

CONSENT ITEM

Board of Governors Meeting, September 25, 2019

<p>CONTRACT ID:</p>	<p>Directors and Officers Liability Insurance</p> <p>STARR INSURANCE COMPANY ARGO INSURANCE COMPANY AIG</p>		
<p>BUDGETED</p>	<p>Directors and Officers Liability Insurance is budgeted for 2019</p>		
<p>CONTRACT AMOUNT</p>	<p>Policy</p> <p>Directors & Officers Liability (10 million)</p> <p>Directors & Officers Liability (10-15 layer)</p> <p>Directors & Officers Liability (15-20 layer)</p>	<p>Insurance Carrier</p> <p>Starr Insurance Company</p> <p>Argonaut (Argo) Insurance Company</p> <p>AIG (Illinois National Insurance Company)</p>	<p>Premium</p> <p>\$157,046</p> <p>\$43,000</p> <p>\$31,530</p>
<p>CONTRACT HISTORY</p>	<p>Citizens initially purchased Directors and Officers Liability Insurance from Starr Insurance Company in 2015. Citizens began purchasing excess policy coverage from Argo and AIG in 2017. This year Citizens proposes to renew again for a one year term with Starr, Argo and AIG at a total annual premium of \$231,576, which is a 5.9% increase over last year. Arthur J. Gallagher & Co. is the agent of record for these policies.</p>		
<p>CONTRACT TERM(S)</p>	<p>The term of the base policy is October 1, 2019 to September 30, 2020 will be purchased with the Starr Insurance Company.</p> <p>Insuring Company: Starr Insurance Company (Admitted) Financial Strength: A (Excellent) A.M. Best Rating Financial Size: XIV</p> <p>Excess Company: Argonaut Insurance Company (Admitted) Financial Strength: A (Excellent) A.M. Best Rating Financial Size: XIII</p> <p>Excess Company: Illinois National Insurance Company (Admitted) Financial Strength: A (Excellent) A.M. Best Rating Financial Size: XV</p>		

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	<p>The term for the excess policies are October 1, 2019 to September 30, 2020, to be purchased with Argo and AIG.</p> <p>Citizens' agents of record solicited quotes from numerous carriers. Starr Insurance Company (an admitted carrier) is recommended as D&O carrier for the first \$10 million layer 2019/2020 policy term due to breadth of coverage, stability of carrier, and pricing.</p>
PURPOSE/SCOPE	<p>Purpose: To purchase an aggregate of \$20 million in Directors & Officers Liability Insurance coverage with a \$225,000 deductible for the 2019/2020 policy term.</p> <p>Scope: Directors & Officers Liability Insurance is a liability insurance payable to the directors and officers of a company, or to the organization itself, to cover damages or defense costs in the event they suffer such losses as a result of a lawsuit or alleged wrongful acts while acting in their capacity as directors and officers for the organization. The principal protections against liability for Citizens and its Board members, officers, and employees are statutory immunity and indemnification afforded under Citizens' Plan of Operation. Directors & Officer Liability Insurance reimburses losses and defense costs for covered claims when individuals are not indemnified.</p>
PROCUREMENT METHOD	<p>On October 26, 2016, Citizens issued invitation to Negotiate (ITN) No. 16-0023 for Business Insurance Agent(s) of Record. On March 29, 2017, the Board of Governors approved Arthur J. Gallagher & Co. as its vendor from three vendors responding to Competitive Solicitation (ITN) No.16-0023.</p> <p>The Agents of Record solicit and collect quotes and respective coverages from numerous carriers and submit to management for evaluation. The quotes are compared and analyzed for breadth of coverage, stability of underlying carrier, quality of service, and pricing. Recommendations are submitted by the General Counsel for selection.</p>
RECOMMENDATION	<p>It is recommended that Citizens' Board:</p> <ul style="list-style-type: none">(a) Approve the purchase of the 2019/2020 Directors & Officers Liability Insurance renewal policy with Starr Insurance Company, and with excess coverage renewed with Argo and AIG as provided above for total coverage of \$20 million with a total annual premium of \$231, 576; and(b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.
CONTACTS	<p>Dan Sumner, General Counsel and Chief Legal Officer</p>