RESOLUTION NO. 2012-68

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 $1,354,964.00 (GCRTA INSURANCE FUND ($1,101,586.00) AND GENERAL FUND ($253,378.00), RISK MANAGEMENT DEPARTMENT BUDGETS)

WHEREAS, the Greater Cleveland Regional Transit Authority requires catastrophic excess liability insurance protection; and

WHEREAS, final proposals from various underwriters were received on July 13, 2012 and were evaluated in accordance with the Authority's 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 $1,354,964.00 was determined to be the most advantageous to the Authority, price and all factors considered; and

WHEREAS, the General Manager/Secretary-Treasurer deems the acceptance of the submittal of the underwriters through Aon Risk Services, Inc. for an excess casualty insurance program, as modified by negotiations, 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 groups 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 $1,101,586.00 and the General Fund, Risk Management Department budget in an amount not to exceed $253,378.00 for a total amount not to exceed $1,354,964.00 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, thereto, if any; the Affirmative Action Plan adopted by the Board of Trustees in Resolution 2012-036; bonding and insurance requirements and all applicable laws relating to the contractual obligations of the Authority.

Section 5. That this resolution shall become effective immediately upon its adoption.

Attachment A: Casualty Insurance Renewal

Adopted: July 17, 2012

Dennis M. Clough
Acting President

Attest: [signature]
CEO, General Manager/Secretary-Treasurer

ATTACHMENT A

CASUALTY INSURANCE RENEWAL

July 17, 2012

General, Auto and Rail Liability Insurance:

Coverage Limit: $75 million Each Accident & Annual Aggregate
Occurrence Reported Coverage Basis
Self-Insured Retention: $5 million Each Accident

Underwriters:

Zurich (Steadfast Insurance Company)
Aegis, a London syndicate
XL Europe, Ltd.
XL Insurance (Bermuda) Ltd.
Gemini Insurance Company

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: National Union Fire Insurance Company of Pittsburgh, PA

Form 100-326
07-03-97

RTA Greater Cleveland Regional Transit Authority

STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION:	
CONTRACT: PURCHASE OF EXCESS CASUALTY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS	Resolution No.: 2012-68
	Date: July 16, 2012
VENDOR: AON RISK SERVICES, INC. AMOUNT: $1,354,964 FOR A PERIOD OF 12 MONTHS	Initiator: Risk Management Department
ACTION REQUEST: ☒ Approval ☐ Review/Comment ☐ Information Only ☐ 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 August 1, 2012. 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 partner, Pinkney Perry, as brokers for the GCRTA, approached several commercial insurance markets seeking proposals for the insurance program. Last year, despite a very unstable market amidst numerous worldwide catastrophes, the Authority was able to maintain a flat premium for the Public Officials' and Employment Practices Liability policy and had a minor increase in premium of $5,000 on the Excess Workers' Compensation policy. The resolution submitted to the Board of Trustees last year contained a figure of $1,090,787 which was a "not to exceed" figure as negotiations were still underway as of that date. Our brokers were able to improve on that figure to a final premium on the master program of $1,079,986, another $10,800 of savings taking the premium increase down to $24,000.

This year the Authority was informed during strategy planning meetings in March that the commercial liability market saw extremely high loss ratios in 2011 due to the series of international and domestic catastrophes. Though the market has stabilized somewhat in 2012, our brokers indicate that as always, pressure for premium increases is always greatest in the higher risk/exposure sectors of the market such as transportation and rail accounts. They advised that it would be difficult to avoid an increase in premium and recommended budgeted increases of 5 – 10% on the master excess liability program and Excess Workers' Compensation and 5% on the Public Officials and Employment Practices Liability.

The good news is that there is substantial capacity available in the marketplace and therefore we did extensive marketing efforts and had face-to-face meetings with a number of excess liability markets, both here and in London. We met with and presented to a total of nine excess liability insurance markets in June and we believe that those efforts have paid dividends.

On the Master Excess Liability program, the initial indications were for a 7.5% premium increase but after much negotiation, exchanges of further information, and leveraging of market relationships and competition, the final result on that program is a 2% increase in premium, below the even the best case projection of 5%. The renewal premium for that program is $1,101,586 vs. expiring premium of $1,079,986, an increase of $21,600. This is $98,000 below the budgeted amount.

The final results on the Public Officials' and Employment Practices Liability policy and the Excess Workers' Compensation policy are also favorable, ending with a 6.9% premium increase on the Public Officials' and a 10% increase on the Excess Workers' Compensation; both very close to budgeted figures.

The combined result for all three lines of coverage is a grand total premium of $1,354,964 vs. expiring premium of $1,318,525. This represents a combined increase of $36,439 or 2.8%. The final combined premium of $1,354,964 is $107,000 or 7% under the total budgeted figure of $1,462,000.

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 the $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 $1,354,964.00 for a period of twelve (12) months.

7.0 ALTERNATIVES: <u>Reject this offer</u>. 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 Services, Inc., as negotiated, be accepted and the 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.

CEO, General Manager/Secretary-Treasurer