



ERIE COUNTY WATER AUTHORITY

INTEROFFICE MEMORANDUM

May 27, 2020

To: Commissioners Schad, Carney and LaGree

From: Karen A. Prendergast, Chief Financial Officer

Subject: 2020/2021 Insurance Renewals

All the Authority's insurance policies are expiring on July 1, 2020. At the May 21, 2020 meeting, the Board approved an amendment of our professional service agreement with Lawley Services, extending the contract to allow Lawley to broker new insurance contracts on our behalf.

Some of the larger policies the Authority is seeking to bind are general liability, automobile, property, cyber, public officials, umbrella, and workers compensation coverage. Pat Quinn of Lawley Services will speak about the process and next steps at the June 4, 2020 meeting.

At the May 28, 2019 meeting, the Board requested a one-year study on the potential benefits of terminating our relationship with the New York State Insurance Fund (NYSIF) and self-insuring our workers compensation claims. I would like to offer the following observations:

- The advantage to a self-insurance model is generally a short-term cash flow improvement – claims are paid, and reserves accrued for new claims only. For example, in the first year there would be a significant cash flow and claims expense savings because all existing claims stay with NYSIF;
- As first year claims mature over the next several years, the amount of reserve for each claim increases and new claims are added;
- Any claims filed during the period of self-insurance cannot be transferred in the future to an insurance carrier.
- NYSIF has provided excellent customer service to the Authority. Employee claims are processed, and payments received in a timely manner and disputes are handled directly by NYSIF, allowing the Authority to maintain a position of support for our employees.
- Annual claim reviews are held with NYSIF and Lawley, giving the Authority an opportunity to ask questions and challenge reserve amounts. Lawley has been an invaluable partner in working to lower claims reserves.

Our workers compensation insurance premium is based on payroll, experience rating and a NYSIF modifier which assesses charges or discounts based on anticipated claim exposure. I have included a history of premiums paid over the past seven years and an estimate for the current policy year. Prior to that time, the Authority was eligible for and rated as part of a safety group and enjoyed significantly lower premiums.

After a four-year decline in premiums, our experience rating is trending up resulting in a projected 20% increase in our 2020/2021 premium.

Although our 2020/2021 premium is projected to be significantly higher, based on our rising claims experience and the short-term nature of potential cash flow savings, I would not recommend the Authority move to a self-insured environment at this time.

cc T. McCracken
 M. Murphy
 R. Stoll

ECWA Premium History with NYSIF

Policy Period	Experience Rating	Premium	Increase (Decrease)	% Change
2013/2014	1.58	1,037,715	-	N/A
2014/2015	1.62	1,255,794	218,079	21.02%
2015/2016	1.63	1,751,808	496,014	39.50%
2016/2017	1.53	1,617,790	(134,018)	-7.65%
2017/2018	1.40	1,588,765	(29,025)	-1.79%
2018/2019	1.31	1,490,255	(98,510)	-6.20%
2019/2020	1.37	1,483,844	(6,411)	-0.43%
2020/2021 est.	1.41	1,778,555	294,711	19.86%