

RESOLUTION NO. 2020-96

AUTHORIZING THE PURCHASE OF PROPERTY INSURANCE FROM VARIOUS INSURANCE UNDERWRITERS THROUGH AON RISK SERVICES NORTHEAST, INC. FOR A PERIOD OF TWELVE (12) MONTHS FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$1,126,116.00 (GENERAL FUND, RISK MANAGEMENT DEPARTMENT BUDGET)

WHEREAS, the Authority requires property insurance to protect its physical assets; and

WHEREAS, proposals from various underwriters have been received, and were evaluated in accordance with the Authority's Procurement Policies and Procedures; and

WHEREAS, the submittal of a group of underwriters through Aon Risk Services Northeast, Inc., located at 950 Main Avenue, Suite 1600, Cleveland, Ohio 44113, to provide property insurance coverage for a period of twelve (12) months was received, and after negotiations, an amount not to exceed \$1,126,116.00 for the twelve (12) month period was agreed upon; and

WHEREAS, the General Manager, Chief Executive Officer deems the acceptance of the submittal of various underwriters, through Aon Risk Services Northeast, Inc. for a property insurance program, as modified by negotiations, 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 submittal of a group of underwriters, through Aon Risk Services Northeast, Inc., as modified by negotiations, to provide a property insurance program, for a period of twelve (12) months, 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 Aon Risk Services Northeast, Inc. for the purchase of property insurance coverages from various underwriters, that the Authority expects will include Liberty Mutual and Evanston Insurance Company, to provide property insurance coverage up to the limit of \$500,000,000 per occurrence from January 1, 2021 to January 1, 2022, at premiums not to exceed \$1,126,116.00.

Section 3. This insurance program shall be payable out of the General Fund, Risk Management Department budget, payable with 2021 funds (contingent upon Board approval of the 2021 Operating Budget), at a total amount not to exceed \$1,126,116.00 for twelve (12) months beginning January 1, 2021.

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; bonding and insurance requirements and all applicable laws relating to contractual obligations of the Authority.

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

Adopted: December 15, 2020

  
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President

Attest:   
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Interim Secretary-Treasurer

<b>TITLE/DESCRIPTION:</b> <b>CONTRACT:</b> PURCHASE OF PROPERTY INSURANCE FROM VARIOUS UNDERWRITERS <b>VENDOR:</b> AON RISK SERVICES NORTHEAST, INC.  <b>AMOUNT:</b> NTE \$1,126,116.00 FOR A PERIOD OF TWELVE MONTHS	<b>Resolution No.:</b> 2020-96
	<b>Date:</b> December 10, 2020
	<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, 2021.
- 3.0 **PROCUREMENT BACKGROUND:** GCRTA carries an all-risk property insurance policy which protects the physical assets of GCRTA from fire, windstorm, explosion, and similar perils. The current policy is written with FM Global and 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 GCRTA has had coverage with them for many years. However, this year they announced in August that they would non-renew GCRTA as an account due to the Rail / Rolling Stock exposure which is not considered part of their core business.

Given the decision by FM Global, and the continued hardening market and expected significant rate increases, we worked with our property insurance broker, Aon Risk Services Northeast, Inc. ("Aon") to conduct a competitive marketing effort.

An underwriting submission was prepared summarizing the GCRTA account, total insured values, and comprehensive descriptions of properties including loss control engineering inspections and data. Aon has approached numerous property insurance markets for quotations / proposals and these are being evaluated and negotiated in order to obtain the best possible terms and conditions, as well as pricing, for GCRTA's property insurance program.

As of this date, we have proposals for both the traditional property and the rolling stock assets of GCRTA. "Rolling Stock" (both rail and bus) is a unique exposure and only certain insurance markets will consider insuring it. Therefore, our recommendation includes placing two separate programs for GCRTA's property insurance coverage as of January 1, 2021.

The first program will be written by Liberty Mutual and is for the coverage of all GCRTA real and personal property excluding rolling stock. The deductible on the Liberty Mutual policy remains at \$250,000 per occurrence, with exceptions for high hazard flood locations and other specialty perils as was the case with the FM Global policy.

The second program is a stand-alone Rolling Stock policy written by Evanston Insurance Company and specifically provides coverage for GCRTA Rolling Stock (both rail and bus). The deductible on the Rolling Stock policy is now \$500,000 per occurrence, as the price of maintaining the \$250,000 deductible was cost-prohibitive.

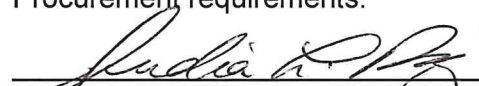
The combined premium for this program is \$1,126,116.00, an increase of 36% over the expiring premium of \$828,000. Given the combination of no incumbent carrier, the very difficult property insurance market, and some recent loss experience in our record, we budgeted for \$1,280,200 or a 55% increase based on guidance from our insurance brokers. The new premium is 12% below budget or approximately \$154,000, less than projected.

After some calls to other transit authorities, it is clear that they are all experiencing significant increases in their property insurance premiums this year. Aon conducted a very wide marketing effort, including US and non-US markets and we have indications from other markets that are 50% and above the premiums quoted here. Based on this market analysis, we are confident that we have the best terms and conditions at the best pricing available in the current marketplace.

Both Liberty Mutual and Evanston Insurance Company carry the highest possible financial security rating offered by Best's Insurance Rating service (A XV), demonstrating their financial stability and ability to pay claims. 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 2021 funds (contingent upon Board approval of the 2021 Operating Budget) at a total contract amount not to exceed \$1,126,116.00 for the twelve (12) month period beginning January 1, 2021.
- 7.0 ALTERNATIVES: Reject this offer. Rejection of this offer will leave the Authority without property insurance, thereby putting substantial assets of the Authority at risk.
- 8.0 RECOMMENDATION: This property insurance program was discussed by the Board of Trustees Audit, Safety Compliance and Real Estate Committee at the December 1, 2020 meeting. It is recommended that the submittal of the underwriters through Aon Risk Services Northeast, Inc., be accepted and the resolution passed authorizing the General Manager, Chief Executive Officer to purchase the property insurance policies.
- 9.0 ATTACHMENTS: None.

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

  
General Manager, Chief Executive Officer