

RESOLUTION NO. 2019-93

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 \$1,496,743.00 (GCRTA INSURANCE FUND, RISK MANAGEMENT DEPARTMENT BUDGET)

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

WHEREAS, proposals from various underwriters were received on August 16, 2019 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 \$1,496,743.00 was determined to be the most advantageous to the Authority, price and all factors considered; and

WHEREAS, the Interim CEO, General Manager/Secretary-Treasurer 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 and 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.

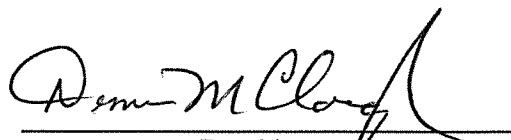
Section 2. That the Interim CEO, General Manager/Secretary-Treasurer of the Authority be and he is hereby authorized to enter into a contract with USI and Price Forbes for casualty insurance coverages with the carriers, as agreed, and with such other carriers as the Interim CEO, General Manager/Secretary Treasurer may deem appropriate up to the limit of \$95 million per occurrence for year one from September 1, 2019 to September 1, 2020 at premiums not to exceed \$1,496,743.00.

Section 3. This program shall be payable from the Authority's Insurance Fund, Risk Management Department budget, in an amount not to exceed \$1,496,743.00 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 \$5 million dollar 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 in Resolution 2015-76; 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, 2019



President

Attest: 

Interim CEO, General Manager/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 \$1,496,743.00 FOR A PERIOD OF 12 MONTHS	Resolution No.: 2019-93
	Date: August 19, 2019
	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, 2019. 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 well below the \$100,000.00 small purchase threshold. The detailed results of that program renewal were shared with the Board of Trustees at the Audit, Safety Compliance and Real Estate Committee meeting on August 6, 2019.

- 3.0 **PROCUREMENT BACKGROUND:** Our 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 several commercial insurance markets seeking proposals for the insurance program. The commercial liability insurance market is extremely difficult this year. Our brokers started to see increases in premiums on their other accounts late last year and warned us that we might encounter increases for the first time in a number of years. We did budget for an 8% increase based on their advice.

It proved to be a very difficult negotiation and the end result is that we were fortunate to preserve our entire program limit of \$95 million in coverage at a 21% increase in premium on the Excess Liability program. One of our major markets on the program for years, Zurich Insurance, has removed itself from the lead position on bus transit and transportation accounts and this caused a large gap in our program which required re-structuring and finding other markets to take their place. Our brokers approached many insurance markets in the US and Europe and many of them commented that our pricing was 50% to 100% below current market pricing for accounts such as ours and refused to participate unless we paid such an increase. We are told that even after this renewal, our premiums are still at least 35% under the current market pricing, so while a 21% increase is impactful to GCRTA, this was a victory and attributable to the excellent relationship that GCRTA has with the program underwriters.

The brokers have described many conversations with many underwriters throughout the negotiations and the reasons given for the hard market include numerous large bus liability claims that the insurance carriers are paying; claim sizes have been multiples of expected loss amounts, causing insurers to dramatically increase premiums and require higher self-insured retentions, and even withdraw capacity altogether.

FINAL PROGRAM RESULTS:

The final premium for the Excess Liability program for the September 1, 2019 / 2020 policy period is \$1,235,550.00, a 21% increase over the expiring premium of \$1,020,650.00. GCRTA budgeted for an 8% increase, as stated, so the new premium is \$129,550.00 or 12% over the budgeted amount of \$1,106,000.00. The renewal premium for September 1, 2019 for the Excess Workers' Compensation policy is \$261,193.00 vs. an expiring premium of \$260,806.00; a very minimal increase of \$387.00.

As stated, this resolution is requesting authority for the renewal of both policies. On a combined basis, the renewal premiums are \$1,496,743.00, 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 \$1,581,733.00, as compared to expiring premiums of \$1,364,089.00, a net increase of \$217,644.00 or 16%. Compared with the total budgeted amount of \$1,474,874.00 for all three lines of coverage, the final combined program renewal amount is \$106,859.00, or 7% over budget.

Given the extreme changes in the market for Excess Liability, we achieved a result much better than most other accounts this renewal season at a 21% increase. There was a serious possibility that our final result could have been an increase above 50% or \$500,000.00. When combined with the excellent renewals on the Excess Workers' Compensation and Public Officials' Liability policies, our combined 7% over budget is an achievement.

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, which is attached 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 Authority's Insurance Fund, Risk Management Department budget, in an amount not to exceed \$1,496,743.00 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 \$5 million dollar 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: 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 Interim CEO, General Manager/Secretary-Treasurer 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.



Interim CEO, General Manager/Secretary-Treasurer

ATTACHMENT A
CASUALTY INSURANCE RENEWAL

August 19, 2019

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

Coverage Limit: \$95 million per occurrence & \$190 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
XL Insurance Company, Ltd. (Dublin)
Steadfast Insurance Company (Zurich - US)

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
Carrier: National Union Fire Insurance Company of Pittsburgh, PA (AIG)