



**ERIE COUNTY WATER AUTHORITY
INTEROFFICE MEMORANDUM**

To: Jerome D. Schad, Chair
Mark S. Carney, Vice Chair
Peggy LaGree, Commissioner

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

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

Date: May 12, 2020

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

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 with regards to 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. In the General Counsel's view, the Chief Financial Officer should have primary responsibility to work with the Authority's insurance broker and its Claims/Risk Manager to review and recommend changes relating to insurance renewal and premiums.

All brokered insurance policies¹ renew on or before the first day of July. Prior to

¹ Brokered insurance policies, as used in this staff memorandum, mean insurance policies procured through a

the renewal period, the Authority's insurance broker provides a plan summary and report (the "Report") and then will appear before 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 Service, Inc. ("Lawley") will be presenting its preliminary Report at the regular board meeting on June 4, 2020. This preliminary Report will not be posted on the Authority's website so Lawley may continue to solicit and negotiate rates with potential carriers. Placing Lawley's preliminary Report could affect its ability to broker such services for the Authority.

Prior to the June 4, 2020, the CFO, General Counsel, the Claims/Risk Manager, and other Authority personnel will have an informal phone conference with Lawley to discuss its preliminary findings and brokerage plan.

Over the years, Lawley and the Authority have continued to negotiate rates up until the expiration date of the prior policy. Lawley and the General Counsel are 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.

Finally, both the General Counsel and the CFO are recommending a one-year extension of the professional service agreement with Lawley. Last year, the Authority's Board and management staff had planned to solicit request for proposals and qualifications from insurance brokers, including Lawley. For this reason, the Board entered into only a one-year brokerage agreement with Lawley.

However, at the time this agreement was executed, the Board was unaware that Anthony Alessi, the Authority's long serving Claims Representative and Risk Manager, would be retiring in August. Following the retirement, Lawley agreed to provide additional services to assist the Authority through the transition. The Authority's new Claims/Risk Manager, Molly J. Musarra, only started working with the Authority in mid-November. Given the state of emergency and the emergency workforce plan, it is not a good time to introduce more changes to the Claim/Risk Management Unit. We recommend extending the professional service agreement with Lawley for one-year.

We have provided you with a proposed amendment to the agreement. Lawley has reviewed the amendment and has agreed to provide services until June 30, 2021, under the same terms and conditions of the original agreement and without requesting any additional compensation.

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The Office of the Secretary has prepared a resolution authorizing the execution of the amendment and authorizing the CFO to sign all insurance documents to bind coverage for the Authority. At the regular meeting scheduled for June 18, 2020, 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.

Ms. Prendergast will be present at the May 21st Board meeting to answer any questions.