FIRST READING: 12.4.20
SECOND READING: 12.14.20
THIRD READING: 12.21.20

ORDINANCE NO. 101-20

BY: JOHN B. SHEPHERD

AN EMERGENCY ORDINANCE AUTHORIZING THE MAYOR AND THE SAFETY SERVICE DIRECTOR TO ENTER INTO AN AGREEMENT FOR VARIOUS INSURANCE COVERAGES FOR THE ROCKY RIVER WASTEWATER TREATMENT PLANT WITH McGOWAN INSURANCE COMPANY, INC. FOR THE YEAR 2021 AT A TOTAL COST OF $79,334.00, AS FURTHER DESCRIBED IN EXHIBIT "A"

WHEREAS: the Mayor and the Director of Safety Service contracted with Crain, Langner & Company to provide a Property and Casualty Program Review along with the development of a Request for Proposals, Review and Recommendations for the purchase of various insurance coverages for the Rocky River Waste Water Treatment Plant; and

WHEREAS: the Mayor and Safety Service Director have determined it is in the best interest of the City to accept the recommendation from Crain, Langner & Company for insurance coverages for the Rocky River Waste Water Treatment Plant from McGowan Insurance Company, Inc., in the amount of Seventy-Nine Thousand Three Hundred Thirty-Four Dollars ($79,334.00) as further described in Exhibit "A".

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF ROCKY RIVER, COUNTY OF CUYAHOGA, STATE OF OHIO:

SECTION 1. That the Mayor and Safety Service Director for the City of Rocky River are hereby authorized to enter into an agreement for various insurance coverage for the Rocky River Waste Water Treatment Plant through McGowan Insurance Company, Inc., insurance agents and as underwritten by Zurich American Insurance Company, in the amount of Seventy-Nine Thousand Three Hundred Thirty-Four Dollars ($79,334.00) as further described in Exhibit "A".

SECTION 2. That the net cost of the purchase of this insurance shall be appropriated and paid from the Wastewater Treatment Plant Utility Fund.

SECTION 3. That this Ordinance is hereby declared to be an emergency measure necessary for the immediate preservation of public peace, health and safety and for the further reason that the current policy items will expire on January 1, 2021, and provided it receives the affirmative vote of two-thirds (2/3) of all members elected to Council, it shall take effect and be in force immediately upon its passage and approval by the Mayor; otherwise, it shall take effect and be in force from and after the earliest period allowed by law.

PASSED: December 21st, 2020

James W. Moran
JAMES W. MORAN
President of Council

PRESENTED
TO MAYOR: December 21st, 2020

APPROVED: December 21st 2020

ATTEST:
Susan G. Pease
SUSAN G. PEASE
Clerk of Council

Pamela E. Bobst
PAMELA E. BOBST
Mayor

It is hereby certified that the amount required for the execution of this Ordinance has been lawfully appropriated or authorized or directed for such purpose and is in the treasury or in the process of collection to the credit of the fund described herein free from any obligation or certification now outstanding.

Michael Thomas
MICHAEL THOMAS, Director of Finance

City of Rocky River
County of Cuyahoga } ss

THE UNDERSIGNED CLERK OF THE COUNCIL OF THE CITY OF ROCKY RIVER, OHIO DOES HEREBY CERTIFY THAT THE FOREGOING IS A TRUE AND CORRECT COPY OF ORDINANCE NO. 101-20 ADOPTED BY THE COUNCIL OF SAID CITY ON THE 21st DAY OF December 20 20 THAT THE PUBLICATION OF SUCH ORDINANCE HAS BEEN MADE AND CERTIFIED OF RECORD ACCORDING TO LAW; THAT NO PROCEEDINGS LOOKING TO A REFERENDUM UPON SUCH ORDINANCE HAVE BEEN TAKEN; THAT SUCH ORDINANCE AND THE CERTIFICATE OF PUBLICATION THEREOF, ARE OF RECORD IN ORDINANCE RECORD NO. 101-20

IN WITNESS WHEREOF, I HAVE HEREUNTO SUBSCRIBED MY NAME AND AFFIXED MY OFFICIAL SEAL THIS 21st DAY OF December, 20 20.

Susan G. Pease
CLERK OF COUNCIL OF THE CITY OF ROCKY RIVER, OHIO

I, the undersigned clerk of council of the city of Rocky River, State of Ohio, do hereby certify that publication of the foregoing ordinance was duly made by posting a true copy thereof in the lobby of the Rocky River City Hall, in accordance with the charter of Rocky River, commencing on the 21st day of December, 20 20.

Susan G. Pease
Clerk of Council of the City of Rocky River, Ohio

Exhibit "A"

330/659-3142

CRAIN, LANGNER & CO.

ANALYSTS AND CONSULTANTS
RISK AND INSURANCE MANAGEMENT
3728 WAITLEY DRIVE
P.O. BOX 531
RICHFIELD, OH 44286

December 1, 2020

Maureen Nakonek
Safety-Service Coordinator
City of Rocky River
21012 Hilliard Boulevard
Rocky River, Ohio 44116

Re: Proposal Review - Property and Casualty Insurance
Request for Proposal
Policies Effective 1/1/21 – 1/1/22

Dear Ms. Nakonek:

This letter summarizes Crain, Langner's recommendations for the City of Rocky River's (City) Insurance Request for Proposal process. This process also included the Rocky River Waste Water Treatment Plant (WWTP) and the Rocky River Municipal Court (Court). The renewal date is January 1, 2021 for all of the City's Property and Casualty Insurance coverages.

For reasons discussed below, it is recommended that the City select the proposal submitted by Patrick Muscenti of McGowan Insurance and underwritten primarily by Zurich American Insurance Company for the City, the WWTP, and the Court. Other insurers participating in the program offered by McGowan are listed in Section C. below. The proposed insurance program is to be effective for the period of January 1, 2021 to January 1, 2022. No multi-year options were presented for review, and we did not expect to receive any inasmuch as the insurance markets are by and large not offering them.

The total projected annual cost for the City would be approximately $218,360 excluding terrorism coverage (TRIA) or $221,508 with TRIA included. Projected annual costs for the WWTP and Court excluding TRIA are $79,334 and $6,015 respectively, or $80,478 and $6,102 including TRIA. We recommend purchasing TRIA coverage for all lines.

This compares to the expiring program premiums for the City, WWTP and Court of $249,469, $84,981, and $9,840 respectively. Currently the City is underwritten by primarily by The Travelers Indemnity Company, the WWTP is underwritten by Liberty Mutual, and the Court is underwritten by Tokio Marine HCC. These premium figures including TRIA coverage correspond to an estimated decrease in annual fixed costs of 11% for the City, 5% for the WWTP, and 38% for the Court, compared to expiring. Several coverage enhancements detailed below were also offered by McGowan to the City for an additional premium. We recommend selecting three of these enhancements resulting in an additional cost of $6,037. This brings the overall program cost for the City, WWTP, and Court to $314,125, which is a decrease of $30,165 or 9% over the expiring program.

The table below summarizes the costs outlined above.

BROKER	CITY Premium	Diff.	WWTP Premium	Diff.	COURT Premium	Diff.	TOTAL Premium	Diff.
CURRENT Premiums	$ 249,469		$ 84,981		$ 9,840		$ 344,290	
McGowan	$ 221,508	(27,961) / -11%	$ 80,478	(4,503) / -5%	$ 6,102	(3,738) / -38%	$ 308,088	(36,202) / -11%
JDA	$ 219,866	(29,603) / -12%	$ 71,041	(13,940) / -16%	$ 10,114	274 / 3%	$ 301,021	(43,269) / -13%
Wichert	$ 259,810	10,341 / 4%	$ 84,857	(124) / -0.1%	$ 10,000	160 / 2%	$ 354,667	10,377 / 3%

Table Notes:

1. Differences are compared to the current 2019/2020 year.

2. Premium totals are with TRIA but not additional recommended options.

3. Jackson Dieken and Wichert Totals include estimated additional premium to place coverages not quoted.

We believe the option presented by McGowan is the best program for the City, the WWTP, and the Court on a combined basis, with the terms and conditions best suited to meet the parties' insurance needs.

DISCUSSION

We reviewed the various Property and Casualty insurance proposals submitted to the City of Rocky River in response to the Invitation for Proposals to Underwrite Various Insurable Risks issued in October 2020. We are pleased with the interest and participation of the various agents and insurers, and with the quality of the proposals received.

A. MARKETING PROCESS – Six agents participated in this process:

Patrick Muscenti	McGowan Insurance (incumbent for City, WWTP)
Kelly McKeon	Jackson-Dieken & Associates, Inc. (Incumbent for Court)
Alyson Larson	Wichert Insurance
Nick Hylant	Hylant Group
Chas Lowe	Zito Insurance
Brian Hoagland	Oswald Companies

B. INSURERS/RISK TRANSFER PROGRAMS – Proposers requested the use of the following thirty-five different insurance companies:

AIG	Hiscox
American Alternative	Hudson
At-Bay	Kinsale
Axis	Liberty Mutual
BCS Insurance	Markel
Beazley	Markel (Lloyds')
Canopius (Lloyds')	NAS (Lloyds')
CFC (Lloyds')	Navigators (Lloyds')
Chubb	One Beacon
Cincinnati Insurance	Public Entities Pool
CNA	QBE
Coalition	RLI Insurance
Corvus	Selective Insurance
Ensurance	Swiss Re
Genesis Insurance	Tokio Marine HCC
Great American Insurance	Travelers
Hanover	Zurich
The Hartford	

C. PROPOSALS – Three agents/brokers submitted proposals for various lines of coverage.

Agent/Agency	Insurer/Plan	AM Best Rating/ Financial Size
Patrick Muscenti/McGowan Insurance	Zurich	A+, XV
	American Alternative	A+, XV
	Travelers	A++, XV
	BCS Insurance	A-, VIII
	Various Lloyds'	
Kelly McKeon/Jackson-Dieken	Tokio Marine HCC	A++, XV
	CFC Lloyds'	
Aly Larson/Wichert	Selective Insurance	A, XIV
	Hanover	A+, XV
	Hudson	A, XV
	RLI Insurance	A+, XII
	Ensurance	

Nick Hylant of Hylant and Chas Lowe of Zito Insurance each withdrew due to the markets assigned to them declining to quote. Brian Hoagland of Oswald only requested access to Public Entities Pool and he was informed that the City was not interested in considering pool insurance programs for this process.

All agencies submitting proposals possess, in our opinion, the experience and expertise to serve as the City's Property and Casualty insurance agent.

D. Key Remarks

We are pleased with the quality and responsiveness of the proposals. The insurance markets remain interested in offering insurance to the City, WWTP, and Court for Property and Casualty Liability. Several key reasons exist to support our recommendation, and they include the following:

It is important to note that although the current agent, McGowan, received quotes from the incumbent market for the City, Travelers Insurance, and the incumbent market for the WWTP, Liberty Mutual Insurance, McGowan chose not to submit either quote by the RFP deadline. McGowan indicated that it believes that the premium and structure of the program offered by Zurich Insurance is superior to both incumbent markets (Travelers and Liberty Mutual).

After reviewing the options that were presented for the City to consider, we believe the terms and conditions offered by Zurich are superior to the other options presented, and are equal to or better than the terms and conditions in the expiring program.

Various reasons led to our recommendation for the City to renew its insurance through McGowan with Zurich as the lead insurer for the City, WWTP, and Court. They include, among other things, Abuse and Molestation Liability coverage offered through the full excess limits, improved program structure with one carrier for all entities to reduce the potential for disputes (between or among entities and individual insurers) in the event of a loss/claim, the insured's right to select defense counsel, and higher policy aggregate limits for certain Casualty lines of coverage.

A nine percent (9%) overall decrease in total cost with improved terms and conditions is an outstanding result considering the current state of the insurance market where most insureds are experiencing double digit increases in total program cost. The City, WWTP, and Court should be commended for operating in such a fashion to generate superior insurance company interest and premium results.

1. Other Proposals

a. Kelly McKeon/Jackson-Dieken - Tokio Marine HCC

Jackson-Dieken is currently the incumbent broker for the Court's insurance program. They offered a renewal option for the Court with the incumbent market, Tokio Marine HCC. Jackson-Dieken also presented options to cover the City and WWTP through Tokio Marine HCC. No options were presented for the City's Cyber coverage, Hull Protection & Indemnity coverage, and Active Shooter coverage. We estimate that it would yield around $35,000 in additional premium to place these coverages. The overall premium for the program presented by Jackson-Dieken when taking into account the additional premium necessary to place the other coverages not quoted by Jackson-Dieken is competitive with the recommend McGowan/Zurich option. We believe the City, WWTP, and Court would be well served if coverage was placed with Jackson-Dieken and Tokio

Marine HCC. However, a few key differences led to our recommendation of McGowan/Zurich including reduced aggregate limits for some Casualty lines, and the lack of Abuse coverage for the City in the Umbrella/Excess coverage.

b. Aly Larson/Wichert - Selective, Hudson
Wichert was also very responsive throughout the RFP process and presented competitive options for several lines of coverage. However, there was no option provided to cover the Court and no option provided for Cyber coverage. The overall program cost for the options provided for the City and WWTP by Wichert was considerably higher than other options presented. See Exhibit B that reflects various proposal costs.

E. Program Changes And Recommendations

As part of this RFP process and Crain, Langner's review of the City, WWTP and Court, we were able to improve the collection of accurate underwriting data on the Statement of Values and Equipment List. Continued improvement is necessary to present a more detailed and accurate submission to insurance markets in the future. The City should actively confer with McGowan to maintain a current list of all City locations as well as a current and accurate vehicle and equipment list. Buildings, equipment, and vehicle values should be tracked on the statement of values and equipment lists. The WWTP buildings are still missing some COPE (construction, occupancy, protection, and exposure) data that helps underwriters to provide the most competitive quote. This work should be undertaken throughout 2021, and we will diary a request to you for June 1, 2021 to obtain a current/updated statement of values for our files.

1. Premium Comparison – Several other options were presented in the McGowan proposal offering various limits and deductibles. Crain, Langner & Co. recommends the following options be accepted by the City:

   a. **Cyber** - Increase policy Limits from $1,000,000 to $2,000,000 for the City, WWTP, and Court for an additional premium of $2,772.

   b. **Crime** - Increase policy limits for Employee Theft and other coverages from $100,000 to $500,000 for the City, WWTP, and Court for an additional premium of $1,500. As noted below, we recommend asking the agent to provide a quote for at least $1,000,000.

   c. **Excess Hull Protection & Indemnity** - Add $1,000,000 Excess policy above the current Hull Protection & Indemnity policy for an additional premium of $1,765.

   Below are additional options presented to the City but **not** considered necessary at this time:

   a. **Cyber** - Increase policy limits to $3,000,000 for an additional premium of $4,619.

   b. **Active Shooter** - Increase policy limit to $3,000,000 for additional premium of $7,000.

   Note: These items can be added before or after binding coverage.

2. **Crime coverage** – The City's Crime coverage warrants further consideration. We believe the City should consider purchasing higher limits as financial resources permit. The proposed limit to be purchased is $500,000 which is an increase over the current policy limit $100,000. McGowan indicated that a higher limit of $1,000,000 can be obtained for an additional premium by completing an additional Crime application provided by Zurich. We recommend the City consider purchasing increased limits.

3. **Flood and Earthquake Coverage** – The City currently purchases limits of $1,000,000 for Flood and Earthquake coverage. We recommend the City consider purchasing increased limits of $50,000,000 to better cover the concentrated values at the Hilliard Boulevard complex and Service Garage and WWTP on Lake Road.

4. **Professional Services Agreement** – Crain, Langner & Co. recommends the City enter into a professional services agreement with McGowan. Such an agreement delineates the rights and responsibilities of the City and the agent, specifies the standard of care to be exercised by the agent, and describes the services the agent is to provide the City. A professional services agreement is recommended irrespective of how the agent is compensated, *e.g.*, commission, fee, or combination.

F. FINAL COMMENTS

Enclosed with this letter as Exhibit B is a summary graph depicting the current program purchased compared to the program options offered by all proposers.

Thank you again for the opportunity to assist the City, we welcome your comments and questions.

Sincerely,

Daniel C. Buser
Daniel C. Buser

Bradley J. Weber
Bradley J. Weber