



**ERIE COUNTY WATER AUTHORITY  
INTEROFFICE MEMORANDUM**

To: Jerome D. Schad, Chair  
Peggy A. LaGree, Vice Chair  
Michele M. Iannello, Secretary

Cc: Terrence D. McCracken, Secretary  
Russell J. Stoll, Chief Operating Officer  
Leonard F. Kowalski, Executive Engineer  
Lavonya C. Lester, Director of Administration  
Mary J. Musarra, Claims Representative/Risk Manager

From: Karen A. Prendergast, Chief Financial Officer  
Margaret A. Murphy, General Counsel

Date: May 19, 2020

Subject: Annual Insurance Renewal and Extension of Professional Service Agreement with Lawley Services, Inc.

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**Annual Review of Insurance Coverage**

Prior to 2019, the Claims and Risk Management Unit was part of the Finance and Administration Department and supervised by the Comptroller and Deputy Director. Traditionally, this Unit has always had a close working relationship with the Legal Department regarding claim investigations and other matters leading to litigation. The General Counsel and the Legal Department have always reviewed and approved any denial or settlement of a claim, with the General Counsel having the authority to settle any claim for \$5000 or less without Board approval.

In the 2019 Restructuring, the Authority placed the Unit under the direct supervision of the General Counsel as part of the Legal Department. Under the Division Head structure, the General Counsel and the Chief Financial Officer work closely on issues relating to insurance coverage, limits, and premiums. The Chief Financial Officer has primary responsibility to work with the Authority's insurance broker, Lawley Services, Inc. ("Lawley"), to review and recommend changes relating to insurance renewal and premiums.

All brokered insurance policies<sup>1</sup> renew on or before the first day of July. Prior to

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<sup>1</sup> Brokered insurance policies, as used in this staff memorandum, mean insurance policies procured through a

the renewal period, Lawley provides a plan summary and report (the "Report"). Lawley representatives then meet with the Board to present the Report, and to answer questions, relating to carriers, the type and the extent of coverage, and the estimated cost for such coverage.

This year, Lawley will be presenting its preliminary Report at the regular board meeting on June 10, 2021. This preliminary Report will not be posted on the Authority's website so Lawley may continue to solicit and negotiate rates with potential carriers without revealing preliminary quotes from other carriers.

Karen Prendergast and other Authority personnel have already had informal discussions with Lawley to discuss its brokerage plan and anticipated increases in premiums for certain types of insurance coverage. The Authority is expecting premium increases above 5% for Cybersecurity, Property, and Workers' Compensation insurance..

Lawley and the Authority will continue to negotiate rates up until the expiration date of the prior policy. Lawley and the General Counsel are again recommending that Karen A. Prendergast, as the Authority's CFO, be given the authority to sign all insurance documents to bind coverage for the Authority.

### **New Brokerage Agreement**

As previously stated in the Staff Report, dated April 7, 2021, the Executive Staff is also recommending a new professional service agreement with Lawley, for a term of three-years with two, one-year extensions. Lawley has been an invaluable partner and resource to the Authority.

The Authority personnel, initiating a new contract or the procurement of goods and services, now directly contacts Pat Quinn via email to obtain the necessary risk assessment and insurance requirements. Lawley's quick turnaround has saved significant time in the procurement process.

The Authority and Lawley have also worked together to strengthen the enforceability of bond and insurance covenants by amending and standardizing language found in multiple boiler-type Authority agreements. Most recently, the Authority has amended language in construction-related agreements, transferring litigation expenses and costs to downstream contractors and subcontractors whose action exposes the Authority to Labor Law claims.

Throughout the pandemic, Lawley shared with the Authority information relating to

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brokerage agreement. Lawley does not broker insurance for life, health, dental, or disability.

the best employment practices and plans relating to essential workers and protecting the Authority's critical infrastructure from cyberattacks and other security breaches.

While the Authority continues addressing the management and operational challenges of an aging critical infrastructure, managing Authority staff to optimize productivity, keeping abreast of changes within the insurance industry, and positioning the Authority in the strongest fiscal environment with sufficient insurance coverage to address expected and unexpected losses, the Authority needs to continue its partnership with Lawley more than ever.

Lawley has reviewed the proposed agreement, now submitted to the Board for its approval. Lawley has agreed to the same terms, conditions, and fees as the current agreement, due to expire on June 30, 2021.

The Authority's Executive Staff and Lawley are currently discussing expanding services to include Lawley's Certificate of Insurance (COI) Review Program. Such services, if recommended to the Board by the Executive Staff, would be included in a separate, one-year agreement. The Executive Staff are continuing to discuss this program with Lawley representative. The Board can expect another update as to this program at a future board meeting.

### **Board Approval Sought**

The Office of the Secretary has prepared a resolution authorizing the execution of the new Professional Service Agreement with Lawley and authorizing the CFO to sign all insurance documents to bind coverage for the Authority. At the regular meeting scheduled for June 24, 2021, the CFO will prepare and request the adoption of a resolution setting forth the types of coverage and the carriers with whom the Authority will seek to bind such coverage.

Budget Information:

O&M Budget

Unit: 7510: General Expenses

Item No.: 20 (924053) – General/Insurance