

RESOLUTION NO. 2023-102

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 \$1,469,243.00 (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, commencing on January 1, 2024, was received and, after negotiations, an amount not to exceed \$1,469,243.00 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, 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 \$500,000.00 per occurrence from January 1, 2024 to January 1, 2025 at premiums not to exceed \$1,469,243.00.

Section 3. This insurance program shall be payable out of the General Fund, Risk Management Department budget, payable with 2024 funds (contingent upon Board approval of the 2024 Operating Budget), for a total amount not to exceed \$1,469,243.00 for the twelve (12) month period beginning January 1, 2024.

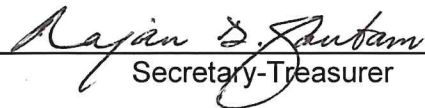
Section 4. That said contract shall be binding upon and an obligation of the Authority contingent upon future funding; compliance by the contractor to the Specifications and Addenda, if any; the Affirmative Action Plan adopted by the Board of Trustees; bonding and insurance requirements; and all applicable laws relating to contractual obligations of the Authority.

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

Adopted: December 19, 2023



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 \$1,469,243.00 FOR A PERIOD OF 12 MONTHS | Resolution No.: 2023-102 |
| | Date: December 14, 2023 |
| | 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, 2024. The detailed results of efforts to renew the property insurance programs were summarized in the presentation made to the Board of Trustees on December 5, 2023.
- 3.0 **PROCUREMENT BACKGROUND:** The Authority carries an all-risk property insurance policy which protects the Authority’s physical assets from fire, windstorm, explosion, and similar perils. Incumbent Carriers are Liberty Mutual and Evanston Insurance Company for two separate programs with a Total Insured Value of \$1.9 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, which provides coverage for GCRTA rolling stock when rolling (both rail and bus). The blanket limit is \$25 million with a deductible of \$500,000.00.

Last year in 2022 we continued to face hard market conditions and rate increases due to severe industry loss experience, as well as inflationary pressures and undervaluation of reported values in the industry, which required significant increases to insured values. Those two factors combined resulted in a final premium increase of approximately 12% last year. Our expiring premium is \$1,332,137.00.

To provide some perspective on the commercial property insurance market in 2023, national average rates increased 13.9% in the first quarter, increasing to 25.5% in the second quarter. In the third quarter, there was some market improvement and national averages were down to approximately 13% rate increases as of the end of Q3. The continued rate increases are largely a result of continued poor loss experience, due mainly to the Florida wind storms and hurricanes as well as severe convective storms.

Our property insurance brokers approached a number of competitive insurance markets this year, but the most favorable outcome continues to result from the current program structure with the two incumbent carriers described above.

After receiving the results of the marketing and negotiation efforts, Liberty Mutual quoted a 10.2% rate increase. Evanston Insurance Company quoted a 2.3% rate increase.

After applying these rates against updated total insured values (TIV), the resulting premium is \$1,469,243.00, an increase of \$137,106.00 or approximately 10.3%. This encompasses both the rate and insured value increases. The Authority is pleased to report that this amount is \$183,757.00 or 11.1% below the budgeted amount of \$1,653,000.00.

- 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 2024 funds (contingent upon Board approval of the 2024 Operating Budget), for a total contract amount not to exceed \$1,469,243.00 for the twelve (12) month period beginning January 1, 2024.
- 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 5, 2023 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