

MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Robert R. Lehnhardt, Director of Finance/Treasurer

DATE: October 18, 2021

SUBJECT: Property and Liability Insurance Renewal – November 1, 2021 to October 31, 2022

Request

City Council approval of the purchase of property and liability insurance for November 1, 2021 to October 31, 2022.

Background

Since 1982, the City of Wheaton has utilized a self-insurance program for General Liability, Property, Public Officials Liability, Workers' Compensation, and other coverages while securing excess specific protection and insurance to protect it in the event of numerous or catastrophic losses. A self-insurance program transfers some of the risk of loss to a third party by purchasing excess insurance coverage above a specific dollar amount (self-insured retention). The City is responsible for paying claims up to the self-insured retention amount. The City's property and liability insurance plan year runs from November 1st through October 31st.

Renewal Analysis

The City's insurance broker, Arthur J. Gallagher Risk Management Services, negotiates the insurance coverages for the City's property and liability insurance plan. For the upcoming plan year, insurance plan costs are estimated to increase from \$551,917 to \$739,447, an increase of \$187,530 (or 34.0%). The following table provides a detailed comparison of insurance plan costs for the current and renewal plan year:

	Current 2020-2021	Renewal 2021-2022	Renewal vs. Current	
			Amount	%
Premiums				
Liability	\$ 150,340	\$ 160,922	\$ 10,582	7.0%
Excess Liability	145,938	222,001	76,063	52.1%
Crime	3,468	3,468	-	0.0%
Property	83,455	139,750	56,295	67.5%
Excess Workers Compensation	116,588	125,275	8,687	7.5%
Underground Storage Tank	8,634	9,378	744	8.6%
Cyber Liability	17,789	52,948	35,159	197.6%
Total Premiums	\$ 526,212	\$ 713,742	\$ 187,530	35.6%
Fees				
Broker Fee	25,705	25,705	-	0.0%
Total Fees	\$ 25,705	\$ 25,705	\$ -	0.0%
Total Premiums & Fees	\$ 551,917	\$ 739,447	\$ 187,530	34.0%

(1) Preliminary estimate, subject to change.



The municipal insurance market has been hard hit in all lines of coverage over the past 18 months. The adverse market is due to:

- Property Insurance. The property market is being driven by a significant number of catastrophic events including western wildfires, coastal hurricanes, Midwest storms, and the overall impact of the COVID-19 pandemic. 2021 is looking like another historically unprofitable year for property insurers due to these catastrophic events.
- General and Excess Liability Insurance. The overall liability and excess liability market for municipal risks has contracted significantly over the past 18 months, with excess insurers pulling out of the municipal market and primary insurers repricing all accounts. Social inflation and nuclear verdicts, combined with the unfavorable Illinois judicial environment have driven primary liability pricing in the 20-60% increase range.
- Law Enforcement Liability Insurance. The law enforcement liability market also continues to contract as insurers pull out of the market due to the above liability factors. There has been a surge in excessive force cases and wrongful conviction cases that have driven the contraction of the market. Those insurers that are committed to the market are repricing every account.
- Auto Insurance. The automobile insurance market is also collapsing. Vehicle repair costs have increased significantly as autos are really expensive computers on wheels and costly to repair. Catastrophic storms have also had a negative impact on this market. On the auto liability side, the same factors effecting the general liability market are also affecting the auto market. Add to that the increase in distracted driving accidents and you have a market trending to 30-60% increases.
- General Liability, Public Officials Liability, and Employee Benefits Liability Insurance. The employment practices liability market it also strained with an increase in harassment claims.
- Worker's Compensation Insurance. The State of Illinois mandate that presumes worker's compensation for First Responders with COVID-19, has driven the worker's compensation rates up between 10-25%.

This is the perfect storm resulting in an insurance market that has not been this challenging since the 1980s. Insurers are either withdrawing from providing property, law enforcement, auto coverages, and excess liability or significantly reducing their limits while increasing premium costs.

At this time, staff is continuing to work with the insurance broker to develop alternative lines of coverage (increase deductibles, self-insured retentions, etc.) and still is in the process of securing excess liability coverage. Currently, the City has \$13 million in excess liability coverage. Thus far, the insurance broker has secured \$5 million in excess liability coverage for an annual premium of \$113,245. The insurance broker is still working with two carriers to secure the remaining \$8 million in excess liability coverage, currently estimated at a total amount \$108,756. An option staff is pursuing is reducing the \$13 million excess coverage to \$10 million. Also, the insurance broker has recommended a new carrier for worker's compensation, which has resulted in savings of \$30,669 in premium costs.

The following tables provide an overview of the self-insured retentions/deductibles and insurance carriers for the City's property and liability insurance plan.

Self-Insured Retentions/Deductibles

Coverages	Current	Renewal	Renewal vs. Current	
	2020-2021	2021-2022	Amount	%
Property	\$ 25,000	\$ 25,000	\$ -	0.0%
Flood & Earthquake	\$ 50,000	\$ 50,000	\$ -	0.0%
Crime	\$ 5,000	\$ 5,000	\$ -	0.0%
Liability	\$ 100,000	\$ 100,000	\$ -	0.0%
Workers' Comp	\$ 550,000	\$ 550,000	\$ -	0.0%
Workers' Comp-Police/Fire	\$ 650,000	\$ 650,000	\$ -	0.0%
Auto Physical Damage	\$ 100,000	\$ 100,000	\$ -	0.0%
Cyber Liability	\$ 15,000	\$ 15,000	\$ -	0.0%
Underground Storage Tank	\$ 5,000	\$ 5,000	\$ -	0.0%

Insurance Carriers

Coverages	Current	Renewal
	2020-2021	2021-2022
Liability	Lloyd's of London (Brit)	Lloyd's of London (Brit)
Excess Liability	Allied, Hallmark	Allied, Hallmark, Arch
Crime	Travelers	Travelers
Property	Federal Insurance (Chubb)	Federal Insurance (Chubb)
Excess Workers Compensation	Safety National	Arch Insurance Company
Underground Storage Tank	Crum & Forster	Crum & Forster
Cyber Liability	BCS	BCS

History of Insurance Costs

The following table shows the history of insurance costs for the past five years and for the upcoming renewal.

Fiscal Year	FY 2018	SY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Policy Period	2016 - 2017	2017 - 2018	2018 - 2019	2019-2020	2020-2021	2021-2022
Premiums						
Liability	\$ 114,226	\$ 114,226	\$ 112,970	\$ 123,113	\$ 150,340	\$ 160,922
Excess Liability	120,260	98,672	73,582	75,257	145,938	222,001
Crime	3,157	3,157	3,157	3,157	3,468	3,468
Property	62,740	60,274	62,850	68,216	83,455	139,750
Excess Workers Compensation	91,400	95,379	96,290	101,585	116,588	125,275
Underground Storage Tank	8,609	8,737	12,125	13,087	8,634	9,378
Cyber Liability	10,914	11,634	11,634	9,833	17,789	52,948
Total Premiums	\$ 411,306	\$ 392,079	\$ 372,608	\$ 394,248	\$ 526,212	\$ 713,742
Fees						
Brokerage Fee	25,201	25,201	25,201	25,201	25,705	25,705
Total Fees	\$ 25,201	\$ 25,201	\$ 25,201	\$ 25,201	\$ 25,705	\$ 25,705
Total Premiums & Fees	\$ 436,507	\$ 417,280	\$ 397,809	\$ 419,449	\$ 551,917	\$ 739,447
\$ Change from prior year	\$ 24,087	\$ (19,227)	\$ (19,471)	\$ 21,640	\$ 132,468	\$ 187,530
% Change from prior year	5.8%	-4.4%	-4.7%	5.4%	31.6%	34.0%

Recommendation

In order to move forward to bind the new coverages by November 1, staff recommends your adoption of the attached resolution authorizing the Director of Finance to sign the appropriate service agreements and bind coverages for the City's property and liability insurance plan year beginning November 1, 2021 through October 31, 2022 in the amount not to exceed \$739,447. Staff will report back to the City Council on the final insurance numbers.

Program Structure Chart

Chubb \$100,994,745, Building & Personal Property \$10,000,000 Earthquake \$10,000,000 Flood \$500,000 Business Income without Extra Expense \$10,000,000 Extra Expense \$7,301,244- ACV \$4,234,630 APD- RC \$1,393,383 EPD Property on Premises Equipment Breakdown Included Deductible \$25,000	Aetna Insurance Company \$5,000,000 Each Occurrence / \$5,000,000 Aggregate						Hallmark Specialty Insurance Company \$3,000,000 Each Occurrence / \$3,000,000 Aggregate						Allied World National Assurance Company \$5,000,000 Each Occurrence / \$5,000,000 Aggregate						MAPILloyd's \$2,000,000 Any One Occurrence/Annual Aggregate Retention \$10,000		Travelers \$500,000 Deductible \$5,000		Safety National Statutory - Workers Compensation \$2,000,000 Employers Liability Per Occurrence \$750,000 SIR Police \$650,000 SIR All Other Classes		Crum & Foster \$1,000,000 Per Claim \$4,000,000 Policy Aggregate \$250,000 Defense Expense Aggregate Deductible \$5,000		BCS Insurance \$3,000,000 Per Claim \$3,000,000 Policy Aggregate Retention \$15,000	
Property ⁽⁵⁾	Brit/Lloyd's \$1,900,000 Per Occurrence \$3,800,000 Aggregate	Brit/Lloyd's \$1,900,000 Per Occurrence \$3,800,000 Aggregate	Brit/Lloyd's \$1,900,000 Per Occurrence \$3,800,000 Aggregate	Brit/Lloyd's \$1,900,000 Per Occurrence \$3,800,000 Aggregate	Brit/Lloyd's \$1,900,000 Per Occurrence \$3,800,000 Aggregate	Brit/Lloyd's \$1,900,000 Per Occurrence \$3,800,000 Aggregate	Brit/Lloyd's \$100,000 Per Occurrence	Sexual Abuse Liability ⁽⁵⁾	Law Enforcement Liability	Employee Benefits Liability ⁽³⁾	Public Officials Liability ⁽²⁾⁽³⁾	Automobile Liability	General Liability ⁽⁴⁾	Excess Workers Compensation (Buffer Layer)	Crime ⁽⁴⁾	Workers Compensation & Employers Liability	Storage Tank Liability	Cyber Liability										
	\$100,000 Self-Insured Retention Per Occurrence												\$650,000 SIR Police	\$550,000 SIR All Other Classes														

Note: The SIR is per occurrence retention. Only one retention applies in the event of multiple loss, and the higher retention shall apply

- (1) Includes Sexual Harassment Liability \$1,900,000 Each Occurrence/Annual Aggregate
- (2) Includes Sexual Harassment Liability \$1,900,000 Each Claim/Annual Aggregate
- (3) Public Officials Liability and Employee Benefits Liability are on a Claims-Made Basis; Retroactive Dates = 11/1/2002; Sexual Abuse Liability is on a claims-made basis; Retroactive Date = 11/1/2020
- (4) Except Money Orders and Counterfeit Currency; Limit = \$50,000; Deductible = \$1,000
- (5) Flood Deductible is \$50,000; Except for Premises 2,3,10,20- \$2,000,000 Limit with a \$250,000 Deductible APD deductible is \$100,000

RESOLUTION R-2021-

A RESOLUTION AUTHORIZING THE BINDING OF PROPERTY AND LIABILITY INSURANCE COVERAGES FOR NOVEMBER 1, 2021 THROUGH OCTOBER 31, 2022.

WHEREAS, the City of Wheaton, Illinois (the “City”) is an Illinois home-rule municipality pursuant to provisions of Article VII, Section 6 of the Illinois Constitution, 1970, and as such the City may exercise any power or perform any function pertaining to its government and affairs; and

WHEREAS, the subject matter of this resolution pertains to the government and affairs of the City and its residents; and

WHEREAS, the City has utilized a self-insurance program for Liability, Workers’ Compensation and Property Insurance with the assistance of an insurance broker; and

WHEREAS, the City desires to continue utilizing the services of an insurance broker to ensure that the insurance coverage limits and costs are appropriate for the City; and

WHEREAS, the Director of Finance/Treasurer recommends the City accept the insurance coverages and premiums proposed by Arthur J. Gallagher Risk Management Services, Inc. as referenced in their Proposal dated October 14, 2021.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council of the City of Wheaton, Illinois, that the Director of Finance/Treasurer is authorized to sign the appropriate service agreements and bind insurance coverages for the period November 1, 2021 through October 31, 2022.

ADOPTED this 18th day of October 2021

Mayor

ATTEST:

City Clerk

Roll Call Vote

Ayes:
Nays:
Absent: