

LETTER to the DECATUR CITY COUNCIL
Finance Department

DATE: June 2, 2021

TO: Honorable Mayor Julie Moore Wolfe and City Council

FROM: Scot Wrighton, City Manager
Gregg D. Zientara, City Treasurer & Director of Finance

SUBJECT: Resolution Authorizing City Manager to Execute an Agreement with Arthur J. Gallagher, Risk Management Services, Inc. for Risk Management Insurance Advisory Services

SUMMARY RECOMMENDATION:

It is recommended that the City Council approve the resolution.

City has requested Arthur J. Gallagher to affect two (2) changes to the Client Services Agreement as follows:

Section VI Dispute Resolution. Requested change in paragraph B to set Decatur, Illinois as the location where any dispute resolutions would occur.

Section VIII Miscellaneous. Requested change in paragraph E to set Macon County, Illinois as the location where any matters before the court would occur.

These revisions are being reviewed by Arthur J. Gallagher legal counsel. We expect a favorable response from Gallagher whereby a new agreement will be available for council prior to the meeting.

BACKGROUND:

The current risk management insurance advisory service agreement with Arthur J. Gallagher Risk Management Services, Inc. will expire October 1, 2021.

Arthur J. Gallagher, Risk Management Services, Inc. provides the following business insurance advisory services to the city, as presented in Exhibit A to the Client Services Agreement:

- Work with Client to prepare comprehensive underwriting data and criteria for insurance carrier negotiations,
- Formally present coverage submissions to agreed upon insurance carrier(s) and negotiate terms on behalf of Client,
- Summarize the results of executing the marketing strategy developed with Client and communicate program recommendations,
- Provide consultation to Client on exposures, existing coverage, and the desirability and/or feasibility of potential program changes, retention and data analysis as recommended by Gallagher,

- Request change endorsements, when requested by Client or when otherwise necessary, ensuring accuracy and delivery in a timely manner,
- Administration of insurance program, including policy review and issuance, invoicing, coordination and/or issuance of required documentation, i.e., automobile identification cards, certificates of insurance, and other program administration, as required by Client,
- Review accounting and billing data; audit information from insurance carriers to ensure accuracy.

The agreement includes a term of service of three (3) years with annual fees as follows:

- Annual fee of \$67,000 for the term October 1, 2021 – October 1, 2022,
- Annual fee of \$67,000 for the term October 1, 2022 – October 1, 2023,
- Annual fee of \$67,000 for the term October 1, 2023 – October 1, 2024

The agreement pricing structure remains flat with the current agreement annual fee structure of \$67,000 set to expire this year.

ADDITIONAL BACKGROUND:

Of note, in 2020, City Risk Management was challenged by the City Manager to review the existing risk management self-insurance programs and ascertain if other options available would provide cost savings to the city.

Arthur J. Gallagher was instrumental in leading this review in concert with the city's risk management office. The results were favorable for the city's financial coffers as follows:

- City secured workers compensation insurance under a pool insurance program with the Illinois Public Risk Fund,
- Transitioning the city from the self-insured workers compensation insurance program,
- Resulting in annual workers compensation insurance premium savings of \$450,000 in 2021,
- Resulting in a worker's compensation self-insured retention (SIR) or deductible level reduction from \$500,000 to \$300,000.

These accomplishments are significant to the city financial coffers in the effective management of risk management insurance costs to the city taxpayers.

STAFF REFERENCES:

Gregg D. Zientara, City Treasurer & Director of Finance

BUDGET/TIME IMPLICATIONS:

This agreement will take effect October 1, 2021. The city is properly secured under the current agreement with risk management advisory services to October 1, 2021.

The 2021 city budget includes funding for this agreement.