



Executive Summary

Date: November 20, 2017

Item: Agreement with Arthur J. Gallagher for Administrative Services

Prepared by: Kim Ponder, Human Resources Director

Background: Arthur J. Gallagher has been Winnebago County's liability broker for over 25 years. Under this brokering agreement they provide liability insurance brokering services, liability insurance administration services, and consultation services for risk management and loss control. These services are considered professional services under the purchasing policy.

This contract is a 1 year agreement, with 4 years of automatic renewals unless otherwise canceled by either party. The annual fee charged by Arthur J. Gallagher has not changed since December 2014. Year 1 of this contract the rate remains unchanged, with fees increasing 2% on each of the following 4 years of automatic renewal.

Winnebago County and the Human Resources have received excellent customer service from Arthur J. Gallagher and request the boards support of continued services with this broker.

Questions regarding this contract should be directed to Kim Ponder, Human Resources Director at (815) 319-44298 or Kponder@wincoil.us

Recommendation: The Operations Committee, chaired by Gary Jury has reviewed the contract presented to the Board. The Board is asked to vote in favor of the Committee's recommendations at its November 21, 2017 meeting.

RESOLUTION
of the
COUNTY BOARD OF THE COUNTY OF WINNEBAGO, ILLINOIS

Sponsored by: Gary Jury

Submitted by: Operations & Administrative Committee

2017 CR

RESOLUTION AUTHORIZING THE EXECUTION OF A RENEWAL AGREEMENT WITH ARTHUR J. GALLAGHER RISK MANAGEMENT SERVICES, INC. FOR THIRD PARTY ADMINISTRATOR FEES FOR LIABILITY ADMINISTRATION SERVICES

WHEREAS, the County of Winnebago, Illinois, each year adopts a Resolution which authorizes acceptance of third party administration (TPA) for liability administration services; and,

WHEREAS, the renewal for December 1, 2017 TPA does contain premium change; and

WHEREAS, Arthur J. Gallagher, who is the County's Insurance Broker, has extensively reviewed the County's options for this service; and,

WHEREAS, Arthur J. Gallagher has proposed the rate below to Winnebago County for the TPA services of the liability administration services December 1, 2017 thru November 30, 2022:

\$62,500 / Annual Fee for Administrative Services

This rate has not changed since December 2014.

This is year 1 of a 5 year agreement. In subsequent years the annual fee will be increased 2% of the prior year.

WHEREAS, the Operations and Administrative Committee of the County Board for the County of Winnebago, Illinois has reviewed the renewal and recommends that the County Board authorize execution of an agreement with Arthur J Gallagher Risk Management Services, Inc. for the administration of the liability services for December 1, 2017 through November 30, 2022.

NOW, THEREFORE BE IT RESOLVED, by the County Board of the County of Winnebago, Illinois that the Winnebago County Board Chairman is hereby authorized to execute an agreement with Arthur J Gallagher, 2850 Golf Road, Rolling Meadows, IL 60008, for TPA services for workers compensation and liability claims.

BE IT FURTHER RESOLVED, that this Resolution shall be in full force and effective immediately upon its adoption and the Clerk of the County Board is hereby authorized to prepare and deliver certified copies of this Resolution to the Director of Purchasing, Director of Human Resources and the County Auditor.

Respectfully Submitted,

OPERATIONS & ADMINISTRATIVE COMMITTEE

AGREE

DISAGREE

GARY JURY, CHAIRMAN

GARY JURY, CHAIRMAN

JEAN CROSBY

JEAN CROSBY

ANGIE GORAL

ANGIE GORAL

JOE HOFFMAN

JOE HOFFMAN

KEITH McDONALD

KEITH McDONALD

ELI NICOLSI

ELI NICOLSI

DOROTHY REDD

DOROTHY REDD

The above and foregoing Resolution was adopted by the County Board of the County of Winnebago, Illinois this ____ day of _____ 2017.

FRANK HANEY

CHAIRMAN OF THE COUNTY BOARD
OF THE COUNTY OF WINNEBAGO, ILLINOIS

ATTESTED BY:

MARGIE M. MULLINS

CLERK OF THE COUNTY BOARD
OF THE COUNTY OF WINNEBAGO, ILLINOIS

Compensation Agreement

Winnebago County & Arthur J. Gallagher Risk Management Services, Inc.

THIS COMPENSATION AGREEMENT is made and entered into and effective the 1st day of December, 2017 ("Effective Date") by and between WINNEBAGO COUNTY, an Illinois entity ("Client"), and ARTHUR J. GALLAGHER RISK MANAGEMENT SERVICES, INC., an Illinois corporation ("Gallagher").

I. TERM AND TERMINATION

This Agreement shall commence on the Effective Date for a term of one (1) year and shall automatically renew on the first anniversary of the Effective Date and annually thereafter for additional four- (4) year term but may be terminated by either party at any time upon one-hundred twenty (120) days prior written notice.

II. OBLIGATIONS OF GALLAGHER

Gallagher will provide the services set out on Exhibit A attached hereto (collectively, the "Services") to Client. If the Services include the placement of insurance coverages, Gallagher will use its commercial best efforts to secure such insurance coverages on Client's behalf. In the event an insurance company cancels or refuses to place such insurance coverages, Gallagher will use its commercial best efforts to obtain the coverage from another insurance company.

III. OBLIGATIONS OF CLIENT

Client shall remunerate Gallagher its usual and customary brokerage commission for the Services. In addition to or in lieu of commission, Client shall pay Gallagher an annual fee of \$62,500 for the Services, which such fee may be revised at the time of renewal of this Agreement by the execution of an amendment to this Agreement signed by the parties hereto. If work is required to be performed in addition to the Services, Client agrees to compensate Gallagher for such additional work at its usual and customary rates. So long as the terms and conditions of the Services are substantially similar and Gallagher's performance is acceptable, in subsequent years the annual fee shall be increased 2% over the prior year, and shall be payable and earned as provided herein.

IV. DISCLOSURES

A. In addition to such fees and commissions provided herein, Gallagher may also receive investment income on fiduciary funds temporarily held by it, such as premiums or return premiums. Other parties, such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, underwriting managers, captive managers and similar parties, some of which may be owned in whole or in part by Gallagher's corporate parent, may earn and retain usual and customary commissions and fees in the course of providing insurance products to clients. Gallagher may also participate in contingent and supplemental commission arrangements with insurance companies. Contingent commission arrangements provide for additional contingent compensation if underwriting, profitability, volume or retention goals are achieved. Such goals are typically based on the total amount of certain insurance coverages placed by Gallagher with the insurance company, not on an individual policy basis. Supplemental commissions, unlike contingents, are known at the effective date of the policy, but are typically paid later and apart from when usual and customary commission

is paid. Any such fees or commission will not constitute compensation to Gallagher under Section III. above.

- B. Gallagher's fees under this Agreement shall be fully earned on the execution of this Agreement (and any renewal thereof), and payable on invoicing. Client is responsible for payment of premiums for all insurance placed by Gallagher on its behalf. If any amount is not paid in full when due, including premium payments to insurance companies, that nonpayment will constitute a material breach of this Agreement that will allow Gallagher to immediately terminate this Agreement, at its option, without notice to Client.
- C. Where applicable, insurance coverage placements which Gallagher makes on Client's behalf, may require the payment of federal excise taxes, surplus lines taxes, stamping or other fees, to the Internal Revenue Service (federal), various state(s) departments of revenue, state regulators, boards or associations. In such cases, Client is responsible for the payment of such taxes and/or fees, which will be identified separately by Gallagher on invoices covering these placements. Under no circumstances will these taxes or other related fees or charges be offset against the amount of Gallagher's brokerage fees or commissions referred to herein.
- D. Gallagher will be operating only as Client's broker, obtaining a variety of coverage terms and conditions to protect the risks of Client's enterprise. Gallagher will seek to bind those coverages based upon Client's authorization, however, Gallagher can make no warranties in respect to policy limits or coverage considerations of the carrier. Actual coverage is determined by policy language, so read all policies carefully. Contact Gallagher with questions on these or any other issues of concern.

V. LIMITATION OF LIABILITY

Gallagher's liability to Client, arising from any negligent acts or omissions of Gallagher, whether related to the Services provided hereunder or not, shall not exceed \$20 million in the aggregate. Without limiting the foregoing, Gallagher shall only be liable for actual damages incurred by Client, and shall not be liable for any indirect, consequential or punitive damages.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first written above.

ARTHUR J. GALLAGHER RISK
MANAGEMENT SERVICES, INC.

WINNEBAGO COUNTY

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT A

Services

Perform risk management services, which Client may from time to time need or require. The services include:

Insurance Brokerage

- Review insurance-related loss exposures
- Review insurance policies and coverage endorsements
- Determine property and liability risk management needs, desires
- Obtain, organize, and analyze underwriting data
- Develop potential insurance options
- Formulate strategy to obtain insurance quotations
- Present formal submission to selected insurance markets
- Compare and analyze quotations received
- Present a form proposal with appropriate options
- Confirm underwriting placements
- Coordinate billing and invoicing

Insurance Administration

- Review policies for accuracy
- Assist with allocation costs as necessary
- Issue certificates and other necessary evidence of insurance
- Develop and maintain computerized underwriting data schedules
- Assist in development and implementation of formalized claim and incident reporting guidelines
- Review insurance-related sections of your contracts
- Summarize loss experience for management analysis
- Provide loss adjustment assistance on problem claims – claims advocacy

Risk Management Consultation and Loss Control

- Annual stewardship / pre renewal meetings
- Insurance market updates
- Updates on local, state, or federal legislation impacting the County
- Review of risk management options/cost benefit analysis
- Loss analysis/claims advocacy
- Risk management program review
- Provide coverage summary reports – Property and Casualty
- Consult and review carrier loss control recommendations
- Coordinate carrier meetings/ claim reviews
- Consult on emerging exposures/ risk considerations