



October 27, 2016

Jackson County
Office of the County Board
1001 Walnut
Murphysboro, IL 62966

RE: Counties of Illinois Risk Management Agency (CIRMA) – Proposal of Insurance

Dear Board Members:

On behalf of CIRMA, we would like to thank Jackson County and its board members for the opportunity to provide you with a very competitive and comprehensive proposal of insurance for the 2016-2017 program year.

In addition to being cost effective, we have highlighted some of the features and benefits of the CIRMA program that should be taken into consideration when deciding on the best possible option for Jackson County. Listed below are some of the advantages of the program:

- A. M Best's Ratings—The CIRMA program is insured by companies with ratings ranging from A++XV to A XI.
- Deductibles--the only deductibles that apply for Jackson County are \$1,000 for Property, Auto Physical Damage (Comprehensive & Collision), and Crime/Employee Dishonesty claims.
- No deductibles apply on Law Enforcement Liability, Public Officials Liability, Employment Practices Liability, Civil Rights Actions, Errors & Omissions, Auto Liability, Employee Benefits Liability, or Workers Compensation claims.
- Higher third-party liability limits provide greater protection for the county at a much lower premium. The CIRMA proposal provides \$10,000,000 each occurrence with no General Aggregate for the General Liability, Law Enforcement Liability, and Auto Liability.

- CIRMA provides a \$250,000,000 property limit for all county owned property.
- Flood & Earthquake—CIRMA provides \$11,000,000 in limits for both Flood & Earthquake with a \$1,000 deductible per occurrence.
- Boiler & Machinery policy limits provided under the CIRMA program are \$100,000,000.
- Crime/Employee Dishonesty-CIRMA provides \$500,000 limits (each) for Employee Dishonesty, Forgery & Alteration, and Money & Securities. The CIRMA deductible is \$1,000.
- Ownership/Equity—the CIRMA program is structured so that only a portion of your costs are attributable to the payment of premiums paid to insurance companies. The amount retained by CIRMA will be accrued as equity for each of the member counties.
- Investment Income—Any and all investment earnings generated by the program will be returned to the membership in a manner that they so choose.
- “One County, One Vote”—each county within CIRMA will have a voice in the decisions affecting the operation of the program. Jackson County will choose a representative and one alternate to vote on any issues presented to the membership.
- Choice of Counsel—the CIRMA program allows its members the ability to choose Defense Counsel for any potential lawsuits that may be filed against the county. The cost for legal fees from an outside law firm will be attributable to the claim file and no out of pocket expense will be paid by the county.
- Input into Claims Settlements—Jackson County will be as actively involved as it chooses in the decisions for claims payments and settlements.
- Vendor Services—Jackson County will be visited by a representative from the Claims Administration Services firm within the first thirty days of the program. The county will also meet with their Safety & Loss Prevention representatives within the first sixty days.
- Non-Auditable Policy—the CIRMA program is non-auditable. Therefore, there will be no additional premiums for adding vehicles or locations during the course of the year. The policy has an Automatic Acquisition Endorsement that provides coverage throughout the year for any additions and/or changes to the county’s physical assets.

- Loss Prevention Services—Jackson County will receive 4 visits from our certified risk control specialists. Each visit will address a different area of Safety/Loss Prevention or Risk Management. The meetings will be held with various department heads and will focus on Risk Assessment, Training, Accident Investigation, Review of Policies & Procedures, Jail/Prison Operations, and Life Safety issues.

We look forward to answering any questions that you may have about the program.

Thank you again for allowing us to present our Proposal of Insurance to your county.

Sincerely,

A handwritten signature in black ink, appearing to read "Rich Stokluska". The signature is stylized with a large loop and a horizontal line.

Rich Stokluska, ARM
Area Executive Vice President
(630) 285-4012



Arthur J. Gallagher & Co.

November 3, 2016

Mr. John Rendleman, Chairman
Jackson County
Office of the County Board
1001 Walnut
Murphysboro, IL 62966

RE: Property and Liability Insurance Proposals

Dear Mr. Rendleman:

It was brought to my attention that the Jackson County Finance Committee recently reviewed CIRMA's proposal of insurance for the upcoming year. At the same meeting, the committee discussed an alternate proposal from Illinois Counties Risk Management Trust (ICRMT).

On behalf of CIRMA, I would like to highlight some of the items that may have been overlooked during the proposal review process and, had the committee been made aware of them, the decision would have been drastically different. These are as follows:

1. Request for Proposals—CIRMA requested a copy of the Request for Proposals and were told that there was no formal RFP.
2. Proposal Deadline—CIRMA inquired on several occasions about a deadline for proposals. We were informed that there was no formal deadline. We were advised at approximately 2:30 PM on October 26th that the Finance Committee would be reviewing the proposals at their 5:30 PM meeting the same day.
3. Prior to the October 26th meeting, we were not told about the Finance Committee meeting nor were we invited to attend the meeting to present CIRMA's proposal. In the committee meeting minutes, it is noted that two individuals representing the ICRMT program were in attendance.
4. In reading the committee meeting minutes, it became apparent that the CIRMA program was misrepresented and certain issues about the program were not discussed. There is also no indication from the minutes that two letters which accompanied the proposal, specifically to the Jackson County Board Members and you, were not distributed to the committee members.
5. The Finance Committee has recommended the ICRMT program that will **cost the taxpayers of the county an additional \$33,619.**
6. The ICRMT program has higher deductibles on several lines of coverage including, but not limited to, Public Officials Liability, Law Enforcement Liability, Employment Practices Liability and Earthquake & Flood related claims. These higher deductibles will have to be assumed by the county and the additional anticipated expenses for any future liabilities need to be budgeted.

7. ICRMT's policy sublimits, such as Sexual Abuse and Misconduct, have historically been lower than CIRMA's. (See CIRMA's program highlights letter).
8. Earthquake coverage—Jackson County is on the New Madrid and faces a higher potential of property claims from this exposure. CIRMA's deductible is \$1,000. We believe the ICRMT deductible is substantially higher.
9. Any claims' expense resulting from losses in those areas just mentioned will cause the county to incur additional, re-occurring out of pocket expenses to Jackson County. These expenses were never previously paid by the county due to the fact that CIRMA does not have higher deductibles for those types of claims.
10. Choice of Counsel. Does Jackson County have the right to use its own defense counsel with the ICRMT program similar to the arrangement with CIRMA? Has this been discussed with State's Attorney's office?
11. Nursing Home Professional Liability (NHPL)—in the letter that was sent on October 26th to you, it stated that CIRMA is not obligated to pay for any claims resulting from the operation of the Nursing Home after November 30, 2016, if Jackson County elects to purchase coverage from another program or insurance company. Have you received written confirmation from ICRMT that they will provide Prior Acts coverage for the Nursing Home for all claims filed after December 1, 2016?
12. CIRMA is also not obligated to pay for any claims filed on December 1, 2016 or later for incidents or events that may be subject to Claims Made policy sections. Please confirm that any potential coverage gaps have been addressed with the ICRMT proposal.
13. Dividends—in our conversation, you mentioned a provision in CIRMA's by-laws about assessing their members. CIRMA has never assessed any member since their inception in 2006. Further, CIRMA's Executive Board has approved the release of dividends from its surplus effective 12/1/16. It doesn't make sense that CIRMA would assess its members when it has been operating profitably and is returning dividends to its membership.
14. Human Resources consulting is provided by Rogers Consulting and is included in the CIRMA proposal. Jackson County has been actively using these services such as policy manual reviews and employee handbook updates, as referenced in the local newspapers recently.
15. Law Enforcement Training is being implemented by Lexipol for CIRMA's members. The costs have been approved by the CIRMA Executive Board and the services are available to your Sheriff's Department.
16. Claims Experience—Jackson County has incurred some rather large claims resulting from operation of the Jail and Nursing Home, as well as some property claims (windstorm damage to the courthouse, nursing home and other surrounding structures), over the past nine years that were paid by CIRMA.
17. Rate Stability—CIRMA has provided its members with stable rates since the inception of the program primarily due to the performance of the group as a whole. Even though Jackson County had some difficult claims, CIRMA was still able to offer very reasonable renewal terms year over year.
18. Independent Review—over the past nine years, Jackson County obtained two independent opinions from qualified insurance consultants when the county was

considering various insurance options. On both occasions, the insurance consultants recommended CIRMA over the other companies and programs, including the ICRMT. Please advise who performed the evaluations this year, and what were the findings or recommendations as a result of that review.

Based on the above information, I respectfully request that Jackson County not take any board action until all of the critical issues have been analyzed and resolved to everyone's satisfaction. Given the circumstances, I believe that the Finance Committee would not have made the same recommendation had everything been properly disclosed to its board members.

If you have any questions or comments, please feel free to contact me at (630) 285-4012.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rich Stokluska', with a horizontal line drawn through it.

Rich Stokluska, ARM
Area Executive Vice President

Cc: CIRMA Board of Directors