

OHIO PLAN REPORT

ROUTING SLIP

- Police Department
- Fire Department
- Parks Department
- Street Department
- Water Department
- Administration
- Council/Trustees
- Wastewater Department

We would appreciate your assistance in distributing the Ohio Plan Report to the key people in your operation.

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SPECIAL EDITION 2010

Don't Gamble with "Lowest and Best" – Put Your \$ on Best



By Bill Petro, V.P. HAS Claim Services

What really does "lowest and best" or "lowest responsive and responsible" mean? We hear it all the time. And we still find confusion with the concept. I have seen many

lawsuits against our member public entities due to the confusion. On the surface it is somewhat misleading. But in the end it means "best"! The courts have said, "... a public agency is not automatically required to award a public contract to the company with the lowest dollar bid; instead, it is allowed to engage in a qualitative analysis as to which bid is better."⁽¹⁾

When it comes to purchasing insurance, what is "lowest and best" - what is "best"? Purchasing insurance is a financial decision making process, and the purchase of insurance is a gamble. But the gamble is one you can control by performing a qualitative analysis.

Admittedly this discussion is simplistic and limited to space in this newsletter. Many factors are left out – coverage, limits, exclusions, extensions, service, financial strength, local agent and the list goes on. We all know the old adage, "You get what you pay for". I have recently heard it said a little differently and with humor as, "Price, Quality, and Service... you can only pick two!" This axiom has a lot of truth to it.

A school district in Northwest Ohio had a tornado hit their high school on June 5th. The local newspapers have published concerns with the insurance company's claim response and ongoing issues. Which two of "price, quality and service" did the district receive?

Alternatively, Lake Township, half a mile west of school district, was hit by the same tornado. The Ohio Plan is servicing their claim. Lake Township is very pleased with the immediate response and

with the continued handling of their claim. What they paid for insurance is much less important to them than how the Ohio Plan responded at the time of their claim. So which two of "price, quality and service" did the Lake Township receive? (I would make the case Lake Township received all three!)

Ohio's competitive bidding statute requiring awarding a contract to the "lowest and best" bidder is Ohio Revised Code section 307.86. The statute allows for a qualitative analysis of the product in question - taking price somewhat out of the picture.

The courts have allowed public entities broad discretion in determining the "lowest and best" or "lowest responsive and responsible bidder". Public entities may establish criteria or follow qualitatively assessment in determining "lowest and best" or "lowest responsive and responsible" bidder.

Competitive bidding is intended "to provide for open and honest competition in bidding for public contracts and to save the public harmless, as well as bidders themselves, from any kind of favoritism or fraud in its varied forms."⁽²⁾

For this reason, "a public agency is not automatically required to award a public contract to the company with the lowest dollar bid; instead, it is allowed to engage in a qualitative analysis as to which bid is better."⁽¹⁾

So, when looking at insurance alternatives, who is better? Who is best? The qualitative analysis should include past experience you've had with each program, recommendations or references, coverage positives or negatives, additional services and the ever important claim handling service. Claim service is where the rubber meets the road with insurance products. If claim service is poor or non-existent, does it matter if a few dollars were saved on cheaper insurance premium?

An example may help. Company A (out-of-state and new to Ohio for-profit insurance company) submits a quote for \$100. Company B (22 year member-owned, non-profit Ohio plan) submits a quote for \$110. Doing a qualitative analysis, the public entity determines:

Company A:

- Headquartered out of state
- For-profit and taking profits out of state
- Profits to investors
- Claim service from out of state
- Has handled few Ohio public entity claims
- Unsure of their knowledge of Ohio immunities or defenses

Company B:

- Headquartered in Ohio since 1988
- Non-profit Ohio plan
- Surplus is kept in Ohio
- Surplus belongs to Ohio plan membership
- Ohio public officials are the Ohio plan's board of directors
- Claim service by Ohio-based adjusters, who only handle public entity claims
- Exceptional claim service of over 30,000 Ohio public entity claims
- Ohio-based risk management services included as part of package

In the end, the awarding of a contract to the lowest and best bid, does not mean the lowest – it means the best. You would be gambling by choosing the lowest without a qualitative analysis. When it comes to Ohio public entity insurance, the best choice is the Ohio Plan.

⁽¹⁾ RIEN CONSTRUCTION COMPANY- vs - BOARD OF TRUMBULL COUNTY COMMISSIONERS, (2000), 138 Ohio App.3d 622, 741 N.E.2d 979. See also Prime Contractors v. Girard (1995), 101 Ohio App.3d 249, 258, 655 N.E.2d 411, 416-417; Hardrives, 99 Ohio App.3d at 246, 650 N.E.2d at 483-484.

⁽²⁾ Cedar Bay Constr., Inc. v. Fremont (1990), 50 Ohio St.3d 19, 21, 552 N.E.2d 202, 204, quoting 629*629 Chillicothe Bd. of Edn. v. Sever-Williams Co. (1970), 22 Ohio St.2d 107, 115, 51 O.O.2d 173, 177-178, 258 N.E.2d 605, 610. See, also, Hardrives Paving & Constr., Inc. v. Niles (1994), 99 Ohio App.3d 243, 247, 650 N.E.2d 482, 484-485.

Additional information about the Ohio Plan can be accessed via the Ohio Plan website: www.ohioplan.org. Then contact your Ohio Plan Regional Representative (agent), one of the current Board Members, or the Plan Administrator about your interest.

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Ohio Plan

Notice

of Board of Directors' Elections

Ohio Plan Risk Management

At this time, there are nine active board members representing the Ohio Plan Risk Management. The Nominating Committee of the Ohio Plan Risk Management has recommended the following candidates for election to the Board of Directors to serve a 2-year term beginning January 1, 2011:

John Applegate, City Manager
City of Union, Montgomery County

Jim Cugliari, CFO/Treasurer
Muskingum Watershed Conservancy Dist,
Tuscarawas County

Rex Katterheinrich, Administrator
Village of New Knoxville, Auglaize County

Harry Wiebe, Administrator
Village of Paulding, Paulding County

Ohio Plan Healthcare Consortium

At this time, there are seven active board members representing the Ohio Plan Healthcare Consortium. The Nominating Committee of the Ohio Plan Healthcare Consortium has recommended the following candidates for election to the Board of Directors to serve a 2-year term beginning January 1, 2011:

Tom Ault, City Manager
City of Louisville, Stark County

John Applegate, City Manager
City of Union, Montgomery County

Rex Katterheinrich, Administrator
Village of New Knoxville, Auglaize County

Ben Sommers, Fiscal Officer
Lake Township, Stark County

The elected individuals also serve concurrent terms on the Board of Trustees of the Ohio Plan, Inc., an oversight body of the Ohio Plan Risk Management and Ohio Plan Healthcare Consortium.

Please take notice that elections for these positions will be held from 8:00am to 10:00am, on

December 3, 2010, at the Hilton Columbus/Polaris, 8700 Lyra Drive, Columbus, OH 43240. Ballots will be available at the Hilton on the morning of December 3rd, beginning at 8:00am. There will be space for write-in candidates on the ballots. Remember, that a candidate for either Plan must be an administrator or an elected official of a current member of that Plan.

Ballots for these elections must be cast in person by the authorized representative from a current member of that Plan.

Election results will be determined shortly after the election closes and will be announced on the Ohio Plan website the following week. (www.ohioplan.org)

For clarifications or questions please contact Hylant Administrative Services at info@ohioplan.org.

www.ohioplan.org

Continued Growth for the Ohio Plan



By Jason Chapman
State Sales Manager

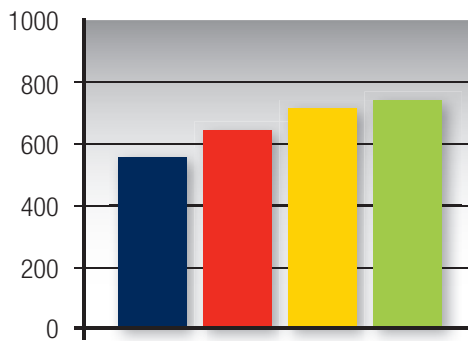
Since 1988 the Ohio Plan has provided competitive rates and the most

comprehensive coverage available to Ohio's public entities. Counties, Cities, Villages, Townships and special districts have found real piece of mind knowing the Ohio Plan is here to protect them.

Over the past several years as budgets have tightened and exposures increased the natural choice has become the Ohio Plan for public entities. Refer to the graphic below which numerically demonstrates the growth of the Plan since 2007. Currently there are nearly 750 entities in the Ohio Plan.

With over 6 million dollars of member surplus and ten "A" rated reinsurers backing the Ohio Plan, the growth continues. There are nineteen independent agencies representing the Ohio Plan throughout the state, providing local service to Ohio's public entities. As the Plan continues its' growth additional benefits such as the advantage renewal credit program and the safety allowance have been added. No other public entity program offers these additional benefits.

For more information go to the Ohio Plan website www.ohioplan.org or contact Jason Chapman, Ohio Plan State Manager at 800-249-5268



New Members

■ 2007 (85 New Entities)
■ 2008 (75 New Entities)
■ 2009 (85 New Entities)
■ 2010 to date (48 New Entities)

Contact Us!

We want to hear from you! Please use any of the following methods to contact us:

1(800) 249-5268 x1923

www.ohioplan.org/contactus/index.html

ohioplan@hylant.com

Catastrophic Losses

and Their Impact to the Ohio Plan



By Mike Ugljesa
VP Operations, Hylant
Administrative Services

Aerial Photo of Township Building Provided by: James Verbosky, Rossford Fire Department

How will my insurance carrier respond in the event of a large loss?

How will a large loss financially affect my insurance program?

Often times, these questions are asked in hypothetical situations, but the tornado of June 5th, 2010 in Northwest Ohio that destroyed Lake Township's Administrative/Police Building and devastated the Village of Millbury turned these questions into a difficult reality.

When a catastrophic loss such as this occurs, there is a chain of events that immediately take place, many of which occur simultaneously: Site/structure analysis, securing site, disaster clean-up, locating sites for continued operations, damage assessment, etc. , all of which should be handled and/or coordinated through the insurance carrier.

As a member of the Ohio Plan (the "Plan"), you are provided exceptional claim service



by Hylant Administrative Services (HAS), the administrator for the Ohio Plan. HAS Claim Service, is based in Ohio and has the authority to make those crucial decisions right after a large property claim, as was demonstrated with Lake Township's Administrative/Police Building. Our claim unit has developed relationships with contractors across the State to ensure that site clean-up and site safety are handled quickly, efficiently and professionally. HAS Claims Service's immediate response and efficient management of Lake Township's loss allowed Lake Township to begin administrative and police operations within days of the destruction, a confirmation of the superior claims service you receive as a member of the Ohio Plan .

Financially, the tornado did not compromise the strength of the Plan. This is a testament

to the overall structure of the Plan, i.e. risk retention and reinsurance. Risk retention is the number of losses that are directly paid by the Plan. Conversely, reinsurance allows the Plan to pass the financial risk of loss to another company, thereby limiting the Plan's risk. The Plan actively monitors its Surplus to Retention ensuring that we have enough surplus to absorb, at least, ten maximum losses. Coupled with this conservative risk retention philosophy, the Plan utilizes highly rated, A- VII or higher per A.M. Best, reinsurers to provide the membership the financial stability they deserve.

So when those tough questions at the opening of this article become a reality, rest assured that the Ohio Plan is built to respond to the unexpected as if it was expected.



Becoming a Board Member

The Ohio Plan is always looking for talented individuals from member entities interested in serving on the Board of Directors of both the Ohio Plan Risk Management, Inc. and Ohio Plan Healthcare Consortium, Inc. The following is intended to provide useful information as to the qualifications and responsibilities of Board Members for either Plan.

Board Openings as of October 1, 2010:

Ohio Plan Risk Management, Inc.: One

Ohio Plan Healthcare Consortium, Inc.: Three

Ohio Plan Board Member Qualifications:

- Your entity must be a member of the Ohio Plan in which you would be a Director.
- You must be a current elected official or full-time employee of your public entity.
- No two (2) Board Members may be from the same entity.

Ohio Plan Board Member Responsibilities:

- The Board of Directors oversees the management of the business and affairs of The Ohio Plan.
- As a Board Member, you are expected to attend quarterly meetings, which are typically held in the Columbus area. Special Board meetings occur from time to time as Plan business warrants.
- Most Board Members serve on one or more standing and ad hoc committees. These committees include:

– **Executive Committee** – Meets as needed.

– **Nominating Committee** – Meets as needed.

– **By-Law & Code of Regulations Committee** – Meets as needed.

– **Ad Hoc Committees** – Meet as needed.

Benefits of Becoming a Board Member:

- Opportunity to work closely with other Board Members in defining the direction and establishing goals for the Ohio Plans.
- Opportunity to gain additional insight into current issues involving the insurance industry, including specialized knowledge about employee benefits, property and liability insurance programs available to public entities in Ohio.
- Opportunity to network with other public officials at Ohio Plan Board meetings.

Additional Information:

The Board of Directors usually combines an annual two-day planning session with the second-quarter Board meeting. The planning session typically includes presentations and strategic discussions involving issues and topics affecting the Ohio Plan. There are also opportunities for networking and team building with the other Board Members during these meetings.

Board Composition:

Both Ohio Plans' By-Laws provides for nine Board members. While there is no requirement as to the number of representatives from the different entity types (cities, townships, villages, counties or special districts), since each member entity has unique needs, an appropriate mix is desired. Board Members serve two-year terms and may be reappointed by a majority vote of the members.

Ohio Plan Service Providers:

There are several service providers reporting directly to the Ohio Plan's Board of Directors.

- **Actuarial:** PricewaterhouseCoopers provides the Risk Management Plan's actuarial report. MKC Benefit Consultants, LTD provides the Healthcare Consortium's actuarial report.
- **Audit:** Crowe Horwath provides the annual financial audit for the Risk Management Plan. Meaden & Moore, LTD provides the financial audit for the Healthcare Consortium.
- **Legal Counsel:** Peter J. Krembs of the firm Hermann Cahn and Schneider provides legal advice to the Board.
- **Plan Administrator:** Hylant Group provides day-to-day administration of the Plans. This includes consulting, underwriting, risk management, claim services, accounting, agency management, reinsurance placement and information system service.

Application Process:

If you are interested in being considered when future Board openings occur, simply send a letter of interest and a resume to your Ohio Plan Regional Representative or via email to info@ohioplan.org.

Board Goal:

The goal of the Board of Directors is for the Ohio Plan to continue as the premiere insurance-alternative program for public entities in Ohio. This goal can only be accomplished by having individuals on the Board dedicated and committed to this goal. As a Board Member, you can make a difference!

Additional information about the Ohio Plan can be accessed via the Ohio Plan website: www.ohioplan.org. Please contact your Ohio Plan Regional Representative, one of the current Board Members or the Plan Administrator (info@ohioplan.org) about your interest.