

RESOLUTION NO. 2013-82

AUTHORIZING THE PURCHASE OF EXCESS CASUALTY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS THROUGH WELLS FARGO INSURANCE SERVICES USA, INC. FOR A PERIOD OF 12 MONTHS IN A TOTAL AMOUNT NOT TO EXCEED \$1,446,069.00 (GCRTA INSURANCE FUND (\$1,149,872.00) AND GENERAL FUND (\$296,197.00), 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 August 12, 2013 and were evaluated in accordance with the Authority's Policies and Procedures; and

WHEREAS, the submittal of a group of underwriters, as identified in Attachment A – Casualty Insurance Renewal, through Wells Fargo Insurance Services USA, Inc. located at 1301 East Ninth Street, Suite 3800, Cleveland Ohio, 44114 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 \$1,446,069.00 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 various underwriters through Wells Fargo Insurance Services USA, 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 a group of underwriters through Wells Fargo Insurance Services USA, 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 Wells Fargo Insurance Services USA, 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 \$1,149,872.00 and the General Fund, Risk Management Department budget, in an amount not to exceed \$296,197.00 for a total amount not to exceed \$1,446,069.00 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 2013-031; 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: Attachment A – Casualty Insurance Renewal

Adopted: August 20, 2013



President

Attest:



CEO, General Manager/Secretary-Treasurer

ATTACHMENT A

CASUALTY INSURANCE RENEWAL

August 15, 2013

General, Auto and Rail Liability Insurance:

Coverage Limit: \$75 million per occurrence & Annual Aggregate
Occurrence Reported Coverage Basis
Self-Insured Retention: \$5 million per occurrence

Underwriters:

Zurich
Aegis (London Syndicate)
XL Europe, Ltd.
XL Insurance (Bermuda) Ltd.
Gemini

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 per claim and annual aggregate each policy year
Self-Insured Retention: Coverage A: zero; Coverage B: \$250,000 per claim
Carrier: National Union Fire Insurance Company of Pittsburgh, PA (Chartis)



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: CONTRACT: PURCHASE OF EXCESS CASUALTY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS VENDOR: WELLS FARGO INSURANCE SERVICES USA, INC. AMOUNT: \$1,446,069.00 FOR A PERIOD OF 12 MONTHS	Resolution No.: 2013-82
	Date: August 15, 2013
	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 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 September 1, 2013. 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:** Our casualty insurance brokers, Wells Fargo Insurance Services USA, Inc. and their partners, The Rutledge Group, as well as Price Forbes, their London brokerage partner, approached several commercial insurance markets seeking proposals for the insurance program. These are our new casualty insurance brokers as of April 1st of this year. They were pleased to find that all of the insurance markets on our program feel that this is a valuable account with excellent loss experience and we have established good, solid relationships with the underwriters for the long term and will be able to withstand a difficult market when the time comes.

They informed us in April of this year during strategy planning meetings that the excess liability market is fairly stable but that carriers are still looking for increases on most accounts, particularly in the higher risk / exposure sectors of the market such as transportation and rail accounts as always. They recommended that we budget for an increase of 10% on the master excess liability program and 10% for the Excess Workers' Compensation and Public Officials and Employment Practices Liability.

The good news is that there is still substantial capacity available in the marketplace and plentiful capacity. Give the extensive marketing efforts made last year, we decided to negotiate mainly with the incumbent markets on the excess liability but were aware that competitive markets were available if reasonable terms and pricing dictated a marketing effort. We did have face-to-face meetings with our two domestic excess liability markets, Gemini and Zurich.

On the Master Excess Liability program, the initial indications were for a 10% premium increase. However, after much negotiation, exchanges of further information, and leveraging of market relationships and competition, the final result on that program is a 4.38% increase in premium, below even the best case projection of 5%. The renewal premium for that program is \$1,149,872.00 vs. expiring premium of \$1,101,586.00, representing an increase of \$48,286.00. This is \$70,000.00 below the budgeted amount.

The final result on the Public Officials' and Employment Practices Liability policy is also favorable with a 4.16% premium increase vs. the 10% projected.

The Excess Workers' Compensation market is extremely difficult and our incumbent market, ACE, told us early on that they were receiving rate increases up to 15% and had instituted a minimum premium of \$200,00.00. Their initial quotation was a 21% rate increase, which we were able to negotiate down to 12%. Using the 12% rate increase against our 2013 projected payroll, which is an increase of 8% over the 2012 estimated payroll (used to calculate last year's premium), this results in a premium increase of 20.9%.

Wells Fargo conducted a marketing effort for the Excess Workers' Compensation policy as they were aware of the hardening market. Three other markets were approached. The results were that one market declined to quote, a second market provided a quote for a \$1.5 million self-insured retention (twice our current SIR of \$750,000.00) for a premium of \$250,000.00. The last market offered only a cash flow self insured retention vs. a per occurrence retention. This would expose GCRTA to greater levels of risk in the event of a catastrophic loss. Therefore the only viable quote was the one given by our incumbent, ACE and we recommend that we accept it.

The combined result for all three lines of coverage is a grand total premium of \$1,446,069.00 vs. expiring premium of \$1,354,966.00. This represents a combined increase of \$91,103.00 or 6.72%. The final combined premium of \$1,446,069.00 is \$52,647.00 or 3.5% under the total budgeted figure of \$1,498,716.00.

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 Wells Fargo Insurance Services USA, 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 \$1,446,069.00 for a period of twelve (12) months.

- 7.0 ALTERNATIVES: Reject this offer. 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 Wells Fargo Insurance Services USA, 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