

**AGENDA ITEM EXECUTIVE SUMMARY**

Agenda Item number: 6b

Title:

Recommendation to authorize the Finance Director to execute the risk insurance program renewal for the year beginning December 1, 2018 in the amount of \$628,543.

Presenter:

Chris Minick, Finance Director

Meeting: Government Operations Committee

Date: October 15, 2018

Proposed Cost: \$628,543

Budgeted Amount: \$ 677,500

Not Budgeted: ☐**Executive Summary** *(if not budgeted please explain):*

The City has retained Assurance Agency as its consultant for the risk insurance program. Typically, insurance programs are taken to market on a comprehensive basis every 3-4 years. At the City's request, Assurance marketed and quoted the risk insurance program for the renewal years beginning December 1, 2015 and December 1, 2017. Because the program was marketed comprehensively for the 2017 renewal, we did not fully market the renewal effective December 1, 2018.

The total cost quoted for the renewal for the year beginning December 1, 2018 is \$628,543. This compares to a cost of \$636,159 for the 2017 renewal or an overall decrease of approximately 1.20%. Assurance aggressively negotiated essentially stable rates for the City's Risk Insurance package renewal with Traveler's and Chubb for the 2018 renewal.

The main reason for the decline is that staff is proposing to move the Workers Compensation line of coverage from a placement with Safety National to a placement with the Illinois Public Risk Fund (IPRF), which is a self funded workers compensation pool comprised solely of municipalities and public agencies in the state. Currently IPRF has over 740 members.

Use of IPRF for our Workers Compensation program allows for lower overall insurance costs by eliminating third party administration of claims costs of approximately \$18,000 per year. In addition, the deductible limits for the City's policies are substantially lower resulting in a significant elimination of claims risk from the insurance program under the IPRF Plan and significantly reducing the City's exposure for Workers Compensation claims.

For 2018, the remaining renewal policy coverage limits remain consistent with the 2017 package. As with prior years there have been some changes to the flood coverage, primarily in the downtown area proximate to the river. Staff is working with Assurance to address the flood coverage reductions. Other than the flood coverages mentioned, there have been no substantive changes to any of the City's coverage limits, deductibles, or self-insured retention (SIR) amounts.

Travelers has the City's liability package, Chubb has the City's property package and IPRF has the Workers Compensation policy coverage on the City's behalf. All of the carriers have extensive experience in public entity insurance coverage. Staff is pleased with the renewal as indicated and recommends its approval as presented.

**Attachments** *(please list):*

Premium Summary, 2017 Marketing Results, IPRF Brochure

**Recommendation/Suggested Action** *(briefly explain):*

Recommendation to authorize the Finance Director to execute the risk insurance program renewal for the year beginning December 1, 2018 in the amount of \$628,543.

# City of St. Charles

## Premium Summary

The following is a summary of the insurance carrier premiums quoted and payment plan options. For comparison purposes, we also included your expiring premiums:

<i>Carrier/AM Best Rating Coverage Payment Plan</i>	<i>Expiring Premium</i>	<i>Renewal Premium</i>
IPRF / AAA <b>Workers' Compensation*</b> Annual Pay Plan / Direct Bill	\$134,412 \$18,978	\$140,531
Chubb / A++, XV <b>Property</b> Annual / Agency Bill	\$184,891	\$184,724
Chubb / A++, XV <b>Inland Marine</b> Annual / Agency Bill	\$7,118	\$7,533
Travelers / A++, XV <b>Crime</b> Annual / Agency Bill	\$1,665	\$1,637
Travelers / A++, XV <b>General Liability*</b> Annual / Agency Bill	\$71,478	\$73,578
Travelers / A++, XV <b>Law Enforcement Liability</b> Annual / Agency Bill	\$29,022	\$26,522
Travelers / A++, XV <b>Public Officials &amp; Employment Practices Liability</b> Annual / Agency Bill	\$48,040	\$49,280
Travelers / A++, XV <b>Automobile</b> Annual / Agency Bill	\$51,913	\$55,832
Travelers / A++, XV <b>Umbrella</b> Annual / Agency Bill	\$62,267	\$64,964
Travelers / A++, XV <b>Cyber</b> Annual / Agency Bill	\$21,375	\$23,942
Travelers / A++, XV <b>Claim Fund</b> Annual / Agency Bill	\$5,000	\$0
<b>TOTAL</b>	<b>\$636,159</b>	<b>\$628,543</b>

\* Subject to annual audit

Note: Deposit premiums due upon binding.

# City of St. Charles

## Marketing Summary for 12/1/17 Renewal

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The following is a summary of the markets we approached on your behalf for your insurance renewal:

Carrier	Coverages Submitted	Response or Status
Travelers	General Liability, Law Enforcement, Automobile, Public Officials, Employment Practices, Excess Liability, Crime, Cyber	Quoted
Chubb	Property & Inland Marine	Quoted
Travelers	Crime	Quoted
Illinois Counties Risk Management Trust (ICRMT)	General Liability, Law Enforcement, Automobile, Public Officials, Employment Practices, Excess Liability, Crime, Cyber, Workers Compensation	Provided indication only. Pricing was not competitive.
Trident	General Liability, Law Enforcement, Automobile, Public Officials, Employment Practices, Excess Liability, Crime, Cyber, Property/Inland Marine	Provided indication only. Coverage terms were not competitive. Can only write \$10M in umbrella. Unable to write the Cyber. Declined to quote the Property/Inland.
BRIT	General Liability, Law Enforcement, Automobile, Public Officials, Employment Practices, Excess Liability, Crime, Cyber, Property/Inland Marine	Provided preliminary indication only. Coverage terms were not competitive. Unable to write the Cyber. Declined to quote the Property/Inland.
Allied Public Risk	General Liability, Law Enforcement, Automobile, Public Officials, Employment Practices, Excess Liability, Crime, Cyber, Property/Inland Marine	Unable to match current SIR structure. Size and concentration of Property not in their appetite.
Glatfelter	General Liability, Law Enforcement, Automobile, Public Officials, Employment Practices, Excess Liability, Crime, Cyber, Property/Inland Marine, Workers' Compensation	Provided indication only. Coverage terms were not competitive. Unable to write Work Comp for Municipalities at this time (program options coming soon). No SIR options available on the General Liability or Law Enforcement. Only able to write \$10M umbrella. Must EXCLUDE Failure to Supply
AIG	General Liability, Law Enforcement, Automobile, Public Officials, Employment Practices, Excess Liability, Crime, Cyber, Property/Inland Marine	Not competitive

*IMPORTANT NOTE: The coverage represented is a summary of important elements of the actual insurance being procured. The policy, when issued, contains complete details of the coverage, and therefore, supersedes this proposal. Copies of the actual policy forms will be provided upon request.*

Carrier	Coverages Submitted	Response or Status
Chubb	General Liability, Law Enforcement, Automobile, Public Officials, Employment Practices, Excess Liability, Crime, Cyber, Property/Inland Marine	Not competitive
Hartford	Property/Inland Marine	Unable to provide competitive pricing and coverage terms, especially on the flood coverage.
Allianz	Property/Inland Marine	Unable to provide competitive pricing and coverage terms, especially on the flood coverage.
Great American	Property/Inland Marine	Unable to provide competitive pricing and coverage terms, especially on the flood coverage.
Highland Risk	Cyber	Quoted
Safety National	Workers Compensation	Quoted
Illinois Public Risk Fund (IPRF)	Workers Compensation	Quoted

*IMPORTANT NOTE: The coverage represented is a summary of important elements of the actual insurance being procured. The policy, when issued, contains complete details of the coverage, and therefore, supersedes this proposal. Copies of the actual policy forms will be provided upon request.*

## ILLINOIS PUBLIC RISK FUND

### *Accomplishments ...*

- ✓ Utilization of Medical Case Managers for major or difficult injury cases.
- ✓ PPP/Managed Care services providing over 10,000 physicians & facilities throughout Illinois.
- ✓ An aggressive subrogation program which will include members out-of-pocket expenses.
- ✓ Coverage provided for approved Physical Fitness Training programs (sample program plans available).
- ✓ Claim Analyst assigned to each member, by location.
- ✓ Dedicated Claims Unit including fax claims service and an 800-claim information help line located in Lisle, Illinois.
- ✓ Last, and most important, we work with local independent agents who we feel provide the on-site services our members deserve.

*These features along with too many others to list, reflect our efforts to be the Best Workers Compensation Source for Illinois Public Entities.*

## MEASURE US AGAINST THE REST...

### **Reinsurance**

- ✓ Employer Liability \$3,000,000
- ✓ Primary Reinsurer – “A+” Best’s Rating

### **Assessment Provision**

- ✓ Capped at 10% Maximum of Member’s Ann. Premium 3 year Minimum & Maximum  
(3 year State Regulated Minimum)

### **Financial Stability**

- ✓ Annual Audited Financial Statements
- ✓ G.A.S.B. 10 Standards

### **Additional Coverages**

- ✓ Volunteers included
- ✓ Broad Form All States Coverage
- ✓ Includes the Longshoreman’s and Harbor Workers’ Compensation Act
- ✓ Approved Physical Fitness & Training Programs

### **Loss Control**

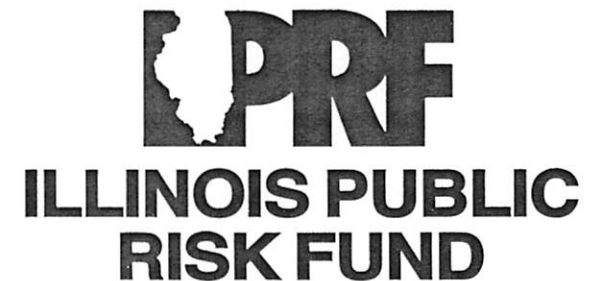
*(Provided at no additional cost)*

- ✓ Loss Control Webinars Available to All Members
- ✓ Targeted Individual Member Loss Control Programs
- ✓ Loss Control/Claims Newsletter
- ✓ Loss Control Safety Manual
- ✓ Web Site Based Training

### **Dividends/Grants**

- ✓ Since 1985 over \$55,000,000 in dividends and grants have been declared/paid to members.

## 2017 - 2018 Financial Stability Rating®



## AAA Unsurpassed

*“Demotech’s Highest Rating”*

*Cost Control Through Cooperation  
Since 1985*

Analysis Prepared By:

===== **Demotech, Inc.** =====

The Illinois Public Risk Fund is a self-funded workers' compensation pool for public entities that was established on December 15, 1985 to provide a cost-effective alternative to escalating workers' compensation premiums and related costs.

Presently the IPRF has over 740 members comprised of Illinois local governmental entities and public agencies. The Board of Trustees oversees the operation of the Fund and governs it in accordance with the Illinois Intergovernmental Cooperation Act and other guiding provisions of state laws, rules and regulations. Members participate in dividend/grant programs based upon the Fund's and the individual member's experience.

To assure professional day to day administration, IPRF Trustees have contracted with CCMSI for claims administration services. A formal loss control program has been developed to minimize losses and maximize the potential savings at no additional cost to members.

To limit the liability of those public entities participating in the IPRF, the Fund is protected by excess insurance.

The Fund has been designed to be responsive to the needs of the participants through an open system of communications whereby members have input into the development and ultimate resolution of claims.

## Financial Stability Rating®

Based upon Demotech's review of the Illinois Public Risk Fund's audited financial statements, actuarial reports and related financial information and discussions with representatives of the Illinois Public Risk Fund, we are able to assign a Financial Stability Rating® of:

**AAA**  
**Unsurpassed**

### RATING CATEGORIES

<b>AAA</b>	Unsurpassed
<b>AA+</b>	Exceptional
<b>AA</b>	Exceptional
<b>A+</b>	Above Average
<b>A</b>	Above Average
<b>BBB+</b>	Average
<b>BBB</b>	Average
<b>BB+</b>	Acceptable
<b>BB</b>	Acceptable
<b>B</b>	Fair
<b>C</b>	Below Average
<b>D</b>	Likely to Default

**Demotech, Inc.**

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## FINANCIAL DATA

Illinois Public Risk Fund Balance Sheets  
December 31, 2016 and 2015

### ASSETS

	2016	2015
CASH AND CASH EQUIVALENTS	\$ 51,602,754	\$ 34,306,971
RECEIVABLES		
Premiums, less allowance for doubtful accounts of \$0 in 2016 and 2015	204,591	340,159
Reinsurance recoverables on paid losses	540,054	358,437
Interest	261,351	279,335
Subrogation	-	154,676
PREPAID EXPENSES	56,098	300,381
INVESTMENTS	102,799,935	110,663,395
CAPITAL ASSETS		
Office furniture and equipment, less accumulated depreciation of \$101,097 and \$83,091 at December 31, 2016 and 2015, respectively	59,277	57,793
<b>TOTAL ASSETS</b>	<b>\$ 155,524,060</b>	<b>\$ 146,461,147</b>

### LIABILITIES AND NET ASSETS

LIABILITIES		
ACCOUNTS PAYABLE	\$ 101,163	\$ 269,236
NET PREMIUMS DUE TO MEMBERS	600,000	-
ACCRUED EXPENSES	38,783	49,997
ADVANCE PREMIUMS RECEIVED	9,430,277	7,843,612
UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES	82,281,552	81,777,337
<b>Total Liabilities</b>	<b>92,451,775</b>	<b>89,940,182</b>
NET ASSETS		
Invested in capital assets	59,277	57,793
Unrestricted	53,013,008	46,463,172
Restricted	10,000,000	10,000,000
<b>Total Net Assets</b>	<b>63,072,285</b>	<b>56,520,965</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 155,524,060</b>	<b>\$ 146,461,147</b>