

RESOLUTION NO. 2014-75

AUTHORIZING THE PURCHASE OF EXCESS LIABILITY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS THROUGH WELLS FARGO INSURANCE SERVICES USA, INC. AND PRICE FORBES & PARTNERS LIMITED FOR A PERIOD OF 36 MONTHS IN A TOTAL AMOUNT NOT TO EXCEED \$3,185,816.00 (GCRТА INSURANCE FUND, RISK MANAGEMENT DEPARTMENT BUDGET)

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

WHEREAS, proposals from various underwriters were received on August 4, 2014 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 and Price Forbes & Partners Limited, London, U.K. for excess liability insurance for a period of thirty-six (36) months for coverage up to the limit of \$75 million per occurrence at an amount not to exceed \$3,185,816.00 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. and Price Forbes for an excess liability 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. and Price Forbes & Partners Limited, as modified by negotiations, for an excess liability 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. and Price Forbes for excess liability insurance coverages with the carriers identified in Attachment A, and with such other carriers as the General Manager/Secretary Treasurer may deem appropriate, up to the limit of \$75 million per occurrence for thirty-six months commencing on September 1, 2014 not to exceed the premiums stated herein.

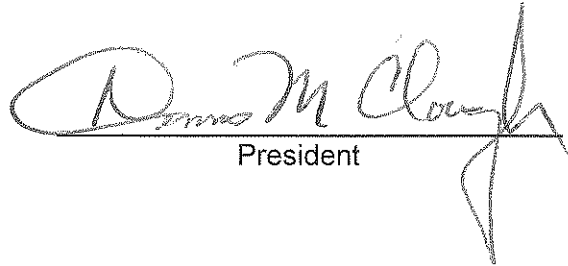
Section 3. That said contract shall be payable out of the Authority's Insurance Fund, Risk Management Department budget, in an amount not to exceed \$3,185,816.00 for a period of thirty-six (36) months.

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 19, 2014



President

Attest: 

CEO, General Manager/Secretary-Treasurer

ATTACHMENT A

CASUALTY INSURANCE RENEWAL

August 14, 2014

Excess Liability Program: General, Auto and Rail Liability Insurance:

Coverage Limit: \$75 million per occurrence & \$150 million aggregate for 36 months, 3 year term

Occurrence Reported Coverage Basis

Self-Insured Retention: \$5 million per occurrence

Underwriters:

Apollo Liability Consortium (Lloyds of London Syndicate)

Argo Re Ltd.

Starr Indemnity

Canopus Crisis Management

AEGIS Casualty Consortium (Lloyds of London Syndicate)

Catlin Insurance Company Limited (Lloyds of London Syndicate)

XL Insurance Company, Ltd.

Steadfast Insurance Company (Zurich)

Excess Workers' Compensation:

Coverage Limit: \$85 million each accident

(\$75 million excess of \$10 million: Above underwriters)

(\$10 million excess of self-insured retention: Safety National)

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 LIABILITY INSURANCE VENDOR: WELLS FARGO INSURANCE SERVICES USA, INC. AND PRICE FORBES & PARTNERS LIMITED AMOUNT: NTE \$3,185,816.00 FOR A PERIOD OF 36 MONTHS	Resolution No.: 2014-75
	Date: August 14, 2014
	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, 2014. Proposals for a new program were requested. The main Excess Liability program contains General Liability, Rail Liability and Auto Liability coverage. Separate policies will be purchased for Public Officials & Employment Practices Liability as well as Excess Workers Compensation.

This particular resolution requests funding authorization for only the Excess Liability program. A separate Resolution will be presented to the Board of Trustees to request funding authority for the Excess Workers' Compensation policy. GCRTA will also purchase a Public Officials & Employment Practices policy, and the premium will be under \$100,000.00.

- 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 & Partners Limited, their London brokerage partner, approached several commercial insurance markets seeking proposals for the insurance program. As occurred last year, they were pleased to remind us that all of the insurance markets on our program feel that this is a valuable account with excellent loss experience. They acknowledge that GCRTA has established good, solid relationships with the underwriters.

During strategy planning meetings in April of this year, it was discussed that perhaps this might be the year to take a new approach to the program and look at not only competitive proposals for the current program structure but perhaps also a creative alternative with an altered program structure. It was also suggested that this would be a very good year to visit the London Markets in person and make presentations to them to give them an update on operations as well as the GCRTA's continued excellent loss record. GCRTA personnel visited the London insurance markets and made nine presentations to nine separate insurance markets in July.

We renewed some relationships and were introduced to several new markets. We emphasized GCRTA's desire for a multi-year program and long term relationships.

We are told by our brokers that the meetings went extremely well and that the proposals received from the insurance markets reflect this result. Proposals were received the week of August 4th and Wells Fargo and Rutledge Group came in to our offices that week for extensive meetings. We were given several proposals to evaluate and have concluded that the program with the "alternative" approach (for the Excess Liability program) is the most cost effective and best for GCRTA going forward.

The proposal selected by GCRTA involves a three-year program with a three-year policy actually written by the lead underwriter with commitments to a three-year term structure by the other participants. While our per occurrence limit of \$75 million remains the same, there is a double aggregate limit shared over the three-year program vs. individual annual aggregate limits. This is an efficient use of the underwriters' capacity and has resulted in a favorable premium savings for GCRTA. Both Wells Fargo and Price Forbes strongly recommend this alternative, and GCRTA concurs. The one year premium savings is approximately 10% over last year with all coverage lines combined.

The expiring premium is \$1,150,472.00 vs. the year one renewal premium of \$984,872.00, which represents a savings of \$165,600.00.

In years two and three, GCRTA has a firm price commitment from the lead underwriter and other underwriters have stated their intent to follow. The pricing for year two is estimated at \$1,050,472.00 and the pricing for year three is estimated at \$1,150,472.00. This is a total three-year price of \$3,185,816.00. Based on those pricing estimates, GCRTA will realize a three year savings of \$265,600.00. The Brokers have stated that the third year estimate is conservative, and we will likely be able to negotiate an even lower premium figure which would further increase the overall savings for this three year program.

After evaluation in accordance with the Authority's established Policies and Procedures, the submittal from 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 intention 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, Risk Management Department budget, in an amount not to exceed \$3,185,816.00 for a period of thirty-six (36) 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., and Price Forbes, 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