

RESOLUTION NO. 2017-68

AUTHORIZING THE PURCHASE OF EXCESS LIABILITY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS THROUGH WELLS FARGO INSURANCE SERVICES USA, INC. AND PRICE FORBES & PARTNERS LIMITED, OR THEIR SUCCESSORS, FOR A PERIOD OF 24 MONTHS IN A TOTAL AMOUNT NOT TO EXCEED \$2,068,550.00 (GCRTA 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 2, 2017 and were evaluated in accordance with the Authority's Policies and Procedures; and

WHEREAS, the submittal of a group of underwriters, 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 twenty-four (24) months with coverage up to the limit of \$95 million per occurrence at an amount not to exceed \$2,068,550.00 was determined to be the most advantageous to the Authority, price and all factors considered; and

WHEREAS, the CEO, General Manager/Secretary-Treasurer deems the acceptance of the submittal of various underwriters through Wells Fargo Insurance Services USA, Inc. and Price Forbes & Partners Limited 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. ("Wells Fargo") and Price Forbes & Partners Limited ("Price Forbes"), as modified by negotiations, for an excess liability insurance program is hereby accepted as the most advantageous to the Authority, price and all other factors considered.

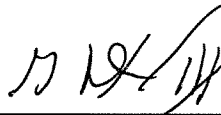
Section 2. That the CEO, General Manager/Secretary-Treasurer of the Authority be and he is hereby authorized to enter into a contract with Wells Fargo and Price Forbes for excess liability insurance coverages with the carriers, as agreed, and with such other carriers as the CEO, General Manager/Secretary Treasurer may deem appropriate up to the limit of \$95 million per occurrence for year one from September 1, 2017 to September 1, 2018 and for year two from September 1, 2018 to September 1, 2019, at premiums not to exceed \$1,021,775.00 and \$1,046,775.00, respectively.

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 \$1,021,775.00 for year one and \$1,046,775.00 for year two, for a total contract amount not to exceed \$2,068,550.00 over the period of twenty-four (24) 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 2015-76; bonding and insurance requirements and all applicable laws relating to the contractual obligations of the Authority.

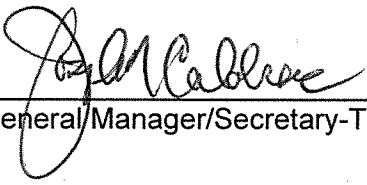
Section 5. That this resolution shall become effective immediately upon its adoption.

Adopted: August 15, 2017



President

Attest:



CEO, General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: CONTRACT: PURCHASE OF EXCESS LIABILITY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS VENDOR: WELLS FARGO INSURANCE SERVICES USA, INC. AND PRICE FORBES & PARTNERS LIMITED, OR THEIR SUCCESSORS AMOUNT: NTE \$2,068,550.00 FOR A PERIOD OF 24 MONTHS	Resolution No.: 2017-68
	Date: August 10, 2017
	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 a Casualty Insurance Program to protect its assets against catastrophic loss. The current Casualty Insurance Program expires September 1, 2017. Proposals for a new program were requested. The Casualty Insurance Program includes three policies: Excess Liability, Excess Workers' Compensation and Public Officials' & Employment Practices Liability. The main Excess Liability 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.

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 Liability policy, and the premium will be under \$100,000.00.

- 3.0 **PROCUREMENT BACKGROUND:** Our casualty insurance brokers, Wells Fargo Insurance Services USA, Inc. ("Wells Fargo") and their partners, The Rutledge Group, as well as Price Forbes & Partners Limited ("Price Forbes"), their London brokerage partner, approached several commercial insurance markets seeking proposals for the insurance program. As with GCRTA's last solicitation, 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 for the long term and will be able to withstand a difficult market when the time comes.

We entered into a multi-year program for the excess liability program in 2014, and we are presently in year two of a three-year program negotiated only on the lead layer of the program for \$20 million of coverage in excess of the \$5 million self-insured retention. This approach involves a three year program with a three-year policy actually written by the lead underwriter and commitments to a three year term structure by the other participants. Both Wells Fargo and Price Forbes strongly recommended this alternative and we agreed. It has resulted in favorable premium savings for GCRTA for the past several years.

It was also suggested that this would be a very good year to visit the London insurance markets in person and make presentations to give them an update on operations as well as GCRTA's continued favorable loss record and focus on excellence and safety. GCRTA personnel visited the London insurance markets and made nine presentations to nine separate insurance markets on Monday, July 24 and Tuesday July 25, 2017. We renewed some relationships and were introduced to several new markets. We are told by our brokers that the meetings went extremely well and that the proposals received from the insurance markets reflect this result.

We have long considered the possibility of increasing our liability coverage limits from the \$75 million per occurrence that GCRTA put in place in 1999. We have been shown benchmarking exhibits that demonstrate that GCRTA carries relatively low limits of liability as compared with other transit properties with rail. This year, after our meetings with the underwriters, our brokers leveraged the extremely favorable reaction of the insurance markets to negotiate an option for increased insurance limits of \$20 million per occurrence, bringing our total coverage limit up to \$95 million per occurrence, excess of our \$5 million self-insured retention. For an additional \$37,608.00 over the expiring annual premium, we were able to buy the limits up to the increased level of \$95 million per occurrence. This amount is offset by a savings of \$28,496.00 over the expiring premium on the excess Workers' Compensation program, for a net increase in cost of only \$9,112.00.

Due to this accomplishment, for a minimal cost, we are now able to maintain a level of protection against catastrophic bus or rail losses more consistent with our peers.

EXCESS LIABILITY PROGRAM RESULTS:

In the first year of the Excess Liability Program, from September 1, 2017 to September 1, 2018, the renewal premium will be \$1,021,775.00, which is an increase of \$37,608.00 over the expiring year's premium, but includes a \$20 million increase in coverage limits. The renewal premium is still \$83,225.00, or 7.5%, below the budgeted amount of \$1,105,000.00 for this coverage.

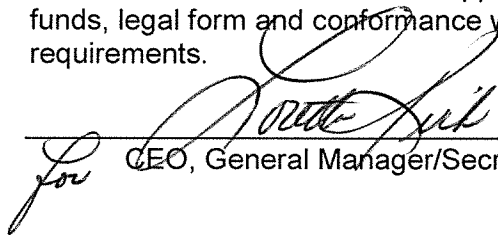
In the second year of the program, from September 1, 2018 to September 1, 2019, we have a firm price commitment from the lead underwriter, and other underwriters have stated their intent to follow. The pricing for year two is estimated at \$1,046,775.00, for a total price of \$2,068,550.00 over the two year period.

For all three lines of coverage contained in the Casualty Insurance Program, the total renewal premiums are \$1,355,276.00 as compared to expiring premiums of \$1,345,820.00, a net increase of \$9,456.00. Compared with the total budgeted amount of \$1,531,767.00 for all three lines of coverage, the final combined program renewal amount is \$176,491.00, or 12%, under budget. Again, this includes a substantial increase in the level of protection against catastrophic loss.

After evaluation in accordance with the Authority's established Policies and Procedures, the submittal from a group of underwriters for an excess liability 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, which is attached hereto. Based on the evaluation of cost and price by Wells Fargo 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, Risk Management Department budget, in an amount not to exceed \$2,068,550.00 for a period of twenty-four (24) 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 & Partners Limited, or their Successors, as negotiated, be accepted and the resolution passed authorizing the CEO, General Manager/Secretary-Treasurer to enter into a contract.
- 9.0 ATTACHMENT: Attachment A - Casualty Insurance Renewal

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.



for CEO, General Manager/Secretary-Treasurer

ATTACHMENT A

CASUALTY INSURANCE RENEWAL

August 10, 2017

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

Coverage Limit: \$95 million per occurrence & \$190 million aggregate
Occurrence Reported Coverage Basis
Self-Insured Retention: \$5 million per occurrence

Underwriters:

Apollo Liability Consortium (Lloyds of London Syndicate)
Argo Re Ltd. (Bermuda)
Hamilton Re (Bermuda) Hiscox (Lloyds of London Syndicate)
Novae (Lloyds of London Syndicate)
ANV (Amtrust) – Lloyds of London Syndicate
AEGIS Casualty Consortium (Lloyds of London Syndicate)
Catlin Insurance Company Limited (Lloyds of London Syndicate)
XL Insurance Company, Ltd. (Dublin)
Steadfast Insurance Company (Zurich - US)

Excess Workers' Compensation:

Coverage Limit: \$105 million each accident
(\$95 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 (AIG)