

WARREN COUNTY BOARD OF SUPERVISORS

COMMITTEE: INSURANCE

DATE: DECEMBER 20, 2007

COMMITTEE MEMBERS PRESENT:	OTHERS PRESENT:
SUPERVISORS GERAGHTY	AMY CLUTE, SELF INSURANCE ADMINISTRATOR
F. THOMAS	JOHN C. BIENIEK, VICE PRESIDENT OF COOL INSURING AGENCY, INC.
MERLINO	PAUL DUSEK, COUNTY ATTORNEY
SOKOL	HAL PAYNE, COMMISSIONER OF ADMINISTRATIVE & FISCAL SERVICES
COMMITTEE MEMBERS ABSENT:	JOAN SADY, CLERK OF THE BOARD
SUPERVISORS HASKELL	SUPERVISOR CAIMANO
GABRIELS	AMANDA ALLEN, LEGISLATIVE OFFICE SPECIALIST
GIRARD	

Mr. Geraghty called the meeting of the Insurance Committee to order at 10:00 a.m.

Privilege of the floor was extended to John C. Bieniek, Vice President of Cool Insuring Agency, Inc. (Cool), who was in attendance to make a presentation on his firm's insurance proposal for the County's Property and Casualty (P&C) lines of insurance coverage. Mr. Bieniek distributed copies of the insurance proposal to the Committee members, a copy of which is on file with the minutes.

Mr. Bieniek began by reminding the Committee that earlier in the year the County had awarded a broker's services contract to Cool, at which point they had begun working to verify all data and determine rateable exposures, such as buildings, vehicles and equipment, in order to develop the information necessary to appropriately market the coverage to other prospective carriers. He noted that Amy Clute, Self-Insurance Administrator, had been very helpful in forwarding all of the information requested during this process.

Mr. Bieniek distributed a summary of all P&C claims incurred by the County over the term April 1, 2003 through December 18, 2007, a copy of which is on file with the minutes. He explained that the biggest factor in determining insurance premium pricing was the claims experience and he pointed out that when the County was insured with NYMIR (New York Municipal Insurance Reciprocal) over a five-year period during the 1990's, \$352,000 in claims had been accumulated. During the term April 1, 2003 through December 18, 2007 the County had incurred a total of \$1.89 million in claims, he appraised, \$1,082,000 of which had been accumulated in the year 2007 alone. Mr. Bieniek added that the bulk of the 2007 total was attributed to an open automobile suit that currently totaled slightly more than \$822,000, resultant of an accident involving a 72-year old County employee who injured a pedestrian while driving a County vehicle. He said that the pedestrian had suffered a foot injury which required amputation of toes and the NYMIR Defense Attorneys and Claims Adjusters believed that the case would include a sizable judgement and that was why such a large amount had been reserved. Mr. Bieniek appraised that these claims figures represented a significant challenge when attempting to gain insurance quotations, as many carriers were wary of the significant increase in claims during the year 2007. He noted that early in 2008,

when time permitted, he wanted to meet with Paul Dusek, County Attorney, to earmark any claims of interest and subsequently set up a telephone conference with NYMIR to discuss each case and the reasons for the funds reserved in each case.

Mr. Bieniek directed the Committee to the letter addressed to Mr. Geraghty regarding the P&C program for 2008 which was included in the agenda. He explained that in addition to negotiating renewal coverage and premiums with the incumbent carrier (NYMIR), his agency had also approached Trident/Argonaut, Arrowhead/Fireman's Fund, AIG (*for airport liability*) and a multitude of healthcare liability insurers including One Beacon, CNA and Healthcap. Mr. Bieniek apprised that based on an apples to apples comparison, NYMIR was proposing a 10% premium reduction of 2007 coverage costs, which represented a decrease of \$75,425, while the Trident/Argonaut program had proposed a 14.7% reduction, a decrease of \$107,602. He stated that although the Trident proposal was lower, by approximately \$32,000, it was his recommendation that the County renew its coverage with NYMIR. Mr. Bieniek advised that the difference in premiums was not significant enough, in his opinion, to unseat the NYMIR, with whom the County had enjoyed a favorable service record. He added that although the final decision on placement of the County's insurance coverage rested with the full Board of Supervisors, as the County's designated broker he would advise that the benchmark for incumbent loyalty was generally a 10% cost difference, which was not realized by the Trident proposal. In addition, Mr. Bieniek noted, the County experienced a certain comfort level in the coverage held with NYMIR and that value had to be considered also.

Mr. Dusek apprised that during his tenure as the County Attorney, the County had a history of changing insurance companies and brokers quite frequently. He said that from his standpoint it had become very cumbersome, and sometimes unsettling, to maintain an accurate understanding of what claims should be submitted to which carriers and also to keep track of the coverages in place. Mr. Dusek agreed that as the County's legal representation he did not feel the price difference offered by Trident was significant enough to warrant a change in insurance carriers. In addition, he noted, when the County had changed carriers in the past they had found that although a lower rate was offered to attract business, it typically increased upon renewal the following year, as was common with private insurance carries. Mr. Dusek pointed out that NYMIR consisted of an insurance pool set up among Municipalities, which was not necessarily intended to be the lowest cost provider, but rather to give a sense of stability over time, which he felt they had accomplished.

The Committee should also keep in mind that when choosing a carrier it was important to consider how claims would be handled, Mr. Dusek stated. He apprised that during the electrical fire that had occurred in the Municipal Center during the previous winter, NYMIR had reimbursed the County for \$40,000 in expenditures but had not included reimbursement for loss of pay incurred during the event. Mr. Dusek said that upon reviewing the policy with NYMIR they had been receptive to the request for such and were willing to further analyze the policy and consider his arguments in justifying the reimbursement for lost payroll. He added that although it was rare for a carrier to make such re-evaluations of claim denials, NYMIR had done so and subsequently forwarded the reimbursement requested for lost payroll. Mr. Dusek reiterated his opinion that it would be beneficial for the County to renew its coverage with NYMIR, based on favorable past experiences

and he suggested that the Committee members keep these factors in mind when making their decision.

Mr. Geraghty pointed out that the premium reduction in the NYMIR proposal was considerable and he noted that in preliminary discussions with them regarding the coverage it had been advised that there would be no decrease in premium. Mr. Bieniek agreed with Mr. Geraghty's statement, adding that NYMIR had chosen to reduce the premiums based solely on the fact that the coverage was being marketed competitively to other carriers.

Moving on, Mr. Bieniek provided a brief outline of the insurance proposal prepared by Cool, a copy of which is on file with the minutes. He advised that section one of the proposal consisted of a brief description of his firm, its mission, philosophy and the services provided. Section two, Mr. Bieniek stated, contained an explanation and outline of the coverage provided by NYMIR, including Sudden & Accidental Pollution Liability; Public Official's Liability; Law Enforcement Liability and Property coverage. He noted that a second Pollution Liability policy was purchased by the County through AIG for the various fuel stations around the County, primarily concerning their underground fuel storage tanks. Mr. Bieniek pointed out that the Public Official's Liability coverage included favorable terms which noted that the coverage deductible applied only when a claims payment was made, which was a good feature. He advised that this section included a notation on Extended Employment Practices Coverage, which was optional and not currently carried by the County. Mr. Bieniek apprised that this coverage applied in the event that a labor grievance incurred a verdict demanding wages in arrears for lost pay during grievance hearings. He said that although he was not sure that the County had faced such issues in the past, they were not currently covered for the exposure and the coverage could be purchased for an additional \$5,063 annually.

Mr. Bieniek advised that the third section of the proposal referred to coverage for buildings and personal property, specifically County-owned buildings and their contents. He stated that a total in scheduled building and property had been developed and confirmed, totaling \$77 million and a \$10,000 deductible had been elected for losses against this policy, with a \$1 million sub-limit for flood and earthquake related losses. Section four, Mr. Bieniek explained, consisted of the Equipment Breakdown Insurance proposal, as offered by Travelers Insurance Companies, Inc. He noted that this coverage was written with Travelers for 2007 and he recommended that the County renew the coverage with them for 2008. Mr. Bieniek advised Ms. Clute that because the State required inspection of certain equipment, such as boilers, they needed to notify Travelers as to which equipment met this requirement. He added that the inspections would be performed through Travelers at no cost to the County.

Moving to section five, Mr. Bieniek advised that this section outlined the Inland Marine coverage, which consisted of large mobile items such as bulldozers, rollers, loaders and other equipment. He stated that a total of \$7.5 million in County property was scheduled under this section, including approximately \$1.5 million of computerized equipment. Mr. Bieniek said that these schedules had been verified line by line to be sure that all appropriate equipment had been included. He pointed out that this line of coverage was currently written with a private carrier, Peerless, and would be

written with NYMIR for 2008 in order to capture a \$4,000 savings.

Section six, Mr. Bieniek apprised, pertained to Fidelity Liability coverage which included a \$50,000 liability limit for forgery and money/security losses, both on and off premises, as well as a \$500,000 limit for public employee dishonesty, all with a \$5,000 deductible. He noted that the premium for this coverage was \$5,804 and was written with Travelers. Mr. Bieniek stated that in his opinion the limits of the coverage were very limited considering the amount of the County Budget and it was his recommendation that this coverage be increased. He said that he would discuss his suggestion at the close of the proposal review. In addition, Mr. Bieniek noted, he had spoken with Ms. Clute regarding conditions received from Travelers subsequent to the submission of the renewal application which required two or more persons reconciling bank deposits and withdrawals as this process was not currently used. Also, he said, Travelers required that criminal background checks be performed on any employees handling County funds.

Mr. Bieniek advised that section seven pertained to the Commercial General Liability, which was required for slip and fall accidents, as well as liability to third parties for damage caused by the County. He noted that this coverage would apply in instances such as when excavation being done by the County led to a utility line of some sort being damaged. Mr. Bieniek stated that the County presently carried a \$10,000 deductible for this coverage and he noted that the proposal offered options for raising the premium in order to lower costs. He expressed his feeling that increasing the deductible would not decrease the premium such that it warranted the change presently and he added that in 2008 they would begin to identify risk factors and mechanisms for risk management in order to make such determinations for 2009. Mr. Bieniek stated that he was not comfortable with recommending that the County increase deductibles as these factors had yet to be determined.

Section eight outlined the Airport Liability, Mr. Bieniek stated, which included a \$5 million liability limit for existence hazards. He explained that by existence hazard he meant that the County was responsible for the runway because it was there, just as they were for County roads. Mr. Bieniek said that if the runway had problems, such as pot holes or heaving, liabilities could be created. He noted that through his work with the Warren County Economic Development Corporation he was aware that the Airport was considered a gem in the region and there was a lot of opportunity to expand it. Mr. Bieniek added that the Airport had received increased traffic on both commercial and private levels and he felt that the \$5 million limit was not sufficient to support the exposures existing. In addition, he noted, the County did not currently purchase terrorism coverage, and although he would not normally suggest that it be purchased, the increase in terrorist activities targeting transportation hubs made the coverage worth considering. He said that he would outline coverage options for additional coverage and higher limits at the close of the proposal review. Mr. Bieniek noted that because the County required the FBO (Fixed Base Operator), who acted as Airport Manager, to carry liability coverage for the operations from which the FBO profited and also to name the Airport as an additional insured on their liability coverage, the coverage quotation given was subject to the receipt of a copy of the certificate of insurance reflecting the policy limits and the additional insured clause. Mr. Dusek advised that he would forward a copy of the document requested to Mr. Bieniek.

Mr. Bieniek explained that section nine of the proposal contained the Healthcare Liability coverage, which was essentially the malpractice portion of the County's coverage, for which NYMIR clearly had a pricing advantage. Liability for the Westmount Health Facility, Countryside Adult Home, Public Health Department and Public Health Nursing services, were all included in this section of the coverage, Mr. Bieniek explained. He noted that the general liability aggregate limit, for slip and fall accidents, was \$2 million while the liability for medical procedure accidents carried limits of \$1 million per incident, \$3 million aggregate. Mr. Bieniek added that although the County carried a \$10 million Umbrella Liability policy, the Healthcare Liability coverage was not included under it, making the liability totals listed for this coverage all that was available. He advised that the coverages listed were standard, although higher liability limits could be purchased.

Section ten, Mr. Bieniek stated, referred to Automobile coverage, which included the entire County fleet of 280 vehicles. He said that the proposed premium for 2008 was approximately \$82,000, or \$300 per vehicle, which was an outstanding rate as it included coverage for the Sheriff's vehicles as well as large DPW dump trucks. Mr. Bieniek advised that section eleven outlined the Umbrella Liability coverage which, as noted previously, provided an additional \$10 million limit to supplement the other lines of liability coverages. He added that he was very comfortable with the Umbrella Liability limit because lawsuit verdicts in upstate New York were not anywhere near this figure and Mr. Dusek agreed with this statement.

Concluding the proposal review, Mr. Bieniek directed the Committee members to section twelve of the proposal which outlined premium costs. He pointed out that although the initial RFP (Request for Proposal) submitted by Cool had reflected \$817,000 as the total for expiring premiums, the figure was actually \$734,035, because the Pollution coverage previously included did not expire until the end of 2009. Mr. Bieniek outlined the premium renewal options, which consisted of either renewing the coverage lines with the current program carriers, at a cost of \$658,610, or replacing the NYMIR coverage with that offered by Trident/Argonaut, at a cost of \$626,433. He then reviewed the listing of premium reductions available through increasing coverage deductibles, but reiterated that he did not recommend increasing deductibles at this point as sufficient risk management information was not available. Mr. Bieniek said that they would analyze these factors in 2008 to determine if it was prudent to increase coverage deductibles for 2009. Referring to the Commercial Crime coverages, Mr. Bieniek advised that the quotation included premiums for coverage that would double the limits of liability for forgery, money and securities claims occurring both on and off premises and public employees dishonesty coverage, as well as add coverage for computer fraud at a \$100,000 limit of liability, and reduced the deductible of \$1,000. He said that the premium for this coverage was \$7,283, approximately \$1,500 higher than the current premium; however, he said, he felt that it was prudent for the County to implement the higher coverages recommended.

Moving ahead to the Airport Owners and Operators Liability Insurance quotation, Mr. Bieniek advised that the current premium was \$5,293 for a General Liability limit of \$5 million with a \$2 million limit for Hangerkeeper's Liability. He suggested that the Committee consider increasing this limit to \$20 million, for a total of \$11,657 (*including a \$5 million limit for Hanger Keeper's Liability*). Mr. Bieniek stated that in the event that the County was also interested in further increasing the limits of the Hangarkeeper's Liability coverage he had included two options for Airport Liability, the

second of which included a \$20 million limit for both General Liability and Hangerkeeper's Liability for a total of \$12,927. He noted that the final page of the proposal included a quotation for both War and TRIA (Terrorism Risk Insurance Act of 2002) coverage which were quoted at a premium of \$5,000 each and he said that he encouraged the Committee to consider adding this valuable coverage.

Mr. Bieniek apprised that his firm would begin the services portion of their program in January, when they were scheduled to meet with the County's Department Heads to discuss investigation practices in the event of an accident. He said that they wanted to find out what steps were taken subsequent to an accident as well as those 'near misses' when an accident has happened that did not necessarily end in a claim but should be avoided in the future if possible. Mr. Bieniek advised that as they discussed these matters they would develop a database to trend which Departments were experiencing issues.

Discussion ensued with respect to the insurance proposal.

Mr. Bieniek advised that if the Committee was unsure as to whether or not they wanted to adjust the liability limits they could choose to either renew with NYMIR or changed to Trident/Argonaut and made further adjustments to the coverage limits once they'd had an opportunity to discuss them further.

Motion was made by Mr. Sokol, seconded by Mr. Merlino and carried unanimously to authorize a total amount of \$664,974 to be paid to Cool Insuring for 2008 Property & Casualty Insurance (*excluding Workers' Compensation Excess coverage*) for renewal of the coverage currently held with NYMIR, including an increase in the Airport Liability coverage to \$20 million and to \$2 million for the Hangarkeeper's Liability coverage, and the necessary resolution was authorized for the December 21st Board meeting. *A copy of the resolution request form is on file with the minutes.*

Mr. Geraghty announced that the Committee would discuss the remaining coverage increase/addition suggestions made by Mr. Bieniek for consideration at a later date.

As there was no further business to come before the Insurance Committee, on motion made by Mr. Sokol and seconded by Mr. Merlino, Mr. Geraghty adjourned the meeting at 10:46 a.m.

Respectfully submitted,
Amanda Allen, Legislative Office Specialist