Town of Greenburgh

Report of the Citizens Insurance Advisory Committee

To the Honorable Members of the Town Board

The Citizens Insurance Advisory Committee was formed in November, 2005 to assess the Town’s current insurance coverage and to make recommendations to the Town Board for obtaining optimal levels and quality of insurance in as cost-effective a manner as possible. The Committee was comprised of residents of the Town who responded to public announcements of the Committee’s formation and who had experience in insurance and risk management. The Committee Members are Richard G. Liskov, Chair; Joi Mayhawk, Eugene Pepe, Ben Palancia, Jim Reese, Lisa Geoghegan, and R. Trieff. The Committee conducted a number of meetings with Supervisor Feiner, Comptroller Heslop, Asst. Comptroller Kirkland and representatives of the Town’s current broker, Arthur J. Gallagher. With the approval of the Town Attorney, the Chair was afforded the opportunity to review the Town’s current property and liability insurance policies on a confidential basis and was permitted to pose several questions to persons who responded to the Request for Proposals (RFP) for retention as the Town’s Insurance Consultant at their respective interviews with the Comptroller and Assistant Comptroller.
The Committee reports the following findings and proposes the following recommendations for the Town Board’s consideration.

- The Town's overall insurance coverage appears to be adequate for the type and level of risks that can be reasonably foreseen. In particular, the substantial increase in liability coverage from what it had been several years ago was proper even though the premiums increased.

- Certain parts of the current property insurance policy, such as Extra Expense Coverage—which is intended to cover the extra costs of obtaining temporary facilities and equipment in the event of a covered loss, such as a fire--has a current sub-limit of $1 million and should be considered for higher limits.

- Certain liability coverages such as Employment Practice Liability coverage that currently have coverage for loss or damage arising from certain specified acts of terrorism--at the cost of several thousand dollars of additional premium-- should be
modified to delete such coverage as unnecessary.

- As to the property insurance, unless Town officials, the Town's broker, or the Town's consultant (if any) can provide specific reasons for enhancing such insurance with terrorism-related coverage considerable additional cost, with particular reference to those Town facilities which present heightened risks of a terrorist incident, then terrorism-related coverage should be deleted from the property policy. It is important to note that coverage for loss or damage arising from those specified acts of terrorism which the federal Terrorism Risk Insurance Act of 2002, as extended, requires insurance companies to offer, does not apply to claims arising from nuclear, biological or chemical attacks; therefore even though the Town is within a potential radiation zone arising from a possible attack on Indian Point, damage to Town property from such an attack would still not be covered.

- With the deletion of one or more terrorism-related coverages and the resulting savings in
premiums, the Town should be able to spend somewhat more in premium on the liability policies. It may be cost effective to lower its self-insured retention from the existing $75,000 per occurrence on its liability policies. If the retention per occurrence were lowered to $50,000, then each occurrence between $50,000 and $75,000 would be eligible for coverage which is not now being covered by insurance and for which the Town alone would be responsible for any settlement or judgment on those claims. In the last several years there were three claims that would have been covered with a $50,000 retention, but which were not eligible for coverage as they did not exceed $75,000.

- The Town should only select brokers (1) whose firms have substantial experience in handling municipalities' risks and (2) whose firms either do not accept contingent commissions at all on any placements, or would be willing to expressly waive the acceptance of any contingent commissions that might otherwise be payable from insurers on the Town's insurance placements.
➢ The Town should, as a general policy, appoint only one broker at any one time in order to achieve the greatest efficiency in placing its insurance, unless there are compelling circumstances that would justify the need for more than one broker, such as, the selected broker's inability to access a market that is essential.

➢ The Town should only hire an insurance consultant on an "as needed" basis, not on an annual retainer basis. As a general policy the Town should only use an insurance consultant (a) when it is advisable to re-bid the entire package of insurance or (b) when a major Town construction project is being started, it would be helpful to have the consultant's advice on the particular types and levels of coverage needed for that project, and that advice cannot be fully provided by current Town staff and the Town’s broker.

➢ The Committee makes no recommendation as to which of the consultants responding to the RFP the Town should select, except that it considers (1) the degree to which the consultant has extensive experience in
advising other municipalities and governmental bodies, (2) the degree to which the consultant's references are favorable, and (3) the consultant's proposed compensation rates, to be the most salient considerations for selection.

As a general policy the Town should not solicit bids through its broker in the insurance market every year or even every two years, unless (a) an existing carrier has been downgraded below an "A" rating, (b) an existing carrier has been unreasonably dilatory or unfair in its claims handling, and (c) substantial changes in general market conditions render it advisable to re-bid that particular year. Absent one or more of these factors, soliciting bids from insurers more frequently is not likely to lead to significant savings in premiums, but is likely to elicit concerns among underwriters as to the Town’s overall risk profile and is also likely to strain relationships with existing insurers whose responsiveness in terms of claims handling is critical.

The primary and excess layer liability policies should be specifically endorsed to cover
lifeguards at the Town Pool in light of potentially problematic language in the existing policy. Although the broker has received a letter affirming such coverage from the insurer, coverage for life guards should be expressed in a written endorsement to the policies that would be binding on both the primary and the excess liability carriers.

- The endorsements to all polices should be consecutively numbered to avoid any confusion.

- Town officials and any consultant the Town retains should be alert to new developments concerning government reciprocals, or other forms of innovative risk solutions such as an association captive insurer, which may in the future justify switching the Town's property and liability insurance from commercial carriers to such reciprocals or captives. However, the Committee does not consider it advisable for the Town to do so for the upcoming policy year. The Committee is aware of the Town Board’s directive that property and liability coverages be placed only with insurers who have received ratings
of “A” or better from recognized rating services.

The Committee wishes to thank Comptroller Heslop and Assistant Comptroller Kirkland for their assistance in arranging the meetings of the Committee and in providing the Committee with relevant information.

Respectfully submitted,

Richard G. Liskov, Chair