



NUGENT CONSULTING GROUP
INSURANCE AND RISK MANAGEMENT CONSULTING

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 Lexinton 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.

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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	
		Option 1 Gallagher Lloyds / Travelers	Option 2 Gallagher Lloyds / Travelers	Option 3 Gallagher Lexington / Chubb	Option 4 Gallagher Lexington / Chubb	Option 5 Mesirow Catlin / Hartford	Option 6 Mesirow Catlin / Hartford	Option 7 Mesirow Catlin / Hartford			
1 Excess Property	\$ 56,320	\$ 40,473	\$ 40,473	\$ 55,257	\$ 55,257	\$ 35,359	\$ 32,689	\$ 32,689	\$ 32,689	\$ 32,689	
2 Primary Package	\$ 153,588	\$ 141,032	\$ 172,232	\$ 209,294	\$ 191,660	\$ 151,704	\$ 151,704	\$ 151,704	\$ 121,464	\$ 121,464	
3 Excess Liability	\$ 155,919	\$ 140,294	\$ 140,294	\$ 39,161	\$ 39,161	\$ 129,535	\$ 129,535	\$ 129,535	\$ 129,535	\$ 129,535	
4 Boiler	\$ 3,144	\$ 2,975	\$ 2,975	\$ 2,975	\$ 2,975	-	-	-	-	-	
5 Crime	\$ 11,661	\$ 10,025	\$ 10,025	\$ 10,025	\$ 10,025	\$ 6,348	\$ 6,348	\$ 6,348	\$ 6,348	\$ 6,348	
6 TPA	\$ 35,840	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	\$ 36,300	
7 Broker Fee	\$ 36,400	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	
8 Consulting	\$ 16,000	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	
9 Workers Compensation	\$ 33,382	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	\$ 37,150	
11 Est. Retained Losses	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	
12 Total Estimated Cost	\$ 1,102,254	\$ 1,061,749	\$ 1,092,949	\$ 1,043,662	\$ 1,026,028	\$ 1,049,896	\$ 1,047,226	\$ 1,047,226	\$ 1,016,986	\$ 1,016,986	
13 WC SIR - All Other	\$ 400,000	\$ 425,000	\$ 325,000	\$ 425,000	\$ 425,000	\$ 425,000	\$ 425,000	\$ 425,000	\$ 425,000	\$ 425,000	
14 WC SIR - Police/Fire	\$ 500,000	\$ 550,000	\$ 450,000	\$ 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	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	
16 Liability SIR	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 250,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 250,000	
17 Auto Physical Damage	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	
18 Boiler Deductible	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	
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	
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	
21 Crime Retention	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	
22 Third Party Aggregate Ded	None	None	None	None	None	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	