



AGENDA ITEM EXECUTIVE SUMMARY

Agenda Item:	Consider resolution authorizing acceptance of proposal to bind coverage for property, commercial liability, excess workers' compensation, inland marine, crime, cyber liability and excess liability insurance coverage effective April 30, 2017.		
Presenter & Title:	Stephanie K. Dawkins, City Administrator		
Date:	April 17, 2017		
Please Check Appropriate Box:			
	Committee of the Whole Meeting	<input checked="" type="checkbox"/>	Special Committee of the Whole Meeting
	City Council Meeting	<input checked="" type="checkbox"/>	Special City Council Meeting
	Public Hearing	<input type="checkbox"/>	Other -
Estimated Cost: \$447,421	Budgeted?	<input checked="" type="checkbox"/>	YES NO
<i>If NO, please explain how the item will be funded:</i>			
Executive Summary:			
<p>The City's commercial insurance packages include coverage for City property, inland marine, general liability, employee benefits liability, employment practices liability, law enforcement liability, public officials' liability, automobile liability, automobile physical damage, crime, cyber liability, umbrella liability, excess errors and omissions, boiler and machinery coverage, electric utility, and workers' compensation excess insurance. All coverages are set to expire on April 30, 2017.</p> <p>The attached memorandum from Arthur J. Gallagher Risk Management Services, Inc. outlines the renewal proposal for these coverages. After reviewing all information, it is recommended that the City renew with the recommended program for all lines. Overall, the renewal package premium shows a decrease of 1.2% over the current year premiums (which were down 1.3% from the previous year) with no change in coverage terms or conditions. Industry average for a public entity this year is 4.6%, which makes this renewal a very competitive one.</p>			
Attachments: <i>(please list)</i>			
<ul style="list-style-type: none"> • Memorandum • Resolution 			
Recommendation / Suggested Action: <i>(briefly explain)</i>			
<p>Recommend approval of a resolution authorizing acceptance of proposal to bind coverage for property, commercial liability, excess workers' compensation, inland marine, crime, cyber liability and excess liability insurance coverage effective April 30, 2017 as presented at a total cost of \$447,421. This proposed amount is manageable within the proposed FY 2017-2018 budgets of the respective funds.</p>			



Arthur J. Gallagher Risk Management Services, Inc

April 11, 2017

City of Geneva
City Hall
22 South First Street
Geneva, IL 60134

RE: 2017-2018 Renewal of Insurance

Dear Mayor and Aldermen,

We would like to thank you and the City of Geneva for the opportunity to present our renewal Proposal of Insurance for the 2017-2018 policy term.

In reviewing the loss experience and exposure information over the past 3 years, we noticed an increase in claims activity for the property, automobile, and workers' compensation lines of coverage. Here is a breakdown:

Property – Chubb Insurance Company

- Chubb Insurance gave the City a 13% premium decrease in 2015 for good experience.
- The City then experienced 4 larger property claims in 2016 totaling \$141,185 in damages.
- Total property premium in 2016 was \$54,623 with a loss ratio of 286%.
- Given favorable experience this year, and Geneva's continued efforts to improve risk management, the City is receiving a flat renewal.

Liability Package – Trident Insurance Company

- The City moved to Trident Insurance Company for the liability package, including all auto coverages, last year. Trident was very impressed with the level of sophistication in Geneva's risk management efforts and offered a 12% reduction in the pricing over the City's former carrier, Lloyd's of London (BRIT).
- The City currently alternates their marketing efforts, focusing one year on the property coverages and then moving their focus to the liability package. This year was the year to look at the liability coverages including excess liability.
- We approached 20 carriers on all liability lines of coverage. Trident Insurance remains the most competitive for the primary liability package.
- We did receive a competitive option on the \$10M xs \$11M line of coverage that is currently placed with National Casualty Company. If the City decides to take our recommendation and



Arthur J. Gallagher Risk Management Services, Inc

move this line of coverage to Navigators Insurance Company, it will save the City \$4,590 (or 20.8%) off the expiring pricing.

Cyber Liability – BCS Insurance Company

- We marketed a few options for the City on their Cyber Liability policy this year as this is a coverage that is continuously changing.
- If the City takes our recommendation and moves the coverage from BCS Insurance to AXIS Insurance Company, the City will save \$4,204 (or 33.8%) off the expiring pricing.

Workers' Compensation – Midwest Employers Casualty Company

- Overall payroll is down 4% over the prior year.
- Excess payments were made during the past year on 1 claim that dates back to 2007 and another that occurred in 2014 which is currently reserved at \$1,759,316.
- The City's 5 year annual average for workers' compensation claims is \$588,302 in total incurred costs.
- Midwest Employers offered the City a 2.4% decrease in annual premium even with the pending claim experience.

Here is a recap of our 1/12/2017 renewal discussion/planning meeting:

- The City's current strategy is to market the property and liability lines in opposite years to reduce the City's footprint in the marketplace. Going out to market too often creates a lack of interest from the insurance companies. It is important to maintain loyalty with insurance companies that provide superior service and coverage at a fair price.
 - We marketed both the property and the liability last year given the state of the market place being competitive. This showed us that the property carrier was the most competitive option for the City, by far. The City switched to Trident Insurance on the liability lines, and there were some other options available at that time. In order to make sure Trident remains competitive, we will market the liability lines and include all excess liability as well as the cyber liability in our efforts.
 - Given the sensitive nature on some of the City's open workers' compensation claims, we decided to get indications from other workers' compensation markets...and only pursue those quotes if they were competitive in retentions and pricing.
- The City is currently insured on a stand-alone basis. This means that the City is not subject to the loss sensitivity or exposure ratings of a cooperative program with other entities. Arthur J. Gallagher does administer numerous municipal cooperative programs, and we do review the City's potential on a pooled basis...however, we conclude that the current program is a better fit for the City of Geneva based on claims controls in place, coverage limits, retentions and annual premiums.

If the City decides to renew with the recommended program, total premium is reduced 1.2% over the prior year with no change in coverage terms or conditions, except for changing the companies on the



Arthur J. Gallagher Risk Management Services, Inc

excess liability and the cyber liability. Industry average for a public entity this year is a 4.6% increase which makes this renewal a very competitive one.

On behalf of the entire Arthur J. Gallagher Risk Management Service team, we want to thank you for the opportunity to be of service to the City of Geneva. We look forward to another great year!

Best Regards,

Jessica E. Govic

Jessica E. Govic, CLCS

National Director of Sales

Area Executive Vice President - Public Sector

City of Geneva, IL

Premium Summary – with Navigators \$10M xs \$11M and AXIS

The estimated program cost for the options are outlined in the following table:

LINE OF COVERAGE		EXPIRING PROGRAM		PROPOSED PROGRAM	
		CARRIER	EXPIRING COST	CARRIER	ESTIMATED COST
Property	Premium	Federal Insurance Company	\$54,623	Federal Insurance Company	\$54,623
Property	Premium	Federal Insurance Company	\$96,243	Federal Insurance Company	\$96,243
Inland Marine	Premium	Federal Insurance Company	\$2,245	Federal Insurance Company	\$2,221
Public Entity Package	Premium	Argonaut Great Central Insurance Company	\$112,186	Argonaut Great Central Insurance Company	\$117,518
Excess Liability \$10M xs \$1M	Premium	American Alternative Insurance Corp	\$36,045	American Alternative Insurance Corp	\$36,045
Excess Liability \$10M xs \$11M	Premium	National Casualty Company	\$22,090	Navigators Insurance Company	\$17,500
Excess Workers Comp	Premium	Midwest Employers Casualty Company	\$83,523	Midwest Employers Casualty Company	\$81,530
Crime	Premium	Travelers Casualty and Surety Co of America	\$1,753	Travelers Casualty and Surety Co of America	\$1,768
Cyber Liability	Premium	BCS Insurance Company	\$12,432	AXIS Insurance Company	\$7,934
	Surplus Lines Tax			Option 1	\$278
	Surplus Lines Fee				\$16
Compensation Agreement			\$28,941		\$28,941
Total Estimated Program Cost			\$452,885		\$447,421

Pro-Rata/Undecided State Surplus Lines Billing Disclaimer – If you elect to bind coverage with a non-admitted carrier. Surplus lines taxes must be collected and remitted to your Home State, as defined in The Non-admitted and Reinsurance Reform Act. Your Home State has not yet established a process for the remittance of the non-Home State portion of the tax. We intend to bill the surplus lines taxes for the non-Home States, and hold these taxes until a process for remittance is established and payment to the non-Home State may be made. If no such process is established by the Home State, and the risk of future claim by the non-Home State is determined to no longer exist, then the taxes will be returned to you.

RESOLUTION NO. 2017-36

RESOLUTION AUTHORIZING ACCEPTANCE OF PROPOSAL TO BIND COVERAGE FOR PROPERTY, COMMERCIAL LIABILITY, EXCESS WORKERS' COMPENSATION, INLAND MARINE, CRIME, CYBER, AND EXCESS LIABILITY INSURANCE COVERAGE EFFECTIVE APRIL 30, 2017

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GENEVA, KANE COUNTY, ILLINOIS, as follows:

SECTION 1: That the City Administrator is hereby authorized to accept the proposal to bind the City's property, commercial package policies, excess workers' compensation, inland marine, crime, cyber, and excess liability insurance coverage effective April 30, 2017.

SECTION 2: This Resolution shall become effective from and after its passage as in accordance with law.

PASSED by the City Council of the City of Geneva, Kane County, Illinois, this 24th day of April, 2017.

AYES: __ NAYS: __ ABSENT: __ ABSTAINING: __ HOLDING OFFICE: __

Approved by me this __ day of April, 2017.

Mayor

ATTEST:

City Clerk