumbent insurer, FM Global
- A rate reduction of 4.7% despite a 3% increase in insured values
- Policy terms and conditions equal to expiring with program enhancements; e.g. improved flood definition and transportation coverage
- A premium reduction of \$14,000

Last year there was a "premium credit" given to long-term policyholders and GCRTA's was in the amount of \$98,000 making the net premium paid last year \$574,000. The premium credit is a means that FM Global uses to share good underwriting results with the clients in certain years. There is no premium credit being used in 2009. The annual premium of \$658,000 for this year compares against a gross annual premium of \$672,000 last year, producing the savings of \$14,000 reflected above. The new annual premium is \$117,000 below the budgeted amount of \$775,000 for this insurance coverage.

FM Global has demonstrated their interest in maintaining the established partnership with FCRTA by virtue of the quotation described above and we do recommend acceptance of their proposal for renewal for this policy period January 1, 2009 – January 1, 2010.

A price 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 not 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 2009 funds (contingent upon Board Approval of the 2009 Operating Budget) at a total contract amount not to exceed six hundred fifty-eight thousand seven hundred sixty-three & 00/100 dollars (\$658,763.00).
- 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: This procurement was discussed at the December 2, 2008 Finance Committee meeting. 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.



CEO, General Manager/Secretary-Treasurer