



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

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TRANSMITTAL LETTER FOR BOARD MEETING OF NOVEMBER 19, 2020

COMMITTEE ON PROCUREMENT

Mr. Brian Perkovich, Executive Director

Issue purchase order to Mesirow Insurance Services, Inc. for Furnishing Excess Casualty Insurance Coverage for the District in an amount not to exceed \$1,253,470.00, Account 101-25000-612290, Requisition 1547843
(As Revised)

Dear Sir:

At the Board Meeting of December 21, 2017, in accordance with Contract 17-RFP-32, 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. As allowed by Contract, the District elected to extend the term for an additional two years to expire on December 31, 2022. In this capacity, Mesirow has responsibility for securing quotes from the insurance market for specified insurance policies. The current excess casualty insurance policies will expire on December 10, 2020.

On November 6, 2020, 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, 2020 to provide a tower of excess casualty insurance, including general liability, public officials liability, employment practices liability, law enforcement/police professional liability, employers liability, automobile liability, and excess liability for marine.

For the 2020 excess casualty program, 46 insurance companies were approached for quotations. Pricing for this coverage is primarily based on payroll, which has increased year-over-year. Also impacting carrier interest and pricing is the District's loss history, which includes three open claims that are anticipated to be in excess of the self-insured retention (SIR) as well as the number of open, large class action law suits for flood/sewer backup.

For the 2020 excess casualty insurance, we recommend a program with total limits of \$50,000,000.00 over an SIR of \$5,000,000.00 at a total program cost of \$1,253,470.00. This an increase of \$145,811.00 (13.2%) over the expiring program is the most competitively priced option.

First Layer: AIG/Lexington Insurance Company: Limit of \$10,000,000.00 with an SIR of \$5,000,000.00 at a cost of \$455,057.00

Second Layer: Allied World Assurance Company: Limit of \$10,000,000.00 excess of the \$10,000,000.00 first layer at a cost of \$297,563.00

Third Layer: Arch Insurance Company: Limit of \$10,000,000.00 excess of \$20,000,000.00 at a cost of \$200,850.00

Fourth Layer: Berkley National Insurance 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 \$150,000.00

Fourth Layer: 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 \$150,000.00

The casualty insurance market continued to progressively change throughout 2020 and proved to be even more challenging than the difficult casualty market in 2019. The changes to the overall market are primarily being driven by the loss experience of insurance carriers due to a significant increase in litigation, increased costs of reinsurance, and reduced investment returns combined with uncertainty about claims arising from the COVID-19 pandemic. As a result, Insurance carriers are rethinking their approach to underwriting and are being very selective about how they use their capacity. When insurance carriers do offer a quotation, they are often offering lower limits, higher deductibles, less coverage, and higher premiums than in prior years. There is also generally less competition among insurance carriers for new business.

Carriers who declined to offer a quotation cited various reasons, including the inability to be competitive with program pricing, the class of business/does not meet underwriting guidelines, and loss experience.

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

The Affirmative Action goals for Contract 17-RFP-32 are 10% Minority Business Enterprises (MBE), 5% Women Business Enterprises (WBE) and 10% Small Business Enterprises (SBE).

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 \$1,253,470.00.

Funds for the 2020 expenditure in the amount of \$1,253,470.00 are available in Account 101-25000-612290.

Requested, Beverly K. Sanders, Director of Human Resources, BKS:RAJ
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 19, 2020

Attachment