

VILLAGE OF LOMBARD
REQUEST FOR BOARD OF TRUSTEES ACTION
For Inclusion on Board Agenda

X

Resolution or Ordinance (Blue) _____ *Waiver of First Requested*
Recommendations of Boards, Commissions & Committees (Green)
Other Business (Pink)

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: David A. Hulseberg, Village Manager *dah*

DATE: December 5, 2011 (COW)(B of T) December 15, 2011

TITLE: Finance Committee Recommendation on 2012 Insurance Program

SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

The Village's 2012 Risk Management Program was presented by staff and the Village's Risk Management Consultant, Mike Nugent, to the Finance Committee at their meeting on Monday, November 28, 2011. The consultant's information on the subject is attached. Three options were discussed and option #2 was favored by the Finance Committee because the option does not change our existing coverage and is 14.7% less than this year's fees.

The Finance Committee voted unanimously to recommend option #2 for the 2012 Insurance Program to the President and Board of Trustees at their regular meeting on December 15, 2011. Village Board approval of the Finance Committee's recommendation will allow staff to execute the necessary contracts and agreements to assure that coverage is in place for January 1, 2012.

Review (as necessary):

Village Attorney X _____	Date _____
Finance Director X <i>Timothy Sexton</i>	Date <i>12/5/11</i>
Village Manager X <i>David A. Hulseberg</i>	Date <i>12/5/11</i>

NOTE: All materials must be submitted to and approved by the Village Manager's Office by 12:00 noon, Wednesday, prior to the Agenda Distribution.



MEMORANDUM

To: Finance Committee

From: Timothy Sexton, Director of Finance

Date: November 23, 2011

Subject: Village Insurance Renewal

Please find attached the report from our Risk Management Consultant, Mike Nugent, on the 2012 insurance renewal program. The Finance staff recommends selecting option #2 since it does not change our existing coverage and reduces the cost by 14.7%. Mr. Nugent will be at the Finance Committee meeting on November 28, 2011 to discuss the various options.



NUGENT CONSULTING GROUP
INSURANCE AND RISK MANAGEMENT CONSULTING

November 22, 2012

Mr. Tim Sexton
Village of Lombard
255 East Wilson Street
Lombard, IL 60148

Re: 2012 Self-Insurance Plan Renewal

Dear Tim:

Attached to this letter are spreadsheets comparing the 4 different proposals the Village has received from two insurance brokers in response to the request for proposal I issued in September. This letter is a summary of those proposals.

Option 1 from Arthur J. Gallagher & Company is the same structure and insurers as the expiring program. Costs from this option increase 5.63% to \$431,782

Option 2, also from Gallagher is the same structure as expiring and Option 1, but with Argonaut as the package insurer. This option reduces costs 14.7% to \$348,453.

Option 3, is from the Assurance Agency is similar structure as Options 1 and 2, but with the following differences:

1. Total limits from Brit (Option 3) are \$10,000,000 (\$1,000,000 less than Option 2)
2. Defense costs are inside the limit from Brit (In addition to the limit in Option 2)
3. Brit coverage form is a "indemnity form which means Brit will reimburse excess costs when the claim is resolved. Argonaut will pay excess expenses on your behalf as they are due.
4. Crime coverage deductible is \$25,000 higher in Option 3.
5. Brit / C.N.A exclude Flood Zone A locations (2 locations)

Option 3 is the lowest cost option, reducing cost 19.60%.

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Mr. Tim Sexton
November 22, 2012

Option 4, also from Assurance Agency is the same structure as Option 3 but with higher cost.

I recommend approval of Option 2 for the 2012 self-insurance plan renewal due to the differences noted in Option 3 above.

Please contact me with any questions.

Sincerely,

Mike Nugent

Michael D. Nugent

Village of Lombard Proposal Analysis 2012

Item	Expiring				Renewal Option 1				Renewal Option 2				Renewal Option 3				Renewal Option 4			
	Gallagher				Gallagher				Gallagher				Gallagher				Assurance			
	Lexington / Chubb				Lexington / Chubb				Lexington / Chubb				Lexington / Chubb				Brit / C.N.A.			
	Lexington / Chubb				Lexington / Chubb				Lexington / Chubb				Lexington / Chubb				Brit / C.N.A.			
1 Excess Property	\$	57,345	\$	58,992	\$	57,492	\$	57,492	\$	57,492	\$	57,492	\$	57,492	\$	57,492	\$	36,425	\$	36,425
2 Primary Package	\$	165,760	\$	183,431	\$	133,917	\$	133,917	\$	133,917	\$	133,917	\$	133,917	\$	133,917	\$	128,010	\$	197,120
3 Excess Liability	\$	29,869	\$	29,815	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	21,156	\$	-
4 Boiler	\$	3,240	\$	2,000	\$	2,000	\$	2,000	\$	2,000	\$	2,000	\$	2,000	\$	2,000	\$	3,810	\$	3,810
5 Crime	\$	10,572	\$	10,682	\$	10,682	\$	10,682	\$	10,682	\$	10,682	\$	10,682	\$	10,682	\$	7,225	\$	7,225
6 TPA	\$	37,000	\$	35,000	\$	35,000	\$	35,000	\$	35,000	\$	35,000	\$	35,000	\$	35,000	\$	35,000	\$	35,000
7 Broker Fee	\$	37,925	\$	37,925	\$	35,425	\$	35,425	\$	35,425	\$	35,425	\$	35,425	\$	35,425	\$	22,500	\$	22,500
8 Consulting	\$	17,500	\$	18,000	\$	18,000	\$	18,000	\$	18,000	\$	18,000	\$	18,000	\$	18,000	\$	18,000	\$	18,000
9 Ex Workers Compensation	\$	40,757	\$	47,476	\$	47,476	\$	47,476	\$	47,476	\$	47,476	\$	47,476	\$	47,476	\$	47,476	\$	47,476
11 Police & Fire Pension	\$	8,696	\$	8,461	\$	8,461	\$	8,461	\$	8,461	\$	8,461	\$	8,461	\$	8,461	\$	8,461	\$	8,461
12 Premium/Fees	\$	408,664	\$	431,782	\$	348,453	\$	348,453	\$	348,453	\$	348,453	\$	348,453	\$	348,453	\$	328,063	\$	376,017

Terms	Expiring				Renewal Option 1				Renewal Option 2				Renewal Option 3				Renewal Option 4			
	Lexington / Chubb				Lexington / Chubb				Lexington / Chubb				Lexington / Chubb				Brit / C.N.A.			
	Lexington / Chubb				Lexington / Chubb				Lexington / Chubb				Lexington / Chubb				Brit / C.N.A.			
	Lexington / Chubb				Lexington / Chubb				Lexington / Chubb				Lexington / Chubb				Brit / C.N.A.			
13 WC SIR - All Other	\$	425,000	\$	425,000	\$	425,000	\$	425,000	\$	425,000	\$	425,000	\$	425,000	\$	425,000	\$	425,000	\$	425,000
14 WC SIR - Police/Fire	\$	550,000	\$	550,000	\$	550,000	\$	550,000	\$	550,000	\$	550,000	\$	550,000	\$	550,000	\$	550,000	\$	550,000
15 Property SIR	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000
16 Liability SIR	\$	100,000	\$	100,000	\$	100,000	\$	100,000	\$	100,000	\$	100,000	\$	100,000	\$	100,000	\$	100,000	\$	100,000
17 Auto Physical Damage	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000	\$	50,000
18 Boiler Deductible	\$	1,000	\$	5,000	\$	5,000	\$	5,000	\$	5,000	\$	5,000	\$	5,000	\$	5,000	\$	1,000	\$	1,000
19 Total Liability Limits	\$	11,000,000	\$	11,000,000	\$	11,000,000	\$	11,000,000	\$	11,000,000	\$	11,000,000	\$	11,000,000	\$	11,000,000	\$	10,000,000	\$	10,000,000
20 Crime Retention	\$	25,000	\$	25,000	\$	25,000	\$	25,000	\$	25,000	\$	25,000	\$	25,000	\$	25,000	\$	50,000	\$	50,000