



Roosevelt Island Operating Corporation

ANDREW M. CUOMO
Governor

SUSAN G. ROSENTHAL
President & CEO

BOARD OF DIRECTORS

RuthAnne Visnauskas, Chair, Commissioner of NYSHCR
Robert F. Mujica Jr., Director of BUDGET
Conway S. Ekpo
Jeffrey R. Escobar
David Kapell
David Kraut
Howard Polivy
Michael Shinozaki

Agenda Item V, 2. April 23, 2020

PROPOSED RESOLUTION

APPROVAL OF CERTAIN INSURANCE POLICIES FOR FISCAL YEAR 2020-21

RESOLVED by the Board of Directors of the Roosevelt Island Operating Corporation of the State of New York (“RIOC”), as follows:

- Section 1. that the General Liability and Umbrella/Excess Umbrella Insurance Policies for the period from May 1, 2020 through March 31, 2021, upon such terms and conditions substantially similar to those outlined in the Memorandum from John O’Reilly to Susan G. Rosenthal/Board of Directors, dated April 15, 2020, attached hereto, are hereby approved;
- Section 2. that the President/Chief Executive Officer or her designee is hereby authorized to take such actions and execute such instruments as she deems necessary to effectuate the foregoing; and
- Section 3. that this resolution shall take effect immediately.



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MEMO

TO: Susan G. Rosenthal / Board of Directors

FROM: John O'Reilly, CFO

DATE: April 15, 2020

RE: Ratification and Authorization of Insurance Binders through March 31, 2021

As fully presented at the March, 05 Board meeting, we are experiencing an extremely difficult insurance market this year, which has tremendously increased the burden on the Corporation to continue to protect itself against the various risks inherent in operating, managing and maintaining the Island.

As of April 01, we renewed the Property, Boiler & Machinery, Automobile, Public Officials Liability, and Cyber Liability and are seeking ratification on these policies, which we did not extend because the premium increases of only 19.2 % is reasonable given the tightness in the insurance market, and that the extension of these could have resulted in re-underwriting and higher premiums.

Also, we are seeking approval for the remaining general and excess liability policies, which were extended for 30 days because of dramatically higher quotes.

The Corporation utilized the services of JFA Brokerage and Associates in partnership with Arthur J. Gallagher Risk Management Services ("Brokers") and other broker intermediaries, to obtain quotes from insurance carriers for the renewals of the insurance policies for fiscal year April 1, 2020 – March 31, 2021.

The Brokers started the insurance renewal process sooner; beginning in December, 2019. Despite beginning the process earlier, the primary umbrella carrier refused to provide their quote before March 1, 2020. During this period, the Brokers marketed to over fifty carriers. This delay prevented the excess carriers, above the primary carrier from quoting their layers. Therefore excess umbrella quotes were not received on a timely basis as requested. However, the Brokers

were unable to secure the policies on time for the Board's authorization in March. The Brokers called these drastic changes a hard insurance market.

The Brokers indicated that a hard insurance market is characterized by carriers that are unwilling to write certain classes of business at any price (even though they've written the same account in the past); significant increases in premium if they are willing to quote a risk at all; significant decreases in limits they are willing to provide and capacity they are willing to deploy on any single risk. Another characteristic of a hard market is underwriter's authority being significantly restricted, meaning all decisions need to be made by "home office" and not at the local level. This drastically slows the quoting and binding process down which leads to most accounts being quoted "last minute" or being extended.

Because of the challenges posed by the hard insurance market, the Brokers were unable to secure the renewals in time for the Board's authorization at the March 05, 2020 meeting. The Brokers presented the aforementioned situation at the March, 05 Board meeting and indicated that the premiums would be significantly higher. We had reason to believe that a 25% increase was possible but the Brokers were not certain as to the extent of the increases. The Brokers stated that they will secure a 30 day extension at the expiring premiums.

On March 23, the brokers presented the initial premium summary for those property and casualty coverages scheduled to renew effective April 1, 2020. The premium increases, especially on the excess liability, were significantly higher than the expiring.

On March 30, the brokers provided an updated premium summary reflecting their marketing efforts; completed the placement and received bind-able quotes for the \$100 million excess liability tower; began secondary rounds of negotiations with the excess carriers; believed the first party coverage (property and boiler & machinery) as well as the automobile, public officials liability, and cyber liability are all well placed with the respective carriers and can be renewed effective April 1, 2020; and stated that they are in a position to extend the primary casualty program and excess liability policies for 30 days, to May 1, 2020. The Brokers advised to bind the first party coverage effective April 1, 2020 and not to extend for 30 days because, in their experience, the overall increase for the first party coverage of \$234,334 or 19.2% is reasonable given the tightness in the insurance market, and to avoid the risk that a 30 day extension may result in re-underwriting and higher premium.

On April 01, the Brokers confirmed the renewal of certain portions of the insurance program effective April 1, 2020, namely the Property, Boiler & Machinery, Automobile, Public Officials Liability, and Cyber Liability. Also, the Brokers advised that the primary and excess liability carriers have agreed to the 30 day extension – three at the expiring premium and three at the renewal premium.

On April 03, the Brokers provided a revised 2020 premium summary that includes the premium associated with the 30 day extension as well as a summary of the policies renewed effective April 1, 2020. On April 21, the Brokers provided an updated premium summary that reflected savings that they secured during the 30 day extension.

The 30-day extension premium for the aforementioned general and excess liability policies is \$120,540. The 11 months renewal premium is \$1,822,712. The total general and excess

liability premium for the April 01, 2020 to April 01, 2021 period is \$1,943,252, an increase of \$1,101,754 over the FY 19-20 premium of \$841,498.

In the aggregate, the total premium for all policies for FY 20-21 is \$3,395,373, an increase of \$1,336,088 over the FY 19-20 total premium of \$2,059,285. Attached is the updated premium summary schedule reflecting the aforementioned policies.

Per RIOC's instructions, our brokers have extended the General Liability and Umbrella/Excess Umbrella policies for a thirty day period to May 1, 2020. This additional time allowed RIOC to assess and consider other options to alleviate the situation.

During the extension period, RIOC discussed the aforementioned situation with the State's Department of Financial Services, as well as the contractor responsible for maintaining and operating RIOC's tram, Leitner Poma, to find alternatives to maintain the coverages and reduce the premiums. These additional analysis and evaluations did not result in a viable option.

However, our brokers were able to secure savings by reducing their commissions and getting the carriers to reduce their premiums. As reflected in the attached updated premium summary, the savings amounted to \$278,085.

In the interest of continuing protection for the Corporation's operations, we recommend the Board's ratification of the renewals for the Property, Boiler & Machinery, Automobile, Public Officials Liability, and Cyber Liability policies effective April 1, 2020 through March 31, 2021;

Also, we recommend the Board's authorization of the renewal for the General Liability and Umbrella/Excess Umbrella policies for the 11 months period May 1, 2020 through March 31, 2021 at a total cost of \$1,822,712.

**ROOSEVELT ISLAND OPERATING CORPORATION
2020 PREMIUM SUMMARY
Primary GL and Excess Liability**

Expiring Policies					Renewing Policies							
Carriers	Coverages	Limits	2019 Expiring Premiums	Initial 2020 Proposed Program	Subsequent 2020 Proposed Program	Premium Saving	Carriers	30 day extension Premiums	11 month Premiums 5/1/20-4/1/21	Total Annual Premiums 4/1/20 - 4/1/21	Annual Increase/Decrease	
			A	B	C	B-C		D	E	D+E	(D+E)-A	
				\$150k SIR and 2/4 Limit	\$150k SIR and 2/4 Limit							
	General Liability	\$1,000,000/\$2,000,000	\$355,163	\$375,000	\$350,998	\$24,002		\$29,191	\$321,807	\$350,998	-\$4,165	
		\$50,000 SIR										
	TPA Fees		\$7,960		Included						-\$7,960	
AIG	Umbrella \$15MM	\$15,000,000	\$244,000	\$198,000	\$178,525	\$19,475	AIG - \$5M	\$20,055	\$163,886	\$183,941	\$336,976	
				\$267,750	\$240,000	\$27,750	Axis - \$5M xs \$5M		\$220,320	\$220,320		
				\$225,000	\$192,500	\$32,500	AWAC - \$5M xs \$10M		\$176,715	\$176,715		
Navigators	Umbrella	\$15MM xs \$15MM	\$64,375	\$368,740	\$309,000	\$59,740	Navigators - \$15M xs \$15M	\$28,423	\$283,662	\$312,085	\$247,710	
Philadelphia	Umbrella	\$20MM xs \$30MM	\$57,000	\$210,000	\$180,000	\$30,000	Great American - \$10M xs \$30M	\$4,674	\$172,500	\$177,174	\$308,016	
				\$236,661	\$205,000	\$31,661	C&F - \$15M xs \$40M		\$187,842	\$187,842		
Axis/ACE	Umbrella	\$25MM xs \$50MM	\$56,250	\$231,000	\$215,870	\$15,130	ACE - \$20MM xs \$55M	\$24,062	\$198,169	\$222,231	\$165,981	
Scottsdale	Umbrella	\$25MM xs \$75MM	\$31,500	\$144,375	\$134,918	\$9,457	Scottsdale - \$25M xs \$75M	\$12,031	\$123,855	\$135,886	\$104,386	
Liberty	Umbrella	\$25M xs \$100MM	\$25,250					\$2,104		\$2,104	-\$23,146	
	Sub-total		\$841,498	\$2,256,526	\$2,006,811	\$249,715		\$120,540	\$1,848,756	\$1,969,296	\$1,127,798	

Property, Boiler & Machinery, Auto, Public Official, Cyber Policies											
Expiring Policies					Renewing Policies						
Carriers	Coverages	Limits	2019 Expiring Premiums	Initial 2020 Proposed Program			Carriers	Renewal Premiums 4/1/20 - 4/1/21		Total Annual Premiums 4/1/20 - 4/1/21	Annual Increase/Decrease
AIG	Property	\$256,191,191	\$625,000	\$778,647			AIG	\$778,647		\$778,647	\$153,647
	Engineering Fee		\$5,500	\$8,515				\$8,515		\$8,515	\$3,015
HSB	B&M	\$100,000,000	\$15,723	\$20,209			HSB	\$20,209		\$20,209	\$4,486
AIG	Auto	\$1,000,000	\$511,832	\$575,265			AIG	\$575,265		\$575,265	\$63,433
XL	POL	\$5,000,000	\$53,466	\$63,093			XL	\$63,093		\$63,093	\$9,627
BCS	Cyber	\$1,000,000	\$6,266	\$6,392			BCS	\$6,392		\$6,392	\$126
	Sub-total		\$1,217,787	\$1,452,121				\$1,452,121		\$1,452,121	\$234,334
	Grand Total		\$2,059,285	\$2,904,242				\$1,572,661	\$1,848,756	\$3,421,417	\$1,362,132

Please note that had we gotten the 30 day extension at the expiring premium, the 30 day extension would have been \$70,125 (\$841,498/12). Thus, the increase for the 30 day extension was only \$50,415 (\$120,540 - \$70,125)