

RESOLUTION NO. 2010-96

AUTHORIZING THE PURCHASE OF PROPERTY INSURANCE FOR THE GCRTA FROM FM GLOBAL FOR A PERIOD OF 12 MONTHS FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$467,876.00 (GENERAL FUND 2011, RISK MANAGEMENT DEPARTMENT BUDGET)

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

WHEREAS, the Authority negotiated a property insurance renewal with FM Global for a period of twelve (12) months in an amount not to exceed \$467,876.00; and

WHEREAS, the General Manager/Secretary-Treasurer deems the negotiated offer of FM Global 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 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 from FM Global 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 2011 funds (contingent upon Board Approval of the 2011 Operating Budget), at a total amount not to exceed four hundred sixty-seven thousand eight hundred seventy-six & 00/100 dollars (\$467,876.00).

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 2010-028; 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 7, 2010

  
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President

Attest:   
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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: FM GLOBAL AMOUNT: NOT TO EXCEED \$467,876.00	Resolution No.: 2010-96
	Date: December 2, 2010
	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, 2011.
- 3.0 PROCUREMENT BACKGROUND: 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.

Last year, as a result of a full fledged marketing effort and competition among several insurance carriers, we 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.

This year, we negotiated the January 1, 2011 renewal directly with FM Global. 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 which is clearly a key component in choosing an insurer.

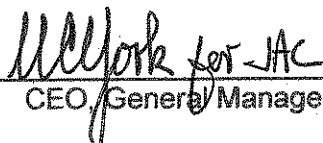
For the January 1, 2011 renewal, FM has once again provided very favorable results to GCRTA. The premium quoted is \$580,460, a 3.2% increase vs last year's premium which is commensurate with the increase in our insured values. The rate has remained stable and is very competitive. However, this year is FM Global's 175<sup>th</sup> Anniversary, and they are giving a substantial premium credit to their policyholders/owners as they have done periodically when their financial performance warrants it. As a mutual company, they believe in sharing their success with their policyholders when possible. This has resulted in a \$112,000 premium credit for GCRTA as we are in their highest category for premium credits, having been with them for more than 20 years. Our net premium after the premium credit is \$467,876, a \$94,000 reduction from expiring and \$151,335 under budget.

We have no way of knowing when or if a premium credit will be issued by FM Global as they base it on their loss experience and total financial results. Therefore, we budgeted for a 10% increase in premium which is why the outcome is so significantly under budget. We are pleased to be able to present such excellent renewal results and thank our long-term partners, FM Global for recognizing our commitment to risk improvement and working together to address issues over the course of each year. We must bear in mind that without the premium credit, the annual premium would now be \$580,460, which will be the premium benchmark for next year.

The Risk Management department recommends that the Authority accept the final proposal of FM Global to provide GCRTA's all-risk property insurance policy for the period January 1, 2011 to January 1, 2012. 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 2011 funds (contingent upon Board Approval of the 2011 Operating Budget) at a total contract amount not to exceed four hundred sixty-seven thousand eight hundred seventy-six & 00/100 dollars (\$467,876.00).
- 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 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