



January 1, 2023 Property Insurance Renewal

December 6, 2022

Audit, Safety Compliance and Real Estate
Committee



2023 Property Insurance Renewal

- GCRTA Carries an All-Risk Property Insurance Policy; covered perils include Fire, Wind, Flood and collapse, to name a few.
 - 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)

2023 Property Insurance Renewal

Incumbent Carriers are Liberty Mutual and Evanston; Two Programs; Total Insured Value \$1.97 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.
 - 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

2023 Property Renewal

- Last year in 2021 we were facing hard market conditions, with expected rate increases of 15%.
- We were able to achieve an overall premium increase of 7% vs the 15% budgeted last year.
- This year we were told to expect rate increases between 8% and 10% with an improving property marketplace.
- However, we were warned that property valuation was the main focus of underwriters this year given an inflation rate in the U.S. that rose to 9.1% in June, 2022.

2023 Property Insurance Renewal

- Property valuation is a key concern among many markets given recent losses that exceed amounts stated on the statement of values.
- Given the above, we did apply substantial inflationary index factors to our building and equipment values per market requirements; recall that our coverage is for replacement cost.
- Also, very recent hurricanes have impacted the reinsurance market.
- Expiring premium for 1-1-22/23 policy period \$1,183,061.

2023 Property Insurance Renewal

- As of 12-5-22, we received the latest renewal indications via our broker, Aon, from Liberty Mutual and Evanston as follows:
 - Liberty is quoting a 14.1% rate increase; Markel quoted a 2.5% rate increase.
 - After applying these rates against updated total insured values (TIV), the resulting estimated renewal premium is \$1,399,339.

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- New estimated premium of \$1,399,339 represents an increase of \$216,278 or an 18.3% increase over expiring. This is a result of the combination of the necessarily high index factors used against values to inflate them to current replacement costs – as well as the rate increases.
- This is \$661 below the budgeted amount of \$1.4 million.
- Aon is continuing to negotiate with Liberty Mutual to improve our final results. They are comfortable with the premiums included here to be contained in a resolution to be brought to the Board on December 20, 2022 as a “not to exceed” amount.

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Final renewal results will be summarized in a Resolution containing our recommendations to be brought to the Board at December 20, 2022 meeting for approval.

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Questions?