

## CLIENT SERVICES AGREEMENT

This Client Services Agreement (this "**Agreement**") is made and entered into as of the 31st day of December, 2019 (the "**Effective Date**") by and between Illinois Municipal Insurance Cooperative, an Illinois Corporation ("**Client**"), and Arthur J. Gallagher Risk Management Services, Inc., an Illinois corporation, and its licensed brokerage affiliates ("**Gallagher**"). Client and Gallagher shall each be referred to herein as a "**Party**" and collectively as the "**Parties**."

WHEREAS, Gallagher is a global insurance brokerage and risk management services firm, and Client desires to retain Gallagher to provide certain services, as further described on Exhibit A attached hereto (collectively, the "**Services**").

NOW, THEREFORE, in consideration of the mutual promises contained herein, Gallagher and Client hereby agree as follows:

### **I. TERM AND TERMINATION**

This Agreement shall commence on the Effective Date and continue for a term of one (1) year. This Agreement shall automatically renew on the first anniversary of the Effective Date and annually thereafter for consecutive additional periods of one (1) year each. This Agreement may be terminated by either Party at any time upon thirty (30) days' prior written notice. In the event of any such termination, Gallagher will work with Client during such 30-day period to transition its account as directed.

### **II. SERVICES**

Gallagher will provide the Services for Client as set forth on Exhibit A and incorporated herein, which Exhibit A may be amended from time to time as agreed upon in writing by the Parties. For Services that specifically include insurance placement by Gallagher as the broker, Client hereby authorizes Gallagher to represent and assist Client in all discussions and transactions with insurance companies relating to the lines of insurance set forth on Exhibit A when acting as Client's insurance broker, provided that Gallagher shall not place any insurance on behalf of Client unless so authorized by Client in writing. In addition, Services that include the placement of insurance coverage require the following:

A. Client shall provide Gallagher with all information and documentation that may be relevant to the applicable risks that Client would like to insure, as requested by Gallagher and/or underwriters from which Gallagher intends to secure quotes. This information shall include any facts material to a fair assessment of the risk by underwriters, including risk exposures and loss experience, and shall be updated as information changes or is discovered after inception of coverage. Client's failure to fully and completely disclose all such information could result in a carrier declining coverage for a specific loss or voiding Client's insurance coverage altogether.

B. Gallagher will consult with Client regarding the terms of the insurance quotes received, and Client shall have sole discretion in the selection of the ultimate insurance markets and policies chosen, as well as any other decisions involving Client's risk management, risk transfer and/or loss prevention needs. Gallagher will use reasonable efforts to secure insurance coverages on Client's behalf and as directed by Client. Client must read all coverage proposals and policies carefully, as actual coverage is determined by the applicable policy language. Gallagher will provide guidance to Client regarding Client's policy or coverage inquiries. In the event an insurer cancels or refuses to issue a particular policy, Gallagher will use reasonable efforts to obtain replacement coverage from another insurer.

C. Client is responsible for notifying applicable insurance companies directly in connection with any claims, demands, suits, notices of potential claims or any other matters in accordance with the terms and conditions of Client's policies. Upon request, Gallagher will assist Client in determining applicable claim reporting requirements.

D. Client has no obligation to purchase an insurance product through Gallagher.

### III. COMPENSATION, TAXES AND FEES

A. Client shall pay Gallagher fees for the Services set forth on Exhibit A. Where permitted, the Services may include fees in lieu of or in addition to commission for placement of insurance. If Gallagher receives fees for insurance placement, the policy(ies) will be listed in Exhibit A, along with the fee for that insurance placement. Fees for post insurance placement Services may also be included in Exhibit A.

B. Gallagher's fees under this Agreement shall be fully earned on the Effective Date (and any anniversary thereof). All amounts shall be due and payable to Gallagher in U.S. dollars, within thirty (30) days after Client's receipt of the applicable invoice. Any amounts not paid when due will accrue interest at the rate of one and one-half percent (1.5%) per month or the highest rate permitted by applicable law, whichever is less. Client shall inform Gallagher in the event that Client's business operations change substantially, including the applicable risks insured. Under such circumstances, Client and Gallagher will negotiate in good faith to adjust the amount of commission and/or fees to be paid to Gallagher hereunder.

C. Where applicable, insurance coverage placements and other Services provided by Gallagher may require the payment of federal excise taxes, surplus lines taxes, stamping or other fees to the Internal Revenue Service, 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 Gallagher will separately identify on related invoices. Under no circumstances will these taxes or other related fees or charges be offset against fees or commissions due to Gallagher hereunder.

### IV. ADDITIONAL COMPENSATION AND FEES

A. In addition to the fees and/or commissions set forth in Exhibit A or otherwise described herein, Gallagher may also receive interest or other investment income on 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.

B. Any compensation that Gallagher receives from insurance carriers may differ depending on the market and the insurance product placed on Client's behalf. Gallagher may receive additional compensation from insurance carriers in the form of contingent and supplemental commissions, bonus commissions, overrides or expense reimbursements. Any such fees or commission will not constitute compensation to Gallagher per Section III above.

C. 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 or premium finance companies, such nonpayment will constitute a material breach of this Agreement that will allow Gallagher to immediately terminate this Agreement upon written notice to Client, at its sole option. Further, the applicable insurance carrier may terminate the associated coverage for nonpayment. In addition, and not in lieu of the right to terminate, Gallagher reserves the right to apply return premiums or any other payment received by Gallagher on Client's behalf to any amounts owed by Client to Gallagher unless, and solely to the extent that, such return premiums or other payments are disputed by Client.

### V. CONFIDENTIALITY & DATA PRIVACY

A. As used in this Agreement, Confidential Information means any nonpublic, proprietary or personal data and information furnished by either Party or its agents or representatives to the other Party or its agents and representatives, whenever furnished and regardless of the manner or media in which

such information is furnished, which the receiving Party knows or reasonably should know to be confidential. Each Party shall treat Confidential Information as confidential and only use it in the performance of its obligations under this Agreement.

B. The Parties acknowledge that Confidential Information includes personal data provided to Gallagher by Client for the benefit of Client and/or its employees to facilitate the placement of insurance and/or the Services set forth in Exhibit A. Both Parties also agree that the Confidential Information may include information that alone, or in combination with other information, uniquely identifies an individual. Client agrees that Gallagher is permitted to disclose and transfer Client's Confidential Information to Gallagher's affiliates, agents or vendors that have a need to know the Confidential Information in connection with the Services provided under this Agreement (including insurance carriers, as necessary, for quoting and/or placing insurance coverages). In addition, Gallagher may also utilize anonymized/de-identified Client data in connection with data analytics, service enhancement initiatives and similar business purposes. Either Party may also disclose such information to the extent required to comply with applicable laws or regulations or the order of any court or tribunal. Gallagher has established security controls to protect Client confidential information from unauthorized use or disclosure. For additional information, please review Gallagher's Privacy Policy located at <https://www.ajg.com/privacy-policy/>.

C. Both Gallagher and Client agree to comply with all state and federal laws, rules, and orders that relate to privacy and data protection which are, or which in the future may be, applicable to Confidential Information, the Services or the performance of obligations under this Agreement. Upon request, Gallagher will cooperate with Client pursuant to applicable law(s) to comply with requests from individuals regarding their personal information.

## VI. DISPUTE RESOLUTION

A. In the event a dispute between the Parties arising out of or relating to this Agreement or the relationship created by this Agreement ("**Dispute**"), the Parties agree to resolve that Dispute by mediation. If mediation fails to resolve the Dispute, the Parties agree to binding arbitration. The Parties waive any and all rights they may have to commence litigation in court to resolve a Dispute, and specifically waive any and all rights to pursue relief by class action or mass action in court or through arbitration. For the avoidance of doubt, consistent with the provisions that follow, the Parties do not waive the ability to seek a court order of injunction in aid of the mediation and arbitration required by this Agreement.

B. A Party wishing to assert a Dispute shall do so by providing a written notice ("**Notice**") of the claim to the American Arbitration Association ("**AAA**") in accordance with its Commercial Arbitration Rules and Mediation Procedures, unless specifically excluded under Section VI.A of this Agreement. All Dispute resolutions shall take place in Chicago, IL, unless otherwise agreed by the Parties. The Parties will equally divide all costs of the mediation and arbitration proceedings and will each pay their own attorney fees. All matters will be before a neutral, impartial and disinterested mediator or arbitrator(s) that have at least 20 years' experience in commercial and insurance coverage disputes, which may be based in legal practice, insurance company or insurance brokerage practice, or a combination thereof.

C. Mediation will occur within sixty (60) days of filing the Notice with the AAA. Mediation results will be reduced to a Memorandum of Understanding signed by both Parties and the mediator. A Dispute that is not resolved in mediation will commence to binding arbitration. For Disputes in excess of \$500,000, either Party may elect to have the Dispute heard by a panel of three (3) arbitrators. The award of the arbitrator(s) shall be accompanied by a reasoned opinion prepared and signed by the arbitrator(s). Except as may be required by law, neither a Party nor a mediator or arbitrator may disclose the existence, content or results of any Dispute or its dispute resolution proceeding without the prior written consent of both Parties.

## VII. LIABILITY LIMITATIONS

Gallagher's liability to Client arising from any acts or omissions of Gallagher shall not exceed \$20 million in the aggregate. Without limiting the foregoing, each Party shall only be liable for actual damages incurred by the other Party, and shall not be liable for any indirect, special, exemplary, consequential, reliance, or punitive damages or for any attorneys' fees other than as described in Section VIII.A below (whether incurred in a dispute or an action against the other, or as alleged damages that any Party incurred in any insurance coverage dispute, or otherwise). No claim or cause of action, regardless of form (tort, contract, statutory, or otherwise), arising out of, relating to or in any way connected with this Agreement or any Services provided hereunder may be brought by either Party any later than two (2) years after the accrual of such claim or cause of action.

## VIII. MISCELLANEOUS

A. Indemnification. Each Party agrees to defend, indemnify and hold the other Party and its affiliates and their respective directors, officers, employees and agents harmless from any and all losses, liabilities, exposures, damages and all related costs and expenses, including reasonable legal fees, to the extent arising from or relating to any third party claims, demands, suits, allegations, or causes or threats of action based on the indemnifying Party's: (i) breach of any representation, warranty or covenant made by such Party hereunder, or (ii) grossly negligent acts or omissions or intentional misconduct; provided, however, that the indemnifying Party's indemnification obligations hereunder shall be reduced to the extent that such losses and damages arise from the acts or omissions of the other Party or its employees or agents.

B. Advisory Services. The Services provided by Gallagher, its employees and affiliated companies do not constitute legal or tax advice. Client must consult with its own legal and financial advisors to become fully apprised of any legal or financial implications to its business.

C. Assignment. This Agreement shall apply to and bind the successors and assigns of the Parties hereto, including, in the event of a Party's insolvency, debtors-in-possession and any appointed trustee or administrator. This Agreement shall be not be assignable by either Party, except with the prior written consent of the other Party; provided, however, that either Party may assign this Agreement to an affiliate or in the event of a merger or sale, provided the assignee is willing and able to assume such Party's obligations hereunder.

D. Independent Contractor. Gallagher is engaged to perform Services as an independent contractor of Client and not as an employee or agent of Client, and will not be operating in a fiduciary capacity.

E. Governing Law & Venue. This Agreement and any Dispute relating to or arising out of this Agreement shall be governed by the laws of the State of Illinois, without regard to its conflict of law rules. Any litigation under Section VI.A of this Agreement shall be brought in federal or state court in Cook County, Illinois.

F. Force Majeure. Neither Party shall be liable to the other for any delay or failure to perform any of its obligations under this Agreement (other than payment obligations) as a result of flood, earthquake, storm, other act of God, fire, derailment, accident, labor dispute, explosion, war, act of terrorism, sabotage, insurrection, riot, embargo, court injunction or order, act of government or governmental agency or other similar cause beyond its reasonable control.

G. Counterparts. This Agreement may be executed in multiple counterparts (including by scanned image or electronic signature), each of which shall be considered one and the same agreement, and shall become effective when signed by each of the Parties hereto and delivered to the other Party.

H. Warranties. Except as expressly set forth in this Agreement, Gallagher makes no other warranties of any kind with respect to the Services, including, without limitation, warranties that may be implied from a course of performance, dealing or trade usage.

I. Severability. If a court/arbitrator of competent jurisdiction determines that any provision of this Agreement is void or unenforceable, that provision will be severed from this Agreement, and the court/arbitrator will replace it with a valid and enforceable provision that most closely approximates the intent of the Parties, and the remainder of this Agreement will otherwise remain in full force and effect.

J. Entire Agreement. This Agreement and the exhibits attached hereto constitute the entire agreement between the Parties with respect to the subject matter hereof, and supersede all prior negotiations, agreements and understandings as to such matters.

K. Non-Waiver. The Parties agree that any delay or forbearance by either Party in exercising any right or remedy under this Agreement or otherwise afforded by applicable law shall not be a waiver of or preclude the exercise of any such right or remedy. No change, waiver or discharge hereof shall be valid unless in writing and executed by the Party against whom such change, waiver or discharge is sought to be enforced.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the Effective Date.

**ARTHUR J. GALLAGHER RISK  
MANAGEMENT SERVICES, INC.**

**ILLINOIS MUNICIPAL INSURANCE COOPERATIVE**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT A

The following outlines Services provided by Gallagher over the term of this Agreement:

Lines of Coverage Provided under this Agreement: Package, Excess Property, Boiler & Machinery, Workers Compensation, Cyber Liability.

Fees for Services: \$229,000

### Services

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

Arthur J. Gallagher & Co. receives from the Illinois Municipal Insurance Cooperative an annual fee for providing brokerage and administrative services to its members.

The services that Arthur J. Gallagher & Co. provides the Illinois Municipal Insurance Cooperative include, but are not limited to the following:

- Provide information regarding insurance markets from the standpoint of cost, service, coverage, and security;
- Keep client informed of changes in insurance market conditions that may affect the insurance program;
- Coordinate and develop renewal information with client;
- Assist in the preparation of materials, specifications, and underwriting data required by insurers;
- Market required insurance coverages;
- Prepare and present a formal annual renewal presentation to client;
- Place coverage as instructed by client;
- Review the accuracy and adequacy of all policies, policy endorsements, and invoices prior to delivery;
- Assist client in the design of policy forms as needed;
- Issue binders, certificates of insurance and other coverage verification documents as required;
- Assist members in identifying and monitoring loss exposures including two loss prevention seminars;
- Present policy coverage questions to underwriters;
- Assist in obtaining settlements from insurers for losses that penetrate excess insurance layers;
- Act as liaison with insurance companies;
- Be available to answer day-to-day questions from member personnel; and
- Attend client meetings when requested.

Client Signature \_\_\_\_\_

Date \_\_\_\_\_

Alternative Service Concepts, LLC  
 Illinois Municipal Insurance Cooperative (IMIC)  
 Life of Partnership Claims Handling  
 December 31, 2019 – December 30, 2020

Service	Number Of Claimants	Per-Claimant Fee	Total Fee
Liability Claims			
Auto Physical Damage/Bodily Injury, General Liability, Property, Law Enforcement, Employee Practices, Public Officials	147	\$482.00	\$70,854
Litigated Liability Claimants	TBD	Base fee + \$450 annually	---
Incident Reports <sup>1</sup>	TBD	\$40 Per Report	---
<b>Total Claim Fees</b>			<b>\$70,854</b>
Account Administration Fee			\$12,997
Systems and Data Processing			\$2,810
CMS Transmission fee (query & submissions)	<i>Annual</i>		\$2,100
On-Line Access (5 users free)			
Additional users (up to 10)	<i>Annual</i>	\$10/user/month	---
<b>Total Annual Account Administration Fee</b>			<b>\$17,907</b>
<b>Total Fees</b>			<b>\$88,761</b>

Claims will be handled for **the life of the partnership** with no additional per-claim fees. Fees are based on claims volume provided. Any claims that exceed the claim count stated above will be invoiced at the quoted per-claim rate.

<sup>1</sup>Recorded in claims system only. Must be specified as "Incident" at time of reporting.

*Litigated claims that stay open longer than 12 months will incur an additional fee of \$450. This fee will be assessed every 12 months the claim remains open.*

**Catastrophic Claims:** Any event resulting in 10 or more claimants/suffixes will be treated as a catastrophe and billed the quoted per claim rate for the first 10 claimants/suffixes and any claim/suffix over 10 will be billed at a per claim rate of \$350 per claim.

The account administration fee includes:

- Account Setup
- New Claim Setup
- Client Meetings
- Excess Reporting
- State Reporting
- Claim File Storage

At contract conclusion, the following options are available for continued handling of open claims:

- Negotiated annual fee per claim
- Claims returned to client

Additional Services and Fees

Carrier Data Transmission .....	\$400 Per Release
Client Claims Data Transmission/Release.....	\$2500 Per Release
Reports Produced by Client .....	No Charge
Reports Produced by ASC.....	\$50 Per Copy
Call Center.....	\$16 per claim

Invoicing and Payment Terms

Fees will be invoiced at an agreed-upon interval during the calendar year. Fees are payable upon receipt of the invoice. ASC reserves the right to charge 1½% per month or the maximum legal rate on unpaid balances after 30 days.

Subrogation Pursuit and Recovery.....15% of Recovery

Banking

Should the client wish for ASC to manage the claims payment account, a setup fee and annual support fee will apply.

Allocated Loss Adjustment Expense List

As used herein, the term " Allocated Loss Adjustment Expenses" shall include but not be limited to the costs associated with the following:

- (a) Court costs and fees for service of process;
- (b) Attorneys and hearing representatives;
- (c) Independent medical exams and medical records/reports;
- (d) Medical case management services including, but not limited to, medical network providers, rehabilitation counselors, medical management providers, bill re-pricing activities and other related services;

- (e) All outside activities where personal contact, investigation or litigation involvement is necessary;
- (f) Investigation services including background activity checks, surveillance and other similar such services;
- (g) Fraud detection, investigation and related services ("SIU");
- (h) Outside experts and subcontractors;
- (i) Transcripts and public records;
- (j) Depositions, court reporters, video statements, private investigators;
- (k) Attendance at alternative dispute resolution forums including arbitrations, mediations, hearings or similar such activities or attendance at depositions;
- (l) Expenses chargeable to the defense of a specific claim;
- (m) Protection and pursuit of all third party/recovery rights including second injury recovery claims, indemnification and contribution claims, and subrogation actions;
- (n) Index system filing services;
- (o) Medical records;
- (p) Accident reconstruction;
- (q) Architects, contractors, engineers, chemists;
- (r) Police, fire, coroner, weather or other such reports;
- (s) Property damage appraisals;
- (t) Extraordinary costs for witness statements;
- (u) Pre and post judgment interest paid;
- (v) Other extraordinary expenses including, but not limited to, photocopying, statement transcriptions, photographs, travel, express mail, public records and similar expenses as may be incurred by CONTRACTOR in fulfilling its obligations; and
- (w) Any other similar cost, fee or expense reasonably chargeable to the investigation, negotiation, settlement of defense of a claim.

### Loss Control

"Client" will only be invoiced by "ASC" for both claims and loss control services.

A typical unit of loss control (8 hour day) can require anywhere between 8-12 hours depending on the requested reports "ASC" is estimating the cost to be 15 hours or \$1,500 per unit. This will be a guarantee to not exceed 15 hrs. This includes 8 hours onsite, 4 hours reporting and 3 hours of travel time. If it is determined the members require less time on site than they will only be billed for the time needed.

Service	Pricing
Loss Control Evaluations	\$100/hour
Loss Control Consultative Services	\$100/hour
HPR/High Value Property	\$125/hour
Loss Control Industrial Hygiene Evaluation	\$ call for price
Loss Control Telephone Surveys	\$100/hour
Ergonomic Evaluations	\$ call for price
Photographs/Diagrams	No additional charge/no limit

**ALTERNATIVE SERVICE CONCEPTS, LLC**

WITNESS: \_\_\_\_\_

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

**ILLINOIS MUNICIPAL INSURANCE COOPERATIVE (IMIC)**

WITNESS: \_\_\_\_\_

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_