



AGENDA ITEM EXECUTIVE SUMMARY

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|--|---|--|--|
| Agenda Item: | Consider resolution authorizing acceptance of proposal to bind coverage for property, general liability, automobile, public officials' employment practices, law enforcement, crime, cyber, excess liability, and workers' compensation insurance coverage effective May 1, 2023. | | |
| Presenter & Title: | Benjamin McCready, ACA/DOAS | | |
| Date: | April 12, 2023 | | |
| <i>Please Check Appropriate Box:</i> | | | |
| <input 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: \$792,052 | 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> | | | |
| Executive Summary: | | | |
| 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. Due to the timing of renewal and market conditions, staff recommends this item be approved to ensure the City remains adequately covered. The attached memorandum from Arthur J. Gallagher, Inc. outlines the renewal proposal for these coverages set to expire April 30, 2023. | | | |
| Attachments: <i>(please list)</i> | | | |
| <ul style="list-style-type: none"> • Memorandum & Premium Summaries • Resolution | | | |
| Voting Requirements: | | | |
| <i>This motion requires a simple majority of 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> | | | |
| Recommendation / Suggested Action: <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 \$792,052 | | | |

RESOLUTION NO. 2023-37

**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, 2023**

**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, 2023.

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 ___th day of April, 2023.

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

Approved by me this ___th day of April, 2023.

Mayor

ATTEST:

City Clerk



April 12, 2023

City of Geneva
22 South First Street
Geneva, IL 60134

RE: 2023 Insurance Renewal

Dear Mayor and City Council,

Gallagher is pleased to present this year's terms for the City's Property, Casualty, and Workers Compensation renewal. Given the current state of the marketplace, we are pleased with the terms and pricing negotiated.

The insurance marketplace in general has sustained significant losses over the previous few years. As detailed in our quarterly market update this trend impacts multiple coverage lines and is reflected in rate increases. The marketplace for municipalities in Illinois continues to evolve. This is due to the following concerns:

1. Midwest Property losses continue to skyrocket. Large claims due to wind, hail, flood, and lightning continue to occur. Insurance carrier's appetite for property in the Midwest is shrinking, especially with utility exposures.
2. Civil unrest.
3. Interest rates effecting reinsurance investment.
4. Employment practices claims (discrimination, sexual harassment, wrongful termination) continue to rise.
5. Public entities are a strong target for ransomware attacks and cyber hacks.
6. Inflation and supply chain issues (material cost)

While the marketplace has been volatile, we are seeing signs of settling in some sectors. As always, we will continue to keep you aware of current and/or changing marketplace trends throughout the year.

In addition to market trends, Geneva's renewal reflects increases in property values, net expenditures, the City's payroll and vehicle values. Given the above information, we were able to obtain an overall premium increase of **18%**.

The largest percentage of increase is with the City's Property program. This was due to increasing property values, material and replacement costs. Liberty Mutual also changed its underwriting guidelines for this year and declined to offer terms for the City's Utility exposures. We were able to secure competitive terms from Chubb that included Equipment Breakdown coverage as well. As a result, the City no longer needs to purchase stand-alone Equipment Breakdown coverage.

Another success was in the Cyber Liability sector. The City's incumbent carrier, BCS decided to exit the municipal cyber liability marketplace going forward. Houston Casualty offered terms that was 14% less than the expiring premium for the same terms and conditions.

To help offset the over-all premium increase, the City has also been awarded an \$18,322 safety grant from your workers compensation carrier, IPRF (Illinois Public Risk Fund). This grant reflects strong performance in workers compensation this year and minimal claims. The fact this grant has increased the past 4 years reflects the City's continued commitment to safety and sound risk management practices implemented by City staff and Department Directors.

Outside of the property and cyber coverages, all other carriers and deductibles remain the same as last year. Limits remain the same across the board.

Overall, the 2023 – 2024 recommended renewal is competitive and maintains the City's current limits and deductibles. If the City renews with the recommended program, the total premium increase is **\$118,839** more than the expiring program.

We appreciate the City's work in providing timely renewal information and schedules, and look forward to continuing our relationship with the City.

Your Gallagher team,

Rich Stokluska *Bruce Mitchell*

2023-2024 Premium Exposure Comparison

| Coverages | Carriers | 2022-23 Premium | 2023-2024 Premium | Premium Difference | Premium % | Comments |
|---|--|-----------------|-------------------|--------------------|-----------|--|
| Property (City) | Liberty Mutual Fire Insurance Company | \$ 118,671 | \$ - | \$ 32,687 | 28% | Liberty Mutual quoted \$151,358 for the renewal and excludes Equipment Breakdown |
| Property (Utility) | Liberty Mutual Fire Insurance Company | \$ 133,887 | \$ - | Declined to quote | N/A | The City's utility exposure is now outside of Liberty Mutual underwriting appetite |
| Property (City) | Federal Insurance Company (Chubb) | N/A | \$ 156,486 | \$ 37,815 | 32% | Equipment Breakdown Coverage is included w/ \$5M BI/EE Limit |
| Property (Utility) | Federal Insurance Company (Chubb) | N/A | \$ 213,851 | \$ 79,964 | 60% | Recommended quote includes \$10M Business Income/Extra Expense Limit. |
| Equipment Breakdown (City) | XL Insurance America | \$ 10,511 | \$ - | \$ 939 | 9% | XL quoted \$11,450 for the renewal term |
| Equipment Breakdown (Utility) | XL Insurance America | \$ 27,802 | \$ - | \$ 2,178 | 8% | XL quoted \$29,980 for the renewal term |
| Package including Public Officials, Law Enforcement, Employment Practices, Excess Liability | Argonaut Great Central Insurance Company | \$ 169,458 | \$ 204,578 | \$ 35,120 | 21% | <ul style="list-style-type: none"> GL/PO/EP/XS: 5% increase in exposure (net budget expenditures) AUTO: 15% increase in exposure Note that there has been a significant increase in losses this year* |
| Excess Liability | American Alternative Insurance Company | \$ 15,000 | \$ 20,000 | \$ 5,000 | 33% | American Alternative quoted \$20,000 for the renewal term |
| Governmental Crime | Travelers Casualty & Surety Company | \$ 1,883 | \$ 1,883 | \$ - | 0% | Travelers quoted \$1,883 for the renewal term |
| Cyber Liability | BCS Insurance Company | \$ 25,035 | \$ - | \$ (25,035) | -100% | Declined to offer renewal terms |
| Cyber Liability | Houston Casualty Company | N/A | \$ 22,469 | \$ (2,566) | -10% | Houston Casualty quoted \$22,469 for the renewal term |
| Workers' Compensation | Illinois Public Risk Fund | \$ 132,580 | \$ 140,212 | \$ 7,632 | 6% | Fire Prevention Payroll - Code 0092 (\$144,473) was not included in 2022. |
| Gallagher Brokerage Fee | Arthur J. Gallagher | \$ 31,624 | \$ 32,573 | \$ 949 | 3% | Arthur quoted \$32,573 for the renewal term |
| TOTAL PREMIUM | | \$ 666,451 | \$ 792,052 | \$ 125,601 | 19% | |
| IPRF GRANT | | \$ (11,560) | \$ (18,322) | \$ (6,762) | 58% | |
| TOTAL w/ GRANT | | \$ 654,891 | \$ 773,730 | \$ 118,839 | 18% | |

*Losses for 2021-2022 jumped to \$106,661 net incurred from \$21,629 at this time last year.

Losses for 2022-2023 are already at \$74,685 net incurred, with further development still likely.