

ERIE COUNTY WATER AUTHORITY

INTEROFFICE MEMORANDUM



January 14, 2019

To: Commissioners Schad, Carney and Jones

From: Robert J. Lichtenthal, Jr., Deputy Director

Subject: 2019 - 2020 Insurance Program

The Authority is currently completing the third year of a three year cycle for issuing full Requests for Proposals (RFP's) for its various insurance coverage's. The Board of Commissioners authorized the issuance of a Request for Proposals ("RFP") in connection with the procurement of Insurance Brokerage Services on February 25, 2016. At a regular meeting of the Board held on April 14, 2016, the Commissioners designated Lawley Insurance Services as its Insurance Broker and awarded a Broker of Record Letter to Lawley Insurance Services. Lawley Insurance Services was directed by the Authority to market its complete Insurance Protection Program by soliciting coverage's and pricing from the marketplace. For each of the three preceding years (2016-17, 2017-18 and 2018-19) Lawley Insurance Services has marketed and effectively and efficiently placed the Authority's coverage's.

This practice of awarding a Broker of Record (BOR) letter to one firm was a departure from prior practice. In preceding years the Authority would issue an RFP to multiple firms for the package of coverage's the Authority maintains. At times the Authority would attempt to assign "markets" or individual insurance companies to a specific broker to attempt to generate competition. These processes proved to be clumsy, they created confusion in the marketplace and at times actually lowered competition for the Authority's business as certain insurance companies were not interested in the Authority's business knowing that they may only have it for one year. This is an issue for the insurance companies with respect to the relationship between premiums and losses incurred versus the number of years the company will collect premiums. It is important to note that the number of insurance companies providing the type and scope of coverage's to meet the needs of the Authority is limited, therefore any actions which may make a risk such as are less attractive to the market may not be in the Authority's best interests.

What has been learned over the past three years is that with one broker speaking with one voice on behalf of the Authority's interests, the Authority has been able to maintain cost and coverage stability while also being able to annually review various markets trends with respect to premiums and coverage's. And, importantly, these reviews have not created any turmoil among the companies providing the Authority's coverage's as it did in the past.

Based upon the performance and results that the Authority has achieved by working with Lawley Insurance Services as the Broker of Record, I am recommending that the Board consider extending the Broker of Record letter with Lawley for an additional year (2019-20). If not, an RFP for these services will be prepared for the Board's approval over the next month.