
**VILLAGE OF SUGAR GROVE
BOARD REPORT**

TO: VILLAGE PRESIDENT & BOARD OF TRUSTEES
FROM: MATT ANASTASIA, FINANCE DIRECTOR
SUBJECT: DISCUSSION: REVIEW OF VILLAGE GENERAL LIABILITY & ALL OTHER LIABILITY INSURANCE COVERAGES
AGENDA: DECEMBER 16, 2022 REGULAR BOARD MEETING
DATE: DECEMBER 20, 2022

ISSUE

Shall the Board discuss the review of the current Village Liability Coverage.

DISCUSSION

The Village has been a member of Intergovernmental Risk Management Agency (IRMA) since 1996. IRMA is a not-for-profit insurance pool comprised of 72 members. IRMA is the only insurance company/pool who annually returns Interest/Investment Income back to its members reserve account and excess surplus account. Accrued Member Reserve accounts are utilized to pay claims for members, and must stay with IRMA 7 years after withdrawal from the pool. Excess Surplus credit is able to be utilized as credits or reduction on the annual premium payments. The Village's current excess surplus balance estimate in 2022 is \$489,676. Attached to the memo is a spreadsheet breakdown showing the amount of Interest Income and Investment Income credited back to Sugar Grove by IRMA, which shows how much has been returned to Sugar Grove to create our Excess Surplus Reserve.

In addition to the Excess Surplus account, if an organization chooses to have a higher deductible than the standard \$2,500, there is an Optional Deductible Credit Fund created. Depending on the new level of deductible, IRMA gives a credit back (i.e. 10% credit for \$10,000 deductible, \$21% credit for \$25,000 deductible, etc.). This can be used towards premiums, or can be held in a fund to be used towards Deductible payments. The Village has opted to move from the \$2,500 to the \$10,000 deductible for the past 3 years. This has led to an optional deductible fund balance of \$52,878.

The Village has recently been contacted by IML RMA Risk Pool, who is the largest insurance risk pool in the State. I have received information on IML RMA directly with some questions and answer with a representative. In research, I received information on communities who have left

IRMA and joined another pool agency within the last 5 years. I reached out to a community from the list whom left IRMA in the past 5 years and also joined another pool insurance company, and currently is with IML RMA since 2021. This community left IRMA in 2018, and then joined a different insurance pool before joining IML RMA in 2021. While the community is very happy after joining IML RMA, it was mainly due to leaving the interim pool agency they went to after IRMA and their high deductibles, before settling with IML RMA. There was no indication of additional services or benefits from IML RMA, above and beyond what IRMA currently offers that would facilitate a move to another pool agency.

IRMA is very selective in which organization they allow in IRMA. IRMA staff reviews the applicants claims history and liability to maintain the reliability and strength of the IRMA pool. This allows the pool to stay financially stable.

If the Village would try to get premium proposals to move away from IRMA, an Insurance Broker would need to be hired to complete this process. This would be an additional cost we currently do not budget for. A Broker normally would not send the bid to IRMA, as IRMA's bylaws do not allow them to pay Broker fees, resulting in the Broker receiving no commission if the organization were to choose IRMA. Outside of hiring a broker, if staff were to solicit proposals internally, the amount of work would be too much for staff to take on.

Over the past 4 years, the Village's Contribution Premium has decreased from \$222,479 in 2019 to \$184,752 (before any credits or surplus were taken), which is almost a 16.96% decrease in premium. IRMA's contribution formula includes an experience modifier, which incorporates a member's losses over a 5-year period to smooth the contribution changes and to not experience a spike after a year with large losses. There is also a sliding scale incorporated so that higher losses are subsidized by the pools reserves.

The process to leave IRMA according to their bylaws would be notice by March 31st of each year in order to not lose the money in our Reserve Account, there is the ability to rescind the notice by August 31st. At this time, the Village would lose all access to training materials, webinars, and voting rights at Board meetings. Most insurance companies will not release pricing until August/September for January 1st renewals, leaving the Village with no known premiums for months leading up to the deadline to rescind. The bylaws require a minimum 120-day notice of leaving IRMA which would be August 31st, however, we would forfeit our Reserve balances not giving the notice by March 31st.

COST

There is no cost to discuss the Village's Coverages. There will be an unknown cost if directed to use a broker to solicit new Village premiums and coverages.

RECOMMENDATION

That the Village continue to use IRMA Risk Pool for Insurance coverages.

Investment Income											
Fund	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Excess Surplus	95,209	42,197	27,509	39,752	(7,175)	20,696	12,753	(1,335)	7,763	11,501	8,665

Interest Income Credit											
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Sugar Grove	-	85,577	123,269	72,790	70,174	40,915	76,462	40,352	33,955	24,768	20,060

<u>Balances</u>	<u>As of 12/31/2021</u>	<u>Used in 2022</u>	<u>Deposit in 2022</u>	<u>Total Surplus</u>
Excess Surplus	451,510	(57,043)	95,209	\$ 489,676
Optional Deductible Fund	19,510	16,740	16,628	\$ 52,878