



Roosevelt Island Operating Corporation

KATHY HOCHUL
Governor

SHELTON J. HAYNES
President & CEO

BOARD OF DIRECTORS
RuthAnne Visnauskas, Chair, Commissioner of NYSHCR
Robert Megna, Director of BUDGET
Fay Christian
Conway S. Ekpo
David Kraut
Howard Polivy

Agenda Item V, 2. April 3, 2023

PROPOSED RESOLUTION

RATIFICATION OF INSURANCE BINDERS FOR FISCAL YEAR 2023-24

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, 2023 through March 31, 2024, upon such terms and conditions substantially similar to those outlined in the Memorandum from Daeman DiStefano to Shelton J. Haynes/Board of Directors, dated March 28, 2023, attached hereto, are hereby ratified;
- 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.



Roosevelt Island Operating Corporation

KATHY HOCHUL
Governor

SHELTON J. HAYNES
President & CEO

BOARD OF DIRECTORS

RuthAnne Visnauskas, Chair, Commissioner of NYSHCR
Robert Megna, Director of BUDGET
Fay Christian
Conway S. Ekpo
David Kraut
Howard Polivy

MEMO

TO: Shelton J. Haynes & RIOC Board of Directors

FROM: Daeman Di Stefano, Assistant CFO & Comptroller

DATE: March 28, 2023

RE: Ratification and Authorization of Insurance Binders through April 1, 2024

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, 2023 – April 1, 2024.

While we are starting to see a moderating shift from the extremely difficult insurance marketplace in 2020, 2021 and to a lesser extent in 2022, we continue to face some challenges specific to RIOC with its unique exposures, including the bus fleet and the tram. RIOC’s operations and risks are deemed to be high risk, leading to fewer carriers willing to provide a quote. In preparing for our 2023 renewal, our Brokers identified the several key factors that are contributing to large premium increases including claims experience and significant increase in tram revenues.

In addition to the challenges on the casualty placements, RIOC was also faced with an extremely difficult Property marketplace, which is being driven by a severe uptick in catastrophic claims nationally, increased construction and labor costs, and significant increases in carriers’ reinsurance costs.

With that, RIOC’s Brokers approached 50 markets in 2023, with their focus on the excess casualty, but also the Property and Cyber. The overall Casualty premiums increased significantly, in particular, the lead \$5MM Umbrella with AIG. Fortunately, the layers above AIG did not follow suit. The next layer above AIG increased their premium by 14% and the increases decreased through the remainder of the tower, down to a 3% increase for the highest layer. RIOC now has 11

Umbrella carriers filling out the \$100 million tower, as reflected on the attached 2023 Premium Summary.

The primary General Liability/Automobile Liability also saw a significant increase of 31%, due to the aforementioned claims experience and increased tram revenues. The General Liability retention will remain at \$150K per claim.

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: RIOC's 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.

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, Munich and others.

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.

The end result of the Brokers' 2023 marketing efforts is a 19.49% increase over expiring for all lines (\$4,535,872 versus \$3,795,958). The good news is that the insurance marketplace is cyclical, and we anticipate that we will see the market continue to moderate, with the exception of Property. With the increases since 2020, the markets believe that they are priced more appropriately for the risk. There are many other variables, however, so it remains to be seen when we will start to see some palatable relief (single digit increases) in the marketplace. However, it must be noted that loss history is a major factor in the cost of premiums as well.

The Brokers have advised that, in their experience, the overall increase of \$739,914 or 19.49% is reasonable given the tightness in the insurance market, RIOC's loss development, and its exposure increases. We recommend the Board approve the renewals for the 12-month period of April 1, 2023 through March 31, 2024 at a total cost of \$4,535,872.