

RESOLUTION NO. 2009-110

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 \$562,919.00 (GENERAL FUND 2010, 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 \$562,919.00; 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 2010 funds (contingent upon Board Approval of the 2010 Operating Budget), at a total amount not to exceed five hundred sixty two thousand nine hundred nineteen & 00/100 dollars (\$562,919.00).

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 2009-023; 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 15, 2009



President

Attest: 

CEO, General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: CONTRACT: PROPERTY INSURANCE PREMIUM FOR A PERIOD OF 12 MONTHS VENDOR: PURCHASE FROM FM GLOBAL THROUGH AON RISK SERVICES, INC. OF OHIO, PROPERTY INSURANCE BROKER FOR THE GCRTA AMOUNT: NOT TO EXCEED \$562,919.00	Resolution No.: 2009-110
	Date: December 10, 2009
	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, 2010.
- 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.

In strategy sessions with our brokers, we were advised that the property insurance market is somewhat competitive this year and decided to proceed with a competitive marketing effort including a number of other insurance carriers in addition to the incumbent market, FM Global. We put together an underwriting submission summarizing total insured values, a detailed schedule of insured location, loss protection information such as automatic sprinklers and fire protection systems and sent it to a select group of alternative insurers that were capable of supporting the exposures contained in GCRTA's program as well as FM Global.

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.

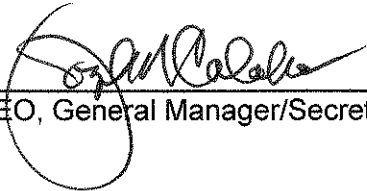
The results of the marketing effort are extremely positive. At the outset, Aon advised that the most likely result would be a flat rate against our 3% increase in values which would have resulted in a 3% premium increase. Because the market was actually much more difficult in late 2008 and early 2009 we had budgeted for a 10% premium increase or \$724,000. Last year's premium was \$658,000.

As a result of extremely heated competition among the final insurance carriers, we have achieved a \$95,000 reduction over the expiring premium or almost a 15% reduction. FM Global demonstrated their strong desire to retain the account and provided a final quotation of \$562,919.00. FM Global is one of the premier property insurers in the world and the quality of their engineering services is unparalleled in the industry. They have provided invaluable services to GCRTA for many years and both the Safety and Engineering departments rely heavily on their services in areas such as design review for all new construction and upgrades of our facilities as well as regular fire protection inspections to be sure that all loss prevention systems are in working order. They also have the highest possible financial security rating offered by Best's Insurance Rating service, have demonstrated reliable claims payment ability in the past, and have periodically provided us with membership credits as a way to share their favorable loss experience with long-term clients and those have been significant.

Both of our property insurance brokers and the Risk Management department recommend that we accept the final proposal of FM Global to provide GCRTA's all-risk property insurance policy for the period January 1, 2010 to January 1, 2011. 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 2010 funds (contingent upon Board Approval of the 2010 Operating Budget) at a total contract amount not to exceed five hundred sixty two thousand nine hundred nineteen & 00/100 dollars (\$562,919.00).
- 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.



CEO, General Manager/Secretary-Treasurer