

RESOLUTION NO. 2012-109

AUTHORIZING THE PURCHASE OF PROPERTY INSURANCE FROM FM GLOBAL FOR A PERIOD OF TWENTY-FOUR (24) MONTHS FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$664,680.00 FOR THE FIRST TWELVE (12) MONTHS (GENERAL FUND 2013, RISK MANAGEMENT DEPARTMENT BUDGET)

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

WHEREAS, Section 306.43(H)(6) of the Ohio Revised Code provides that competitive bidding is not required when the purchase substantially involves services of a personal, professional, highly technical, or scientific nature, including but not limited to the services of an attorney, physician, surveyor, appraiser, investigator, court reporter, adjuster, advertising consultant, or licensed broker, or involves the special skills or proprietary knowledge required for the servicing of specialized equipment owned by the regional transit authority; and

WHEREAS, a proposal from FM Global to provide property insurance coverage for a period of twenty-four (24) months was received, and after negotiations, an amount not to exceed \$664,680.00 for the first twelve (12) month period was agreed upon with an automatic renewal rate for year 2014, which is subject to the agreed upon 4% rate increase and updated total insured values for the second twelve (12) month period; 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 twenty-four (24) 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.

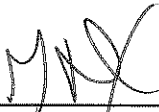
Section 3. That this insurance policy shall be payable out of the General Fund, Risk Management Department budget payable with 2013 and 2014 funds (contingent upon Board Approval of the 2013 and 2014 Operating Budgets), at a total amount not to exceed \$664,680.00 for the first twelve (12) month period and at a 4% rate increase based on updated total insured values for the second twelve (12) months.

Section 4. That said agreement shall be binding upon and an obligation of the Authority contingent upon appropriation of funds for future years, compliance by the contractor to Specifications and Addenda, 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 obligation of the Authority.

Section 5. 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 18, 2012

  
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President

Attest:   
\_\_\_\_\_  
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 TWENTY-FOUR (24) MONTHS  <b>VENDOR:</b> FM GLOBAL  <b>AMOUNT:</b> NOT TO EXCEED \$664,680.00 FOR THE FIRST YEAR	<b>Resolution No.:</b> 2012-109
	<b>Date:</b> December 13, 2012
	<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 for a period of twenty-four (24) months.
- 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, 2013.
- 3.0 **PROCUREMENT BACKGROUND:** This sole source contract for property insurance is exempt from competitive bidding as authorized by Section 306.43(H)(6) of the Ohio Revised Code. The current policy contains a blanket coverage limit of \$500 million per occurrence and a deductible of \$250,000 per occurrence, both with various sub limits and exceptions for specialty coverages.

Last year, we negotiated the January 1, 2012 renewal directly with FM Global and experienced a 10% rate increase. At that time we were in the midst of adjusting the property claim for the lightning strike at the Brookpark substation which has been provisionally settled at this time in the amount of \$5,054,858. When the work is completed following the rehabilitation of the airport tunnel in 2013 we will re-evaluate the projected costs and retain the right to file a supplemental claim if we are due additional funds.

Indications from industry sources tell us that property rates in 2012 are increasing across the board. In early negotiations with FM Global they cited information from two of the world's largest brokers, Marsh and Willis stating that rate increases for accounts such as ours without known "catastrophic" exposure are experiencing rate increases between 5% and 10% without significant loss experience. We have, of course, just experienced a significant claim of \$5 million which FM Global worked with us on expediently and cooperatively to settle early. Given this information, we were able to negotiate a two-year deal with FM Global for this upcoming renewal on 1-1-13 and also for the subsequent year on 1-1-14, for a 4% rate increase each year. Given the above statements and all other industry information, including input from our casualty broker, Aon, we believe that this is a superior deal that is considerably better than we would do in the marketplace and preserves our good relationship with FM Global in the event that we need to file a supplemental claim on the lightning strike claim.

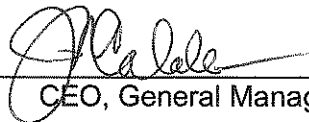
FM Global is one of the premier property insurers in the world and the quality of their engineering services is unparalleled in the industry. They have provided invaluable services to GCRTA for many years. Both the Safety and Engineering departments rely heavily on their services in areas such as design 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, and have demonstrated reliable claims payment ability in the past which is clearly a key component in choosing an insurer.

The proposed premium of \$664,680.00 is 17% below the budgeted amount of \$800,000.00. We 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.

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, 2013 to January 1, 2014 as well as the automatic renewal year commencing on January 1, 2014 and expiring on January 1, 2015, which will be subject to the agreed upon 4% rate increase and updated total insured values. 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 2013 and 2014 funds (contingent upon Board Approval of the 2013 and 2014 Operating Budgets) at a total contract amount not to exceed six hundred sixty-four thousand six hundred eighty & 00/100 dollars (\$664,680.00) for the first twelve (12) month period and at a 4% rate increase based on updated total insured values for the second twelve (12) months.
- 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