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## MEMORANDUM

**TO:** Carie Anne Ergo, Village Administrator  
**FROM:** Jennifer Ramsay, Administrative and Finance Consultant  
**DATE:** April 1, 2022  
**SUBJECT:** Property and Liability Insurance Renewal

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### **Introduction**

The Village's property and liability insurance policies are scheduled to renew on May 1, 2022. In anticipation of renewal, Gallagher, the Village's insurance broker, secured pricing from the existing insurance carriers as well as alternative pricing from Argonaut for property and casualty coverage only. In addition, at the request of the Village, the broker secured pricing for excess crime coverage and malicious attack coverage. This memorandum describes the Village Board's options for renewal.

### **Discussion**

The Village's premium would increase by \$25,108 (13.6%) to renew the existing coverage. The existing coverage, which is detailed in the attached executive summary, is provided as follows:

<u>Coverage</u>	<u>Carrier</u>
• Property:	Fireman's Fund Insurance
• Casualty Package:	Hudson Insurance
○ Crime	
○ General Liability	
○ Law Enforcement Liability	
○ Public Officials Liability	
○ Employment Practices Liability	
○ Auto Liability	
○ Umbrella Liability	
• Cyber:	BCS Insurance
• Crime Coverage:	Hanover
• Underground Storage Tank Liability:	ACE American Insurance

The increase in pricing is primarily related to increases in property and umbrella coverage due in large part to a 3% increase on building values and the Haymarket claim. See pages 6 -7 of the attached executive summary for further detail.

The Village has the option to switch to Argonaut for the property and casualty package and reduce the Village’s increase to \$3,048 (1.65%). Argonaut has agreed to utilize Hervas, Condon, and Bersani as panel counsel. The Village has previously maintained coverage through Argonaut.

As noted above, the Village also requested pricing for excess crime coverage and malicious attack coverage.

Excess Crime Coverage:

Below, please find the proposed cost for increasing the Village’s crime coverage from the \$1 million limit to \$2 million and \$3 million, respectively. Please note, the limits on the faithful performance of duty coverage and the deductible increases. Faithful performance of duty coverage responds to crime policy losses arising out of the failure of an individual to faithfully execute duties required by company bylaws or those prescribed by law as in the case of a public official or employee.

*Hanover: Current Carrier*

Carrier	Limit	Faithful Performance of Duty sublimit	Deductible	Premium
Hanover	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$5,000</b>	<b>\$2,500</b>
Hanover	<b>\$2,000,000</b>	<b>\$1,000,000</b>	<b>\$10,000</b>	<b>\$3,176</b>
Hanover	<b>\$3,000,000</b>	<b>\$1,000,000</b>	<b>\$15,000</b>	<b>\$3,411</b>

*Hiscox: Excess Crime Coverage Carrier Option*

Carrier	Limit	Faithful Performance of Duty sublimit	Deductible	Premium
Hanover (primary)	\$1,000,000	\$1,000,000	\$5,000	\$2,500
Hiscox (excess)	\$1,000,000	\$1,000,000	\$5,000	\$2,981
<b>TOTAL Limit</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>		<b>\$5,481</b>
Hanover (primary)	\$1,000,000	\$1,000,000	\$5,000	\$2,500
Hiscox (excess)	\$2,000,000	\$2,000,000	\$5,000	\$4,634
<b>TOTAL Limit</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>	<b>\$10,000</b>	<b>\$7,134</b>

Malicious Attack Coverage:

The Village does not currently have malicious attack coverage. This coverage responds to the physical loss or physical damage, bodily injury/death, business interruption/time element, extra expense and denial of access and satisfies all of the following:

- a. occurs during the period of insurance
- b. occurs at an insured location
- c. involves the use of a weapon; meaning any object or device use to cause physical harm including vehicles, acid, firearms, etc.

- d. is intended to cause direct physical loss or physical damage, bodily injury or death of a person or group of persons
- e. is carried out or attempted by any person or group of persons acting alone or in connection with any organization
- f. Gallagher secured pricing of \$8,069 for \$1 million in malicious attack coverage from Lloyds Syndicate 1183 (Talbot).

### **Fiscal Impact**

The proposed renewal for the status quo insurance coverage is as follows:

Remain with Existing Insurance Carriers:	\$25,108
Switch to Argonaut for Property and Casualty Coverage:	\$3,048

Furthermore, the Village has the option of obtaining additional coverage as follows:

Excess Crime:	Up to an additional \$4,634 for additional coverage depending upon the limits.
Malicious Attack:	\$8,069

### **Staff Recommendation**

Staff met with Trustee Gavanis to discuss the coverage options. The following recommendation is presented for your discussion and consideration:

- Remain with the existing insurance carriers at an increase of \$25,108. Switching carriers at this time is not recommended.
- Consider increasing the excess crime coverage through Hanover to \$2 million at an increase of \$676 (\$3,176 total).
- Reject the malicious attack coverage at this time.

### **Attachments**

1. Insurance Renewal Executive Summary
2. Program Cost Comparison



# Executive Summary

## Village of Itasca

550 W Irving Park Road  
Itasca, IL 60143

**Presented: March 25, 2022**

**Effective: May 1, 2022**

**Miles Shepp**

Area Senior Vice President

**Arthur J. Gallagher Risk Management Services, Inc.**

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# Gallagher

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## Executive Summary

The following is an outline of renewal terms, conditions and pricing for the Village of Itasca effective May 1, 2022 to May 1, 2023.

Renewal efforts started in December 2021. Gallagher remained focused primarily on the Property, Excess Liability and Cyber coverage lines in securing the most advantageous renewal terms. These lines are experiencing the most adverse changes coupled with deteriorating stabilization challenges. VOI's main coverages including property, liability, excess liability and cyber were marketed to competing carriers through both retail and wholesale intermediaries. Employing this marketing strategy is beneficial in providing a degree of renewal leverage with incumbents while obtaining competitive alternative carrier quotations for consideration.

Outlined in this Executive Summary are the following:

- 1). An update on the Marketplace
- 2). Summary of coverages at renewal
- 3). Options for additional higher Crime Limits with Hanover (note that Hanover can only provide \$1M faithful Performance of Duty coverage even at higher limits).  
*Faithful Performance Coverage — responds to crime policy losses arising out of the failure of an individual to faithfully execute duties required by company bylaws or those prescribed by law as in the case of a public official or employee.*
- 4). Option for excess Crime with Hiscox – Hiscox can provide Faithful Performance of Duty, therefore providing \$2M total limits. Further information can be found towards the end of this summary
- 5). Property and Casualty Option with Argonaut Insurance (Trident). You may recall that the village placed their casualty coverage with Argonaut from 5/1/2010 through 5/1/2018. Argonaut Property coverage cannot be bound separately. If the village wants to bind with Argonaut property they must also bind the casualty/excess coverages. However the Argonaut casualty can be bound separately.
- 6). Malicious Assailant Insurance – we obtained a quote from Talbot Lloyds Syndicate on a non-admitted form for \$1,000,000 limit at \$10K deductible. Further information on coverages is attached for your review.
- 7). Cyber Liability – it is important to note that BCS continues to provide the Village with the Cyber liability, however if the village does not have 100% MFA in place by 5/1/2022 the quote must be pulled and we need to search the marketplace for an alternative program which then the premium and deductible would increase substantially. The BCS cyber application will need to be amended to include YES to those MFA questions, and resigned/dated prior to 5/1/2022. BCS Premium has been reduced slightly due to decrease in revenues used. Also the deductible has been decreased from \$5,000, to \$2,500. We have included (attached) a few documents on the current state of the cyber market.
- 8). Attachments: Hudson Program Chart; Argonaut Program Chart; Cyber/MFA information; Malicious Assailant information/policy forms; Program/Cost Comparison worksheet

If you recall from our pre-renewal meeting in January, we did discuss the current condition of the marketplace and the ongoing changes heading into May 1<sup>st</sup> renewal. The marketplace continues to change in almost all coverage areas whether it be rate increases, limit reductions or coverage changes. We feel that the marketplace will stabilize perhaps later this year or early next year. Gallagher continues to be involved with our carriers and markets and will provide Village of Itasca updates during the year.

In closing, we truly appreciate the opportunity to be of continued service to you and look forward to helping the Village with its risk management and insurance needs.

Sincerely,

**Miles Shepp**

**Katherine Bisceglia**

## Market Overview - Public Entities

### *Where we were: 2021*

- Like 2019 and 2020, 2021 was a challenging market overall. Our clients faced significant difficulties trying to find coverage, with capacity issues and significant rate increases— for some clients as much as 50%–100% increases, often multiple years in a row.
- A confluence of factors continued to challenge the industry, including social inflation— the trend of rising insurance costs as a result of increased litigation, plaintiff-friendly judgements and high jury awards — increased storm activity and pandemic losses. Additionally, carriers’ ability to offset these results through investment income remained a challenge due to the low interest rate environment.

### *Where we are: What we’re seeing now...*

- Rate increases are moderating for some lines. After three years of substantial rate increases, we’re approaching a point of rate adequacy in the market, which is leading to more moderate rate increases.
- The market is trending slightly flatter, though not in every coverage line. Cyber, for example, has kept up sizeable year-over-year rate increases, with median increases of 39%, while Workers’ Compensation rates were flat.
- Three years of carriers raising rates, restricting limits and increasing deductibles have generally made the market more attractive to new business. Carriers’ combined ratios improved throughout 2021.

### *Where we’re going: Trends we are watching closely...*

- With improving rate adequacy comes increased carrier competition. There are a number of new entrants to the market and increasing competition as underwriters look to write new business. We expect this to level off rate increases further into 2022. Exceptions are challenged placements, those with elevated risk profiles, and accounts that have experienced losses.
- Pandemic concerns about how COVID-19 will impact the industry both from a loss and exposure standpoint is starting to ebb, but some uncertainty remains.
- Social inflation remains a concern, with a particular impact on Commercial Auto, General Liability, Directors and Officers (D&O), and Umbrella/Excess insurance. This trend continues to drive rates up, albeit more moderately than in prior years.
- Modest rate reductions may be attainable for clients with an attractive risk profile that have not been out to market in years. Read on for our analysis of the market conditions for each major line of coverage and guidance that will help ensure a successful renewal outcome

The Cyber Liability market is imploding as we speak. This is a result of the tremendous increase in cyber claims due to unrelenting cyber related attacks from a myriad of sources most of unknown origins.

## Property

### *Where we were: 2021*

- Between wildfires, civil commotion and major freeze events, carriers responded to 2020 and 2021 events with increased deductibles, reduced capacity, and changes in coverage. For the third straight year, carriers obtained significant rate increases across their Property portfolios.
- Less-modeled and unmodeled risks continued to plague the Property marketplace, such as wildfires, flood and convective storms.
- Civil unrest and commotion adversely impacted Public Entity risk from capacity and pricing perspective.

### *Where we are: What we’re seeing now...*

- an overall average annual inflation index (January 2022 v January 2021) of approximately 10%-18% for real property and roughly 7% for machinery & equipment as well as approximately 30% for some specialty engineering equipment. The cost and availability of materials, increased labor costs and sparse contractor availability are driving up higher replacement costs.
- There is rising carrier competition in the marketplace, with carriers looking to write new business now that rates have risen for three consecutive years.
- There are still challenging renewals out there, especially challenging occupancies, lack of third-party engineering reports, and catastrophe-exposed businesses.
- 2021 was a very active year in climate-driven claims, including winter storm Uri in February 2021, which many meteorologists claim was a one-in-1,000-year event.
- Hurricane Ida, which made landfall in August, caused significant damage in the Southeast and Northeastern United States. Carriers are now looking at \$25 to \$35 billion in insured losses in Louisiana and other affected areas.

As we just closed out the fourth quarter of 2021, it remains too soon to determine the full impact of COVID-19 on the Property & Casualty insurance industry continuing into 2022. Markets are continuously facing unique and interrelated challenges that industry professionals feel will continue throughout 2021 and into 2022. The Property, Liability, Excess and Cyber (re)insurers are currently dealing with the most significant issues, which are reflected in the challenges of VOI's May 2022 renewal. Rates and retentions have been rising significantly, as carriers more closely scrutinize public entity risks.

*Where we're going:* Trends we are watching...

- Companies with challenging occupancies, loss activity and/or CAT-exposed can expect to see significant rate increases in the higher quartile.
- There are continued changes globally in the frequency and severity of perils such as severe convective storms, wildfires and floods. In addition, we continue to watch some of the less well-modeled and non-modeled causes of CAT losses, including COVID-19.
- Third-party valuations are increasingly useful (and oftentimes required) to ensure adequate replacement valuations. Huge discrepancies between current insured values and the actual replacement cost at time of loss may exist for companies that have not had a third-party valuation of their buildings and contents, such as machinery, equipment or stock in a few years—or sometimes ever.

## **General Liability**

*Where we were: 2021*

- The economic shutdown was responsible for a decline in claim frequency during 2020 and 2021.
- Because primary General Liability's policy limits have not changed in 25+ years, carriers remained largely insulated from the severity trends (largely social inflation) associated with some of the other lines of insurance, such as D&O, Auto, Umbrella/Excess, etc.

*Where we are:* What we're seeing now...

- Umbrella/Excess carriers are asking for higher retentions and limits in General Liability. In lieu of the traditional \$1 million primary limit that has been the norm for the past 30 years, carriers are now asking for \$2 million. The Umbrella/Excess market is driving this trend.

*Where we're going:* Trends we are watching...

- Most policyholders will encounter rate increases but because the primary General Liability limits have by and large remained stagnant, the rate increases will likely remain in the mid-single digits
- Expect to see more and more Umbrella/Excess carriers require clients to put up \$2 or \$4 million in primary limits.
- If a carrier will not increase their primary limit, clients may have to find an additional carrier to put up a buffer layer, adding frictional costs.

## **Umbrella/Excess**

*Where we were: 2021*

- Umbrella/Excess has been a challenging market for the last few years.
- COVID-19 paused some of the impact of social inflation in 2020, but social inflation remains a factor in rate changes.
  - In recent years, underwriters have cited an increase in plaintiff activity, with the rate of attorney involvement increasing to justify rate increases and limit reductions.
  - Similar to plaintiff activity, underwriters contemplated the recent trend of increased litigation funding into pricing and limit deployment.
- Large judgments and settlements targeted the deep pockets of large corporations, leading to a hefty swing in rate increases.

*Where we are:* What we're seeing now...

- The knee-jerk reaction of rate corrections has ended. Rates will still go up but for most clients, they won't be the substantial double digit increases like we saw in the past.
- We're seeing new entrants and additional capacity coming into the market on a selective basis.

*Where we're going:* Trends we are watching...

- Carriers have been able to get their portfolios into a more profitable position as a result of significant rate increases for the past few years.
- There is more competition coming into the market because it is now higher priced and hence more attractive
  - We expect rate increases to continue into 2022, yet with more moderate increases than we saw in 2021.
  - In the Excess and Surplus (E&S) Casualty markets, most Public Entity placements with minimal adverse loss history, including renewals, continue to require full marketing efforts and restructuring with varying attachment points.

**Cyber**

*Where we were: 2021*

- With the rise in ransomware attacks across the U.S. and increases in carrier reported losses, the Cyber insurance market hit an inflection point in 2020.
- Carriers became pressured due to the increasing frequency and severity of cyber claims and a more stringent regulatory environment at the state, federal and international levels.
- 2020 began with the first real signs of a hardening market as the larger, more sophisticated risks in specific industry sectors became subject to greater underwriting scrutiny and ultimately increased premiums. In fact, in 2021, even those clients with optimal data security controls were seeing rate increases in the 25%–50% range. Less attractive risks saw 75% and greater increases, if they were offered terms at all.
- Ransomware attacks are a significant contributing factor to the hardening of the Cyber market.
- Carriers are responding with higher rates, higher retentions and coinsurance requirements. • Social engineering losses also continued to mount. According to the FBI’s IC3 2020 Internet Crime Report, 2020 saw a record 69% increase in cybercrime from the prior year’s report, with business email compromise losses accounting for half of all losses.

*Where we are: What we’re seeing now...*

- The ransomware and cybersecurity risk trends we saw in 2020 continued to plague the Cyber insurance market throughout 2021.
- Cyber claim frequency and severity continued spiraling upward, which led to a swift response from the Cyber insurance market. Carriers imposed significant limitations of capacity, narrowed the scope of coverage terms, heightened underwriting scrutiny and significantly increased rates.
- Nearly all carriers now require attestation of at least some preventive controls, which likely include multifactor authentication (MFA), remote desktop protocol, data backup practices, segregation of networks, encryption, patch management, privileged account management, employee training and a host of others.
- Rate increases were experienced across most industry sectors, with larger companies subject to greater increases and higher underwriting scrutiny.
- Companies without best-in-class data security are likely to see rate increases in the 100%–200% range, and in some cases as high as 300%. Even those that comply with all underwriting required security controls are seeing increases in the excess of 75%.
- Most Cyber insurance buyers are feeling the impact through time consuming and complex renewals, with many obtaining less coverage at a higher cost.
- The median increase in Q4 2021 for Cyber companies was 50.2%, with 87% of insureds taking an increase.

*Where we’re going: Trends we are watching...*

- The Cyber underwriting community has responded to 2020 and 2021 loss data and Cyber claim trends with a laser focus on data security controls when evaluating risks.
- We expect even greater underwriting scrutiny of cybersecurity controls in the Cyber insurance market throughout the remainder of 2022, with capacity continuing to shrink.
- Insurance products will reflect decreasing carrier appetites to fully cover ransomware costs, as they push for cost-sharing in the form of ransomware coinsurance and sublimits.
- Rate hikes show no real signs of leveling off in the near term.
- This will likely force insureds to offset these costs by assuming greater self-insured retentions and taking an even greater role in actively managing cyber risk.

**2022 Property Renewal Summary** - Increase of 3% was applied to Building Values at renewal – this is to keep up with increased cost of construction including but not limited to labor, costs of materials, etc.

The incumbent carrier Fireman’s Fund / Allianz proposed renewal terms, deductible, limits with the following rate change; increased program account rate from .0706 to **\$.080 per \$100** of insured value. This represents a 13.3% rate increase. Two notable change to the renewal terms: 1). Deductible increased from \$25K to \$50K for Water Damage claims; 2). Increased flood deductible from \$50K to \$250K for 411 N. Prospect Ave (public works)

Argonaut Insurance provided an alternative indication at a rate of **\$.0604 per \$100**. Please see attached program comparison which compares both the Argonaut Property program and Fireman’s Fund program. It is important to note that the Argonaut property cannot be purchased as a standalone policy, meaning that the village must also purchase the casualty coverages with Argonaut

Flood coverage – property carriers are no longer providing flood coverage in flood zones A, X, V, shaded flood zones or within 1000 feet of a flood plan. The Locations listed below are smack dab in the zones and are thus specifically excluded. Gallagher can help secure a stand-alone NFIP policy for these locations however an application for each location plus elevation certificates will be required.

Fireman's Fund Property Program – locations that are not covered for flood:

		Bldg value	Content value
GROVE & FOREST (130 Forest Ave)	NATURE CENTER	\$576,960	\$245,357
	Garage	\$21,449	\$43,674
	Nature Center – bldg. B	\$633,385	\$0
150 S. PROSPECT AVE	SWG PMP STA	\$0	\$579,637
991 SPRINGLAKE DRIVE	SEWAGE LIFT STATION	\$146,133	\$0
320 W BRYN MAWR HAPPY ACRES (flood zone A)	LIFT STATION	\$173,891	\$0
200 BROKER	PUMPING STATION	\$0	\$130,855
VALLEY RD/SHED	NATURE CNTR GAR	\$21,449	\$43,674

Argonaut Property Program – locations that are not covered for flood:

		Bldg value	Content value
GROVE & FOREST (130 Forest Ave)	NATURE CENTER	\$576,960	\$245,357
	Garage	\$21,449	\$43,674
	Nature Center – bldg. B	\$633,385	\$0
1433 E. INDUSTRIAL DRIVE	PUMPING STATION	\$0	262,746
320 W BRYN MAWR HAPPY ACRES (flood zone A)	LIFT STATION	\$173,891	\$0
VALLEY RD/SHED	NATURE CNTR GAR	\$21,449	\$43,674

**2022 Liability (Package)** - Hudson has proposed an 18% rate increase for 5/1/2022-23 period due to an increase in its treaty reinsurance costs for Illinois domiciled accounts and the development of the Haymarket claim. The carrier is offering \$1M primary limits and \$10M excess limits.

Argonaut did provide an option to soften the rate increase and the deductibles. We have outlined the Trident program compared to the Hudson Program on the following pages. The total savings would be \$11K compared to Hudson, while coverages remain consistent. Trident has also agreed to allow the Choice of Counsel (Hervas, Condon & Bersani, PC).

There are 3 noticeable differences between the Hudson and Argonaut program; 1). Hudson's POL and EPLI deductible remains at \$50K while Argonaut deductible for the POL and EPLI is \$25K; 2). Hudson's Retro date for POL and EPLI is full prior acts and Argonaut is offering retro date for POL and EPLI at 5/1/2005; 3). Hudson continues to offer APD deductibles at \$1,000 for both Comp and Collision, however Argonaut offers \$1,000 deductible for Comprehensive and \$2,500 for Collision

**2022 Excess Liability** - Hudson remains committed to the Public Entity sector and specifically to the Village of Itasca we sought competitive reinsurance carrier(s) to compete given Village of Itasca's favorable loss history. Hudson has offered \$10M in excess limits.

Trident program (Argonaut) also offers \$10M excess limits. It is important to note that Argonaut offers \$10,000,000 limit excess each primary coverage part. For example \$10,000,000 limit excess AL; \$10,000,000 limit excess GL; etc. Hudson does not, as they only offer a total limit of \$10,000,000.

**Cyber Liability Coverage** – Cyber carriers continue to pay out significant claim amounts in many areas of the cyber coverages especially in the Cyber Crime coverages. The increases have impacted all public entities including municipalities, K-12 Public Schools and Scholastic/Higher Ed.

The incumbent carrier BCS can offer the Village the following options (Contingent upon 100% MFA implementation). **If MFA cannot be implemented by 5/1/2022, then the carrier will need to pull their quote and we must market to other carriers.**

**Recommended Program - \$1,000,000 Limit with \$250K Cyber Deception and \$5K retention – Premium \$6,474**

**\$2,000,000 Limit with \$250K Cyber Deception and \$5K retention - Premium \$TBD**

**Storage Tank Pollution Liability - ACE American Insurance Company** – Slight increase in premium continue year after year due to the aging tanks.

In order to bind coverage: The carrier requests a picture of the 1986 install AST located at 991 Springlake, Itasca, IL.

**Crime** - Hanover Insurance Company continues to offer coverage for \$1,000,000 Limit (with sublimit \$1M Faithful Performance of Duty) and \$5,000 deductible for \$2,500 annual installment premium. We are in the 3rd year of a 3 year policy term. We have also approached Hanover for options at higher limits.

\$2,000,000 limit (with \$1M Sublimit for Faithful Performance of Duty) and \$10,000 Deductible = premium: \$3,176 Annual Installment

Subject to a No Known Loss Letter prior to binding

\$3,000,000 limit (with \$1M Sublimit for Faithful Performance of Duty) and \$15,000 Deductible = premium:

\$3,411 Annual Installment

Subject to a No Known Loss Letter prior to binding

**Comparison of Hanover Crime structure at increased limits:**

Carrier	Limit	Faithful Performance of Duty sublimit	Deductible	Premium
Hanover	\$1,000,000	\$1,000,000	\$5,000	\$2,500
Hanover	\$2,000,000	\$1,000,000	\$10,000	\$3,176
Hanover	\$3,000,000	\$1,000,000	\$15,000	\$3,411

**Excess Crime Options**– we approached Hiscox Insurance Company. The carrier is able to provide excess the Hanover \$1M limit. The structure would be Hanover \$1M; then Hiscox \$1M (Or \$2M) excess Hanover \$1M. Total limits \$2M (or \$3M).

Hiscox Excess Premium for \$1M (excess Hanover \$1M) – including Faithful Performance of Duty: \$2,981

Hiscox Excess Premium for \$2M (excess Hanover \$2M) – Including Faithful Performance of Duty: \$4,634

Binding subject to currently signed and dated Hanover application

**Comparison of Crime structure utilizing Hiscox excess crime**

Carrier	Limit	Faithful Performance of Duty sublimit	Deductible	Premium
Hanover (primary)	\$1,000,000	\$1,000,000	\$5,000	\$2,500
Hiscox (excess)	\$1,000,000	\$1,000,000	\$1,005,000	\$2,981
<b>TOTAL Limit</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>		<b>\$5,481</b>
Hanover (primary)	\$1,000,000	\$1,000,000	\$5,000	\$2,500
Hiscox (excess)	\$2,000,000	\$2,000,000	\$1,005,000	\$4,634
<b>TOTAL Limit</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>	<b>\$1,005,000</b>	<b>\$7,134</b>

*The benefits of purchasing the Hiscox excess layer would provide the village a higher Faithful Performance of Duty sublimit while keeping the Hanover deductible at \$5,000. Gallagher's recommendation is to purchase the \$1,000,000 Hiscox layer. Total program costs would be \$5,481 for \$2,000,000 in total limits.*

**OPTION for : Malicious Attack**

Lloyds Syndicate 1183 (Talbot) provided a quote

Indication only: \$7,500 Premium plus taxes of \$263 SLT/ \$6 IL stamping Fee / \$300 FMT fee – TOTAL \$8,069

Physical loss or physical damage, bodily injury/death, business interruption/time element, extra expense and denial of access

**Malicious Assailant(s)**

**Malicious Assailant(s)** means a person or group of persons actively engaged in causing direct physical loss

or physical damage and/or **Bodily Injury** or death, killing or attempting to kill or cause serious **Bodily Injury** to a person or group of persons.

**Malicious Assailant(s) Event**

**Malicious Assailant(s) Event** means an **Event** that satisfies ALL of the following:

- a) occurs during the **Period of Insurance**,
- b) occurs at an **Insured Location**,
- c) involves the use of a **Weapon; meaning any object or device use to cause physical harm including vehicles, acid, firearms, etc.**
- d) is intended to cause direct physical loss or physical damage, **Bodily Injury** or death of a person or group of persons, and
- e) is carried out or attempted by any person or group of persons acting alone or in connection with any organization.

**Subject to bind – confirm no losses or incidents at time of binding.**

*Exposure History*

This chart will give you a comparison of last year’s ratable exposures compared to the renewal ratable exposures.

<b>Exposure</b>	<b>5/1/2018 – 5/1/2019</b>	<b>5/1/2019 – 5/1/2020</b>	<b>5/1/2020 – 5/2/2021</b>	<b>5/1/2021 – 5/1/2022</b>	<b>5/1/2022 – 5/1/2023</b>	<b>% change</b>
Property Values	\$79,402,172	\$84,610,239	\$85,731,655	\$87,637,061	\$89,599,629	2.2%
Vehicle Count	47	48	48	46	46	0%
Vehicle Values	\$1,910,219	\$1,973,054	\$2,143,598	\$2,140,598	\$2,140,598	0%
Number of Employees (includes FT/PT/Seasonal)	74	76	73	65	65	0%
Number of Armed Police Officers	25	25	25	25	25	0%

## Challenging Risk Profile Characteristics

While the hardening market is not as severe as compared with the market of the early 2000s, pockets of the marketplace certainly resemble that of a traditional hard market. Due to the variability that we’re seeing in this market and specific account characteristics, individual rates may vary from the ranges noted at the beginning of this report.

**PROPERTY**

- Limits: \$50 million+ TIV
- Frame/habitational/auto/dealer
- CAT exposure
- Molten metals
- Food & Agribusiness
- Plastics/polycarbon tech
- Any locations with large hail exposure
- Outstanding engineering recommendations

**INDUSTRIES**

- Senior Living
- National Accounts
- Transportation & Logistics
- Marine
- Habitational/apartments
- Nonprofit
- Public Sector
- Food & Agribusiness

**EXECUTIVE LINES**

- Limits: \$15 million+
- Large private company D&O
- Publicly traded D&O
- Sexual abuse and molestation
- Industries negatively impacted by COVID-19

**UMBRELLA EXCESS**

- Large limits: \$25 million+ capacity has diminished, and pricing has dramatically increased because of mega-verdicts
- Any underlying exposure with a large fleet
- Any underlying exposure with a moderate hazard general liability exposure—especially construction and habitational/apartments

## Conclusion

It is unknown what the full magnitude of the COVID-19 pandemic’s economic impact will be overall, or what effect it will have on the insurance industry. **However, the underlying fundamentals we see with the environment today are likely to continue into the foreseeable future. There’s nothing that indicates the momentum will slow. If anything, the market’s hardening in 2022 will continue.**

Because of the highly nuanced nature of this market, it is imperative that you are working with an insurance broker who specializes in your particular industry or line of coverage. Gallagher has a vast network of specialists that understand your industry and business, along with the best solutions in the marketplace for your specific challenges.

## Service Team

**Miles Shepp** has primary service responsibility for your company. We operate using a team approach. Your Service Team consists of:

NAME / TITLE	PHONE / ALT. PHONE	EMAIL	ROLE
<b>Miles Shepp, ARM</b> Area Senior Vice President	(630) 285-3913 (847) 220-2155	Miles_Shepp@ajg.com	Producer
<b>Katherine Bisceglia</b> Client Service Manager Senior	(630) 285-4059	Katherine_bisceglia@ajg.com	Account Manager
<b>Eric Pan</b> Area President	(630) 285-4152 (630) 373-3742	Eric_Pan@ajg.com	Executive Management
<b>Jim Krueger</b> Claims Advocate Senior	(630) 694-5488	James_Krueger@ajg.com	Claims Advocate

**Arthur J. Gallagher Risk Management Services, Inc.**

Main Office Phone Number: (630) 773-3800

## Market Review

We approached the following carriers in an effort to provide the most comprehensive and cost effective insurance program.

INSURANCE COMPANY	LINE OF COVERAGE	RESPONSE	PREMIUM
<b>Fireman's Fund Insurance Company</b>	Property	Quoted	\$70,549 \$1,729 TRIA \$72,278 TOTAL
<b>Argonaut Insurance Company</b>	Property/Inland Marine	Quoted	Property \$57,546 TRIA \$1,726 TOTAL \$59,272 Inland Marine \$1,550 TRIA \$47 TOTAL Inland Marine \$1,597 TOTAL \$60,869
<b>Hudson Insurance Company</b>	Package – General Liability, Auto Liability, Auto Physical Damage, Law Enforcement Liability, Public Officials Liability, Employment Practices Liability, \$10M Umbrella	Quoted – \$1,000,000 Primary Limit \$10,000,000 Umbrella Limit \$10,000 Deductible for General Liability and Auto Liability \$1,000 Comp deductible \$1,000 Collision \$50,000 Deductible for Public Officials/Law Enforcement/ Employment Practices Liability	General Liability \$9,371 plus \$159 TRIA Total GL \$9530 Auto Liability and APD \$23,348 Law Enforcement Liability \$11,925 Public Officials Liability \$6,460 Employment Practices Liability \$5,674 \$10M Limit Umbrella \$40,505 plus \$400 TRIA \$1,432 SLT taxes \$31 IL Stamping Fee Total Umbrella \$42,378  Hudson Program \$99,315
<b>Argonaut Insurance Company</b>	Package – General Liability/EBL, Auto Liability, Auto Physical Damage, Law Enforcement Liability, Public Officials Liability, Employment Practices Liability, Umbrella	Quoted – \$1,000,000 Primary Limit \$10,000,000 Umbrella <b>\$10,000</b> Deductible for General Liability and Auto Liability \$1,000 Comp deductible \$2,500 Collision Deductible <b>\$25,000</b> Deductible for Public Officials/Law Enforcement/ Employment Practices Liability  \$10,000,000 Umbrella Liability Limit	General Liability \$16,367 Auto Liability \$12,230 APD \$10,631 Law Enforcement Liability \$11,199 Public Officials Liability \$2,856 Employment Practices Liability \$15,222 \$10M Limit Umbrella \$20,137  <b>Trident Liability Program Total Premium \$88,642</b>  *TRIA premium included for GL \$477 and Excess \$539 coverages

INSURANCE COMPANY	LINE OF COVERAGE	RESPONSE	PREMIUM
Hanover Insurance Company	Crime (stand-alone policy)	3 <sup>rd</sup> year of 3 year policy	\$2,500.00 \$1M Limit
Hanover Insurance Company	Crime	<p>\$2,000,000 Limit w/\$1,000,000 sublimit for Faithful Performance of Duty \$10,000 Deductible</p> <p>\$3,000,000 Limit w/\$1,000,000 sublimit for Faithful Performance of Duty \$15,000 Deductible</p>	<p>\$3,176</p> <p>\$3,411</p>
Hiscox Insurance Company	Excess Crime (excess Hanover's \$1M limit)	\$1,000,000 Limit w/\$1,000,000 sublimit for Faithful Performance of Duty	\$4,634
		\$2,000,000 Limit w/\$2,000,000 sublimit for Faithful Performance of Duty	\$7,134
BCS Insurance Company	Cyber Liability	<p><b>Indication (1)</b> \$1,000,000 Limit \$2,500 Retention Includes \$250,000 Cyber Deception (aka Social Engineering/Cyber Crime)</p>	<p>\$1,000,000 Limit \$5,737 Premium \$574 Cyber Deception \$63 TRIA \$100 RPS Service Fee \$6,474 TOTAL</p>
		<p>Optional Quote-\$2,000,000 \$10,000 Retention Includes \$250,000 Cyber Deception (aka Social Engineering/Cyber Crime)</p> <p>(1) Please note that if MFA is not 100% (including remote access), then BCS will pull the quote and this coverage will need to be remarketed</p>	TBD
ACE American Insurance Company	Tank Safe Storage Tank Liability	<p><b>Recommended Quote</b> \$1,000,000 Limit with \$10,000 Deductible</p>	\$3,601 Premium (includes TRIA)

INSURANCE COMPANY	LINE OF COVERAGE	RESPONSE	PREMIUM
<b>Lloyds Syndicate 1183 (Talbot)</b>	Malicious Assailant Insurance	\$1,000,000	\$7,500 plus applicable taxes
<b>Various markets</b>	Excess Liability	\$5,000,000	Indications of >\$60,000
<b>Chubb Insurance Company</b>	Property	Declined could not be competitive	NA

## Premium Summary

The estimated program cost for the options are outlined in the following table:

LINE OF COVERAGE		CARRIER	HUDSON/FIREMAN'S FUND PROGRAM 2021 EXPIRING COSTS	CARRIER	HUDSON/FIREMAN'S FUND PROGRAM 2022 RENEWAL COSTS	ARGONAUT CASUALTY AND PROPERTY PROGRAM 2022 RENEWAL COSTS
<b>Property Including Equipment Breakdown</b>	Premium TRIA Premium	Fireman's Fund Insurance Company (Allianz SE)	<b>\$61,910</b> Included	Fireman's Fund Insurance Company (Allianz SE)	<b>\$72,278</b> Included	Argonaut Insurance Company <b>\$60,869</b> Included
<b>Casualty Package Including Crime, General Liability, Law Enforcement Liability, Public Officials Liability, Employment Practices Liability, Auto Liability, and Umbrella Liability</b>	Premium TRIA Premium (GL/Umbrella only) SLT Taxes on Umbrella IL Stamp Fee on Umbrella TOTAL	Hudson Insurance Company (Fairfax Financial (USA) Group)  With \$10K Deductible for General Liability and Auto Liability \$50K Deductible for Law, POL, EPLI	GL \$9,189 (includes TRIA) AL/APD \$21,918 Law Enforcement Liability \$10,841 POL Liability \$4,405 EP Liability \$4,698 \$10M Limit Umbrella \$31,563(Inc. TRIA) \$1,105 SLT taxes \$24 IL Stamping Fee Total Hudson Program <b>\$83,743</b>	Hudson Insurance Company (Fairfax Financial (USA) Group)	GL \$9,530 (includes TRIA) AL/APD \$23,348 Law Enforcement Liability \$11,925 POL Liability \$6,460 EP Liability \$5,674 \$10M Limit Umbrella \$40,915 (Inc. TRIA) \$1,432 SLT taxes \$31 IL Stamping Fee Total Hudson Program  <b>\$99,315</b>	Argonaut Insurance Company GL (includes TRIA) \$16,367 AL/APD \$22,861 Law Enforcement Liability \$11,199 POL Liability \$2,856 EP Liability \$15,222 \$10M Limit Umbrella (includes TRIA) \$20,137  Total Program <b>\$88,642</b>

LINE OF COVERAGE		CARRIER	HUDSON/FIREMAN'S FUND PROGRAM 2021 EXPIRING COSTS	CARRIER	HUDSON/FIREMAN'S FUND PROGRAM 2022 RENEWAL COSTS	ARGONAUT CASUALTY AND PROPERTY PROGRAM 2022 RENEWAL COSTS	CARRIER
LINE OF COVERAGE		CARRIER	HUDSON/FIREMAN'S FUND PROGRAM 2021 EXPIRING COSTS	CARRIER	HUDSON/FIREMAN'S FUND PROGRAM 2022 RENEWAL COSTS	ARGONAUT CASUALTY AND PROPERTY PROGRAM 2022 RENEWAL COSTS	CARRIER
<b>Cyber Liability (includes Cyber Crime)</b>	Premium TRIA Premium	BCS Insurance Company	<b>\$8,367</b>	BCS Insurance Company	<b>\$6,474</b>	<b>\$6,474</b>	BCS Insurance Company
<b>Crime Coverage (\$1M Limit)</b>	Premium	Hanover Three year policy term offered (billed annually)	<b>\$2,500</b> Annual Premium (2 <sup>nd</sup> year of a 3 year policy)	Hanover Three year policy term offered (billed annually)	<b>\$2,500</b> Annual Premium (3rd year of a 3 year policy)	<b>\$2,500</b> Annual Premium (3rd year of a 3 year policy)	Hanover Three year policy term offered (billed annually)
<b>Underground Storage Tank Liability</b>	Premium TRIA Included at \$0 Premium	ACE American Insurance Company (ACE Group)	<b>\$3,271</b>	ACE American Insurance Company (ACE Group)	<b>\$3,601</b>	<b>\$3,601</b>	ACE American Insurance Company (ACE Group)
<b>Gallagher Broker Service Fee</b>			<b>\$25,184</b>		<b>\$25,940</b>	<b>\$25,940</b>	
<b>Total Estimated Program Cost</b>			<b>\$184,975</b>		<b>\$210,108</b>	<b>\$188,026</b>	

Cost Summary - Village of Itasca					
2022 Renewal Options					
May 1, 2022 to May 1, 2023					
DRAFT					
			W/higher crime limits and malicious assailant coverage		W/higher crime limits and malicious assailant coverage
	Expiring 2021 / 2022	Option 1 (as expiring) 2022 / 2023	Option 2 2022 / 2023	Option 3 2022 / 2023	Option 4 2022 / 2023
	Hudson/Fireman's Fund Liability - Hudson	Hudson/Fireman's Fund Liability - Hudson	Argonaut Liability - Argonaut	Hudson/Fireman's Fund Liability - Hudson	Argonaut Liability - Argonaut
	Excess Liability - Hudson	Excess Liability - Hudson	Excess Liability - Argonaut	Excess Liability - Hudson	Excess Liability - Argonaut
Deductibles - General Liability/EBL/Auto Liability	\$10,000 deductible GL/EBL/A	\$10,000 deductible GL/EBL/A	\$10,000 deductible GL/EBL/A	\$10,000 deductible GL/EBL/A	\$10,000 deductible GL/EBL/A
Deductibles - Law Enforcement Liability, Public Officials Liability, Employment Practices Liability	\$50,000 deductible Law/POL/EPL	\$50,000 deductible Law/POL/EPL	\$25,000 deductible Law/POL/EPL	\$50,000 deductible Law/POL/EPL	\$25,000 deductible Law/POL/EPL
	Property - Fireman's Fund	Property - Fireman's Fund	Property - Argonaut	Property - Fireman's Fund	Property - Argonaut
	Auto Physical Damage - Hudson	Auto Physical Damage - Hudson	Auto Physical Damage - Argonaut	Auto Physical Damage - Hudson	Auto Physical Damage - Argonaut
	Cyber Liability - BCS Ins. Co.	Cyber Liability - BCS Ins. Co.	Cyber Liability - BCS Ins. Co.	Cyber Liability - BCS Ins. Co.	Cyber Liability - BCS Ins. Co.
	Crime - The Hanover Insurance Company	Crime - The Hanover Insurance Company	Crime - The Hanover Insurance Company	Crime - The Hanover Insurance Company Crime Excess - Hiscox	Crime - The Hanover Insurance Company Crime Excess - Hiscox
Property/Boiler and Machinery/TRIA	\$ 61,910	\$ 72,278	\$ 60,869	\$ 72,278	\$ 60,869
General Liability/EBL - \$1M (includes TRIA)	\$ 9,189	\$ 9,530	\$ 16,367	\$ 9,530	\$ 16,367
Automobile (AL/APD) - \$1M	\$ 21,918	\$ 23,348	\$ 22,861	\$ 23,348	\$ 22,861
Law Enforcement Liability - \$1M	\$ 10,841	\$ 11,925	\$ 11,199	\$ 11,925	\$ 11,199
Public Officials Liability - \$1M	\$ 4,405	\$ 6,460	\$ 2,856	\$ 6,460	\$ 2,856
Employment Practices Liability - \$1M	\$ 4,698	\$ 5,674	\$ 15,222	\$ 5,674	\$ 15,222
Excess Liability \$10M xs \$1M Primary (includes TRIA)	\$ 32,692	\$ 42,378	\$ 20,137	\$ 42,378	\$ 20,137
Cyber Liability	\$ 8,367	\$ 6,474	\$ 6,474	\$ 6,474	\$ 6,474
Crime Primary (The Hanover Insurance Co)	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Crime Excess Hanover \$1M Limit	NA	NA	NA	\$ 4,634	\$ 4,634
Storage Tank Pollution Liability	\$ 3,271	\$ 3,601	\$ 3,601	\$ 3,601	\$ 3,601
Active Shooter coverage	NA	NA	NA	\$ 8,069	\$ 8,069
Broker Fee	\$ 25,184	\$ 25,940	\$ 25,940	\$ 25,940	\$ 25,940
<b>Total</b>	<b>\$ 184,975</b>	<b>\$ 210,108</b>	<b>\$ 188,026</b>	<b>\$ 222,811</b>	<b>\$ 200,729</b>
Year over year % change		114%	102%	120%	107%
Property Blanket Limit (Building and Contents)	\$83,987,061	\$85,949,629	\$85,721,344	\$85,949,629	\$85,721,344
Flood Limit	\$10,000,000	\$10,000,000	\$5,000,000	\$10,000,000	\$5,000,000
Total Liability Limit	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000	\$ 11,000,000
Sex Abuse/Molestation	(Limited - Included in Law Enforcement)	(Limited - Included in Law Enforcement)	Yes - In GL/Lsw	(Limited - Included in Law Enforcement)	Yes - In GL/Law
Cyber Limit	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Cyber - Social Engineering Limit/Cyber Deception	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Crime Limit	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Crime - False Pretenses Limit	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Crime Excess Hanover	NA	NA	NA	\$ 1,000,000	\$ 1,000,000
Storage Tank Pollution Liability Limit	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Malicious Assailant Coverage	NA	NA	NA	\$ 1,000,000	\$ 1,000,000
Auto Physical Damage - Collision Deductible	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Auto Physical Damage - Comprehensive Deductible	\$ 1,000	\$ 1,000	\$ 2,500	\$ 1,000	\$ 2,500
Property/Boiler Deductible	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Windstorm Deductible	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Flood Deductible	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Earthquake Deductible	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
General Liability Deductible	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Auto Liability Deductible	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Public Officials Liability Deductible	\$ 50,000	\$ 50,000	\$ 25,000	\$ 50,000	\$ 25,000
Employment Practices Liability Deductible	\$ 50,000	\$ 50,000	\$ 25,000	\$ 50,000	\$ 25,000
Law Enforcement Liability Deductible	\$ 50,000	\$ 50,000	\$ 25,000	\$ 50,000	\$ 25,000
Crime Deductible	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Crime False Pretenses Deductible	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Cyber Deductible	\$ 5,000	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Cyber - Social Engineering/cyber Deception Deductible	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Storage Tank Pollution Liability Deductible	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Malicious Assailant Deductible	NA	NA	NA	\$ 10,000	\$ 10,000