

Greater Cleveland Regional Transit Authority



# Greater Cleveland Regional Transit Authority

CASUALTY INSURANCE PROGRAM RENEWAL

September 1, 2020

Presented to: Audit, Safety Compliance, and Real Estate Committee

August 11, 2020

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# Casualty Insurance Program 9-1-20 Renewal

## Current State of the Market

- Hardest insurance market since 1985
  - After 35 years of mostly soft market pricing and low premiums
- Unprecedented losses
  - Increased frequency
  - Claims exponentially larger than expected
  - Exceptionally bad for auto
- Especially difficult for challenging risks such as rail and transit
- As a result, less insurance capacity in U.S., London, Bermuda, Europe



# Casualty Insurance Program 9-1-20 Renewal

## How GCRTA Procures this Insurance

- Excess Liability Markets must be Accessed via a Broker; no direct writers of these coverages
- GCRTA conducts an RFP process to select and retain a casualty insurance broker
  - Broker is selected based on their expertise in the commercial insurance market, including the industry sector being rail, transit and transportation
  - Together GCRTA and broker approach insurance markets, submission describing GCRTA's operations and exposures, loss experience, safety culture to negotiate the best partnerships with markets and best program for GCRTA in terms of coverage and pricing

# Casualty Insurance Program

## 9-1-20 Renewal

**GCRTA maintains a Casualty Insurance program for protection of assets against catastrophic loss**

- Excess Liability (General, Rail, Auto) \$95 million limits, \$5 million Self-Insured Retention
- Excess Workers' Compensation - \$10 million limit, \$750,000 SIR
- Public Officials Liability / EPL - \$5 million limit, \$250k SIR

# Casualty Insurance Program 9-1-20 Renewal

- Excess Liability – Largest Program
  - Expiring Premium \$1,234,000
  - Renewal negotiations still underway
  - Market is hardening across all classes, budgeted for 21% increase, but broker now cautions could be 50% or higher. Information shared with OMB
  - Quota share program with domestic, London and Bermuda markets

# Casualty Insurance Program 9-1-20 Renewal

- Excess Liability, Cont.
  - Quota Share: sophisticated program structure
    - Many participants – allows leverage and flexibility
    - Less risk than a traditional layered program
- Why does the broker access insurance markets in London and Bermuda?
  - Subscription based London market well suited to higher risk accounts
  - Still utilize U.S. markets who can write rail and bus risks

# Casualty Insurance Program 9-1-20 Renewal

## **Excess WC Policy renewal negotiations Complete**

- Expiring Premium \$261,193.
- Existing carrier, Safety National seeking a slight 3.5% rate increase.
- Payroll up slightly so renewal premium quoted is \$272,165.
- Increase of only 4.2% which is \$10,972.

# Casualty Insurance Program 9-1-20 Renewal

## **Public Officials / Employment Practices Liability Renewal negotiations in process**

- Provides liability protection to directors and officers as well as GCRTA for alleged Wrongful Acts by D&Os, committee members or employees
- The policy also provides insurance coverage for employment practices claims (e.g. discrimination, sexual harassment, wrongful termination)



# Casualty Insurance Program 9-1-20 Renewal

## **Public Officials / EPL Liability, Cont.**

- Incumbent carrier: AIG (National Union)
- Expiring Premium is \$84,990
- Requested budget increase of 15%; granted 3.3%.
- Current indications are to expect an increase of 30% or more given the difficult insurance market for this line of coverage

# Casualty Insurance Program 9-1-20 Renewal

- Will provide final renewal results for Excess Liability and Public Officials' Liability components of the program in a memo to BOT accompanied by Resolution containing final recommendations to be brought to the Board at August 25, 2020 meeting.