



## MEMORANDUM

To: Finance and Administration Committee

From: Tim Sexton, Director of Finance

Date: October 21, 2020

Subject: 2021 Liability Insurance Renewal Discussion and Recommendation

The Village's risk management consultant, Mike Nugent, recently advised the Village of several issues that have arisen with the 2021 liability insurance renewal. Two lines of coverage will have significantly higher premiums. First, there have been a number of significant weather events in recent years, including wildfires, hurricanes and specifically for the Midwest hail damage. The insurers anticipate that these events will only increase in significance and cost due to climate change. Therefore, property insurers are significantly raising premiums for this line of coverage.

Second, due to the civil unrest over the last several months, as well as a number of increasingly large claims related to Police, insurers are becoming increasingly uneasy with Police liability coverage. This also is leading to significant increases in premiums for this type of coverage.

Mr. Nugent is estimating that premiums for the Village's insurance may experience an increase by as much as 70% with this renewal. He is working on several angles for this renewal, including involving additional companies to get a more competitive price. However, there will definitely be a significant increase in premium costs even if there are different companies, as this is an industry-wide shift on these lines of coverage.

It is realistically too late to perform analysis on the options available to the Village for coverage in 2021. We will likely have to accept the increases for this year. Over the next year, staff will be exploring all options available, including pooling with other municipalities for coverage. However, there possibly may be no significant reductions to be found, as the increases for these lines of coverage will be hitting pools as well. Regardless, staff will definitely be considering all options and factors for the 2022 renewal, and will bring back a recommendation to the Committee during 2021.

In addition to these increased lines of coverage, there is one additional factor for this upcoming 2021 renewal. We have been advised by Mr. Nugent that all insurance companies are removing communicable diseases from all of their lines of coverage beginning January 1, 2021. This potentially opens up the Village to significant exposure beginning in January. In May 2020, the Illinois legislature passed legislation that makes any illness from COVID for police officers and firefighters automatically presumed to be work related. Given this, come

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January 1, if a police officer or firefighter were to go into the hospital for an extended period of time (or worse), any resulting workers' compensation claim will be covered completely by the Village, thereby exposing the Village to potentially significant uninsured claims.

Finally, Mr. Nugent has advised that pricing likely will not be disclosed by insurance companies until the last minute, in early to mid-December. The Village normally would receive pricing in mid-November and would bring it to the Committee in late November for a recommendation. That likely will not be possible this time. We are hoping to have pricing information available prior to the Village Board's December 17<sup>th</sup> Board meeting. Given this, staff will need to submit it directly to the Village Board without bringing it to the Finance Committee first.

Mr. Nugent will be on the phone for the F&A Committee meeting Monday to discuss this situation and answer questions. Given the lack of timing to come back through the F&A Committee for a formal recommendation, staff requests that the Finance Committee make the following recommendation to the Village Board:

Staff should work with the Village's risk management consultant to reduce costs related to the 2021 liability insurance renewal, and take it directly to the Board in December if there is not time to bring it through the Finance Committee. In addition, staff should begin exploring options for the 2022 renewal, including the possibility of pooling with other municipalities for coverage.