



### AGENDA ITEM EXECUTIVE SUMMARY

Agenda Item:	Consider resolution authorizing acceptance of proposal to bind coverage for property, inland marine, general liability, automobile, employment practices, law enforcement, public officials', crime, cyber, excess liability, and workers' compensation insurance coverage effective May 1, 2021.		
Presenter & Title:	Benjamin McCready, ACA/DOAS		
Date:	April 5, 2021		
<b>Please Check Appropriate Box:</b>			
<input checked="" type="checkbox"/>	Committee of the Whole Meeting	<input type="checkbox"/>	Special Committee of the Whole Meeting
<input checked="" type="checkbox"/>	City Council Meeting	<input type="checkbox"/>	Special City Council Meeting
<input type="checkbox"/>	Public Hearing	<input type="checkbox"/>	Other -
Associated Strategic Plan Goal/Objective: EMS-II			
Estimated Cost: \$591,010	Budgeted?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Other Funding? <input type="checkbox"/> Yes <input type="checkbox"/> No
<i>If "Other Funding," please explain how the item will be funded:</i>			
<b>Executive Summary:</b>			
The City's commercial insurance packages include coverage for City property, general liability, employment practices, law enforcement, public officials', automobile liability and physical damage, crime, cyber liability, umbrella liability, excess errors and omissions, electric utility, and workers' compensation insurance. The attached memorandum from Arthur J. Gallagher, Inc. outlines the renewal proposal for these coverages set to expire April 30, 2021.			
<b>Attachments:</b> <i>(please list)</i>			
<ul style="list-style-type: none"> <li>• Memorandum &amp; Premium Summaries</li> <li>• Resolution</li> </ul>			
<b>Voting Requirements:</b>			
<i>This motion requires 6 affirmative votes for passage.</i>			
<i>The Mayor may vote on three occasions: (a) when the vote of the aldermen or trustees has resulted in a tie; (b) when one half of the aldermen or trustees elected have voted in favor of an ordinance, resolution, or motion even though there is no tie vote; or (c) when a vote greater than a majority of the corporate authorities is required by state statute or local ordinance to adopt an ordinance, resolution, or motion.</i>			
<b>Recommendation / Suggested Action:</b> <i>(how the item should be listed on agenda)</i>			
Recommend approval of a resolution authorizing acceptance of proposal to bind coverage as presented at a total cost of \$591,010.			

**RESOLUTION NO. 2021-23**

**RESOLUTION AUTHORIZING ACCEPTANCE OF PROPOSAL TO BIND  
COVERAGE FOR PROPERTY, INLAND MARINE, CRIME, GENERAL  
LIABILITY, AUTOMOBIE, EMPLOYMENT PRACTICES, LAW ENFORCEMENT,  
PUBLIC OFFICIALS', CRIME, CYBER, EXCESS LIABILITY, AND WORKERS'  
COMPENSATION INSURANCE COVERAGE EFFECTIVE MAY 1, 2021**

---

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

**SECTION 1:** That the City Administrator, or designee, is hereby authorized to accept the proposal to bind the City’s property, inland marine, general liability, automobile, employment practices, law enforcement, public officials', crime, cyber, excess liability, and workers' compensation insurance coverage effective May 1, 2021.

**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 19<sup>th</sup> day of April, 2021.

**AYES: \_ NAYS: \_ ABSENT: \_ ABSTAINING: \_ HOLDING OFFICE: \_**

Approved by me this 19<sup>th</sup> day of April, 2021.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

April 22, 2021

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

**RE: 2020-2021 Renewal of Insurance**

Dear Mayor and Aldermen,

Thank you for the opportunity to present our renewal Proposal of Insurance for the 2021-2021 policy term. Little did we know when we completed the renewal last year, the environment in which the world would be in over the last 12 months. As the nation went in to shelter in place last March, the City adapted, implemented social distancing, and continued to serve Geneva safely. What an accomplishment!

**State of the Insurance Marketplace:**

The global insurance marketplace continues to harden, especially in the public entity space. A number of factors are affecting the current market. First, there has been a substantial increase in the number and severity of large weather-related loss events. Second, interest rates are at historical lows. Third, the industry is dealing with a rapidly increasing loss trend. Taken together, these factors have contributed to increases premiums and reductions in coverage limits. The added uncertainty of a global pandemic has led to further tightening of the market as the industry works to recalibrate their books of business.

Property carriers are continuing to pay for convective storm losses such as fires, floods, hail, wind, and tornados. Loss trends continue to outpace pricing models and, as a result, underwriters have accelerated pricing increases, especially over the last year. The changes in coverage terms and conditions in the property marketplace have been significant. Increasing deductibles, shrinking sublimits, and carriers conservative limit deployment, lead to less favorable terms and conditions for clients.

The casualty marketplace is experiencing similar trends, carriers are seeing more large suits involving law enforcement and civil unrest; auto liability claims; public officials' claims involving alleged sexual harassment; and employment practice claims. Concerns with the litigation environment are driving carriers to adjust rates, limit reductions, and add coverage exclusions. In addition, COVID-19 has added uncertainty as the liability is still yet to play out. Insurance carriers enforcing communicable disease exclusions in response to COVID-19 within the public entity space.

Cyber Liability has been one of the most impacted lines of coverage since the pandemic. The sudden onset of COVID-19 resulted in the majority of the global workforce moving to remote locations, creating an environment that is inherently less secure. Increases in the frequency and severity of ransomware claims, which manifested in 2020 and now into 2021, continues to drive the hardening of the cyber market. Claims in this space are up over 100% since the start of the pandemic and the threat continues to worsen.

### Property Casualty Renewal:

#### **Property – Liberty Mutual Insurance Company**

- This year the property policy was marketed to several carriers. 15 declined as they could not be competitive or provide new options on municipal business. Chubb indicated they would be at least 40% higher than expiring.
  - When the City moved to Liberty Mutual two years ago, there was a savings of 32.7% or \$70,435.
- Liberty was in line with the standard property renewal increases within the current market place.
- Due to market conditions and changes Liberty Mutual provided several options:
  - \$10K city deductible option with equipment breakdown included (29% increase)
  - \$5k city deductible option without breakdown (16% increase)
  - \$10k city deductible option with equipment breakdown (10% increase)
  - It is our recommendation to move forward without the equipment breakdown with the \$5k deductible option.

#### **Equipment Breakdown – Axa XL**

Equipment Breakdown coverage is a form of property coverage. In most property packages, you will find exclusions for losses due to steam boiler and centrifugal explosion, loss due to mechanical breakdown and loss due to electrical arcing. The intent of Equipment Breakdown coverage is to fill those specific gaps (exclusions) for property damage, the interruption of business, the extra expense, or spoilage loss.

- Due to changes in market conditions and losses, Liberty Mutual is no longer able to be a competitive equipment breakdown carrier for Utility risk. They significantly increased the premium for the utility exposure and removed business income and extra expense limits.
- Power generation is an area of concern for many carriers and in a hard market there are less reinsurers and carriers willing or able to offer terms or higher limits.
- This line was marketed to 5 carriers who are able to consider utility risk.
- Axa XL provided a competitive option for both the city and the utility exposure.
  - Able to offer \$1M extra expense limit (expiring \$5M EE/\$10M BI with Liberty Mutual, Liberty Mutual no longer able to provide any BI/EE)
  - Alternatives received had higher deductibles (\$250k) and were 3-5x the premium. One was not able to provide any extra expense, the other \$1M to match Axa XL.

#### **Liability– Trident Insurance Company/American Alternative Insurance Corporation**

- Trident offered competitive terms, with a -1.3% decrease overall.
- Last year, Trident started providing \$10M limit vs \$2M.
  - This significantly helped in the excess market place today. Excess liability for public entity has been extremely volatile for a number of reasons including law enforcement, rioting and civil unrest. In addition, insurance carriers are reducing limits and being very selective on new business.
- American Alternative Insurance Corporation provided the most competitive option for the next \$10M, with a 3.5% increase.
  - This brings the total liability limits to \$20M.
- This renewal is excellent.

**Cyber Liability – AXIS Insurance Company**

- This line of coverage was marketed to 10 carriers to ensure the City is receiving the best terms.
- Axis Insurance Company remained the most cost effective, but increased deductible to \$25,000.
- It is recommend to move forward with this option and pursue implementation of additional security enhancements and best practices.

**Workers' Compensation – Illinois Public Risk Fund (IPRF)**

- 3.6% increase overall.
- The City received a safety grant from IPRF for \$3,896. This grant can be utilized for any safety related items the city deems necessary.

Overall, the 2021-2022 renewal is very competitive. We have seen similarly sized municipalities within Northern Illinois with overall premium increases ranging from 17% to 50%, in most cases with reduced limits or changes in coverage. If the City renews with the recommended program, the total premium is \$68,360 more than the expiring program.

On behalf of the entire Gallagher team, we want to thank you for your partnership and hard work on this renewal. We look forward to working with you another year!

Best Regards,

Tia Incapreo  
Area Ast Vice President – Public Sector

Deb Canning  
Client Service Manager

# Premium Comparison

	2020-2021 Expiring Program Structure	OPTION I Renewal Program Structure - Liberty 10 K City Deductible with EB	% Change	OPTION II Renewal Program - Liberty 10K City Deductible Axa XL EB	% Change	OPTION III Renewal Program - Liberty 5K City Deductible Axa XL EB	% Change
<b>Property</b>	Liberty Mutual	Liberty Mutual		Liberty Mutual		Liberty Mutual	
<b>Premium</b>	\$166,858	\$215,630	29.23%	\$183,632	10.05%	\$193,694	16.08%
<b>Equipment Breakdown</b>	Liberty Mutual	Liberty Mutual		Axa XL		Axa XL	
<b>Premium</b>	Included	Included - Excluding BI/ EE		\$34,937		\$34,937	
<b>Package + Excess</b>	Trident - No TRIA	Trident - No TRIA		Trident - No TRIA		Trident - No TRIA	
<b>Premium Excluding TRIA</b>	\$162,746	\$160,593	-1.32%	\$160,593	-1.32%	\$160,593	-1.32%
<b>Excess Liability</b>	American Alternative	American Alternative		American Alternative		American Alternative	
<b>Premium (Excluding TRIA)</b>	\$25,000	\$25,890	3.56%	\$25,890	3.56%	\$25,890	3.56%
<b>Crime</b>	Travelers	Travelers		Travelers		Travelers	
<b>Premium</b>	\$1,883	\$1,883	0.00%	\$1,883	0.00%	\$1,883	0.00%
<b>Cyber</b>	Axis	Axis		Axis		Axis	
<b>Premium incl T&amp;F</b>	\$8,684	\$10,973	26.36%	\$10,973	26.36%	\$10,973	26.36%
<b>Workers' Compensation</b>	IPRF	IPRF		IPRF		IPRF	
<b>Premium incl admin fee</b>	\$127,670	\$132,337	3.66%	\$132,337	3.66%	\$132,337	3.66%
<b>Gallagher Brokerage Fee</b>	\$29,809	\$30,703	3.00%	\$30,703	3.00%	\$30,703	3.00%
<b>TOTAL PREMIUM</b>	<b>\$522,650</b>	<b>\$578,009</b>	<b>10.59%</b>	<b>\$580,948</b>	<b>11.15%</b>	<b>\$591,010</b>	<b>13.08%</b>