

## Testimony for HB291

October 24, 2017

Chair Anielski, Vice-Chair Hambley, and Ranking Member Holmes, my name is Richard Studenic and I am currently the Director of Claims for Wichert Insurance. In addition to my responsibilities handling property and casualty claims for Ohio political subdivisions, I currently hold a valid insurance license from the State of Ohio. I am starting my 28<sup>th</sup> year in the insurance industry and during this time I have obtained the Chartered Property Casualty Underwriter (CPCU) professional designation. Additionally, I have been a frequent presenter to various groups such as Cuyahoga County Municipal Law Director Association, Ohio GFOA, Municipal Finance Association of Ohio (MFOA), Ohio Parks & Recreation Association and Ohio PRIMA. The topics include Ohio Tort Liability and Immunity, Risk Transfer Techniques and insurance issues affecting parks and recreation departments. As it relates to this issue, I have conducted several presentations on the personal liability of fiscal officers and the use of bonds and Commercial Crime coverage to address this exposure. The option to allow individual public entities to choose Crime coverage over bonds may be seen by some as a cost saving measure, but more importantly, this legislation allows all entities to select a program that is specifically designed to meet this exposure.

I do not take exception with current Ohio law protecting taxpayer funds from loss due to embezzlement or theft; the current method of protecting those tax dollars with bonds is wholly inadequate when compared with today's Commercial Crime coverage. Wichert Insurance supports HB 291 in that it allows for the purchase of Crime insurance. When properly written, Crime insurance provides broader coverage for the entity encompassing all employees, volunteers and public officials, and not just the select few individuals required to be bonded under Ohio law, city charter or local ordinance. Many communities continue to purchase bonds for amounts that have not been updated for many years. The amounts have been shown to be insufficient for losses taking place over a period of time or involving multiple parties. Commercial Crime coverage contains similar terms found in bonds and will often be purchased with coverage limits that exceed the individual bonds and existing requirements under Ohio law.

A good example of why communities should have this option is Baughman Township in Wayne County Ohio. They currently purchase 6 individual bonds, 5 of which have a limit of \$2,000. The total cost for the bonds per year is \$438. To ensure they have adequate coverage in the event of a loss exceeding the bond amounts, they have elected to purchase a Crime program covering all employees and public officials with coverage limits of \$250,000. The annual cost of the Crime program is \$556. The passage of the legislation would allow the Township to replace the low limit bonds with Crime coverage providing much higher limits.

As you can see from the above example the difference in cost between the two methods is minimal, however there is a difference when comparing coverage limits. I only point out the cost difference to counter any argument that our support of the legislation is based upon the expectation of higher premiums.

We believe the legislation strikes a balance of protecting taxpayer money by allowing entities to select a program specifically designed to meeting this need. Thank you for the opportunity to present this information to you.

Sincerely,

Richard A. Studenic, CPCU  
Wichert Insurance, Director of Claims

