

RESOLUTION NO. 2018-116

AUTHORIZING THE PURCHASE OF PROPERTY INSURANCE FROM FM GLOBAL FOR A PERIOD OF TWELVE (12) MONTHS FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$633,985.00 (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 \$633,985.00 for the twelve (12) month period was agreed upon; and

WHEREAS, the Interim CEO, General Manager/Secretary-Treasurer deems the negotiated offer of FM Global to provide property insurance coverage to be in the best interest of 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 Interim CEO, General Manager/Secretary-Treasurer of the Authority be and he is hereby authorized to purchase an insurance policy from FM Global to provide this insurance coverage.

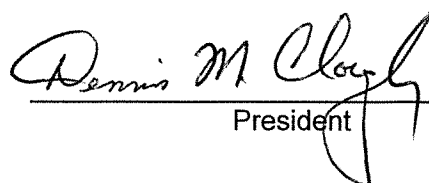
Section 3. That this insurance policy shall be payable out of the General Fund, Risk Management Department budget, payable with 2019 funds (contingent upon Board Approval of the 2019 Operating Budget), at a total amount not to exceed \$633,985.00 for twelve (12) months beginning January 1, 2019.

Section 4. That said agreement shall be binding upon and an obligation of the Authority contingent upon future funding, compliance by the contractor to the Specifications and Addenda, if any; the Affirmative Action Plan adopted by the Board of Trustees in Resolution No. 2015-76; bonding and insurance requirements and all applicable laws relating to contractual obligations 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% DBE goal assigned to this purchase.

Section 6. That this resolution shall become effective immediately upon its adoption.

Adopted: December 18, 2018

  
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President

Attest:   
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Interim CEO, General Manager/Secretary-Treasurer



<b>TITLE/DESCRIPTION:</b> <b>CONTRACT:</b> PROPERTY INSURANCE PREMIUM FOR A PERIOD OF TWELVE (12) MONTHS  <b>VENDOR:</b> FM GLOBAL  <b>AMOUNT:</b> NOT TO EXCEED \$633,985.00	<b>Resolution No.:</b> 2018-116
	<b>Date:</b> December 13, 2018
	<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 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, 2019.
- 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 provide invaluable services to GCRTA, 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.

As we mentioned at last year's renewal, the property insurance market is finally showing signs of hardening after several years of a soft and competitive market. The market is responding to major US hurricane losses from Harvey and Irma and other worldwide disasters which occurred in 2017. FM Global has indicated that they are experiencing a combined ratio in excess 100% thus far in 2018 as well. This means that losses and expenses for the insurance company exceed premium and other income.

Fortunately, GCRTA is a non-catastrophe prone account and we were able to negotiate a 2.5% rate increase with FM Global for the January 1, 2019 renewal. This is very favorable compared with market research that was done in the Risk Management department that showed rate increases ranging from 2 to 20%.

Using the new rate against our total insured replacement values for GCRTA, the new annual premium for the January 1, 2019 / 20 policy period will be \$633,985. This compares to a net premium paid last year of \$556,843.00; a \$77,142.00 increase. As we cautioned last year, for the first time in 6 years, FM Global was not able to offer a premium credit to their insureds for good loss experience due to the industry losses mentioned above. Had we not lost the premium credit of \$88,000.00 from last year, we would actually have seen a \$10,000.00 plus decrease in our premium.

The new premium of \$633,985.00 is 3.9% or \$26,015.00 under budget.

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.

FM Global has recognized GCRTA's commitment to risk improvement and worked with GCRTA 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, 2019 to January 1, 2020. The Procurement Department has determined the negotiated rates to be fair and reasonable to the Authority.

- 4.0 AFFIRMATIVE ACTION/DBE BACKGROUND: Does not apply.
- 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 2019 funds (contingent upon Board Approval of the 2019 Operating Budget) at a total contract amount not to exceed \$633,985.00 for the twelve (12) month period beginning January 1, 2019.
- 7.0 ALTERNATIVES: Reject this offer. Rejection of this offer will leave the Authority without property insurance, putting substantial assets of the Authority at risk.
- 8.0 RECOMMENDATION: This insurance policy was discussed by the Board of Trustees Audit, Safety Compliance and Real Estate Committee at its December 4, 2018 meeting. It is recommended that the offer of FM Global be accepted and the resolution passed authorizing the Interim 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.

  
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Interim CEO, General Manager/Secretary-Treasurer