FIRST READING: 11.27.23
SECOND READING: 12.11.23
THIRD READING: 12.18.23

AMENDED ORDINANCE NO. 107-23

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 WASTE WATER TREATMENT PLANT WITH McGOWAN INSURANCE COMPANY, INC., FOR THE YEAR 2024 AT A TOTAL COST OF $116,510.48, AS FURTHER DESCRIBED IN EXHIBIT "A"

WHEREAS: the Mayor and the Director of Public Safety Service contracted with Crain, Langner & Company for 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 the Director of Public Safety Service 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., insurance agents, and as underwritten by MunichRe Specialty Insurance Company, in the amount of One Hundred Sixteen Thousand Five Hundred Ten Dollars and 48/100 ($116,510.48), 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 coverages for the Rocky River Waste Water Treatment Plant through McGowan Insurance Company, Inc., insurance agents, and as underwritten by MunichRe Specialty Insurance Company, in the amount of One Hundred Sixteen Thousand Five Hundred Ten Dollars and 48/100 ($116,510.48), 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, 2024, 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 18th, 2023

JAMES W. MORAN
President of Council

PRESENTED
TO MAYOR: December 18th, 2023

APPROVED: December 18th, 2023

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

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 18th day of December, 2023.

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

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. 107-23 ADOPTED BY THE COUNCIL OF SAID CITY ON THE 18th DAY OF December, 2023 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. 107-23

IN WITNESS WHEREOF, I HAVE HEREUNTO SUBSCRIBED MY NAME AND AFFIXED MY OFFICIAL SEAL THIS 18th DAY OF December, 2023.

CLERK OF COUNCIL OF THE CITY OF ROCKY RIVER, OHIO

Amended 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 14, 2023

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 1/1/24 – 1/1/25

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, 2024 for all of the City's Property and Casualty Insurance coverages.

It is recommended that the City select the proposal submitted by Patrick Muscenti of McGowan Insurance and underwritten primarily by MunichRe Specialty Insurance Co 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, 2024 to January 1, 2025. 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, Court, and WWTP is approximately $449,904.50 including Terrorism Coverage. We recommend purchasing TRIA coverage for all lines.

This compares to the expiring program premiums for the City, WWTP and Court of $400,377 for all coverages. Currently the City is underwritten by primarily by American Zurich Insurance Company through the Allied Public Risk managed program. These premium figures, including TRIA coverage, and using the premium from the revised Active Assailant quote, updated on 12/14/23 to include coverage for all City locations, correspond to an estimated increase in annual fixed costs of 12%, or $49,528, for the City, Court, and WWTP compared to expiring. Some additional coverage enhancements are recommended below, but pricing for these options were not included in the quote and will need to be determined prior to binding.

The table below summarizes the costs outlined above.

BROKER	Premium	Difference
CURRENT Premiums	**$ 400,377**	
McGowan	$ 449,905	49,528 / 12%
Wichert	$ 424,713	24,336 / 6%

Table Notes:

1. Differences are compared to the current 2023/2024 year.

2. Premium totals are with TRIA and revised Active Assailant quote, but not additional recommended options.

3. Wichert totals include estimated additional premium to place Active Shooter coverage 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. The premium breakdown for each entity in the McGowan option is as follows. $325,437 for the City, $115,586 for the WWTP, and $8,881.50 for the Court.

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 2023. 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 were invited to participate in this process with a seventh requesting to join later. Three agents listed below accepted the invitation and approached markets on behalf of the City:

Patrick Muscenti	McGowan Insurance (incumbent)
Janie Geis	Wichert Insurance
Kelly McKeon	Jackson-Dieken & Associates, Inc.

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

Affiliated FM	Lloyds' Syndicate AMA 1200
AIG	Lloyds' Syndicate ARG 2121
Allianz	Lloyds' Syndicate AWH 2232
American Alternative Insurance Co (MunichRe)	Lloyds' Syndicate AXS 1686
Arch Specialty	Lloyds' Syndicate CFC 1988
Beazley	Lloyds' Syndicate CNP 4444
Cincinnati	Lloyds' Syndicate EVE 2786
CNA	Lloyds' Syndicate HIG 1221
Fortegra	Lloyds' Syndicate IGO 1301
Greenwich (AXA/XL)	Lloyds' Syndicate MKL 3000
Hanover Insurance	Lloyds' Syndicate QPS 5555
HDI Global Specialty	Palomar E&S

Intact (Atlantic Specialty)	RLI
Lexington Insurance	Selective Insurance
Liberty Mutual	TMHCC
Lloyds' Syndicate AES 1225	Travelers
Lloyds' Syndicate AFB 3623	Zurich Insurance Company

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

Agent/Agency	Insurer/Plan	AM Best Rating/ Financial Size
Patrick Muscenti/McGowan Insurance	MunichRe Specialty Insurance Co	A+, XV
	Travelers	A++, XV
	Various Lloyds' Syndicates	
Janie Geis/Wichert	Selective Insurance	A+, XV
	Hanover	A, XV
	RLI Insurance	A+, XIV

Kelly McKeon of Jackson Dieken withdrew due to Tokio Marine declining to quote. Brian Hoagland of Oswald requested to receive the RFP late, but then never requested markets.

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 the current agent, McGowan, places the package insurance policy through McGowan Governmental Underwriters who represent the Allied Public Risk Program. Allied Public Risk replaced the existing incumbent market, Zurich, with MunichRe Specialty Insurance Company for the 2024-25 policy year.

After reviewing the options that were presented for the City to consider, we believe the terms and conditions offered by MunichRe 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 MunichRe 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, blanket Property and Flood limits, a program structure offering one policy for all three related entities, the insured's right to select defense counsel, and superior program aggregate limits of liability to other options presented.

A ten percent (12%) overall increase in total cost is a good result given the current hard insurance market conditions. 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. Janie Geis/Wichert - Selective, Hanover
   Wichert was also very responsive throughout the RFP process and presented a mostly complete and competitive option for the City's insurance program. Their quote with Selective includes one policy to cover the City and Court, and one to cover the Waste Water Treatment Plant. Wichert was unable to provide a quote for the Active Shooter coverage placed by McGowan, and they could only offer an indication for the Cyber coverage which could become a firm quote by completing an application. The total, all-in premium for the option presented by Wichert which includes both selective polices, a Hull policy with RLI, and a Cyber indication is $398,100. This is $2,277 less than the expiring premium and $51,804 less than the renewal option presented by McGowan. If the renewal quote for Active Shooter presented by McGowan is included in the Wichert program the total premium for all coverages increases to $424,713 which is an increase of $24,336 over expiring, yet still $25,192, or 5.6% less than the renewal option presented by McGowan. See Exhibit B that reflects various proposal costs. In our view, the savings available with the Wichert option do not warrant a change given there are some deficiencies in the quote. Most notably, the Selective quote does not include Abuse coverage in the Umbrella limit, or for the WWTP. The Selective quote also provides per location limits of insurance for Property coverages rather than a Blanket limit as is offered by MunichRe. Certain key locations, including City Hall and the Service Garage at 22401 Lake Road are excluded for Flood coverage as well. The Selective quote also includes reduced aggregate limits from $3M to $2M for Public Officials and Employment Practices Liability.

E. PROGRAM CHANGES AND RECOMMENDATIONS

As part of this RFP process, 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.

1. **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 $250,000 which is the same as expiring. This limit was increased from $100,000 during the 2020 RFP process. Wichert provided standalone options from Hanover for $1M and $2M limits for a premium of $2,161 and $3,374 respectively. This indicates that much higher limits are available for minimal additional premium. We recommend requesting options for increased limits from McGowan or binding the $2M Hanover option presented by Wichert for $3,374.

2. **Abuse & Molestation Coverage** – The Abuse & Molestation coverage offered by MunichRe is a separate limit that is included in the General Liability coverage part, but is excluded from the Public Officials and Employment Practices coverage part. We recommend confirming with McGowan that the Abuse coverage applies for all City employees and requesting that coverage be included in both coverage parts.

3. **Sewer Backup** – There are two separate limits included in the MunichRe quote presented by McGowan. The Property coverage includes a $50,000 limit for Sewer Backup which would cover damage to City owned property resulting from water backup in sewers or drains. We recommend requesting options for increased Sewer Backup limits of at least $250,000. We are also pleased to see that the General Liability coverage part includes a $1M limit for Sewer Backup which covers bodily injury and property damage to third parties.

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, 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. McGowan offered a sample agreement as part of their submission.

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