

RESOLUTION NO. 2019-114

AUTHORIZING THE PURCHASE OF PROPERTY INSURANCE FROM FM GLOBAL FOR A PERIOD OF TWELVE (12) MONTHS FOR A TOTAL CONTRACT AMOUNT NOT TO EXCEED \$828,000.00 (GENERAL FUND, RISK MANAGEMENT DEPARTMENT BUDGET)

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

WHEREAS, a proposal from FM Global to provide property insurance coverage for a period of twelve (12) months was received, and after negotiations, an amount not to exceed \$828,000.00 for the twelve (12) month period was agreed upon; and

WHEREAS, the General Manager, Chief Executive Officer deems the negotiated offer of FM Global to provide property insurance coverage to be in the best interest of 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 proposal submitted by FM Global to provide property insurance coverage to the Authority for a period of twelve (12) months be and the same is hereby accepted.

Section 2. That the General Manager, Chief Executive Officer of the Authority be and she is hereby authorized to execute documents required to purchase an insurance policy from FM Global to provide this insurance coverage.

Section 3. That this insurance policy shall be payable out of the General Fund, Risk Management Department budget, payable with 2020 funds (contingent upon Board approval of the 2020 Operating Budget), at a total amount not to exceed \$828,000.00 for twelve (12) months beginning January 1, 2020.

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 in Resolution No. 2015-76; 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 17, 2019


President

Attest: 
Interim Secretary-Treasurer



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| TITLE/DESCRIPTION: CONTRACT: PROPERTY INSURANCE PREMIUM FOR A PERIOD OF TWELVE (12) MONTHS VENDOR: FM GLOBAL AMOUNT: NOT TO EXCEED \$828,000.00 | Resolution No.: 2019-114 |
| | Date: December 12, 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 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, 2020.
- 3.0 PROCUREMENT BACKGROUND: GCRTA carries an all-risk property insurance policy which protects the physical assets of GCRTA from perils such as 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.

GCRTA's Risk Management Department has handled this insurance placement directly with FM Global for several years (since 2011), saving the cost of a commercial insurance broker. This year we have observed that the property insurance market is hardening and rates have been increasing throughout 2019 and at a more rapid rate as the year progresses. We were also informed by FM Global that they expect to have to impose a significant rate increase of 30-40% on our account as well as all others.

Accordingly, the Risk Management Department in cooperation with Procurement conducted a small purchase procurement to retain a broker to assist with a competitive marketing effort for the property insurance policy this year. Aon was the selected insurance broker. A marketing effort was conducted and 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 approached approximately 20 property insurance markets to determine their level of interest in writing GCRTA's property insurance program. Due to market conditions, the response has been limited. We were advised that the underwriters could not keep pace with the demand and that they provided proposals on only a select proportion of the submissions that were sent to them. Despite the fact that we sent out an underwriting submission in late October, very few carriers were able to review it until early December, after the carriers' December 1st renewals were complete.

We were able to obtain our final indications from competitive carriers this week and they indicate that FM Global is still GCRTA's best alternative for our property insurance program by a significant margin. FM Global's proposal is for a 28% increase in rate and along with a 3% increase in insured values that translates to a 30% increase in our annual premium. This results in an insurance premium of \$828,000.00 for the year starting January 1, 2020, which is 7% below the estimate of \$894,000.00.


Aon conducted benchmarking against a group of GCRTA peer agencies and found that even with the increase in premium from FM Global we are still below both the average and the median premium for our peers.

FM Global is one of the premier property insurers in the world and the quality of their engineering services are unparalleled in the industry. They provide invaluable services to GCRTA. Both the Safety and Engineering Departments rely heavily on their services in areas such as design review for all new construction and upgrades of our facilities, as well as regular fire protection inspections to be sure that all loss prevention systems are in working order. It would have been difficult to match the services provided in these areas. By engaging Aon, GCRTA was able to work with one of the top brokers in the world to evaluate the competitive property insurance market. Aon was able to verify that other markets would have charged a significantly higher premium to insure GCRTA.

FM Global has the highest possible financial security rating offered by Best's Insurance Rating service and has demonstrated reliable claims payment ability in the past, which is a key component in choosing an insurer. FM Global has recognized GCRTA's commitment to risk improvement and worked with GCRTA to address issues over the course of each year. 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 2020 funds (contingent upon Board Approval of the 2020 Operating Budget) at a total contract amount not to exceed \$828,000.00 for the twelve (12) month period beginning January 1, 2020.
- 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 its December 3, 2019 meeting. It is recommended that the offer of FM Global be accepted and the resolution passed authorizing the General Manager, Chief Executive Officer to purchase the property insurance policy.
- 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