

RESOLUTION NO. 2020-69

AUTHORIZING THE PURCHASE OF CASUALTY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS THROUGH USI INSURANCE SERVICES NATIONAL, INC. AND PRICE FORBES & PARTNERS LIMITED, OR THEIR SUCCESSORS, FOR A PERIOD OF 12 MONTHS IN A TOTAL AMOUNT NOT TO EXCEED \$1,892,599.00 (GCRTA INSURANCE FUND, RISK MANAGEMENT DEPARTMENT BUDGET)

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

WHEREAS, the casualty insurance program for GCRTA includes the master Excess Liability program, which encompasses General, Rail and Auto Liability coverages, as well as Excess Workers' compensation; and

WHEREAS, proposals from various underwriters were received on August 21, 2020, and were evaluated in accordance with the Authority's Policies and Procedures; and

WHEREAS, the submittal of a group of underwriters, through USI Insurance Services National, Inc. ("USI"), located at 1301 East Ninth Street, Suite 3800, Cleveland Ohio, 44114, and Price Forbes & Partners Limited ("Price Forbes"), London, U.K., for Excess Liability insurance for a period of 12 months with coverage up to the limit of \$95 million per occurrence at an amount not to exceed \$1,892,599.00 was determined to be the most advantageous to the Authority, price and all factors considered; and

WHEREAS, the General Manager, Chief Executive Officer deems the acceptance of the submittal of various underwriters through USI and Price Forbes for a 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 USI Insurance Services National, Inc. ("USI") and Price Forbes & Partners Limited ("Price Forbes"), as modified by negotiations, for a casualty insurance program is hereby accepted as the most advantageous to the Authority, price and all other factors considered.

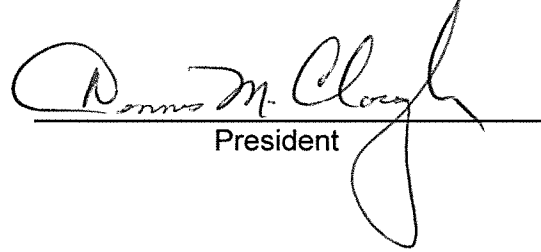
Section 2. That the General Manager, Chief Executive Officer of the Authority be and she is hereby authorized to enter into a contract with USI and Price Forbes for casualty insurance coverages with the carriers, as agreed, and with such other carriers as the General Manager, Chief Executive Officer may deem appropriate, up to the limit of \$95 million per occurrence for year one from September 1, 2020 to September 1, 2021, at premiums not to exceed \$1,892,599.00.

Section 3. This program shall be payable from the GCRTA Insurance Fund, Risk Management Department budget, in an amount not to exceed \$1,892,599.00 for a period of twelve months. 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 insurance fund to offset (and cover, if feasible) the annual liability insurance premium.


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; 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 25, 2020



President

Attest: 

Interim Secretary-Treasurer



Greater Cleveland Regional Transit Authority
STAFF SUMMARY AND COMMENTS

TITLE/DESCRIPTION: CONTRACT: PURCHASE OF CASUALTY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS VENDOR: USI INSURANCE SERVICES NATIONAL, INC. AND PRICE FORBES & PARTNERS LIMITED, OR THEIR SUCCESSORS AMOUNT: NTE \$1,892,599.00 FOR A PERIOD OF 12 MONTHS	Resolution No.: 2020-69
	Date: August 24, 2020
	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 casualty insurance protection for a period of 12 months.
- 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, 2020. 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 resolution requests authorization for the Excess Liability program, as well as the Excess Workers' Compensation policy. GCRTA will also purchase a Public Officials' & Employment Practices Liability policy at a premium below the \$100,000.00 small purchase threshold. The detailed results of that program renewal are summarized in the memo to the Board of Trustees sent with this resolution.

- 3.0 **PROCUREMENT BACKGROUND:** GCRTA's casualty insurance brokers, USI Insurance Services National, Inc. ("USI") and their partners, The Rutledge Group, as well as Price Forbes & Partners Limited ("Price Forbes"), their London brokerage partner, approached many commercial insurance markets seeking proposals for participation in the insurance program. As presented at the August 11, 2020 Board Committee meeting, this commercial liability insurance market is the hardest market that we have seen since 1985. Our brokers started to see increases of 20% or more late last year and in 2020, they are seeing increases ranging from 25% to over 100% in premiums.

Negotiations were very difficult. In the end, negotiations resulted in an entire program limit of \$95 million in coverage, a 31.3% increase in premium, on the Excess Liability program. One of the major markets on GCRTA's program for years, Zurich Insurance, has ceased to write rail liability insurance and therefore removed itself from our program. Zurich Insurance was replaced with another US insurer, Gemini. GCRTA's brokers approached many insurance markets in the US and Europe and many of them commented that our pricing was 50% below current market pricing for similar accounts. Therefore, while a 31.3% increase is impactful to GCRTA, this was a victory, attributable to the excellent relationship GCRTA has with the program underwriters.

The brokers reported the following reasons, given by many underwriters, for the hard market: numerous large bus liability claims that the insurance carriers are paying; claim sizes that have been multiples of expected loss amounts, causing insurers to dramatically increase premiums and either require higher self-insured retentions, or withdraw capacity altogether.

Final Program Results:

The final premium for the Excess Liability program for the September 1, 2020 / 2021 policy period is \$1,620,434.00, a 31.3% increase over the expiring premium of \$1,234,572.00. The renewal premium for September 1, 2020 for the Excess Workers' Compensation policy is \$272,165.00 vs. an expiring premium of \$261,193.00; a minimal increase of 4.2%.

As stated, this resolution is requesting authority for the renewal of both policies mentioned above. On a combined basis, the renewal premiums are \$1,892,599.00, the amount of authority requested in this resolution.

For all three lines of coverage contained in the Casualty Insurance Program, including the Public Officials' and Employment Practices Liability policy, the total renewal premiums are \$1,987,189.00 as compared to expiring premiums of \$1,580,755.00, a net increase of \$406,434.00 or 26%.

After evaluation in accordance with the Authority's established Policies and Procedures, the submittal from a group of underwriters for this 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, hereto. Based on the evaluation of cost and price by USI 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: This program shall be payable from the GCRTA Insurance Fund and Risk Management Department budget, in an amount not to exceed \$1,892,599.00 for a period of 12 months. 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 insurance fund to offset (and cover, if feasible) the annual liability insurance premium.
- 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: This insurance renewal program was discussed by the Board of Trustees Audit, Safety Compliance and Real Estate Committee at the August 11, 2020 meeting. It is recommended that the submittal of the underwriters through USI, and Price Forbes, or their successors, as negotiated, be accepted and the resolution passed authorizing the General Manager, Chief Executive Officer 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.



General Manager, Chief Executive Officer

ATTACHMENT A
CASUALTY INSURANCE RENEWAL

August 24, 2020

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

Coverage Limit: \$95 million per occurrence & \$95 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)
ANV (Amtrust) – Lloyds of London Syndicate
AEGIS Casualty Consortium (Lloyds of London Syndicate)
AXA XL - London
Aspen (Lloyds of London Syndicate)
AXA XL Insurance Company, Ltd. (Dublin)
Ascot (Bermuda - Lloyds of London Syndicate)
Argenta (Lloyds of London Syndicate)
Gemini Insurance Company (U.S.)

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; EPL: \$500,000 per claim
Carrier: National Union Fire Insurance Company of Pittsburgh, PA (AIG)