

 <b>ST. CHARLES</b> <small>S I N C E 1 8 3 4</small>	<b>AGENDA ITEM EXECUTIVE SUMMARY</b>					
	Title:	Recommendation to Approve a Resolution Appointing Assurance Agency as the Risk Insurance Program Consultant for the City of St Charles for Three Years at Annual Cost of \$32,500				
	Presenter:	Chris Minick, Finance Director				

*Please check appropriate box:*

X	Government Operations (10/06/2014)		Government Services
	Planning & Development		City Council
	Public Hearing		

Estimated Cost:	\$32,500	Budgeted:	YES	X	NO	
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If NO, please explain how item will be funded:

**Executive Summary:**

Staff has issued Requests for Proposals for Risk Insurance Consulting Services and interviewed three firms providing responses: Arthur J. Gallagher & Co, Assurance Agency, Ltd. And the current service provider, Wine Sergi.

The Consultant will provide services in the areas related to the City's property, liability, and casualty insurance as well as the Workers Compensation line of coverage. Services to be provided will include recommendations for funding, visioning and strategy for the risk management program, coverage limits, lines of coverage, Self Insured Retention amounts, claims advocacy and adjudication, marketing and placement of policies, and access to ancillary risk management and safety training and loss control initiatives. The City's interview team consisted of Chris Minick, Finance Director, Kathy Lamkin, Human Resources Director, and Carylie Forte, Senior Administrative Assistant in the Finance Department.

The proposed term of the contract is three years with the potential for two two-year extensions. Annual costs for all of the responses received are: Arthur J. Gallagher & Co \$30,000; Assurance Agency \$32,500, Wine Sergi \$34,500. While cost was a consideration, the more important considerations are viable advice and options, visioning, strategy, risk and loss control services, and customer service.

Staff is recommending Assurance Agency as the selected consultant. Their long term visioning strategy is the best option for the City at this point and mirrors the process and planning undertaken for the City's health insurance program. Additionally, their access to insurance markets and claims advocacy and processing services will serve as valuable complements to the City's overall risk management program.

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

Resolution

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

Recommendation to approve a Resolution Appointing Assurance Agency as the Risk Insurance Program Consultant for the City of St Charles for Three Years at an Annual Cost of \$32,500.

<i>For office use only:</i>	<i>Agenda Item Number: 5a</i>
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**City of St. Charles, Illinois**  
**Resolution No. \_\_\_\_\_**

**A Resolution Appointing Assurance Agency as the Risk Insurance Program  
Consultant for the City of St Charles for Three Years at an Annual Cost of  
\$32,500**

**Presented & Passed by the City Council on \_\_\_\_\_**

BE IT RESOLVED by the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois, that Assurance Agency is hereby appointed as the Risk Insurance Program Consultant of the City of St Charles for a Three Year period at an annual cost of \$32,500 in accordance with Assurance Agency's response to the City's Request for Proposals dated September 4, 2014 by and on behalf of the City of St. Charles.

BE IT FURTHER RESOLVED that the Finance Director and City Administrator are hereby authorized to execute the necessary documents to ensure that Assurance Agency can assist with the City's risk insurance program renewal process for the year beginning December 1, 2014.

Presented to the City Council of the City of St. Charles, Illinois this \_\_\_\_ day of \_\_\_\_\_, 2014.

Passed by the City Council of the City of St. Charles, Illinois this \_\_\_\_ day of \_\_\_\_\_, 2014.

Approved by the Mayor of the City of St. Charles, Illinois this \_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
Mayor Raymond P. Rogina

ATTEST:: \_\_\_\_\_  
City Clerk

COUNCIL VOTE:

Ayes: \_\_\_\_\_

Nays: \_\_\_\_\_

Abstain: \_\_\_\_\_

Absent: \_\_\_\_\_

**ASSURANCE AGENCY, LTD. | CITY OF ST. CHARLES, ILLINOIS  
SERVICE AGREEMENT**

**THIS SERVICE AGREEMENT** (hereinafter "Agreement"), entered into this 21st day of October, 2014, is made by and between **CITY OF ST. CHARLES, ILLINOIS** (hereinafter referred to as "Client") and **ASSURANCE AGENCY, LTD.** (hereinafter referred to as "Assurance").

WHEREAS, Client is a municipal entity whose principal business office is located at Two East Main St., St. Charles, IL 60174; and

WHEREAS, Assurance is a professional services corporation offering risk management and insurance brokerage services, whose principal business office is located at One Century Centre, 1750 East Golf Road, Schaumburg, Illinois, 60173; and

WHEREAS, both parties desire to engage in a professional services relationship providing for risk management and insurance brokerage services for Client's domestic casualty insurance and risk management program; and

WHEREAS, the parties agree that it would be to their mutual advantage to execute this Agreement and thereby define the terms and conditions that shall control the rendering of services provided by Assurance to Client;

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Client and Assurance agree as follows:

I. **Service Period**

This Agreement shall be effective beginning October 21, 2014 and shall terminate October 21, 2017, unless terminated in accordance with the Termination provision of this Agreement.

II. **Scope of Services**

The parties understand and agree that in consideration of a service fee in an amount set forth herein, Assurance will provide Client risk management and insurance brokerage services including, but not limited to the following:

A. **General Services**

1. Perform services necessary to replace current insurance coverage expiring on December 1, 2014. Client and Assurance will work together to determine whether coverage will be changed for this renewal year for Property and Liability insurance lines. There will be no changes for the City's Excess Workers' Compensation coverage or claims handling for the year beginning December 1, 2014.
2. Develop an understanding of the Client's needs in specialized areas and provide input to management, as to the areas which need modification or improvement.
3. Coordinate safety/loss control services and document as requested.

4. Assist in risk exposure evaluation, as well as development and the evaluation of traditional and alternative risk financing mechanisms, which may be beneficial to the Client.
5. Perform other services customarily expected of a broker/consultant for the duration of the agreement.
6. Have at least one qualified principal and/or account executive with a minimum of five years experience in commercial lines. CPCU, CIC or ARM designation preferred.

**B. Insurance**

1. Prepare insurance coverage specification and market programs to expiration of policies, indicating in writing markets being approached, coverage and deductible/retention options being considered.
2. Act as a liaison and advocate for the Client with the underwriters and claims staff.
3. Provide all carrier quotations received from carrier underwriters with detailed recommendations to the Client of which proposal would best meet the Client's needs concerning coverage and cost.
4. Provide renewal and unbiased alternate insurance proposals no later than 30 days prior to the expiration of the current policies.
5. Provide a market forecast by line of coverage during the Client's budgeting period.
6. Obtain from the Client the necessary information and prepare applications required by insurers.
7. Verify the accuracy and adequacy of policies, endorsements, coverage and premiums noting in writing any variations from the previous year, or from conformance with specifications and any negotiations conducted with underwriters.
8. Assist in determining proper limits and coverage exposures common to municipalities and specific to Client.
9. Assess insurance company stability, solvency and service records.
10. Deliver insurance policies or binders at the beginning of term of coverage.
11. Accurately amend (with approval) policies, as needed.
12. Upon request, provide timely, verbal or written interpretation of coverage.
13. Represent the Client in communications with carriers regarding coverage issues.
14. Review insurance carrier recommendations for appropriateness.

**III. Compensation**

- A. It is hereby understood and agreed that in consideration of a fee in an amount set forth below, that Assurance will provide Client with risk management and insurance brokerage services, which are outlined in the Scope of Services section of this Service Agreement above herein.
- B. It is further agreed that additional risk management and insurance brokerage services may be undertaken that are outside the foregoing Scope of Services by mutual consent of the parties, which consent must be in writing and acknowledged by both parties.
- C. In consideration for risk management and insurance brokerage services provided by Assurance to Client within this Service

Agreement, Client shall compensate Assurance an annual service fee in the amount of Thirty Two Thousand Five Hundred dollars (\$32,500).

- E. The parties agree Client shall issue payment of the annual service fee on as a single annual installment, beginning October 21, 2014. The minimum earned amount of service fee shall be 75% of the annual fee, or \$24,375.
- D. Assurance shall credit any retail commissions received by Assurance or its affiliates for placement of insurance policies for Client against remaining installments of the annual fee and, to the extent that the resulting credit should be in excess of the remaining installments, refund previously paid installments of the annual fee.

#### **IV. Termination of Services**

- A. Either party may exercise its right to terminate this Service Agreement by providing written notice to the other party of intent to terminate no less than thirty (30) days prior to such termination.
- B. If this Agreement is terminated, either prior to or at the expiration of the service period, and the parties fail to execute a new Agreement, all services will be discontinued as of the date of such termination, provided, however, Assurance shall use its best efforts to complete all services commenced prior to such termination and shall invoice Client for the completion of such services, on a pro rata basis, in accordance with the service fees set forth in this Service Agreement, subject to the minimum earned service fee amount.
- C. Should Client designate a broker other than Assurance as its broker of record at any time subsequent to the date of this Service Agreement for any reason other than a material breach by Assurance of any of its obligations under this Service Agreement, Client shall remain obligated to pay Assurance a portion of the annual service fee on a pro rata basis as of the effective date of termination of services or revocation of its broker of record letter, subject to the minimum earned service fee amount.

#### **V. Additional Obligations of Client**

Client shall provide Assurance with reasonable cooperation and assistance necessary for Assurance to fulfill its responsibilities to Client pursuant to the terms and conditions of this Service Agreement including, without limitations, copies of all documents reasonably requested by Assurance and the cooperation of and access to certain Client personnel.

#### **VI. Confidentiality**

- A. Assurance acknowledges the extraordinary access to proprietary and confidential information of Client, including, but not limited to, Client customer information, business models, marketing plans, business operations, and documents related to such business operations.
- B. Assurance shall undertake all reasonable efforts to maintain the integrity of all of Client's information, whether or not such information is considered confidential or proprietary.

#### **VII. General Conditions**

- A. The language used within this Service Agreement is understood and accepted by both parties to be considered in the strictest application and common use

of each word, use of words, combination of words, and terms as written herein.

- B. Neither party shall assign the rights, nor duties herein set forth without the prior written consent of the other party.
- C. The terms and conditions of this Service Agreement constitute the entire Agreement between the parties with respect to the subject matter hereof. Subject to the provisions described herein, this Service Agreement shall not be amended except by a written amendment signed by both parties, and no promises, agreement, or representations not herein set forth shall be of any force or effect between them. This Service Agreement shall serve to terminate and supersede all agreements and undertakings heretofore entered into between the parties on subjects covered by this Service Agreement.
- D. Assurance and Client shall indemnify, defend, and hold one another, their directors, officers, employees, agents, representatives, and assigns harmless from and against any and all claims, damages, losses, or expenses (including such parties' reasonable attorney, accountant, and expert witness fees and costs) incurred by one party as the result of:
  - 1. a material breach by the other party of any of its obligations under this Agreement; or
  - 2. any willful or negligent conduct of the other party.
- E. Any communication or notice required or which may be given hereunder shall be addressed to Client and to Assurance at their addresses set forth in the preamble hereof.
- F. This Service Agreement shall be governed for all purposes by the laws of the State of Illinois.
- G. This Service Agreement shall be deemed the entire Agreement between the parties, and no other amendments or attachments are made herewith.

In witness whereof, the parties hereto have executed this Service Agreement, consisting of four (4) total pages, in duplicate, intending each copy to serve as an original as of the day and year first written above.

ASSURANCE AGENCY, LTD.

**By:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
Bobby Dufkis, Senior Vice President

CITY OF ST. CHARLES, ILLINOIS

**By:** \_\_\_\_\_ **Date:** \_\_\_\_\_  
Christopher Minick, Finance Director