

RESOLUTION NO. 2009-65

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 \$1,319,000.00 (GCRTA INSURANCE FUND (\$1,069,000.00) AND GENERAL FUND (\$250,000.00), RISK MANAGEMENT DEPARTMENT BUDGETS)

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

WHEREAS, final proposals from various underwriters were received on July 22, 2009 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 \$1,319,000.00 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 \$1,069,000.00 and the General Fund, Risk Management Department budget, in an amount not to exceed \$250,000.00, for a total amount not to exceed \$1,319,000.00 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 2009-023, 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 28, 2009

  
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President

Attest:   
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CEO, General Manager/Secretary-Treasurer

ATTACHMENT A

CASUALTY INSURANCE RENEWAL

July 21, 2009

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:

Zurich  
Lexington Insurance Company  
XL Europe, Ltd.  
XL Insurance (Bermuda) Ltd.  
Aspen

Excess Workers' Compensation:

Coverage Limit: \$85 million Each Accident  
(\$75 million excess of \$10 million: Above underwriters)  
(\$10 million excess of self-insured retention: ACE)  
Self-Insured Retention:  
\$750,000 per accident

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



<b>TITLE/DESCRIPTION:</b> CONTRACT: PURCHASE OF EXCESS CASUALTY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS  VENDOR: AON RISK SERVICES, INC.  AMOUNT: \$1,319,000.00 FOR A PERIOD OF 12 MONTHS	Resolution No.: 2009-65
	Date: July 23, 2009
	Initiator: 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 August 1, 2009. 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 for the GCRTA, approached several commercial insurance markets seeking proposals for the insurance program. The commercial liability insurance market had softened somewhat last year and we were able to achieve a 5% decrease on the main excess liability program last year. As always, however rail and transit exposures are unique and the severe losses in past years had a very negative impact on our insurance renewal in several previous years. This year, unfortunately, just as we were in the midst of negotiating our program, the severe rail collision at Washington Metropolitan Transit Authority (WMATA) occurred and we were advised by our brokers that the impact on the underwriting community writes rail and transit accounts was severe and advised to hold off negotiations for a short period of time. Fortunately, we have been able to minimize the impact of this disaster and as of Wednesday, July 22<sup>nd</sup>, the renewal of the main liability program has been achieved at no increase in premium of \$1,069,000.00 which is the same as expiring and an incredibly favorable result given recent events.

The Public Officials Liability and Employment Practices policy renewal is expiring as well as the Excess Workers' Compensation coverage. The final result of the marketing efforts on those two is that the combination of those coverage premiums will be a grant total of \$250,000.00 this year, a reduction of approximately \$2,000.00 from last year.

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 \$1,319,000.00 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: 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