

RESOLUTION NO. 2021-115

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 \$1,183,061.00 (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 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 \$1,183,061.00 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 Liberty Mutual and Evanston Insurance Company, and with such other carriers as the General Manager, Chief Executive Officer may deem appropriate, to provide property insurance coverage up to the limit of \$500,000,000 per occurrence from January 1, 2022 to January 1, 2023, at premiums not to exceed \$1,183,061.00.

Section 3. This insurance program shall be payable out of the General Fund, Risk Management Department budget, payable with 2022 funds (contingent upon Board approval of the 2022 Operating Budget), at a total amount not to exceed \$1,183,061.00 for twelve (12) months beginning January 1, 2022.

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 21, 2021



President

Attest: 

Secretary-Treasurer

TITLE/DESCRIPTION: CONTRACT: PURCHASE OF PROPERTY INSURANCE PROGRAM FROM VARIOUS UNDERWRITERS VENDOR: AON RISK SERVICES NORTHEAST, INC. AMOUNT: NTE \$1,183,061.00 FOR PERIOD OF TWELVE MONTHS	Resolution No.: 2021-115
	Date: December 16, 2021
	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, 2022. The detailed results of that program renewal were summarized in the presentation made to the Board of Trustees on December 7, 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. Incumbent Carriers are Liberty Mutual and Evanston; Two Programs; Total Insured Value \$1.85 billion:
 - The first program is written by Liberty Mutual and is for the coverage of all GCRTA real and personal property including rolling stock when garaged.
 - Blanket Limit: \$500 million , Deductible \$250,000
 - The second program is a stand-alone Rolling Stock policy written by Evanston Insurance Company and specifically provides coverage for GCRTA Rolling Stock when rolling (both rail and bus).
 - Blanket Limit: \$25,000,000, Deductible \$500,000

Given the combination of no incumbent carrier, the very difficult property insurance market in 2020, and some recent loss experience in our record, it was an extreme situation. We were told to expect a 40 to 50% increase given those factors. However, the result of last year's renewal was a 31% increase which was 12% under budget. This year, we were told that the market has improved somewhat and to budget 15 to 20%.

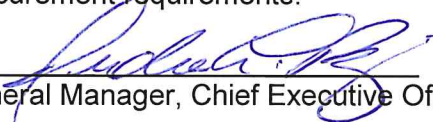
Since we conducted a full scale marketing effort in 2020, our brokers conducted only a very limited marketing exercise this year and negotiating with incumbent markets.

We have received the results of the marketing and negotiation efforts and they are as follows. Liberty quoted a 7% rate increase; Evanston quoted a 2.5% rate increase. After applying these rates against updated total insured values (TIV), the resulting premium is \$1,183,061.00, an increase of approximately \$80,000.00 or a 7% increase over the expiring premium of \$1,102,542.00. We are pleased to report that this amount is 7.2% below the budgeted amount of \$1,268,000.00.

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 2022 funds (contingent upon Board approval of the 2022 Operating Budget) at a total contract amount not to exceed \$1,183,061.00 for the twelve (12) month period beginning January 1, 2022.
- 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 property insurance program was discussed by the Board of Trustees Audit, Safety Compliance and Real Estate Committee at the December 7, 2021 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