

RESOLUTION NO. 2011-113

AUTHORIZING A CONTRACT FOR THE PURCHASE OF PROPERTY INSURANCE FOR THE AUTHORITY FROM FM GLOBAL FOR A PERIOD OF TWELVE (12) MONTHS FOR A TOTAL AMOUNT NOT TO EXCEED \$649,280.00 (GENERAL FUND 2012, RISK MANAGEMENT DEPARTMENT BUDGET).

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

WHEREAS, FM Global, the Authority's current provider of said insurance, is in the midst of a critical claim associated with the July 2011 lightening strike at the Brookpark Substation facility; and

WHEREAS, it would be deemed highly unfavorable to the Authority to change insurance providers while that claim is still pending; and

WHEREAS, the property insurance industry is raising premiums 20-25% for new policies; and

WHEREAS, Section 306.43H (2) of the Ohio Revised Code provides that competitive bidding is not required when the purchase consists of goods or services, or any combination thereof, and after reasonable inquiry the board or any officer or employee the board designates finds that only one source of supply is reasonable available; and

WHEREAS, the Authority negotiated a property insurance extension with FM Global for a period of twelve (12) months in an amount not to exceed \$649,280.00; and

WHEREAS, the General Manager/Secretary-Treasurer deems the negotiated offer of FM Global to extend 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 policy extension proposed 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 extend the current property insurance policy from FM Global for twelve (12) months.

Section 3. That this insurance policy shall be payable out of the General Fund, Risk Management Department budget payable with 2012 funds, at a total amount not to exceed six hundred forty-nine thousand two hundred eighty & 00/100 dollars (\$649,280.00).

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 2011-034; bonding and insurance requirements and all applicable laws relating to the contractual obligation of the Authority.

Section 5. That the That the Greater Cleveland Regional Transit Authority's Board of Trustees expects that FM Global will attempt to exceed the 0% minimum DBE goal assigned to this procurement.

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

Adopted: December 20, 2011

  
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President *Acting*

Attest:

  
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CEO, General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority  
**STAFF SUMMARY AND COMMENTS**

<b>TITLE/DESCRIPTION:</b> <b>CONTRACT:</b> PROPERTY INSURANCE PREMIUM FOR A PERIOD OF TWELVE (12) MONTHS  <b>VENDOR:</b> FM GLOBAL  <b>AMOUNT:</b> NOT TO EXCEED \$649,280.00	<b>Resolution No.:</b> 2011-113
	<b>Date:</b> December 15, 2011
	<b>Initiator:</b> 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 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 insurer, FM Global, is engaged in adjusting the claim that resulted from the lightning strike at the Brookpark Substation facility in July of this year. The adjustment of that claim is expected to continue at least until July 2012. The current property insurance policy expires January 1, 2012.

3.0 **PROCUREMENT BACKGROUND:** This purchase of property insurance is exempt from competitive bidding as authorized by Section 306.43H (2) of the Ohio Revised Code. Last year's insurance policy with FM Global contained 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. The annual premium for that policy was \$580,000, which was a very favorable rate. Last year, in recognition of its 175<sup>th</sup> Anniversary, FM Global provided a substantial premium credit to their insured/owners as a way of sharing their positive financial results. The Authority was awarded a premium credit of \$112,000, making the net amount that the Authority paid \$467,000. It was understood that the premium credit was a singular occurrence and was not guaranteed every year. Therefore, the benchmark for a 2012 policy is the \$580,000 annual premium.

It was determined to be in the best interest of the Authority to extend the current policy one (1) year due to the current volatile property insurance market and the multi-million dollar Authority claim being adjusted by FM Global. The Authority's Risk Manager attended a property insurance forum in September and learned that new policy premiums are rising an average of 20-25%. By extending the current policy, the Authority was able to obtain from FM Global a premium cost increase that is greatly reduces from the premium cost increases being experiences in the insurance marketplace. Also, the Authority will be able to continue its favorable relationship with FM Global until final resolution of the lightning strike insurance claim.

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 the Authority 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. FM Global also has the highest possible financial security rating offered by Best's Insurance Rating service and has demonstrated reliable claims payment ability in the past which is clearly a key component in choosing an insurer.

The proposed premium of \$649,280.00 is 19% below the budgeted amount of \$800,000.00. The Risk Management Department recommends that the Authority extend the current property insurance policy with FM Global for one (1) year for the period January 1, 2012 to January 1, 2013. The Procurement Department has determined the negotiated rates to be fair and reasonable to the Authority.

- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: All Affirmative Action requirements have been met. A 0% DBE goal was established for this procurement due to the lack of certified DBE firms.
- 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 2012 funds at a total contract amount not to exceed six hundred forty-nine thousand two hundred eighty & 00/100 dollars (\$649,280.00).
- 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