

Minutes

RTA Audit, Safety Compliance & Real Estate Committee Meeting

10:10 a.m. August 9, 2022

Committee Members: Koomar (Chair), Moss (Vice-Chair), McCall, Weiss

Other Board Members: Lucas, Pellot, Welch

Not present: Joyce, Biasiotta

Staff: Birdsong, Bober, Burney, Catalusci, Caver, Cottrell-Peffer, Dangelo, Dejesus, Ferraro, Fesler, Fields, Fleig, Garofoli, Gautam, Jones, Kirkland, Kopp, Lincoln, Martin, McGervey, Miller, Miranda, Rusnov, Schipper, Sutula, Walker-Minor, Woodford

Public: Duncan, Farian, Finucan, Gibbons, Goodwin, Loh, McGuinea, Rutledge, Venci

The meeting was called to order at 10:10 a.m. There were four (4) committee members present.

RFP Procurement for Property and Crime Insurance Broker Services

Judy Lincoln, Director of Risk Management, gave the presentation.

GCRTA Carries an All-Risk Property Insurance Policy which has a current policy period of 1-1-22 through 1-1-23

- Covered perils include wind, flood, fire, collapse, etc.
- Replacement cost coverage
- Protects real and personal property for which GCRTA is responsible
- Bus garages, rail complex, rail stations, rail and bus fleet (non-collision only)

Project Overview:

- An insurance broker is required to approach almost all insurance markets for either renewal quotes and negotiations, or for approaching new markets for a competitive marketing effort.
- One exception to this is FM Global, GCRTA's former property insurance carrier, who is a direct writer.
 - FM Global advised staff in 2020 that they would no longer be writing rail/rolling stock exposures as part of their core business.
- In 2020, GCRTA's current broker conducted a full-scale marketing of the program to be placed with other carriers.
- After compiling a comprehensive underwriting submission describing GCRTA's property exposures including replacement values, engineering/loss control reports, and descriptions of facilities and operations, the best program in terms of coverage and pricing was negotiated.

Incumbent carriers are Liberty Mutual and Evanston Insurance Company, for total insured value of \$1.85 billion:

- The first program is with Liberty Mutual for coverage of all GCRTA real and personal property, including rolling stock, when garaged.
 - Blanket Limit: \$500 million, Deductible \$250,000
- 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).
 - Blanket Limit: \$25,000,000, Deductible \$500,000

GCRTA also carries a Crime Insurance Policy:

- Currently written with Travelers Insurance and Intact Insurance
- Limit: \$4,000,000 per loss
- Deductible: \$500,000

- Includes employee dishonesty, forgery, alteration, inside and outside premises, and computer fraud
- Term: February 16, 2022 – February 16, 2023

Traditionally we have used the same broker to handle property and crime insurance. It isn't cost effective to put out a contract for an insurance broker for every small policy. This was done years ago when we had a property broker. Due to some crime insurance claims in the past, it was a difficult line of coverage to write. This is an improvement over what we had after the last claim. The deductible was once \$1 million. It's down to \$500,000.

Procurement Overview

The RFP was issued April 2022. It was accessed on the GCRTA website by 10 interested parties. Five firms proposed. The evaluation panel consisted of various RTA departments using select evaluation criteria. The recommended firm is Aon Risk Services Northeast, Inc. headquartered in Chicago, IL with a local office in Cleveland, OH. The DBE Goal of 7% will be met by using Rutledge Group, located in Cleveland, OH.

The firms experience:

- Worldwide brokerage and consulting firm with over 500 offices in 120 countries.
- Provides extensive experience in the design and placement of property and crime insurance coverage.
- As GCRTA's current property and crime insurance broker, they provide historical knowledge, technical rail knowledge, and a thorough understanding of current issues.
- Strong market relations for transit accounts, and through the utilization of experts throughout the world, ensures that GCRTA obtains the broadest and most competitively priced insurance coverage.
- Has extensive experience in public transit and the rail industry, which includes experience in handling unique exposures to risk management.
- Recent clients include: GCRTA, Regional Transportation Authority (CTA, Metra, and Pace), South Florida Regional Transit Authority (including Tri Rail), Northern Indiana Commuter Transportation District, Virginia Railway Express, First Energy, Goodyear Tires, Cleveland Clinic, Vitamix, Nationwide, Moderna, and J.M. Smucker

Staff is recommending an award to Aon Risk Services Northeast, Inc. to provide Property and Crime Insurance Broker Services in an amount not to exceed \$243,000 for the base three years, and in amounts not to exceed \$85,050 and \$89,300 for each option year, respectively, for a total contract amount not to exceed \$417,350. It was moved by Mayor Weiss, seconded by Ms. Moss and approved to move this to the full Board. Ms. McCall abstained. Ms. Birdsong added that a lot of effort went into the presentation. It was good to see the positive reaction to our safety record and safety oversight and reporting. There is a risk in insuring for public transit. She was proud of the reporting. Mayor Koomar thanked the staff for their work.

Casualty Insurance Program

Judy Lincoln, Director of Risk Management, gave the presentation. Barbara Goodwin, Sr. Vice President of USI Insurance and Darwin Rutledge President of the Rutledge Group (DBE firm) are present today. They are the domestic insurance brokers for this program. This is our largest insurance program. Mr. Rutledge said they are proud to partner with RTA. The casualty insurance renews September 1, 2022.

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 (SIR)
- Excess Workers' Compensation - \$10 m limit, \$750,000 SIR
- Public Officials Liability / EPL - \$5 m limit, \$250k SIR/ \$500k SIR

What we do as a business involves some catastrophic risk. It makes sense to carry a program of this nature. We pay the working loss layer and insure the catastrophic piece.

How GCRTA procures this insurance:

- Excess liability markets must be accessed via a broker; no direct writers of these coverages exist.
- GCRTA conducts an RFP process to select and retain a casualty insurance broker.
- The Board of Trustees, by Resolution No. 2018-28, authorized Contract No. 2017-166 with USI Insurance Services National, Inc. to provide Casualty Insurance Broker Services for a period of three years, with two, one-year options for renewal.
- Broker is selected based on their expertise in the commercial insurance market, including experience in the industry sector of rail, transit and transportation.
- Together GCRTA and the broker approach insurance markets to provide submissions describing GCRTA's operations and exposures, loss experience, and safety culture to negotiate the best partnerships with markets and best program for GCRTA in terms of coverage and pricing.

Public Officials / Employment Practices Liability renewal:

- Provides liability protection to directors and officers as well as GCRTA for alleged wrongful acts by D&Os, including Board of Trustees and employees.
- The policy also provides insurance coverage for employment practices claims.

Excess Liability – largest program, results as of 8-5-22*

- Expiring premium \$1,700,383
 - Renewal premium \$1,751,394, a 3% increase
 - Budgeted for a 10% increase
 - Great result given hard market; still priced below peers.
 - Quota share program-domestic, London and Bermuda markets

*Pending formal written quotes from one participant

Excess WC policy renewal negotiations complete

- Due to marketing effort, generated competition among markets and achieved 7.6% rate reduction.
- Existing carrier, Safety National, offering a flat premium despite payroll increase of 7.6% (from projected 2021 to projected 2022) with a renewal premium quoted at \$292,843 vs \$292,602.
- Better than expected result given most recent guidance to expect a rate increase between 5% - 7.5%.

Public Officials / EPL Liability renewal negotiation complete

- Incumbent carrier: AIG (National Union)
- Expiring premium is \$96,000
- Renewal premium is \$99,900, a 4% increase
- Budgeted for 25% increase in accordance with broker's experience with other public entity accounts.

Renewal results presented here for Excess WC and Public Officials' Liability will be summarized in a memo to Board of Trustees (BOT), accompanied by a Resolution containing those recommendations. Final premiums / results and recommendations for the Excess Liability program will also be included. The resolution will be brought before the BOT for approval at their August 23, 2022 meeting.

Mayor Koomar said these are favorable rates. He thanked Ms. Lincoln for her work. Mayor Weiss thanked the staff. He asked if these are all one-year terms. Ms. Lincoln confirmed. The percentage increase is modest and better than budget.

It was moved by Mayor Weiss, seconded by Ms. Moss and approved to go move to the full Board. Ms. McCall abstained. President Lucas thanked Ms. Lincoln and her staff.

The meeting was suspended to go into executive session.

Executive Session Requested

10:34 a.m. - It was moved by Ms. McCall, seconded by Mayor Weiss to go into executive session to consider the purchase or sale of GCRTA property. There were four (4) ayes and none opposed.

11:19 a.m. - It was moved by Ms. McCall, seconded Ms. Moss to come out of executive session. There were four (4) ayes and none opposed.

The meeting was adjourned at 11:19 a.m.



Rajan D. Gautam
Secretary/Treasurer



Theresa A. Burrage
Executive Assistant