



NUGENT CONSULTING GROUP
INSURANCE AND RISK MANAGEMENT CONSULTING

November 22, 2005

Mr. Len Flood
Village of Lombard
255 East Wilson
Lombard, IL 60148

Re: 2006 Insurance Renewal

Dear Len:

The purpose of this letter is to provide a summary of and recommendation on the 2006 renewal terms. I have attached spreadsheets that compare renewal costs to the current plan.

There is only one structural change in the program for 2006. The Self-insured retention for workers compensation claims will increase from \$350,000 each claim to \$400,000. The reason for the increase in the self-insured retention is the legislation that the Governor signed into law in June. Touted as "workers compensation reform", the legislation actually increases benefits to injured workers.

The overall costs will be the same as in 2005. Hurricanes Katrina, Rita and Wilma did have some minor impact on the renewal rates. Insurers are reluctant to reduce rates for any policyholder while facing the prospect of paying the estimated 65 Billion in insured losses from the three storms.

We received six proposals for claim administration services. I am recommending switching claims administration from Gallagher Bassett Services to CCMSI. The Village should save \$10,000 over a three year period, while improving the level of claims service.

Sincerely,

Mike Nugent

Michael D. Nugent