



**AGENDA  
FINANCE COMMITTEE  
Village of Hoffman Estates  
December 14, 2009**

**Immediately following Transportation and Road Improvement**

**Members:** Cary Collins, Chairperson  
Jacquelyn Green, Vice Chairperson  
Anna Newell, Trustee

**I. Roll Call**

**II. Approval of Minutes – November 23, 2009**

**NEW BUSINESS**

1. Request approval to cede 2009 Bond Cap to the Assist First Time Homebuyer Down Payment Assistance Program.
2. Request approval of the 2010 property and casualty and workers' compensation excess insurance program renewal.

**III. President's Report**

**IV. Other**

**V. Items in Review**

**VI. Adjournment**

FINANCE COMMITTEE MEETING MINUTES

November 23<sup>rd</sup>, 2009

I. Roll Call

Members in Attendance:

Cary Collins, Chairperson  
Jacquelyn Green, Vice-Chairperson  
Anna Newell, Member

Other Corporate Authorities  
in Attendance:

Trustee Karen Mills  
Trustee Ray Kincaid  
Trustee Gary Pilafas  
Village President William McLeod

Management Team Members

James Norris, Village Manager  
Dan O'Malley, Deputy Village Manager  
Arthur Janura, Corporation Counsel  
Mark Koplun, Asst. Vlg. Mgr., Dev. Services  
Patrick Seger, Director of HRM  
Algean Garner, Director of HHS  
Gary Salavitch, Director of Engineering  
Clint Herdegen, Police Chief  
Bob Gorvett, Fire Chief  
Ken Hari, Director of Public Works  
Rachel Musiala, Asst. Director of Finance  
Gordon Eaken, Director of IS  
Michael DuCharme, Director of Finance  
Dave Christensen, Emergency Svcs. Coord.

Others in Attendance

Reporters from the *Chicago Tribune, Daily Herald & Northwest Herald*

The Finance Committee meeting was called to order at 8:07p.m.

II. Approval of Minutes

Motion by Trustee Pilafas, seconded by Trustee Green, to approve the Finance Committee meeting minutes of October 26<sup>th</sup>, 2009. Voice vote taken. All ayes. Motion carried.

NEW BUSINESS

1. Review of 2009 Capital Improvement Projects Quarterly Update – 3<sup>rd</sup> Quarter.

An item summary sheet was submitted to the Committee.

Trustee Collins stated that the Capital Improvements Board met last month.

**2. Request acceptance of Finance Department Monthly Report.**

An item summary sheet was submitted to the Committee.

Motion by Trustee Mills seconded by Trustee Pilafas, to accept the Finance Department Monthly Report. Voice vote taken. All ayes. Motion carried.

**3. Request acceptance of Information Systems Department Monthly Report.**

An item summary sheet was submitted to the Committee.

Motion by Trustee Mills, seconded by Trustee Green, to accept Information Systems Department Monthly Report. Voice vote taken. All ayes. Motion carried.

**III. President's Report**

Mayor McLeod stated that it was a two Mountain Dew night for Trustee Pilafas.

**IV. Other**

Trustee Collins stated that there would be further discussion on December 7<sup>th</sup> with regards to the budget.

**V. Adjournment**

Motion by Trustee Pilafas, seconded by Trustee Green, to adjourn the meeting at 8:10 p.m. Voice vote taken. All ayes. Motion carried.

Minutes submitted by:

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Emily Keros, Director of Operations  
Office of the Mayor & Board

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Date

# COMMITTEE AGENDA ITEM

## VILLAGE OF HOFFMAN ESTATES

**SUBJECT:** Private Activity Bond (IRB) 2009 Allocation

**MEETING DATE:** December 14, 2009

**COMMITTEE:** Finance

**FROM:** Michael DuCharme, Director of Finance

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**PURPOSE:** Request approval to cede the Village's 2009 allocation of the volume cap to the Assist First Time Homebuyer Down Payment Assistance Program

**BACKGROUND:** In February 2009, Ordinance 4090-2009 was approved reserving the Village's 2009 allocation of volume cap in connection with Private Activity Bond Issues and related issues. Since that time, the Village has not received any requests or interest in purchasing the Village's cap for an allowable project.

**DISCUSSION:** Back in March, the Village was approached by Stern Brothers & Co. to see if we would be interested in ceding our volume cap to the Down Payment Assistance Program. This program structured by Stern Brothers & Company is a pooled bond program sponsored by communities throughout the state. In Illinois, the program has been adopted by more than 80 municipalities including Arlington Heights, Oak Park, Palatine, Streamwood and Schaumburg.

The 2009 Assist program offers first-time homebuyers with a 30-year fixed-rate mortgage and a 3.00 cash gift at closing. The gift can be used to pay a portion of the down payment and/or a portion of the closing costs. The gift and subsidized mortgage rate is funded by Stern Brothers & Company selling bonds at a premium and passing the premium along to the homebuyers. The structure benefits a participating community in a number of ways:

First, the interest rate subsidy and gift comes directly from the program, not the Village. The Village has no financial exposure to the program. The mortgage revenue bonds which are issued are entirely non-recourse to Hoffman Estates and do not count against the Village's bank qualified debt limitation; therefore, also no administrative responsibilities for a participating community. All of the application taking and program administration is conducted by area lenders. Periodically, the Village will receive detailed updates as to the program's progress.

Second, strategic alliances have been established with area lenders who are well versed in lending in the program and eager to do so. PNC (National City), Wells Fargo, US Bank, and Fifth Third Bank are all interested in bringing the program to Hoffman Estates. In addition, Bank of America, the program's master securer, will train any other lenders interested in participating. Stern Brothers will provide marketing material for the Village to distribute should we elect to promote the program.

Third, Assist is a first-time homebuyers program that gets the money to the people who need it: potential homeowners without the capital necessary to purchase a home.

It is my understanding that based on the Ordinance adopted this past March, all that is necessary to move forward is to sign the attached letter and forward to the City of Aurora. The City of Aurora, as lead issuer, actually issues the debt on behalf of the group of communities and the funds will be made available. The Village could conservatively anticipate realizing between \$2 and \$3 million in first-time homebuyer home sales made by area banks in 2010.

**RECOMMENDATION:**

To recommend approval of ceding the Village's 2009 volume cap to the City of Aurora on behalf of Stern Brothers & Company for the benefit of the Village of Hoffman Estates in connection with the Assist First-Time Homebuyers Down Payment Assistance Program.

# **Assist 2009 Homebuyer Assistance**

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Affordable home ownership for families

## **Program Outline**

An innovative program sponsored by communities throughout the state that offers families the opportunity to buy their own home. The home buyer assistance feature of the *Assist* program provides families with funds to pay all or most of their closing costs and down payment, enabling families with good credit but little available capital to buy their first home.



### **Overview**

- Communities join together and issue tax-exempt single family bonds
- Home rule communities contribute private activity bond volume cap
- Non-home rule communities apply for volume cap from the State
- No financial contribution or commitment required from any participant
- Any Illinois municipality can participate

### **Description of Bond Issue**

- Tax-exempt bonds are issued using the combined volume cap of the communities or taxable securities are sold when market conditions warrant
- The bonds and securities are sold at a premium, a price greater than their face amount
- Proceeds of the bonds and securities are used to make the home loans and fund the assistance
- The premium supplies the extra funds to provide home buyer assistance
- The bonds and securities are not a debt of the municipalities or paid from any participating communities funds
- The City of Aurora acts as issuer on behalf of all the communities
- The bonds and securities are secured by loans on homes purchased with *Assist*

### **Loan Description**

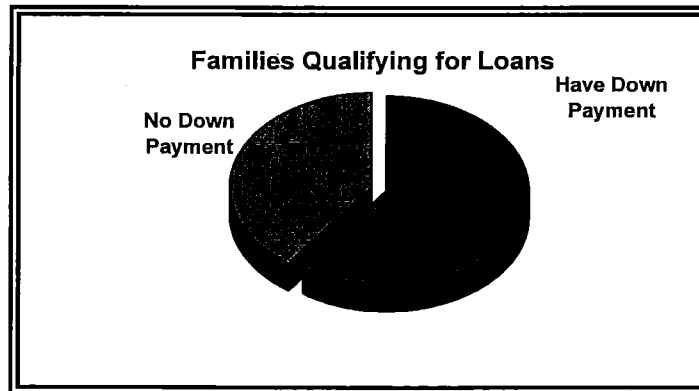
- 30 year fixed rate loans
- FHA/VA loans available
- *Assist* pays 3% cash assistance to qualifying home buyers to fund closing costs and down payment assistance
- Loans are funded with proceeds of the bonds
- Loan interest rate determined at bond closing
- Loan interest rate below conventional loan rates as of bond closing

**Qualifying Homebuyers**

- First time home buyers (not owned residence in three years)
- Will occupy the home as their residence
- Meet income guidelines
- Meet purchase price guidelines

**Advantages**

- Provides additional home ownership opportunities in each Community
- Home ownership provides added stability in a community
- Serves the 40% of potential home buyers who qualify for loans but lack funds
- Strategic alliance with lenders throughout the state
- Customized marketing in each municipality
- No out-of-pocket expense to any community to participate



**Program Details**

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<b>Total Home Buyer Assistance:</b>	<b>4.75% (est.)</b>
Closing Costs and Down Payment:	3.00%
Origination Fee:	1.75% (est.)

**Bond Counsel:** Chapman & Cutler

# SternBrothers&Co.

Investment Banking Since 1917

## Assist Participating Communities

Village of Arlington Heights

City of Aurora

Village of Bartonville

City of Belleville

City of Belvidere

Village of Bellwood

Village of Bridgeview

City of Burbank

City of Champaign

City of Charleston

City of Crest Hill

City of Collinsville

Village of Creve Coeur

City of Danville

City of Decatur

City of DeKalb

Village of Dolton

City of East Moline

City of East Peoria

City of Edwardsville

City of Elgin

Village of Evergreen Park

City of Freeport

Village of Godfrey

Village of Hanover Park

City of Joliet

Village of Justice

City of LaSalle

City of Lockport

City of Loves Park

Village of Machesney Park

Village of Marquette Heights

City of Mattoon

Village of Mendota

Village of Minooka

Village of Montgomery

City of Naperville

Village of North Pekin

Village of Oak Park

Village of Palatine

Village of Park Forest

City of Pekin

City of Peoria

Village of Peoria Heights

City of Peru

City of Princeton

Village of Plainfield

Village of Robbins

City of Rochelle

City of Rockford

Village of Rockton

Village of Romeoville

Village of Round Lake Beach

City of Schaumburg

Village of Shorewood

City of South Beloit

City of Springfield

Village of Streamwood

City of Urbana

City of Washington

City of Wood River

Village of Yorkville

County of Boone

County of Champaign

County of Coles

County of Cook

County of DeKalb

County of Fulton

County of Kankakee

County of Lake

County of Macon

County of Madison

County of McLean

County of Peoria

County of Rock Island

County of St. Clair

County of Tazewell

County of Winnebago



**STATE OF ILLINOIS  
PURCHASE PRICE AND INCOME LIMITS  
SINGLE FAMILY PROGRAMS**

**NON-TARGETED AREAS**

COUNTY NAME	INCOME LIMITS		PURCHASE PRICE LIMITS	
	1 or 2 People	3 or More People	New Homes	Existing Homes
BOONE	\$69,400	\$79,810	\$323,780	\$323,780
COOK	\$74,900	\$86,135	\$349,020	\$349,020
DEKALB	\$74,200	\$85,330	\$349,020	\$349,020
DUPAGE	\$74,900	\$86,135	\$349,020	\$349,020
GRUNDY	\$76,300	\$87,745	\$349,020	\$349,020
KANE	\$74,900	\$86,135	\$349,020	\$349,020
KENDALL	\$86,500	\$99,475	\$349,020	\$349,020
LAKE	\$74,900	\$86,135	\$349,020	\$349,020
MADISON	\$69,400	\$79,810	\$258,690	\$258,690
McLEAN	\$75,500	\$86,825	\$258,690	\$258,690
St. CLAIR	\$69,400	\$79,810	\$258,690	\$258,690
WILL	\$74,900	\$86,135	\$349,020	\$349,020
WINNEBAGO	\$69,400	\$79,810	\$323,780	\$323,780
ALL OTHER COUNTIES	\$69,400	\$79,810	\$258,690	\$258,690

**TARGETED AREAS**

COUNTY NAME	INCOME LIMITS		PURCHASE PRICE LIMITS	
	1 or 2 People	3 or More People	New Homes	Existing Homes
BOONE	\$83,280	\$97,160	\$395,730	\$395,730
CHAMPAIGN	\$83,280	\$97,160	\$316,170	\$316,170
COOK	\$89,880	\$104,860	\$426,580	\$426,580
DEKALB	\$89,040	\$103,880	\$426,580	\$426,580
KANE	\$89,880	\$104,860	\$426,580	\$426,580
KANKAKEE	\$83,280	\$97,160	\$316,170	\$316,170
LAKE	\$89,880	\$104,860	\$426,580	\$426,580
LASALLE	\$83,280	\$97,160	\$316,170	\$316,170
MACON	\$83,280	\$97,160	\$316,170	\$316,170
MADISON	\$83,280	\$97,160	\$316,170	\$316,170
McLEAN	\$90,600	\$105,700	\$316,170	\$316,170
PEORIA	\$83,280	\$97,160	\$316,170	\$316,170
ROCK ISLAND	\$83,280	\$97,160	\$316,170	\$316,170
SANGAMON	\$83,280	\$97,160	\$316,170	\$316,170
St. CLAIR	\$83,280	\$97,160	\$316,170	\$316,170
STEPHENSON	\$83,280	\$97,160	\$316,170	\$316,170
TAZEWELL	\$83,280	\$97,160	\$316,170	\$316,170
VERMILION	\$83,280	\$97,160	\$316,170	\$316,170
WILL	\$89,880	\$104,860	\$426,580	\$426,580
WINNEBAGO	\$83,280	\$97,160	\$395,730	\$395,730

**STATE OF ILLINOIS  
PURCHASE PRICE AND INCOME LIMITS  
SINGLE FAMILY PROGRAMS**

COUNTY NAME	INCOME LIMITS		PURCHASE PRICE LIMITS	
	1 or 2 People	3 or More People	New Homes	Existing Homes
<b>NON-TARGETED AREAS</b>				
BOONE	\$66,300	\$76,245	\$237,030	\$237,030
BUREAU	\$66,300	\$76,245	\$237,030	\$237,030
CHAMPAIGN	\$66,300	\$76,245	\$237,030	\$237,030
COLES	\$66,300	\$76,245	\$237,030	\$237,030
COOK	\$71,600	\$82,340	\$325,890	\$325,890
DEKALB	\$70,600	\$81,190	\$325,890	\$325,890
DUPAGE	\$71,600	\$82,340	\$325,890	\$325,890
GRUNDY	\$71,900	\$82,685	\$325,890	\$325,890
KANE	\$71,600	\$82,340	\$325,890	\$325,890
KANKAKEE	\$66,300	\$76,245	\$237,030	\$237,030
KENDALL	\$81,700	\$93,955	\$325,890	\$325,890
LAKE	\$71,600	\$82,340	\$325,890	\$325,890
LASALLE	\$66,300	\$76,245	\$237,030	\$237,030
MACON	\$66,300	\$76,245	\$237,030	\$237,030
MADISON	\$66,300	\$76,245	\$253,120	\$253,120
McLEAN	\$70,900	\$81,535	\$237,030	\$237,030
OGLE	\$66,300	\$76,245	\$237,030	\$237,030
PEORIA	\$66,300	\$76,245	\$237,030	\$237,030
ROCK ISLAND	\$66,300	\$76,245	\$237,030	\$237,030
SANGAMON	\$66,300	\$76,245	\$237,030	\$237,030
St. CLAIR	\$66,300	\$76,245	\$253,120	\$253,120
STEPHENSON	\$66,300	\$76,245	\$237,030	\$237,030
TAZEWELL	\$66,300	\$76,245	\$237,030	\$237,030
VERMILION	\$66,300	\$76,245	\$237,030	\$237,030
WILL	\$71,600	\$82,340	\$325,890	\$325,890
WINNEBAGO	\$66,300	\$76,245	\$237,030	\$237,030
<b>TARGETED AREAS</b>				
BOONE	NA	NA	NA	NA
BUREAU	NA	NA	NA	NA
CHAMPAIGN	\$79,560	\$92,820	\$289,700	\$289,700
COLES	NA	NA	NA	NA
COOK	\$85,920	\$100,240	\$398,310	\$398,310
DEKALB	\$84,720	\$98,840	\$398,310	\$398,310
DUPAGE	NA	NA	NA	NA
GRUNDY	NA	NA	NA	NA
KANE	\$85,920	\$100,240	\$398,310	\$398,310
KANKAKEE	\$79,560	\$92,820	\$289,700	\$289,700
KENDALL	NA	NA	NA	NA
LAKE	\$85,920	\$100,240	\$398,310	\$398,310
LASALLE	\$79,560	\$92,820	\$289,700	\$289,700
MACON	\$79,560	\$92,820	\$289,700	\$289,700
MADISON	\$79,560	\$92,820	\$309,370	\$309,370
McLEAN	\$85,080	\$99,260	\$289,700	\$289,700
OGLE	NA	NA	NA	NA
PEORIA	\$79,560	\$92,820	\$289,700	\$289,700
ROCK ISLAND	\$79,560	\$92,820	\$289,700	\$289,700
SANGAMON	\$79,560	\$92,820	\$289,700	\$289,700
St. CLAIR	\$79,560	\$92,820	\$309,370	\$309,370
STEPHENSON	\$79,560	\$92,820	\$289,700	\$289,700
TAZEWELL	\$79,560	\$92,820	\$289,700	\$289,700
VERMILION	\$79,560	\$92,820	\$289,700	\$289,700
WILL	\$85,920	\$100,240	\$398,310	\$398,310
WINNEBAGO	\$79,560	\$92,820	\$289,700	\$289,700

VILLAGE OF HOFFMAN ESTATES

**AN ORDINANCE RESERVING VOLUME CAP IN CONNECTION WITH  
PRIVATE ACTIVITY BOND ISSUES AND RELATED ISSUES**

WHEREAS, the Village of Hoffman Estates, Cook and Kane Counties, Illinois (the "Municipality"), is a municipality and a home rule unit of government under Section 6 of Article VII of the 1970 Constitution of the State of Illinois; and

WHEREAS, Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"), provides that the Municipality has volume cap equal to \$85.00 per resident of the Municipality in each calendar year, which volume cap may be reserved and allocated to certain tax-exempt private activity bonds; and

WHEREAS, the Illinois Private Activity Bond Allocation Act, 30 ILCS 1998, 345/1 et. seq., as supplemented and amended (the "Act") provides that a home rule unit of government may transfer its allocation of volume cap to any other home rule unit of government, the State of Illinois or any agency thereof or any non-home rule unit of government; and

WHEREAS, it is now deemed necessary and desirable by the Municipality to reserve all of its volume cap allocation for calendar year 2009 to be applied toward the issuance of private activity bonds (the "Bonds"), as provided in this Ordinance, or to be transferred, as permitted by this Ordinance.

NOW, THEREFORE, BE IT ORDAINED by the President and Board of Trustees of the Village of Hoffman Estates, Cook and Kane Counties, Illinois, as follows:

Section 1: That, pursuant to Section 146 of the Code and the Act, the entire volume cap of the Municipality for calendar year 2009 is hereby reserved by the Municipality, which shall issue the Bonds using such volume cap, or shall use or transfer such volume cap, without any further action required on the part of the Municipality, and the adoption of this Ordinance shall be deemed to be an allocation of such volume cap to the issuance of the Bonds or such other bonds; provided, that any such transfer shall be evidenced by a written instrument executed by the mayor or any other proper officer or employee of the Municipality.

Section 2: That the Municipality shall maintain a written record of this Ordinance in its records during the term that the Bonds or any other such bonds to which such volume cap is allocated remain outstanding.

Section 3: That the President, Village Clerk and all other proper officers, officials, agents and employees of the Municipality are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents and certificates as may be necessary to further the purposes and intent of this Ordinance.

Section 4: That the provisions of this Ordinance are hereby declared to be separable, and if any section, phrase or provision of this Ordinance shall for any reason be declared to be invalid, such declaration shall not effect the remainder of the sections, phrases and provisions of this Ordinance.

Section 5: That the Village Clerk is hereby authorized to publish this ordinance in pamphlet form.

Section 6: That this Ordinance shall be in full force and effect immediately from and after its passage and approval.

PASSED THIS 16th day of March, 2009

VOTE	AYE	NAY	ABSENT	ABSTAIN
Trustee Karen V. Mills	<u>  X  </u>	<u>      </u>	<u>      </u>	<u>      </u>
Trustee Cary J. Collins	<u>  X  </u>	<u>      </u>	<u>      </u>	<u>      </u>
Trustee Raymond M. Kincaid	<u>  X  </u>	<u>      </u>	<u>      </u>	<u>      </u>
Trustee Jacquelyn Green	<u>  X  </u>	<u>      </u>	<u>      </u>	<u>      </u>
Trustee Anna Newell	<u>  X  </u>	<u>      </u>	<u>      </u>	<u>      </u>
Trustee Gary J. Pilafas	<u>  X  </u>	<u>      </u>	<u>      </u>	<u>      </u>
Mayor William D. McLeod	<u>  X  </u>	<u>      </u>	<u>      </u>	<u>      </u>

APPROVED THIS 16th DAY OF March, 2009

William D. McLeod  
Village President

ATTEST:

Dee Roman  
Village Clerk

Published in pamphlet form this 18th day of March, 2009.

REPORT OF ALLOCATION GRANTED  
BY HOME-RULE UNITS

May 8, 2009

Office of the Governor  
Governor's Office of Management and Budget  
603 Stratton Building  
Springfield, Illinois 62706

ATTENTION: Debt Management Unit

Re: Village of Hoffman Estates  
Total 2009 Volume Cap Allocation: \$4,551,570

Volume Cap allocations, granted, transferred, or reserved by Issuer resolution prior to  
May 1, 2009:

Total allocation granted or reallocated or reserved: \$4,551,570

Sincerely,

VILLAGE OF HOFFMAN ESTATES

Michael DuCharme  
Director of Finance  
Telephone No. (847) 882-9100



# HOFFMAN ESTATES

GROWING TO GREATNESS

December 14, 2009

The Honorable Thomas J. Weisner  
Mayor  
City of Aurora  
44 East Downer Place  
Aurora, IL 60507

RE: 2009 Private Activity Bond Home Rule Volume Cap

Dear Mayor Weisner:

Pursuant to an ordinance adopted by the governing body of this municipality, this letter will serve as confirmation of our transfer of the Village's 2009 private activity volume cap in the amount of \$4,551,570 to the City of Aurora on behalf of Stern Brothers & Co. for the benefit of the Village of Hoffman Estates in connection with the Assist First-Time Homebuyer Down Payment Assistance Program.

Sincerely,

James H. Norris  
Village Manager  
Village of Hoffman Estates  
(847) 781-2601

1900 Hassell Road  
Hoffman Estates, Illinois 60169  
[www.hoffmanestates.org](http://www.hoffmanestates.org)

Phone: 847-882-9100  
Fax: 847-843-4822

William D. McLeod  
MAYOR

Raymond M. Kincaid  
TRUSTEE

Gary J. Pilafas  
TRUSTEE

Karen V. Mills  
TRUSTEE

Jacquelyn Green  
TRUSTEE

Bev Romanoff  
VILLAGE CLERK

Cary J. Collins  
TRUSTEE

Anna Newell  
TRUSTEE

James H. Norris  
VILLAGE MANAGER

## COMMITTEE AGENDA ITEM

### VILLAGE OF HOFFMAN ESTATES

**SUBJECT:** Request Authorization to Purchase  
Excess Property and Liability Insurance and Excess Workers'  
Compensation Insurance from Mesirow Financial Services

**DATE:** December 14, 2009

**COMMITTEE:** Finance Committee

**FROM:** Ken Koop, Risk Manager

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**PURPOSE:** To discuss the 2010 renewal of the Village's excess property and liability and excess workers' compensation insurance coverage.

#### I. PROPERTY AND LIABILITY

**BACKGROUND:** Since 1985, the Village has used conventional insurance and a "protected self insurance" package to insure property and liability losses. For coverage such as property, auto liability, general liability and crime losses, the Village has assumed a self-insured retention (SIR) limit per claim. A cap known as the "loss fund" has been used to limit the total exposure under this program. Excess coverage has been purchased to protect the Village from catastrophic losses. This excess coverage protects the Village against individual losses above \$100,000 and combined losses in excess of \$400,000.

Historically, the Village has formally gone to the insurance market through the RFP process every 3 years for brokerage services, excess property and liability and workers' compensation coverage. This approach has been used because underwriters are reluctant to quote programs that are re-bid on a year-to-year basis. This method also ensures that the Village is able to obtain favorable premiums when the coverage and brokerage services do go to market. The Village is scheduled to distribute a RFP for brokerage services, excess property and casualty and workers' compensation coverage in September of 2010 for the 2011 policy term. In the years the Village does not participate in the formal RFP process, the market is tested through the services of the approved broker, currently Mesirow Financial Services. Mesirow approached competitive public sector insurance markets in 2009 for the 2010 policy term.

Over the past several years the insurance market has hardened dramatically. Carriers have been dropping out of the public sector market or reducing coverage and/or raising premiums. The Village has seen increases in premium over the past years averaging 20%. However, all market indicators now point to a softening insurance marketplace. It has been observed that the hard insurance market has started to wane, and will continue to do so for the next several years.

The Village requires that all conventional and excess insurance companies possess a minimum "A.M. Best" rating of "A". This rating reflects the financial stability of the insurance company. In addition, it is a prudent risk management technique to recommend that the carriers submitting proposals be "admitted" in the State of Illinois. Those carriers not "admitted" in this State would not be covered under the State's insurance fund if for some reason they were to become insolvent.

The current primary comprehensive property and liability excess insurance program has been placed with Travelers Insurance Company, through Mesirow Financial Services. This program has been in place in various forms since January 1, 2000.

For losses above the excess insurance carrier limit of \$2,000,000, the Village participates as a member of the High-Level Excess Liability Pool (HELP). This pool provides another level of coverage to the Village in addition to the coverage provided by the standard excess insurance market. HELP was created in the 1980's as a result of an insurance crisis that caused the public sector liability insurance market to quickly become unavailable. HELP initially offered \$5,000,000 of coverage to its members, and now offers \$10,000,000 of coverage. The Village has been a member of HELP for the first two (2) terms, spanning 21 years. The first term was 11 years and the second term was 10 years. As of May 1, 2008 the Village also participates in the third charter of HELP (HELP III).

**DISCUSSION:** Mesirow Financial Services is the Village's current insurance broker. They have approached several public sector insurance markets for the 2010 policy term. They have received 2 (two) competitive excess property and liability insurance quotations discussed below.

Mesirow Financial Services received one (1) quotation from the incumbent carrier Travelers Insurance Company, and one (1) other quotation from another competitive excess public sector insurance carrier,



One Beacon. The coverage package provided by Travelers is identical to the comprehensive program currently in place. Travelers Insurance Company is a leader in providing insurance coverage to public entities. In doing so for many years, they have developed the claims management and loss control structures within their organization that are unprecedented in the public entity insurance marketplace. The Village has experienced a positive relationship with the carrier, and has been insured by them since May 1, 1996. Travelers has an A. M. Best rating of A+XV and is an admitted carrier in the State of Illinois. This program has separate limits for Law, Employment Practices and Public Officials Liability coverage, as opposed to a single limit for all the coverages combined. The program also offers a \$400,000 aggregate retention that puts a ceiling on the Village's ultimate exposure during a given policy year. The total premium of \$478,605 was hard negotiated and reflects a 0% increase from last year. It is not the lowest premium quoted.

Mesirow also acquired one (1) additional property and casualty excess insurance program option through One Beacon. The One Beacon excess insurance program mirrors the Travelers program, except for minor policy language changes. One Beacon has an A. M. Best rating of A XIII and is an admitted carrier in the State of Illinois. The One Beacon option provided a lower premium than the Travelers program, with essentially the same coverage. One Beacon is well established in the public sector insurance market and has received very positive reviews by other local public sector clients. The One Beacon premium is \$439,821. Due to One Beacon submitting the lowest premium for a coverage package that mirrors that of the incumbent carrier, it is recommended that the Village place coverage with One Beacon for the 2010 policy term.

Mesirow is also obtaining quotes for the property and business interruption insurance coverage for the Sears Centre. The quotes cannot be finalized until title to the property has been obtained by the Village and a contract is finalized with the contractor operating the facility. However, Mesirow has assured the Village that they will be able to provide the most competitive quote on the market that will not exceed \$57,000.

## **II. EXCESS WORKERS' COMPENSATION COVERAGE**

**BACKGROUND:** Since 1997 the Village has maintained a self-insured workers' compensation program requiring a self-insured retention (SIR). The current SIR limit per claim is \$500,000. Excess coverage above the

retention level has been purchased from Safety National Insurance Company, through Mesirow Financial Services, to protect the Village from catastrophic losses. This excess coverage protects the Village against individual losses above \$500,000 for both workers' compensation and employer's liability. The policy limit for these coverages is statutory (unlimited) for workers' compensation and \$1,000,000 for employer's liability. These limits are per each injury occurrence or employee disease.

The current cost of these coverages is based on a rate of .0154 per \$100 of payroll. The rate is determined by the insurance company's underwriter taking into account the Village's claims frequency, severity, loss prevention programs and payroll, among other factors. The total cost for the Village's excess workers' compensation insurance coverage for 2009 was \$44,057. The current excess insurance policy with Safety National expires on December 31, 2009.

Mesirow Financial Services tested the excess insurance market this year for excess workers compensation insurance coverage for the policy term beginning December 31, 2009.

The Village requires that all conventional and excess insurance companies have a minimum "A.M. Best" rating of "A". This rating reflects the financial stability of the insurance company. The 2010 budget for Workers' Compensation Fixed Costs is \$74,320.

**DISCUSSION:**

Below is an overview of the market responses for excess workers' compensation:

**Safety National Insurance Co. (Incumbent):** Quoted

**Midwest Employers Insurance Company:** Unable to compete with current pricing

**AIG:** Minimum SIR \$750K- \$1M

**Midwest Management Insurance Company:** Unable to compete with current pricing

The Safety National Insurance Company did increase their rate of 0.0154 per \$100 of payroll to 0.1625 for the renewal. However, they also increased the Employer's Liability Limit to \$2,000,000, closing the gap between the HELP attachment point. The Safety National package

continues to be, by far the most competitive. The cost to the Village for excess workers' compensation coverage would be at a rate of 0.1625 per \$100 of \$28,408,460 in payroll, totaling \$46,164.

**FINANCIAL IMPACT:** The recommendations presented are within the 2010 budget.

**RECOMMENDATION I:**

After careful review, staff recommends the Village purchase property and liability insurance coverage through Mesirow Financial Services for a total fixed cost of \$444,961 for the policy term of January 1, 2010 through January 1, 2011, and purchase separate property and business interruption insurance coverage for the Sears Centre at a cost not to exceed \$57,000, contingent on the Village obtaining title to the property.

**RECOMMENDATION II:**

After careful review, staff recommends the Village purchase excess workers' compensation insurance coverage with statutory limits and a \$500,000/\$600,000 self-insured retention from Mesirow Financial Services, for the policy term of December 31, 2009 through December 31, 2010. Safety National Insurance Company will underwrite the excess workers' compensation insurance policy at a rate of 0.1625 per \$100 of actual payroll. The premium will be \$46,164, subject to an annual premium adjustment based on audited payroll figures.

Note: The original proposals and all other subsequent correspondence are available for the Committee's review in the Ante reading room.