

070635

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

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

\_\_\_\_\_  
X  
\_\_\_\_\_

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: William T. Lichter, Village Manager

DATE: November 28, 2007 (COW)(B of T) December 6, 2007

TITLE: Finance Committee Recommendation on 2008 Insurance Program

SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

The Village's 2008 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 26, 2007. The consultant's reports on the subject are attached.

The Finance Committee voted unanimously to recommend the 2008 Insurance Program to the President and Board of Trustees at their regular meeting on December 6, 2007. 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, 2008.

Review (as necessary):

Village Attorney X \_\_\_\_\_  
Finance Director X *Timothy Sexton*  
Village Manager X *William T. Lichter*

Date

11/28/07

Date

11/29/07

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.

November 26, 2007

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

Re: 2008 Self-Insurance Plan Renewal

Dear Tim:

Attached to this letter are spreadsheets comparing the 7 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 essentially the same structure and insurers as the expiring program, with the exception of the workers compensation self-insured retention (SIR – amount the Village pays before specific insurance takes over), which would increase from \$400,000 each claim to \$425,000 for non-police and fire claims, and from \$500,000 to \$550,000 for police and fire claims. Cost would decrease approximately \$40,000 from the current program.

**Option 2**, also from Gallagher, reduces the workers compensation SIR to \$325,000 all other claims and \$450,000 for police and fire claims. This saves \$8,500 versus the current plan, but is \$31,500 more than Option 1. I do not feel the additional premium is worth the reduced retention.

**Option 3**, also from Gallagher is the same structure as Option 1, but replaces Lloyds of London with Lexington Insurance Company (an AIG Company) and Travelers with Chubb Insurance Company. This option saves \$59,000 versus the current plan, and \$19,000 versus Option 1. I recommend this option as it has **the best combination of cost, coverage and protection.**

**Option 4**, also from Gallagher is with same insurers as Option 3, but increases the liability SIR from \$100,000 to \$250,000. I do not feel the \$17,000 in savings is worth the additional risk.

There are also three competitive options from Mesirow Insurance Services. Option 5 compares to the recommended option but is \$4,000 in additional cost. Coverage is comparable, but I believe the Lexington and Chubb coverage forms are slightly broader than the Mesirow proposed Catlin and Hartford forms. Options 6 & 7 compare favorably with other non-recommended Gallagher Options.

Please contact me with any questions.

Sincerely,

*Mike Nugent*

Michael D. Nugent

**VILLAGE OF LOMBARD  
2008 PROPOSAL ANALYSIS**

Item	2007							2008		2008		2008		2008		2008	
	Lloyds / Travelers		Lloyds / Travelers		Lexington / Chubb		Lexington / Chubb		Catin / Hartford		Catin / Hartford		Catin / Hartford		Catin / Hartford		
	Option 1 Gallagher	Option 2 Gallagher	Option 3 Gallagher	Option 4 Gallagher	Option 5 Mesitrow	Option 6 Mesitrow	Option 7 Mesitrow	Option 1 Gallagher	Option 2 Gallagher	Option 3 Gallagher	Option 4 Gallagher	Option 5 Mesitrow	Option 6 Mesitrow	Option 7 Mesitrow	Option 1 Gallagher	Option 2 Gallagher	Option 3 Gallagher
1 Excess Property	\$ 56,320	\$ 40,473	\$ 40,473	\$ 55,257	\$ 35,359	\$ 32,689	\$ 32,689	\$ 56,320	\$ 40,473	\$ 40,473	\$ 55,257	\$ 35,359	\$ 32,689	\$ 32,689	\$ 56,320	\$ 40,473	\$ 40,473
2 Primary Package	\$ 153,588	\$ 141,032	\$ 172,232	\$ 209,294	\$ 151,704	\$ 151,704	\$ 121,464	\$ 153,588	\$ 141,032	\$ 172,232	\$ 209,294	\$ 151,704	\$ 151,704	\$ 121,464	\$ 153,588	\$ 141,032	\$ 172,232
3 Excess Liability	\$ 155,919	\$ 140,294	\$ 140,294	\$ 39,161	\$ 129,535	\$ 129,535	\$ 129,535	\$ 155,919	\$ 140,294	\$ 140,294	\$ 39,161	\$ 129,535	\$ 129,535	\$ 129,535	\$ 155,919	\$ 140,294	\$ 140,294
4 Boiler	\$ 3,144	\$ 2,975	\$ 2,975	\$ 2,975	\$ -	\$ -	\$ -	\$ 3,144	\$ 2,975	\$ 2,975	\$ 2,975	\$ -	\$ -	\$ -	\$ 3,144	\$ 2,975	\$ 2,975
5 Crime	\$ 11,661	\$ 10,025	\$ 10,025	\$ 10,025	\$ 6,348	\$ 6,348	\$ 6,348	\$ 11,661	\$ 10,025	\$ 10,025	\$ 10,025	\$ 6,348	\$ 6,348	\$ 6,348	\$ 11,661	\$ 10,025	\$ 10,025
6 TPA	\$ 35,840	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	\$ 35,840	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	\$ 35,840	\$ 36,300	\$ 36,300
7 Broker Fee	\$ 36,400	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 36,400	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 36,400	\$ 37,000	\$ 37,000
8 Consulting	\$ 16,000	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,000	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,000	\$ 16,500	\$ 16,500
9 Workers Compensation	\$ 33,382	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	\$ 33,382	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	\$ 33,382	\$ 37,150	\$ 37,150
<b>10 Premium/Fees</b>	<b>\$ 502,254</b>	<b>\$ 461,749</b>	<b>\$ 492,949</b>	<b>\$ 443,662</b>	<b>\$ 449,896</b>	<b>\$ 447,226</b>	<b>\$ 416,986</b>	<b>\$ 502,254</b>	<b>\$ 461,749</b>	<b>\$ 492,949</b>	<b>\$ 443,662</b>	<b>\$ 449,896</b>	<b>\$ 447,226</b>	<b>\$ 416,986</b>	<b>\$ 502,254</b>	<b>\$ 461,749</b>	<b>\$ 492,949</b>
11 Est. Retained Losses	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000
12 Total Estimated Cost	\$ <b>1,102,254</b>	\$ <b>1,061,749</b>	\$ <b>1,092,949</b>	\$ <b>1,043,662</b>	\$ <b>1,049,896</b>	\$ <b>1,047,226</b>	\$ <b>1,016,986</b>	\$ <b>1,102,254</b>	\$ <b>1,061,749</b>	\$ <b>1,092,949</b>	\$ <b>1,043,662</b>	\$ <b>1,049,896</b>	\$ <b>1,047,226</b>	\$ <b>1,016,986</b>	\$ <b>1,102,254</b>	\$ <b>1,061,749</b>	\$ <b>1,092,949</b>
13 WC SIR - All Other	\$ 400,000	\$ 425,000	\$ 325,000	\$ 425,000	\$ 425,000	\$ 425,000	\$ 425,000	\$ 400,000	\$ 425,000	\$ 325,000	\$ 425,000	\$ 425,000	\$ 425,000	\$ 425,000	\$ 400,000	\$ 425,000	\$ 425,000
14 WC SIR - Police/Fire	\$ 500,000	\$ 550,000	\$ 450,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 500,000	\$ 550,000	\$ 450,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000	\$ 500,000	\$ 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	\$ 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	\$ 250,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 250,000	\$ 100,000	\$ 100,000	\$ 250,000	\$ 100,000	\$ 100,000	\$ 250,000
17 Auto Physical Damage	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
18 Boiler Deductible	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 1,000	\$ 1,000	\$ 1,000
19 Flood Zone A / V	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage	No Coverage
20 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	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000
21 Crime Retention	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 25,000	\$ 25,000	\$ 25,000
22 Third Party Aggregate Ded	None	None	None	None	500,000	500,000	500,000	None	None	None	None	500,000	500,000	500,000	None	None	None