



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 May 1, 2018.		
Presenter & Title:	Stephanie K. Dawkins, City Administrator		
Date:	April 9, 2018		
Please Check Appropriate Box:			
<input checked="" type="checkbox"/>	Committee of the Whole Meeting		Special Committee of the Whole Meeting
<input checked="" type="checkbox"/>	City Council Meeting		Special City Council Meeting
<input type="checkbox"/>	Public Hearing		Other -
Estimated Cost: \$567,429	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 May 1, 2018.</p> <p>The attached memorandum from Arthur J. Gallagher Risk Management Services, Inc. outlines the renewal proposal for these coverages.</p> <p>New this year is a proposal to move the City's workers' compensation reinsurance to the Illinois Public Risk Fund (IPRF). Although the premium is more than our current carrier, Midwest Employers Casualty, the out of pocket cost per claim would be reduced by \$250,000. There are also benefits of moving the coverage as outlined in the memo. Staff will be seeking input from the City Council regarding the potential change in carriers for workers' compensation.</p> <p>Premiums will be paid from the following funds based on coverage/risk:</p>			
General Fund		\$ 94,128.34	
Electric Fund		\$251,503.34	
Water/Wastewater Fund		\$ 94,128.32	
Workers' Compensation Fund		\$127,669.00 (if move to IPRF)	
<p>The recently adopted FY19 budget can accommodate the premiums as indicated above.</p>			

Jessica Govic, Area Executive Vice President, and Tia Incapreo, Account Executive, will be available at the Committee of the Whole meeting to answer any questions or provide comment on the proposal.

Attachments: *(please list)*

- Memorandum
- Premium Summaries
- Resolution

Recommendation / Suggested Action: *(briefly explain)*

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 May 1, 2018 as presented.



Gallagher

Insurance | Risk Management | Consulting

April 9, 2018

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

RE: 2018-2019 Renewal of Insurance

Dear Mayor and Aldermen,

Thank you for the opportunity to present our renewal Proposal of Insurance for the 2018-2019 policy term. Here are some key highlights of our marketing efforts:

Property – Chubb Insurance Company

- Given favorable loss history in the 2016-2017 and 2017-2018 policy years and Geneva's continued efforts to keep their properties currently appraised and properly risk managed, the City's property policy is receiving a near flat premium renewal even though total exposures increased by 3%.
- The City's electric utility substation and generation asset valuation numbers were significantly out-of-date. As such, staff used current project estimates to correct the outdated valuation data. Due to that update, the utility values increased by 74% over the prior year (or by \$33,730,273). Due to the substantial increase in values, Chubb offered the City a 3% rate decrease for their electric properties to offset the rising premium, however total premium is up 61.2% over the prior year (or by \$61,132).

Liability Package – Trident Insurance Company

- In the 2017-2018 policy year, the City moved back to Trident Insurance Company from Lloyd's of London for the liability package, including all auto coverages. This saved the City 12% over their prior insurance carrier. Since this was a recent move, we decided to continue the relationship with Trident insurance as long as the increase was minimal.
- Trident remains impressed with the City's risk management program and continues to recognize the safety efforts made. It should be noted the City's budgeted expenditures increased by 10% over the prior year.
 - Even with the change in exposure, we were able to negotiate Trident down to a 6% (or \$7,991) increase from last year's renewal.
- Last year we marketed the excess liability lines of coverage that sit over Trident Insurance. The City received a competitive option from Navigators Insurance Company, which provided a \$4,590 decrease from expiring. Due to the marketing efforts last year, the marketing for this layer was bypassed to promote a good relationship with the current carrier. Navigators remained competitive this renewal with a slight increase (\$2,400), due to the budget expenditure increase of 10%.



Cyber Liability – BCS Insurance Company

- Last year we marketed this line of coverage for the City on their Cyber Liability policy. The City was able to save \$4,204 (or 33.8%) off the expiring pricing.
- This year due to the exposure increase in operating expenditures, the premium was slightly increased by \$599. This coverage is continuously changing, and we will continue to keep up with the trends on the City's behalf.

Workers' Compensation – Midwest Employers Casualty Company

- Overall payroll is up 2.25% over the prior year.
- Excess payments were made on a claim that occurred in 2014-2015 policy year which is currently reserved at \$1,501,877 and a claim that occurred in the 2011-2012 policy year.
- The City's 5 year annual average for workers' compensation claims is \$548,800 in total incurred costs.
- Midwest Employers offered the City a 4.3% increase in annual premium. This is taking into account the pending claims experience and payroll exposure increases.
- We are also providing an option to move the workers' compensation to the Illinois Public Risk Fund (IPRF). IPRF is the number one program for municipal workers' compensation in the State of Illinois.
- If the City takes our recommendation and moves the coverage from Midwest Employers Casualty Insurance Company to the Illinois Public Risk Fund (IPRF), the City will reduce their per claim out of pocket costs to \$250,000 over the current self-insured retention of \$500,000. The difference in premium is \$42,433. Given the 5 year loss experience, we feel the City will benefit from the change, even with the difference in premium. Additionally, IPRF offers safety grants, which is typically 5-10% of the annual premium, to use on safety related materials and programs.

Here is a recap of our 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 liability package and the excess liability lines last year given the state of the market place being competitive. This ended with a switch from Lloyd's of London to the City's current liability carrier, Trident Insurance Company.
 - 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.



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If the City decides to renew with the current program, the total premium increase (less the electric utility property) is 4.2% (or \$15,520) over the prior year, with no change in coverage terms or conditions. Again, the change is due to an increase in exposures.

If the City decides to renew with the recommend program, moving the workers' compensation to the Illinois Public Risk Fund, the total renewal premium (less the electric utility) will be 14.1% (or \$42,433). The self-insured retention layer would decrease by \$250,000 on the workers' compensation, allowing the City to budget their risk more efficiently.

In spite of economic conditions and exposure changes, the overall the renewal pricing is reasonable. Industry average for a public entity this year is up by 7.2%.

On behalf of the entire Gallagher 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

Tia Incapreo

Tia Incapreo
Account Executive – Public Sector

City of Geneva, IL

Premium Summary with MECC

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
Commercial Property	Premium	Federal Insurance Company	\$54,623	Federal Insurance Company	\$55,609
Commercial Property – Electric Utility	Premium	Federal Insurance Company	\$96,243	Federal Insurance Company	\$157,375
Inland Marine	Premium	Federal Insurance Company	\$2,205	Federal Insurance Company	\$2,227
Public Entity Package	Premium	Argonaut Great Central Insurance Company	\$118,457	Argonaut Great Central Insurance Company	\$126,448
Excess Liability	Premium	American Alternative Insurance Corp	\$38,849	American Alternative Insurance Corp	\$38,685
Excess Liability	Premium	Navigators Insurance Company	\$17,500	Navigators Insurance Company	\$19,900
Excess Workers Compensation	Premium	Midwest Employers Casualty Company	\$81,530	Midwest Employers Casualty Company	\$85,236
Cyber Liability	Premium	AXIS Insurance Company	\$7,934	AXIS Insurance Company	\$8,493
	Surplus Lines Tax		\$278		\$297
	Surplus Lines Fee		\$16		\$17
Crime	Premium	Travelers Casualty and Surety Co of America	\$1,768	Travelers Casualty and Surety Co of America	\$1,768
Compensation Agreement	Fee	Arthur J. Gallagher Risk Management Services, Inc.	\$28,941	Travelers Casualty and Surety Co of America	\$28,941
Total Estimated Program Cost			\$448,344		\$524,996

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.

City of Geneva, IL

Premium Summary with IPRF

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
Commercial Property	Premium	Federal Insurance Company	\$54,623	Federal Insurance Company	\$55,609
Commercial Property – Electric Utility	Premium	Federal Insurance Company	\$96,243	Federal Insurance Company	\$157,375
Inland Marine	Premium	Federal Insurance Company	\$2,205	Federal Insurance Company	\$2,227
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Excess Workers Compensation	Premium	Midwest Employers Casualty Company	\$81,530	Illinois Public Risk Fund	\$127,669
Cyber Liability	Premium	AXIS Insurance Company	\$7,934	AXIS Insurance Company	\$8,493
	Surplus Lines Tax		\$278		\$297
	Surplus Lines Fee		\$16		\$17
Crime	Premium	Travelers Casualty and Surety Co of America	\$1,768	Travelers Casualty and Surety Co of America	\$1,768
Compensation Agreement	Fee	Arthur J. Gallagher Risk Management Services, Inc.	\$28,941	Travelers Casualty and Surety Co of America	\$28,941
Total Estimated Program Cost			\$448,344		\$567,429

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. 2018-26

**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 May 1, 2018**

**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 May 1, 2018.

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

PA.SSED by the City Council of the City of Geneva, Kane County, Illinois, this 16th day of April, 2018.

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

Approved by me this ___ day of April, 2018.

Mayor

ATTEST:

City Clerk