

CLEVELAND PUBLIC LIBRARY

Finance Committee
September 17, 2013

**RESOLUTION TO RATIFY AND APPROVE THE PURCHASE OF
INSURANCE COVERAGE FOR POLICIES EFFECTIVE
AUGUST 1, 2013 AND SEPTEMBER 18, 2013**

- WHEREAS, On June 19, 2012, the Board of Library Trustees authorized the Executive Director to make the final determination to accept the insurance package that best meets the objectives defined in the specifications, and directed that the coverage purchased be presented for ratification by the Board of Library Trustees at their next regularly scheduled meeting; and
- WHEREAS, On September 18, 2012, the Board of Library Trustees ratified the decision to purchase Property Insurance through The Hylant Group for the first year's premium of \$230,000 and General Liability, Automotive, Umbrella Liability and Crime Insurance through McGowan & Co., Inc. for the first year's premium of \$114,120 for the period August 1, 2012 through August 1, 2013; and
- WHEREAS, The Board of Library Trustees also ratified the decision to purchase Public Officials Liability and Employment Practices Liability Insurance through McGowan & Co., Inc. for the first year's premium of \$31,981.25 for the period September 18, 2012 through September 18, 2013; and
- WHEREAS, On September 18, 2012, the Board of Library Trustees authorized the renewal of the insurance packages stated above for four, one-year renewal periods commencing on either August 1, 2013 or September 18, 2013, provided terms, conditions, and pricing remain comparable to the current programs and consistent with then current market conditions.

EXHIBIT 4

WHEREAS, The 2013 renewal premiums are as follows:

Coverage	Insurer/Agent	Expiring	Renewal	Comments
Property, including Boiler & Machinery	Fireman's Fund/Hylant	\$230,000	\$229,000	
General Liability	Philadelphia Indemnity Insurance Company/McGowan	\$49,910.	\$52,836	Increased due to the firming of the insurance markets; the Automotive increased based on the loss experience
Automotive Coverage	Westfield Insurance Company/McGowan	\$19,572	\$25,808	Increased based on the loss experience
Umbrella Liability	The Ohio Casualty Company/McGowan	\$38,080	\$40,390	One of the rating factors is based on underlying premiums and if the underlying premium is up, so follow the Umbrella premium
Crime	Travelers Insurance Companies/McGowan	\$8,885	\$10,100	Remained flat, was prorated from January 1, 2013 rather than August 1, 2013 when the surety bond was reduced on the Fiscal Officers at the January 17, 2013 Organizational Meeting
Public Officials and Employment Practices Liability	Illinois National Insurance Company (member of the AIG Group)	\$31,980.20	\$34,363	Changed carriers; incumbent carrier proposed a 112% premium increase due to the adverse development of EEOC claim matter and raised deductible from \$50,000 to \$100,000. Illinois also had \$100,000 deductible.

Now therefore be it

RESOLVED, That the Board of Library Trustees ratifies and approves the decision to purchase Property Insurance through The Hylant Group for the second year's premium of \$229,000 and General Liability, Automotive, Umbrella Liability and Crime Insurance through McGowan & Co., Inc. for the second year's premium of \$129,134 for the period August 1, 2013 through August 1, 2014; and be it further

EXHIBIT 4

RESOLVED, That the Board of Library Trustees ratifies and approves the decision to purchase Public Officials Liability and Employment Practices Liability Insurance with Illinois National Insurance Company through McGowan & Co., Inc. for the second year's premium of \$34,363 for the period September 18, 2013 through September 18, 2014; and be it further

RESOLVED, That it is the intention of this Board to renew the insurance packages stated within this Resolution for three, one-year renewal periods commencing on either August 1, 2014 or September 18, 2014, provided terms and conditions remain comparable and the pricing is consistent with then current market conditions and the Library's history; and be it further

RESOLVED, The Library management will report on the status of the insurance renewal premiums for ratification by the Board of Library Trustees at the next regularly scheduled meeting.

CRAIN, LANGNER & CO.

ANALYSTS AND CONSULTANTS
RISK AND INSURANCE MANAGEMENT

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September 13, 2013

Carrie Krenicky
Chief Financial Officer
Cleveland Public Library
325 Superior Avenue
Cleveland, Ohio 44114

Re: Public Officials Liability
Employment Practices Liability Insurance Proposals
September 18, 2013 – September 18, 2014

Dear Ms. Krenicky:

We reviewed the proposal options presented by McGowan Insurance to the Cleveland Public Library regarding its Public Officials Liability and Employment Practices Liability Insurance.

For reasons discussed below and consistent with our past discussions, at this time, it is recommended that the Library select the proposal as submitted by Illinois National Insurance Company, a member of the AIG Group for \$34,363 annual premium. This will represent an increase in annual premium of \$2,383, or 7.5%.

A number of program enhancements will be achieved or sustained through the purchase of coverage as offered by Illinois National Insurance Company, including coverage for third-party discrimination claims, defense costs are outside the limits of liability, and higher limits for claims alleging non-monetary damages.

Exhibit A reflects favorable proposal items in green highlight. Cautionary coverage items appear in yellow highlight, and unfavorable coverage items are in red highlight.

A. CURRENT PROGRAM

The Library currently purchases Public Officials Liability and Employment Practices Liability, including Third Party Liability, effective September 18, 2012 to September 18, 2013 as follows:

<u>COVERAGE</u>	<u>INSURER</u>	<u>AGENT/AGENCY</u>
Public Officials Liability	Darwin Select Insurance Company	Colin Dean McGowan & Company, Inc.
Employment Practices Liability Including Third Party Liability	Darwin Select Insurance Company	Colin Dean McGowan & Company, Inc.

The two coverages are contained in a single policy.

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Various terms, limits, deductibles, and premiums associated with the current policy as well as proposed by the insurers are reflected on the attached worksheet. The proposers' data reflected on the Summary Exhibit A is a combination of the data files completed and submitted by McGowan.

B. PROPOSALS RECEIVED

Due to the Library's recent loss history, a decision was made to allow McGowan to approach various markets in an effort to find more favorable terms and conditions than the current program placed through Darwin Select. We are generally pleased with the quality and responsiveness of the proposals which were submitted, and support the limited marketing of the program this year.

Three carriers submitted proposals for review:

<u>Agency/Agent</u>	<u>Insurer Groups</u>
McGowan & Company, Inc. Colin Dean	Darwin Select Insurance Company Illinois National Insurance Company (AIG) RSUI Indemnity Company

C. OBSERVATIONS AND COMMENTS

1. Insurance Companies – Exhibit A reflects the names of the insurers presented by the agents including the A.M. Best rating and Financial Size Category assigned to each. Both Illinois National and RSUI Indemnity are authorized and licensed in Ohio. Darwin Select is a non-admitted carrier, which means that the insurer's policy forms are not subject to Ohio Department of Insurance review and approval, and that insureds covered by the insurer do not have back-stop protection from the Ohio Guaranty Insurance Association in case of failure of the insurance company.

The A.M. Best rating and Financial Size Category of the proposing insurers (A, XIII) permits us to conclude the insurers are sufficiently financially secure to provide meaningful risk transfer protection to the Library. McGowan represented that each respective insurer is familiar with and has experience providing Public Officials Liability and Employment Practices Liability insurance.

<u>Insurer (Insurance Company Group)</u>	<u>AM Best Rating</u>	<u>AM Best Financial Size Category</u>
Darwin Select Insurance Company	A	XV
Illinois National Insurance Company	A	XV
RSUI Indemnity Company	A	XIII

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2. Recommendation Comments and Open Items – Key items to consider include the following:

a. Public Officials Liability and Employment Practices Liability – The current cost for Executive Risk Liability is \$31,981.25, which includes fees and surplus lines taxes. Darwin Select has offered a total renewal for \$67,691.40 (comprised of \$64,233 annual premium plus \$245 policy fee and \$3,223.40 Ohio surplus lines tax), representing a 111.7% increase over expiring, or approximately \$35,711. The increase in the proposed premium has been explained to be due to the adverse development of EEOC claim matters. Two other options were presented with lower premium amounts (\$34,363 through Illinois National Insurance Company and \$32,110 through RSUI Indemnity Company).

b. Coverage Terms and Conditions – The Library's diverse activities and geographic locations present significant Property, Casualty, and Executive Risk (Public Officials Liability and Employment Practices Liability) risks of loss. The Library continues diligently to avoid, minimize and control loss exposures whenever and wherever practical. The coverage terms and conditions presented by McGowan are considered responsive and effective to protect the Library against various risks of loss.

c. Selection of Defense Counsel – Both the AIG and the RSUI proposals indicate that the insurance company selects defense counsel. We recommend the Library discuss this with the agent and present the names of the lawyers and law firms that the Library would anticipate using in case of a claim, and obtain the insurer's pre-approval. In our experience, AIG and RSUI will both entertain this discussion and grant such pre-approval of qualified defense counsel.

d. Notice of Known Circumstances – As discussed previously, the Library should consider any circumstances known today that could give rise to a claim after September 17, 2013. Should any such circumstances or actual claims against the Library exist, then notice before September 18, 2013, to the current insurer (Darwin Select Insurance Company) should be considered pursuant to policy terms and conditions.

e. Non-Renewal – We recommend the selected insurer provide the Library with not fewer than sixty (60) days (preferably 90 days) notice of non-renewal. This request should be made to the agent and the policy endorsed accordingly.

f. Notice of Cancellation – If the AIG proposal is selected, then we recommend the Library request notice of cancellation be increased from thirty (30) days as shown in the proposal to not fewer than sixty (60) and preferably ninety (90) days.

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We appreciate the opportunity to be of service to the Library and welcome your comments and questions.

Sincerely,

Daniel C. Buser

DCB/cf

Attachment

**Public Officials Liability and Employment Practices Liability
Renewal Comparison - 2013**

Green = Favorable
Yellow = Caution
Red = Unfavorable

CARRIER	EXPIRING		RECOMMENDED	
	DARWIN SELECT INSURANCE COMPANY	DARWIN SELECT INSURANCE COMPANY	ILLINOIS NATIONAL INSURANCE COMPANY	RSUI INDEMNITY COMPANY
A	B	C	D	E
INSURANCE CARRIER GROUP	Allied World Assurance Group	Allied World Assurance Group	American International Group	Alleghany Corporation
ADMITTED STATUS	Non-Admitted	Non-Admitted	Admitted	Admitted
A. M. BEST RATING	A / XV	A / XV	A / XV	A / XIII
FORM	Claims Made	Claims Made	Claims Made	Claims Made
RETRO DATE	Full Prior Acts	Full Prior Acts	Full Prior Acts	Full Prior Acts
LIMIT - PUBLIC OFFICIALS LIAB	\$1M	\$1M	Claims Made	\$1M
LIMIT - EPLI	\$1M	\$1M	\$1M	\$1M
LIMIT - AGGREGATE	\$1M shared aggregate	\$1M shared aggregate	\$1M shared aggregate	\$1M shared aggregate
PUBLIC OFFICIALS DEDUCTIBLE	\$50K	\$50K	\$50K	\$50K
EMPLOYMENT PRACTICES DEDUCTIBLE	\$50K	\$100K	\$100K	\$50K
DUTY TO DEFEND	Yes	Yes	Yes	Yes
DEFENSE COSTS	Within Limits	Outside, max \$50K/claim, \$100K agg	Outside Limits	Within Limits
SELECTION OF DEFENSE COUNSEL	CPL selects counsel subject to approval	CPL selects counsel subject to approval	Insurer selects counsel	Insurer selects counsel
NON-MONETARY COSTS	\$50K / \$100K Agg	\$50K / \$100K Agg	\$100K/ \$100K Agg	\$25K / \$50K Agg
EPLI 3RD PARTY CLAIMS COVERED	Yes	Yes	Yes	No
NOTICE OF OCCURRENCE	Director, Human Resources Finance Administrator	Director, Human Resources Finance Administrator	Director, Human Resources Finance Administrator (pending AIG legal approval)	Director, Human Resources Finance Administrator (verbally willing to match expiring)
SEVERABILITY OF KNOWLEDGE	No imputation, however, policy void if elected/appointed official knew of untruthful statement in application	No imputation, however, policy void if elected/appointed official knew of untruthful statement in application	No imputation of knowledge to others	No imputation of knowledge to others
NON-RESCINDABLE, CANCELLATION	Rescission is unknown; policy non-cancellable except for non-payment of premium	Rescission is unknown; policy non-cancellable except for non-payment of premium	Insurer may cancel upon 30 days prior notice, 10 days prior notice for non-payment of premium	Side A coverage is non-rescindable
ABUSE & MOLESTATION	Excluded	Excluded	Silent	Silent
HAMMER CLAUSE	60%/40%	60%/40%	100%, 50% Defense Costs Only	70%/30%
OUTSIDE DIRECTORS	No	No	Yes - Non-Profit	Yes - Non-Profit
ANNUAL PREMIUM	\$30,224	\$64,223	\$34,108	\$32,110
FEE & SURPLUS TAX	\$1,756	\$3,468	\$255	\$0
TOTAL	\$31,980	\$67,691	\$34,363	\$32,110
\$ CHANGE FROM EXPIRING POLICY	\$3,910	\$35,711	\$2,383	\$130
% CHANGE FROM EXPIRING POLICY	13.93%	111.7%	7.5%	0.4%

No representations or warranties implied or intended