

RESOLUTION NO. 2017-115

AUTHORIZING THE PURCHASE OF PROPERTY INSURANCE FROM FM GLOBAL FOR A PERIOD OF TWELVE (12) MONTHS FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$556,853.00 (GENERAL FUND, RISK MANAGEMENT DEPARTMENT BUDGET)

WHEREAS, the Authority requires property 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 twelve (12) months was received, and after negotiations, an amount not to exceed \$556,853.00 for the first twelve (12) month period was agreed upon; and

WHEREAS, the CEO, 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 twelve (12) months be and the same is hereby accepted.

Section 2. That the CEO, 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 2018 funds (contingent upon Board Approval of the 2018 Operating Budget), at a total amount not to exceed \$556,853.00 for twelve (12) months beginning January 1, 2018.

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 2015-076; 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 19, 2017



President

Attest: 

CEO, General Manager/Secretary-Treasurer



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: CONTRACT: PROPERTY INSURANCE PREMIUM FOR A PERIOD OF TWELVE (12) MONTHS VENDOR: FM GLOBAL AMOUNT: NOT TO EXCEED \$556,853.00	Resolution No.: 2017-115
	Date: December 14, 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 the Authority with insurance to protect the physical assets of the Authority for a period of twelve (12) 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, 2018.
- 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 \$250,000.00 per occurrence, both with various sub limits and exceptions for specialty coverages.

FM Global is one of the premier property insurers in the world and the quality of their engineering services are unparalleled in the industry. They have provided invaluable services to GCRTA for many years, and 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.

Last year, we received a 5% decrease in our rate per \$100 of value and several similar rate decreases for the two prior renewal years. This is significant considering our loss experience (a fairly severe property loss with the lightning strike at the Brookpark substation which was settled for approximately \$5 million in 2012 and payment for several bus fire total losses in the past few years totaling approximately \$1 million). We are currently adjusting the Brookpark substation transformer fire loss which occurred on November 18, 2017 with FM Global. This year, the property insurance market is finally showing signs of hardening after several years of a soft and competitive market. The market is responding to the US hurricane losses and other worldwide disasters which occurred in 2017 and most likely many property insurance carriers will show a loss for the year 2017, making 2018 a difficult year for property insurance rates. Fortunately, GCRTA is a non-catastrophe prone account and we are fortunate to be able to maintain a flat rate for this renewal with FM Global.

However, our total insured replacement values for GCRTA did increase, so the net effect is a premium increase. FM Global is offering a premium credit to their insureds for the fifth year in a row due to positive financial results for the book of business worldwide for their fiscal year. The combination of these factors has allowed us to hold our premium increase to \$66,441.00. Our total insured property replacement values under the policy are currently \$1.51 billion, an increase of 13%.

After applying the premium credit and terrorism premium, the final net premium for the January 1, 2018 renewal is \$556,853.00 versus \$490,412.00 for the January 1, 2017 renewal, a net increase of \$66,441.00 or 13%. The renewal premium is \$31,001.00 or 5% under the budgeted amount of \$587,854.00. Please note that both annual premium figures include substantial premium credits (approximately \$100,000.00) due to favorable loss results for FM Global. As always, we caution that this is not a guarantee for future years and, in fact, we are very likely to experience an apparent \$100,000.00 premium increase next year due to the loss of this premium credit because of the catastrophic losses facing the industry. We were fortunate to retain the credit this year.

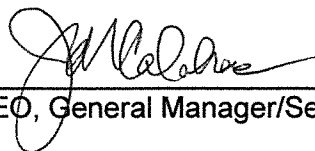
FM Global has the highest possible financial security rating offered by Best's Insurance Rating service and have demonstrated reliable claims payment ability in the past which is clearly a key component in choosing an insurer.

We thank our long term partner, 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, 2018 to January 1, 2019. 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 subcontracting opportunities.
- 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 2018 funds (contingent upon Board Approval of the 2018 Operating Budget) at a total contract amount not to exceed \$556,853.00 for the twelve (12) month period beginning January 1, 2018.
- 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 CEO, 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.



CEO, General Manager/Secretary-Treasurer