



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

File #: 14-1378, **Version:** 1

TRANSMITTAL LETTER FOR BOARD MEETING OF NOVEMBER 20, 2014

COMMITTEE ON PROCUREMENT

Mr. David St. Pierre, Executive Director

Issue purchase order to Mesirow Insurance Services, Inc. for Furnishing Excess Workers' Compensation Coverage and Excess Casualty Insurance Coverage for the District in an amount not to exceed \$1,061,080.00, Account 101-25000-612290, Requisition-1388452

Dear Sir:

At the Board Meeting of December 6, 2012, in accordance with Contract 12-RFP-22, the Board of Commissioners awarded a purchase order to Mesirow Insurance Services, Inc. (Mesirow) to serve as the District's broker-of-record for casualty lines of insurance and related services for a three-year period. In this capacity, Mesirow now has responsibility for securing quotes from the insurance market for specified insurance policies.

On November 4, 2014, the District received certain bid quotations which Mesirow had solicited pursuant to the detailed specifications in the Excess Casualty Underwriting Submission for casualty insurance for a one-year period to be effective December 11, 2014 to provide: 1) excess workers' compensation insurance, and 2) a tower of excess casualty insurance, including general liability, public officials liability, employment practices liability, law enforcement/police professional liability, and excess liability.

Excess workers' compensation insurance was requested with a Specific Excess Limit of \$50,000,000.00 or Statutory and with an Employer's Liability Limit of \$1,000,000.00 with self-insured retention (SIR) options at \$1,500,000.00 and \$2,000,000.00. For excess casualty insurance, coverage with a layered insurance policy structure was requested with minimum excess casualty program limits of \$50,000,000.00 over an SIR of \$1,000,000.00, except \$5,000,000.00 for class action suits for flood/sewer back-up. Insurance companies were given the option to quote full or partial limits (layers), as well as additional limits (layers) above the \$50,000,000.00.

For the 2014 excess workers' compensation placement, six insurance companies were approached for quotations, and two insurance companies provided quotations with a variety of options. Quotes were provided with a Specific Excess Limit of Statutory, \$50,000,000.00, and \$75,000,000.00, and with an Employer's Liability Limit of \$1,000,000.00 and with the SIRs requested.

It was determined that optimal program design, coverage and pricing for excess workers' compensation coverage was offered by Safety National Casualty Corporation with a Specific Excess Limit of Statutory (unlimited except where limited by State or Federal law) and with an Employer's Liability Limit of \$1,000,000.00 over an SIR of \$2,000,000.00 at a cost of \$277,321.00, which is less than the renewal quote by the incumbent. The premium for this policy is subject to audit and will be adjusted to reflect a premium based on actual payroll after the end of the policy term.

For the 2014 excess casualty program, thirty-four insurance companies were approached for quotations. Pricing for this coverage is based on payroll, which has increased year over year. These premiums are not

subject to audit, so the premium will not be adjusted at the end of the term.

Only the incumbent insurance carrier provided a quotation on the first \$10,000,000.00 layer of coverage. The renewal pricing includes a 2.6% rate decrease.

Strong competition on the second \$10,000,000.00 layer of coverage by three insurance carriers generated a significant price reduction for that layer, also driving price reductions for the layers above it. Two insurance carriers provided quotes for the third \$10,000,000.00 layer and four carriers offered quotations on portions of the top \$20,000,000.00 of coverage excess of the third layer.

Optimal pricing for the \$40,000,000.00 in coverage provided in the layers above the first \$10,000,000.00 layer was accomplished by restructuring from 4 layers to 3 layers, with two insurance companies sharing the top \$20,000,000.00 layer on a quota share basis.

For the 2014 excess casualty insurance, I recommend a program with total limits of \$50,000,000.00 over an SIR of \$1,000,000.00 with an SIR of \$5,000,000.00 for class action suits for flood/sewer back-up at a total program cost of \$783,759.00 which is a 21.2% decrease over expiring. Coverage will be provided by the following insurance companies:

AIG/Lexington Insurance Company: Limit of \$10,000,000.00 with an SIR of \$1,000,000.00 except \$5,000,000.00 for class action suits for flood/sewer back-up at a cost of \$381,880.00.

Starr Indemnity & Liability Company: Limit of \$10,000,000.00 excess of the \$10,000,000.00 first layer at a cost of \$151,879.00.

Allied World National Assurance Company: Limit of \$10,000,000.00 excess of \$20,000,000.00 at a cost of \$100,000.00.

Great American Assurance Company: Limit of \$10,000,000.00, 50% quota share of \$20,000,000.00 excess of \$30,000,000.00 at a cost of \$75,000.00

National Casualty Company: Limit of \$10,000,000.00, 50% quota share of \$20,000,000.00 excess of \$30,000,000.00 at a cost of \$75,000.00.

The total amount of the workers' compensation placement and the excess casualty program placements is \$1,061,080.00. The quotations were evaluated by Mesirow, the District's Risk Manager, the Director of Human Resources, and a representative from the Procurement and Materials Management Department.

Carriers who declined to offer a quotation cited various reasons, including the lack of competitiveness of their quotations in the prior year, the size of the District, and the class of business.

All insurance carriers being recommended for this placement are licensed to do business in Illinois and meet the District's A.M. Best Company insurance ratings requirements of A- VII or better.

In view of the foregoing, it is recommended that the Director of Procurement and Materials Management be authorized to issue a purchase order to Mesirow Insurance Services, Inc. in an amount not to exceed \$1,061,080.00.

Funds for the 2014 expenditure in the amount of \$1,061,080.00 are available in Account 101-25000-612290.

Requested, Denise E. Korcal, Director of Human Resources

Recommended, Darlene A. LoCascio, Director of Procurement and Materials Management

Respectfully Submitted, Barbara J. McGowan, Chairman Committee on Procurement

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for November 20, 2014