



**DATE:** November 6, 2020  
**TO:** Mayor and City Council  
**FROM:** Peggy Colby, Finance Director  
**SUBJECT:** Resolution 20-126-R Authorization to Bind Insurance

**Summary:** The City's insurance coverage terminates on November 30, 2020. The expiring premiums are for property, liability, and excess coverage beyond our self-insured retention for workers compensation. In addition, there is a renewal contract for our workers compensation third party administrator. This has been a very difficult year for our insurance renewal.

The City's broker, Arthur J. Gallagher, has marketed our insurance renewal, but we are still seeing a very large increase in cost. In fact, we are waiting on two policies for offering of coverage yet. They are the excess liability policy and the cyber liability policy. I have put in an estimate for now. We are hopeful they will come in lower than the estimate, but we need to proceed with authorization as the last Council meeting before December 1 renewal is November 16<sup>th</sup>. I will notify the Council on the final numbers once they are received. I have increased the dollar amount for last minute changes to cover possible further increases in cost for those renewals. If we have final numbers before the 16<sup>th</sup>, I will adjust the resolution as appropriate and let the Council know.

Unfortunately, many municipalities suffered tremendous property loss in 2020 due to civil unrest. In addition, weather and fire damages contributed to property loss throughout the country. Law enforcement liability is an area that insurers are concerned about, but we did not see too large of an increase in that coverage. Cyber liability is also an area that has been costly for insurers as municipalities have been targeted specifically with ransomware. Our largest increase is for our property. In addition to the increased risk causing an increase, we have added new property and vehicles and we have increased the values for some of our buildings and structures that were due for an adjustment after doing a thorough review of all listings. We normally adjust for the change in CPI, but some properties were undervalued for the contents, particularly electrical equipment and substations.

Some of you may recall that the City is not covered for poles and wires (never has been). We have investigated covering this in the past and it was cost prohibitive. I have requested that they investigate this again and possibly structure a policy that would cover us after a very high SIR or only for a catastrophic loss. I will report back on this next year. While underground wires cost more to put in, they would not be hit by a tree or tornado. It is a perplexing issue that we will continue to monitor and try to balance the exposure as best we can. The biggest concern is a widespread tornado or massive ice storm.

The total package renewal is \$499,806 representing a \$71,700 increase over the prior year. A comparison of the changes in cost and associated notes is provided on Exhibit 1 attached to Resolution 20-126-R authorizing the City to bind for coverage. The authorization includes \$12,900 more for the 2<sup>nd</sup> year on the pollution policy and \$10,000 over the estimated total to allow for any last-minute changes and to cover surety and notary bonds issued throughout the year.

This renewal also includes a change in our excess workers compensation carrier. The City has been with Safety National since reverting to self-insurance in 2003. Safety National has continually increased the self-insured retention limit and this year wanted the City to go to \$750,000. AJG assures us that Midwest Employers Group is a reputable firm and recommends we make the switch to keep the SIR at \$700,000. There are not multiple insurance companies that offer this kind of coverage in Illinois and so we are limited in that regard. Since being self-insured the City has only reached the SIR one time. Although the City has paid out considerably for workers compensation claims over the years, the amount is way less than if we were paying a first collar premium for coverage.

This is on the agenda for the November 10, 2020 Committee of the Whole (GS) meeting. If approved, Resolution 20-126-R will be on the City Council Agenda for November 16, 2020.

**Recommendation for Approval:**

Approval of Resolution 20-126-R authorizing the City Finance Director to bind insurance coverage and services on behalf of the City of Batavia as proposed in Exhibit 1 in an amount not to exceed \$522,706 for the insurance year December 1, 2020 through November 30, 2021.

Thank-you

Attachments: Res. 20-126-R including Exhibit 1 Summary of Coverage

C: Laura Newman  
File

**CITY OF BATAVIA, ILLINOIS  
RESOLUTION 20-126-R**

**APPROVING AUTHORIZATION TO BIND INSURANCE  
FOR PROPERTY, LIABILITY AND WORKERS COMPENSATION**

**WHEREAS**, the City of Batavia's insurance coverage for property, liability and workers compensation expires on November 30, 2020; and

**WHEREAS**, the City of Batavia has charged its broker, Arthur J Gallagher, with obtaining such coverage; and

**WHEREAS**, the City of Batavia utilizes a third-party administrator, Employers Claim Services for administration of workers compensation claims, and

**WHEREAS**, it is in the best interests of the City of Batavia that authorization be provided to bind for such coverage and services as outlined in Exhibit 1 for the Insurance Year beginning December 1, 2020 and continuing through November 30, 2021.

**NOW, THEREFORE, BE IT RESOLVED** by the Mayor and City Council of the City of Batavia, Kane and DuPage Counties, Illinois, as follows:

**SECTION 1:** The Finance Director is hereby authorized to bind insurance coverage and services as outlined in the document being attached hereto as Exhibit 1 for an amount not to exceed \$522,706 for the year ending November 30, 2021.

CITY OF BATAVIA, ILLINOIS RESOLUTION 20-126-R

---

**PRESENTED** to the City Council of the City of Batavia, Illinois, this 16th day of November 2020.

**PASSED** by the City Council of the City of Batavia, Illinois, this 16th day of November 2020.

**APPROVED** by me as Mayor of said City of Batavia, Illinois, this 16th day of November 2020.

\_\_\_\_\_  
Jeffery D. Schielke, Mayor

Ward	Aldermen	Ayes	Nays	Absent	Abstain	Aldermen	Ayes	Nays	Absent	Abstain
1	O'Brien					Baerren				
2	Callahan					Wolff				
3	Meitzler					Chanzit				
4	Malay					Knopp				
5	Uher					Beck				
6	Cerone					Russotto				
7	McFadden					Miller				
Mayor Schielke										
<b>VOTE:</b>		Ayes	Nays	Absent	Abstentions					
Total holding office: Mayor and 14 aldermen										

ATTEST:

\_\_\_\_\_  
Ellen Posledni, City Clerk

**City of Batavia - Insurance Program Renewal, 12/1/2020**  
**Premium Comparison**

**Exhibit 1**

Line of Coverage	Carrier	2017-18 Premium	2018-19 Premium	2019-20 Premium	2020-21 Premium		% change
Property	Chubb	\$64,834	\$64,313	\$81,439	\$115,474	\$34,035	41.8%
						(net new prop 4.25%)	
Inland Marine	Chubb	\$3,935	\$4,392	\$4,347	\$6,270	\$1,923	44.2%
Package	Argonaut	\$53,673	\$56,580	\$62,802	\$64,516	\$1,714	2.7%
Public Officials/EPLI	Argonaut	Included	Included	Included	Included		
Crime	Argonaut	\$3,637	\$3,406	\$2,295	\$1,349	(\$946)	-41.2%
Auto	Argonaut	\$52,373	\$55,185	\$63,550	\$70,502	\$6,952	10.9%
Umbrella	Argonaut	\$24,843	\$25,801	\$29,104	\$29,787	\$683	2.3%
Excess Liability - est.	Ohio Casualty	\$10,000	\$10,000	\$10,000	\$15,000	\$5,000	50.0%
UST Liability*	XL	\$12,434	\$11,991	\$11,991	\$12,900		
Pollution Liability	XL	Included	Included	Included	Included		
Cyber Liability - est.	BCS	\$16,310	\$16,378	\$16,378	\$25,000	\$8,622	52.6%
Aircraft Liability	-		\$684	\$809	\$762	(\$47)	-5.8%
AJG Service Fee	AJG	\$45,348	\$46,708	\$48,110	\$49,550	\$1,440	3.0%
Total GL/Property		\$287,387	\$295,438	\$330,825	\$391,110	\$60,286	18.2%
Excess Work Comp	Safety National	\$79,578	\$78,043	\$83,623		\$11,373	13.6%
	Midwest Employers				\$94,996		
TPA	ECS	\$13,200	\$13,200	\$13,700	\$13,700	\$0	0.0%
Total Workers Compensation		\$92,778	\$91,243	\$97,323	\$108,696		
<b>Total Package</b>		<b>\$380,165</b>	<b>\$386,681</b>	<b>\$428,148</b>	<b>\$499,806</b>	<b>\$71,659</b>	<b>16.7%</b>
Inc/Dec			\$6,516	\$41,467	\$71,659		
			1.7%	10.7%	16.7%		
Prepaid Premium for 2nd Year of Underground Storage Tanks					\$12,900		
Surety Bonds/Notary/Other					\$10,000		
<b>Total Authorizaiton 20-126-R</b>					<b>\$522,706</b>		

**Notes:**

1. Quotes are w/terms as expiring subject to notes below
2. Property, Inland Marine increased values and market forces
3. Package Inc. due to carrier across-the-board for public entities; exposure increases, exp., autos
4. Pollution policy is in 2nd year of 2-year policy - authorization will be for total cost of \$25,800
5. Excess workers compensation at \$700,000 retention, no change. Rate 3%; increased payrolls
6. WC TPA had years of no increase, thus larger increase in 2018
7. Liability both Primary and Excess excludes Terrorism

Estimated

AGREEMENT

Employer's Claim Service Inc. (ECS), a third party administrator for Illinois workers' compensation hereby offers its services to: City of Batavia the (client) for a period of one year beginning 01-01-21.

The fee for this service is:

\$13,700.00 per year. Is to be paid quarterly in advance at \$3,425.00 per quarter. This fee includes up to 55 claims per year. Claims in excess of 55 will be billed at \$250.00 per claim.

Banking fees are waived and claims will be administered to conclusion at no additional cost in the event of the client becoming insolvent as long as claim payments are funded.

Upon acceptance of this offer, Employer's Claim Service Inc. agrees to:

1. Assign one account representative to your account and this individual will confer with and instruct the designated person/persons within your organization regarding:
  - A. Compliance with the relevant Illinois Workers' Compensation laws, procedures, rules and regulations concerning injuries and occupational diseases incurred by your employees.
  - B. The proper administration of Workers' Compensation claims reported and received.
2. Prompt, personal contact with employees and any witness, when necessary, to determine; compensability, exposure, and to establish control of the claim.

Approval will be obtained from client prior to any employee being contacted.

Approval will be obtained from client on all claim denials.

No settlement offers will be made without client's approval.

3. Recommend medical providers and other providers, (rehabilitation specialists, individual experts, investigators, and attorneys), when necessary and obtain approval from client before utilizing them.
4. To maintain detailed records of claims and payments. Copies of all file activity will be provided to client. To include; checks issued, bills received directly, initial reserve sheet and any changes, account representative's memos to file, and correspondence sent and received.

On non-litigated claims with obvious exposure, client will be provided with the claim exposure and be asked whether or not the employee is to be approached with any type of settlement offer.

A closure notice will be sent when the file has been closed indicating

payment totals.

5. Provide client computer summaries/loss runs monthly and check registers on a weekly and monthly basis. Any reasonable request for additional reports will be honored at no extra cost.

Loss runs will be provided to the broker monthly and the excess carrier quarterly, unless otherwise directed.

6. Provide you with our recommendations for claims administration. However, you the client will have the final authority on all claim issues.

7. To review, process and record each claim received from your organization during the period covered by this agreement in order to:

- A. Facilitate the prompt and proper determination of compensability on questionable claims based upon the information received. (Within 3 to 5 days of receipt). If client telephones with a compensability scenario, immediate impressions will be provided.

- B. Prompt payment of benefits by check on compensable claims. (Within 5 days of receipt). TTD will be paid at the proper rate and for the correct dates. All TTD checks will be sent to the client unless otherwise directed. Client will be e-mailed a list of employees who are to receive TTD prior to the checks being issued.

- C. Payment of usual and customary charges for medical bills received. (Within 5 days of receipt).

All medical bills will be sent to ECS's PPO (Preferred Provider Organization) unless otherwise directed. We currently utilize AMCC (Aggressive Medical Cost Containment) or CorVel Corporation. Their fees are 25% of the savings and the medical providers are prohibited from billing the balance. The PPO fees are charged back to a single PPO claim.

- D. When available, client will be able to report claims via the internet.

8. Participate in quarterly claim review meetings.

9. Assist in completing workers' compensation forms required by the State.

10. Assist with locating Safety/Loss Control Consultants, best qualified for the area of expertise needed.

11. Download our database information for your use. The fee to be determined by your needs. When available, client will have access to a dedicated server to view and run any reports they desire.

12. It is understood that being a lay company we will not do anything before the Industrial Commission that is construed as the practice of law.

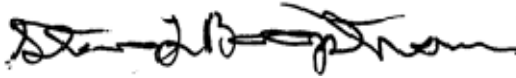
13. Client agrees to indemnify, defend and hold harmless ECS its affiliates, and the officers, directors and employees of each from and against any and all suits, claims, actions, losses, damage, liability and expense, including reasonably attorney fees, arising from any act, error, and/or

omission or misrepresentation of Client or its employees, agents or servants regarding the subject matter of this Agreement, except that in the event of a final judgment of a court of competent jurisdiction on which no appeal is made which holds that ECS has been independently negligent or contributory negligent in its actions, then Client shall not be required to indemnify ECS for any portion of said judgment which pertains solely to ECS's independent negligence or contributory negligence.

ECS agrees to indemnify, defend and hold harmless Client its affiliates, and the officers, directors and employees of each from and against any and all suits, claims, actions, losses, damage, liability and expense, including reasonably attorney fees, arising from any act, error, and/or omission or misrepresentation of ECS or its employees, agents or servants regarding the subject matter of this Agreement, except that in the event of a final judgment of a court of competent jurisdiction on which no appeal is made which holds that Client has been independently negligent or contributory negligent in its actions, then ECS shall not be required to indemnify Client for any portion of said judgment which pertains solely to Client's independent negligence or contributory negligence.

- 14. It is mutually understood that if this offer is accepted the resulting agreement can be canceled with 60 days written notice to either party.

Employer's Claim Service, Inc.



By \_\_\_\_\_  
President

The foregoing offer of Employer's Claim Service Inc. is hereby accepted this

\_\_\_\_\_ day of \_\_\_\_\_ 2020

City of Batavia

By \_\_\_\_\_

Title \_\_\_\_\_