



Roosevelt Island Operating Corporation

ANDREW M. CUOMO
Governor

SHELTON J. HAYNES
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, 1. April 22, 2021

PROPOSED RESOLUTION

RATIFICATION OF EXTENSION OF INSURANCE BINDERS FOR FISCAL YEAR 2021-22

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 extension of the Insurance Binders for the period of April 1, 2021 through April 30, 2021, upon such terms and conditions substantially similar to those outlined in the Memorandum from John O’Reilly to Shelton J. Haynes/Board of Directors, dated April 9, 2021, attached hereto, is hereby ratified;
- Section 2. that the President/Chief Executive Officer or his designee is hereby authorized to take such actions and execute such instruments as he deems necessary to effectuate the foregoing; and
- Section 3. that this resolution shall take effect immediately.



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MEMO

TO: Shelton J. Haynes, President & CEO / Board of Directors

FROM: John O'Reilly, Vice President & CFO

DATE: April 9, 2021

**RE: Ratification and Authorization of Insurance Binders through
March 31, 2022**

We utilized the services of JFA Brokerage and Associates in partnership with Arthur J. Gallagher Risk Management Services (“Brokers”) and other broker intermediaries, to obtain renewals for our insurance policies for fiscal year April 1, 2021 – March 31, 2022.

We continue to experience a difficult insurance market this year. First, specific to RIOOC, although our operations have not changed, the insurance industry “appetite” has shrunk dramatically. RIOOC’s operations and risks that were previously viewed as manageable are now deemed to be potentially catastrophic, leading to fewer carriers even willing to consider quoting. In preparing for our 2021 renewal, our Brokers identified the following key areas of our program:

- Non-renewal of Auto coverage from AIG
- Gaps in Excess Casualty tower due to capacity limitations and non-renewals
- Finding enough capacity in the marketplace to provide total limits of \$100 million per occurrence

In 2020 and again in 2021, we were faced with significant challenges due to a hardening marketplace. Specifically, on the excess liability, carriers who were previously quoting large limits (\$10MM or more) were either cutting back their capacity or non-renewing entirely. This

hardening market is an underwriting-driven marketplace. As such, capital (and consequently capacity) is reduced, thereby limiting the availability of insurance.

Accordingly, we requested our Brokers to obtain a 30-day extension on all expiring policies to allow more time to seek the requisite coverages to protect RIOC's operations and risks. The 30-day extension was obtained at a cost of \$253,185. We seek ratification of this expense.

Also, we are seeking approval for the 11 months (5/1/21-4/1/22) renewal premiums in the amount of \$3,315,609.

To highlight the difficulties in obtaining the renewals, our Brokers approached 49 markets in 2020, with their focus on the excess casualty premium. The end result was an excess tower consisting of eight markets, as opposed to six in 2019. The overall Casualty premium increased drastically. The higher layers which had previously cost very little per million were basically re-priced at multiples of expiring. When our Brokers are challenged with filling holes in the excess tower with limited "players", they are not in a position to compare and contrast quotes to choose the most competitive quote because there are no options to consider. In 2020 and again in 2021, their options were limited due to the fact that most carriers are reluctant to write a new risk, leaving them primarily with our incumbent markets.

Another hurdle was the Automobile, which was non-renewed by AIG. Our Brokers approached over 20 auto markets, all of whom have declined to quote, citing NYC auto, the bus fleet exposure and loss history. The end result was to move the Auto Liability coverage to RIOC's General Liability carrier, Berkley, who quoted an option to include the auto liability at a high retention/deductible (\$500k). Our Brokers have provided their Auto Liability Forecast Analysis (Attachment A), which they prepared to provide estimated costs to RIOC at various deductible levels. As shown, at the \$500k deductible our Brokers estimate annual losses (out of pocket to RIOC) to be \$292,000.

On the Umbrella tower, while our Brokers are still seeing increases in 2021, they are fortunately not nearly as severe as they saw in 2020. That said, many of the alternative excess carriers that our Brokers approached declined to quote at all, even at the higher attachment layers. However, fortunately our Brokers were able to identify new players and shuffle existing carriers' attachments to fill in the holes in our tower.

Our Brokers also tried to identify carriers who could offer a quote to compete with the AIG lead umbrella, but no carriers were interested, even considering the higher premiums. However, our Brokers recently completed the umbrella tower for 2021, as reflected on our 2021 Premium Summary (Attachment B). We now have eleven carriers in place to complete the Umbrella tower, as opposed to eight carriers in 2020.

Below are the various methods our Brokers used to access the dozens of markets they approached on behalf of RIOC, and the numerous brokers that work behind the scenes to provide our quotes.

Internal Gallagher marketing resources: Our Brokers worked with several Gallagher marketing representatives both locally, regionally and internationally. They worked with their colleagues in New York, New Jersey, Chicago, Los Angeles and London to access those markets that work with them on a direct basis. The general liability markets include AIG, Allied World, Berkley, Chubb,

Cincinnati, CNA, Hartford, Liberty Mutual, Philadelphia, Zurich, etc. The auto markets approached directly include Chubb/Ace, Cincinnati, CNA, Hartford, Lancer, Liberty Mutual, Nationwide, Philadelphia, Starr Specialty, Travelers, Utica, Zurich, etc.

Gallagher Wholesale brokers: Gallagher's fully owned wholesale brokerage firm is Risk Placement Services, Inc. (RPS). Brokers specializing in property and casualty risks were utilized to approach several specialty carriers including AIG, Brit, Colony, IAT, Ironshore, Endurance, RSUI, Munich Re, 5Star Specialty, etc.

Outside Wholesale brokers: The Gallagher team also worked with outside wholesale intermediaries that are independent corporations and not owned by Gallagher. These specialty brokers have access and, in some cases, significant premium volume with many specialty carriers. Our Brokers outside wholesale brokers contacted and made an underwriting submission on behalf of RIOC to over 40 carriers.

In Gallagher's Winter Insurance Market Update (February 2021), our Brokers reviewed the current marketplace as respects ranges of rate increases by line:

Property	+15% to +20% or more
Umbrella	+20% to +30% or more
General Liability	+5% to +10%
Commercial Auto	+7% to +12%
Workers Compensation	-2% to + 5% or more
D&O (Private)	+10% to +25% or more
D&O (Pubic)	+25% to +45% or more
Cyber	+15% to +50% or more

However, challenging risk profile characteristics play a factor in these increases, and RIOC fits into many of these challenging risk factors (Public Sector and Habitational, Property limits of greater than \$50 million, and Umbrella limits greater than \$25MM).

That said, the end result of our Brokers' 2021 marketing efforts is a 6% increase over expiring (\$3,568,794 versus \$3,375,390). The caveat is that RIOC will now be self-insured for the first \$500,000 for Auto claims, so factoring in estimated auto claims within the \$500k deductible of \$292,000 the overall increase is just under 14% ((\$3,568,794 +\$292,000) vs. \$3,375,390). Again, this is based on estimated auto claims which is a variable.

In the interest of continuing protection for the Corporation's operations, we recommend the Board's ratification of the 30-day extension at a total cost of \$253,185.

Also, we recommend the Board approve the renewals for the 11 months period May 1, 2021 through March 31, 2022 at a total cost of \$3,315,609, and the estimated auto claims in the amount of \$292,000 under the self-insured for the first \$500,000 for Auto claims.