

RESOLUTION NO. 2022-115

AUTHORIZING THE PURCHASE OF PROPERTY INSURANCE FROM LIBERTY MUTUAL AND EVANSTON INSURANCE COMPANY THROUGH AON RISK SERVICES NORTHEAST, INC. FOR A PERIOD OF TWELVE (12) MONTHS, FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$1,399,339.00 (GENERAL FUND, RISK MANAGEMENT DEPARTMENT BUDGET)

WHEREAS, the Greater Cleveland Regional Transit Authority ("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 \$1,399,339.00 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 \$500,000,000.00 per occurrence from January 1, 2023 to January 1, 2024, at premiums not to exceed \$1,399,339.00.

Section 3. This insurance program shall be payable out of the General Fund, Risk Management Department budget, payable with 2023 funds (contingent upon Board approval of the 2023 Operating Budget), for a total amount not to exceed \$1,399,339.00 for twelve (12) months beginning January 1, 2023

Section 4. That said contract 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 20, 2022



President

Attest: 

Secretary-Treasurer



TITLE/DESCRIPTION: CONTRACT: PURCHASE OF PROPERTY INSURANCE FROM LIBERTY MUTUAL AND EVANSTON INSURANCE COMPANY VENDOR: AON RISK SERVICES NORTHEAST, INC. AMOUNT: NTE \$1,399,339.00 FOR A PERIOD OF 12 MONTHS	Resolution No.: 2022-115
	Date: December 15, 2022
	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 Greater Cleveland Regional Transit Authority (“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, 2023. The detailed results of that program renewal were summarized in the presentation made to the Board of Trustees on December 6, 2022.
- 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 for two separate programs with a Total Insured Value of \$1.97 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. The blanket limit is \$500 million with a deductible of \$250,000.00.
 - 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). The blanket limit is \$25,000,000.00 with a deductible of \$500,000.00.

In 2021, GCRTA was facing hard market conditions, with expected rate increases of 15%. An overall premium increase of 7% vs the 15% budgeted last year was achieved. This year, GCRTA was told to expect rate increases between 8% and 10% with an improving property marketplace.

However, we were warned that property valuation was the main focus of underwriters this year given an inflation rate in the U.S. that rose to 9.1% in June of 2022. Property valuation is a key concern among many markets given recent losses that exceed amounts stated on the statement of values.

Given the above, we did apply substantial inflationary index factors to our building and equipment values per market requirements; recalling that our coverage is for replacement cost.

GCRTA has received the results of the marketing and negotiation efforts. Liberty Mutual quoted a 14.1% rate increase. Evanston Insurance Company quoted a 2.5% rate increase.

After applying these rates against updated total insured values (TIV), the resulting premium is \$1,399,339.00, an increase of approximately \$216,278.00 or an 18.3% increase over the expiring premium of \$1,183,061.00. GCRTA is pleased to report that this amount is \$661.00 below the budgeted amount of \$1,400,000.00.

- 4.0 AFFIRMATIVE ACTION/ DBE BACKGROUND: Does not apply.
- 5.0 POLICY IMPACT: Does not apply.
- 6.0 ECONOMIC IMPACT: This insurance policy will be funded through the General Fund, Risk Management Department budget, payable with 2023 funds (contingent upon Board approval of the 2023 Operating Budget), for a total contract amount not to exceed \$1,399,339.00 for the twelve (12) month period beginning January 1, 2023.
- 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 at the December 6, 2022 Audit, Safety Compliance and Real Estate Committee 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