PROPOSED RESOLUTION

APPROVAL OF INSURANCE BINDERS FOR FISCAL YEAR 2022-23

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 Insurance Binders for the period from April 1, 2022 through March 31, 2023, 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 March 16, 2022, attached hereto, are hereby approved;

Section 2. that the President/Chief Executive Officer or President’s designee is hereby authorized to take such actions and execute such instruments as deemed necessary to effectuate the foregoing; and

Section 3. that this resolution shall take effect immediately.
MEMO

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

FROM: John O’Reilly, CFO

DATE: March 16, 2022

RE: Approval of Insurance Binders through March 31, 2023

RIOC 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, 2022 – March 31, 2023.

During the pre-renewal, strategic review meeting on December 9, 2021, Gallagher and RIOC discussed “The State of the Market” as of November 2021. That report detailed median property rate increases of 9.1%, commercial auto rate increases of 6.2%, general liability rate increases of 5% and excess liability (umbrella) rate increases 12.6%. Based on these reports a renewal strategy was to market the property to a few selected carriers, market the general and auto liability to the incumbent market (with an early commitment) and market the excess liability aggressively to as many carriers we thought were viable. Our other market strategies were to maintain current umbrella tower limits as well as current retention and deductible levels.

Predicted insurance premium increases this year were estimated to be “high single digits”.

Through the extensive marketing efforts, the overall insurance premiums are up approximately 7% year over year ($3,559,844 versus $3,801,033). The liability coverage will renew at an overall 9% premium increase. The property premium was negotiated down with a premium reduction of $61,779 or 7.2%.

The Public Officials carrier (XL Insurance Group) has requested a 60-day extension through May 31, 2022 to further evaluate the coverage. We have accepted the extension at the existing premium rate. However, we will continue to market this coverage to other carriers during this
period. Additionally, we are expecting premium and/or retention increases, especially on the employment practices liability portion of the policy.

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 30 carriers.

The good news is that the insurance marketplace is cyclical, and eventually we will start to see the market soften. While RIOC’s brokers don’t anticipate much movement in 2022, the hope is that we may start to see signs of softening in 2023, as the carriers will have more confidence that the risk is priced properly. There are many other variables, however, so it remains to be seen when we will start to see some palatable relief in the marketplace.

**Recommendation:**

We recommend that the Board of Directors approve the renewals of insurance binders for the 12-month period from April 1, 2022 through March 31, 2023 at a total cost of $3,801,033, and the estimated auto claims in the amount of $292,000 under the self-insured for the first $500,000 for Auto claims, as well as, the 60 day extension for the Public Liability coverage.