

FOR CONSIDERATION

March 23, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Corporate Insurance Policies Renewal

REQUEST FOR: Authorization to Place Corporate Insurance Policies with Chartis Insurance, Hartford Insurance and Great American Insurance and to Take Related Actions

---

**BACKGROUND**

On an annual basis, ESDC is required to purchase various types of insurance coverage to ensure the protection of its employees, assets and subsidiaries.

Certain forms of insurance protect against financial losses to property owned by ESDC or arising from work-related injury to employees or third parties. These types of insurance include Real and Personal Property insurance, Commercial General Liability and Excess Umbrella insurance, Automobile Liability insurance and Employee Crime and Dishonesty insurance.

Other forms of insurance constitute part of ESDC's fringe benefits, such as Long and Short Term Disability, Accidental Death & Dismemberment, and Worker's Compensation insurance.

The majority of these policies expire annually on February 28<sup>th</sup> and at this time ESDC is required to renew those insurance policies and pay the related premiums. Policies may be placed with several different carriers, as ESDC seeks to place each policy with the most financially stable carrier with the most competitive pricing.

**Insurance Marketing/ Placement:**

Through a competitive solicitation process, in December of 2009 ESDC procured Cool Insuring Agency as our primary insurance consultant and broker. Cool is a reputable insurance broker with significant experience working with State agencies and local municipalities. Among other mandates, Cool is the insurance broker for the New York State Office of General Services (OGS) and the New York City Economic Development Corporation (NYC-EDC).

In renewing our Corporate insurance policies, ESDC's Insurance and Risk Management staff worked together with Cool to confirm the appropriate levels of coverage and authorized Cool to solicit insurance carriers to provide bids.

As a result of this marketing effort, Cool recommended placement of the following policies currently up for renewal as set forth below:

**Commercial Liability & Loss Coverage:**

<b><u>Insurance</u></b>	<b><u>Policy Description</u></b>	<b><u>Carrier / Rating</u></b>	<b><u>Premium Cost</u></b>
General Liability	\$2 million general aggregate coverage/ \$1 million per occurrence.	<b>Chartis*</b> / A (Excellent)	\$135,000
Excess Umbrella Liability	\$25 million general aggregate	<b>Chartis</b> / A (Excellent)	\$68,500
Real & Personal Property	\$36.9 million total coverage	<b>Hartford</b> / A (Excellent)	\$38,898

**Employee Benefit Coverage**

<b><u>Insurance</u></b>	<b><u>Policy Description</u></b>	<b><u>Carrier</u></b>	<b><u>Premium Cost</u></b>
Crime-Employee Dishonesty	\$5 million aggregate	<b>Great American</b> / A (Excellent)	\$7,900
Workers Compensation/ Employers Liability Insurance	All ESDC employees/ Corporate Liability protection	<b>Hartford</b> / A (Excellent)	\$67,070
<b>Total Premium cost</b>			<b>\$317,368</b>

*\* Chartis is a new entity previously known as the Property & Casualty business of AIG Insurance.*

**Insurance Term and Cost:**

The total premium for the five renewed policies noted above for a term of one year is \$317,368. ESDC has renewed all policies with the existing carriers, as the other carriers Cool solicited were not able to compete with these premiums. All of the above carriers carry a financial strength rating of A (Excellent) as per AM Best.

The total amount of premium for the above policies represents a \$31,956, or 9% decrease over last year's premiums of \$349,324. This decrease is driven by reduced general liability premiums resulting from a reduction in exposures and the competitive market for commercial general liability insurance.

As these policies are for the benefit of both the Corporation and its subsidiaries, a substantial portion of premium payments will be reimbursed. The Corporation and its subsidiaries achieve optimal pricing through this cost-sharing arrangement due to economies of scale, as opposed to

purchasing separate smaller policies. As set forth below, of the \$317,368 in premiums, approximately \$193,000 is recoverable to the corporation:

<b>Dept/ Subsidiary</b>	<b>Premium Allocation</b>	<b>Funding Source</b>
Lower Manhattan (LMDC)	\$86,585	US Dept of HUD
Erie Canal Harbor (ECHDC)	48,556	NYPA & Others
MLC Housing Portfolio	24,630	Property-related income
42nd Street (42DP)	11,750	Developer Funds
Harriman Campus (HRTDC)	6,074	Developer Funds
Other Depts/Subsidiaries	<u>15,408</u>	Various
<b>Subtotal (recoverable)</b>	<b>\$193,002</b>	
<b>ESDC</b>	<b>\$124,366</b>	Corporate
<b>Total Premiums</b>	<b><u>\$317,368</u></b>	

**AFFIRMATIVE ACTION:**

ESDC’s Non-discrimination and Affirmative Action policy applies to these procurements. Cool is encouraged to use its best efforts to provide for the meaningful participation of Minority and Women-owned Business Enterprises (M/WBEs), Minority Group Members and women for any product/ materials or services necessary for the completion of the work, and to consider forming joint ventures, associations, partnerships or other similar arrangements with M/WBE firms, where appropriate or feasible. The Affirmative Action Unit is available to assist Cool in identifying New York State certified M/WBEs that may provide goods and services in connection with this contract.

**REQUESTED ACTION:**

The Directors are requested to authorize the renewal of the policies set forth above, with the respective carriers indicated, for a total premium cost of \$317,368. It was originally anticipated that the Directors would authorize these premiums prior to their expiration on February 28<sup>th</sup>, however the first ESDC board meeting in 2011 did not take place until March. In order to prevent coverage from lapsing, Insurance and Risk Management staff has already authorized Cool to renew these policies. The Directors are now requested to ratify these actions on the basis set forth above.

**ATTACHMENTS:**

Resolution

March 23, 2011

CORPORATE INSURANCE POLICIES RENEWAL – AUTHORIZATION TO PLACE CORPORATE INSURANCE POLICIES WITH CHARTIS INSURANCE, HARTFORD INSURANCE AND GREAT AMERICAN INSURANCE, AND TO TAKE RELATED ACTIONS

---

RESOLVED, that based upon the materials presented to the Directors at this meeting, a copy of which is hereby ordered to be filed with the records of the Corporation, that the Chairman and Chief Executive Officer of the Corporation or Chief Financial Officer or his/her designee(s) are hereby authorized, in the name and on behalf of the Corporation, to enter into all contracts, agreements and instruments, as the Chairman and Chief Executive Officer of the Corporation or Chief Financial Officer or his/her designee(s) shall deem necessary or appropriate in connection with the renewal of the Corporation's Commercial and General Excess Liability Insurance with Chartis Insurance, Real & Personal Property and Worker's Compensation Insurance with Hartford Insurance and Crime-Employee Dishonesty insurance with Great American Insurance for the 2011-2012 fiscal year at an annual premium of \$317,368.

RESOLVED, that all actions prior and heretofore taken on behalf of the Corporation in regard to the replacement of the foregoing insurance policies are hereby approved, ratified and confirmed.