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**Title:** CONSIDER RENEWAL OF EXCESS LIABILITY, EXCESS WORKERS COMPENSATION, ALL-RISK PROPERTY, AUTO PHYSICAL DAMAGE, INLAND MARINE EQUIPMENT INSURANCE, EARTHQUAKE, CYBER LIABILITY, VOLUNTEER ACCIDENT, DRONE INSURANCE, CRIME INSURANCE, STORAGE TANK LIABILITY AND FIDUCIARY LIABILITY INSURANCE FOR FY 2024/25 (CITY COUNCIL)

**Sponsors:**

**Indexes:**

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**Attachments:** 1. 2023-2024 City of Carson Schedule of Coverages.pdf

Date	Ver.	Action By	Action	Result
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**Report to Mayor and City Council**

Tuesday, June 04, 2024

Consent

**SUBJECT:**

**CONSIDER RENEWAL OF EXCESS LIABILITY, EXCESS WORKERS COMPENSATION, ALL-RISK PROPERTY, AUTO PHYSICAL DAMAGE, INLAND MARINE EQUIPMENT INSURANCE, EARTHQUAKE, CYBER LIABILITY, VOLUNTEER ACCIDENT, DRONE INSURANCE, CRIME INSURANCE, STORAGE TANK LIABILITY AND FIDUCIARY LIABILITY INSURANCE FOR FY 2024/25 (CITY COUNCIL)**

**I. SUMMARY**

Presented for City Council’s consideration is the annual renewal of the following insurance policies: 1) Excess Liability; 2) Excess Workers’ Compensation; 3) Property Insurance; 4) Auto Physical Damage; 5) Earthquake, 6) Cyber Liability; 7) Volunteer Accident Insurance; 8) Drone Insurance; 9) Crime Insurance; 10) Storage Tank Liability; 11) Fiduciary Liability; and 12) Equipment Insurance; for FY 2024/25 at an overall cost of NOT-TO-EXCEED \$2,201,808.

The estimated year-over-year increase of \$720,174 includes: \$492,745 increase in general liability, \$120,679 increase in workers compensation, and \$65,366 increase in property insurance premiums. These policies/premiums are the most competitive options available

for the City.

## II. **RECOMMENDATION**

TAKE the following actions:

1. APPROVE PRISM's GL1 Program to provide coverage for the City's Excess Liability Insurance for FY 2024/25, at an overall not-to-exceed cost of \$1,495,000.
2. APPROVE PRISM to provide coverage for the City's Excess Workers' Compensation Insurance for FY 2024/25, at an overall not-to-exceed cost of \$252,000, PLUS estimated FY 2023/24 audit premium of \$27,000.
3. APPROVE the City's insurance broker, Alliant Insurance Services, to place all risk property insurance through the Alliant Property Insurance Program ("APIP"), including terrorism, flood, and pollution, for FY 2024/25, at an overall not-to -exceed cost of \$347,000.
4. APPROVE the City's insurance broker, Alliant Insurance Services, to place physical damage Insurance for City's automobiles with Alliant Mobile Vehicle Program (AMVP) for FY 2024/25, at an overall not-to -exceed cost of \$18,000.
5. APPROVE the City's insurance broker, Alliant Insurance Services, to place Parametric Earthquake coverage for FY 2024/25, at an overall not-to -exceed cost of \$6,503.
6. APPROVE PRISM to provide Cyber Liability Insurance for FY 2024/25, at an overall not -to -exceed cost of \$35,000.
7. APPROVE the City's insurance broker, Alliant Insurance Services, to place Volunteer Accident Insurance with The Hartford Insurance Company for FY 2024/25, at an annual premium of \$340.
8. APPROVE the City's insurance broker, Alliant Insurance Services, to place the City's Drone Insurance with Global Aerospace Insurance Company for FY 2024/25, at an overall not-to -exceed cost of \$1,887.
9. APPROVE the City's insurance broker, Alliant Insurance Services, to place Alliant Crime Insurance Program (ACIP) to provide the city's crime coverage for FY 2024/25, at an overall not-to -exceed cost of \$3,607.
10. APPROVE the City's insurance broker, Alliant Insurance Services, to place Storage Tank Liability Insurance with ACE American Insurance Company for FY 2024/25, at an annual premium of \$2,221.
11. APPROVE the City's insurance broker, Alliant Insurance Services, to place Fiduciary Liability coverage with Hudson Insurance Company for FY 2024/25, at an annual premium of \$6,855.
12. APPROVE the City's insurance broker, Alliant Insurance Services, to place Inland

Marine (Contractors Equipment) coverage with Travelers Insurance Company, or other insurance company if cost-effective, for FY 2024/25, at an annual not-to-exceed premium of \$15,000.

### **III. ALTERNATIVES**

1. DO NOT APPROVE the policies. If Council chooses not to approve, critical insurance coverages including general liability, auto liability, workers compensation, employment practices liability, cyber liability and property coverages for the city will be uninsured and the City will have 100% exposure for all claims including prior unreported employment claims and catastrophic events. This will also impact the City's ability to fulfill its contractual requirements.
2. TAKE any other action the City Council deems appropriate.

### **IV. BACKGROUND**

The City's broker of record, Alliant Insurance Services, solicits renewal quotations for our insurance coverages. FY 2024/25 renewal recommendations are the best coverage and price combination available in the marketplace.

Policies that are placed with PRISM are invoiced directly by PRISM. Other insurance policies are invoiced and paid through the broker, Alliant Insurance Services. However, premium payments flow through Alliant to the insurance carrier. Premiums that flow through the broker have no impact on Alliant's contract fees.

#### **Discussion**

**Excess Liability Insurance** - Premium increase of \$492,745 is due to higher exposure base (payroll up by 7.4%), loss ratio (claim payments versus paid premiums, currently 106%) and hard market conditions (rates up by 15-40%).

Staff recommends renewing the Excess Liability coverage effective 7/1/2024 - 7/1/2025 with incumbent PRISM at an annual premium of not-to-exceed \$1,495,000.

**Excess Workers' Compensation Insurance** - Premium increase of \$120,679 includes \$26,885 in additional FY 2023/24 premium due to higher-than-expected payroll; and \$93,794 in year-over-year increase due to higher exposure (payroll up by 7.4%), loss ratio (claim payments versus paid premiums, currently 105%), and higher base rates due to market conditions.

Staff recommends renewing the Excess Workers Compensation insurance effective 7/1/2024 - 7/1/2025 with the incumbent carrier, PRISM, at an annual premium of not-to-exceed \$252,000; and estimated FY 2023/24 audit premium of \$26,885.

**Property Insurance** - Premium increase of \$65,366 is due to 6% increase in total insurable values, and an expected 20% rate increase.

Staff recommends renewing the APIP property insurance program effective 7/1/2024 - 7/1/2025 through Alliant Insurance Services at an overall not-to-exceed cost of \$347,000.

**Auto Physical Damage** - While automobile third-party liability exposures are covered under PRISM's excess liability coverage, physical damage to City's vehicles is covered under Alliant Mobile Vehicle Program (AMVP). The estimated premium increase of \$6,700 is largely due to additional vehicles that were purchased in the last year.

Staff recommends renewing the Alliant Mobile Vehicle Program (AMVP) for the period 7/1/2024-7/1/2025 at an overall not-to-exceed cost of \$18,000.

**Earthquake Insurance** - The City's Parametric Earthquake insurance provides up to \$100,000 to reimburse for losses, with \$0 deductible.

Staff recommends renewing the proposed Parametric Earthquake insurance effective 7/1/2024 - 7/1/2025 at an overall not-to-exceed cost of \$6,503.

**Cyber Liability Insurance** - Cyber Exposures and Data Breach are among the fastest growing and greatest risks facing public entities and private companies. The expected premium increase of \$10,000 is due to hard market conditions.

Staff recommends that the City renew the Cyber Liability insurance effective 7/1/2024 - 7/1/2025 with the incumbent carrier PRISM at an annual premium of not-to-exceed \$30,000.

**Accident Insurance for Volunteers** - Volunteers provide a valuable service to the city. Since this group is not covered under the City's worker compensation program, a Blanket Accident Insurance is provided to cover medical expenses for injuries that occur at City premises and under City supervision.

Staff recommends renewing the program through Hartford or another carrier recommended by Alliant Insurance Services, effective 7/1/2024 - 7/1/2025 at an annual premium of \$340.

**Drone Insurance** - Drone Insurance covers the City's liability arising out of the operation of the City's drones.

Staff recommends renewing this coverage through Alliant Insurance Services, effective 7/1/2024 - 7/1/2025 with Global Aerospace Insurance Company, or another company if recommended by Alliant, an annual premium of not-to-exceed \$1,887.

**Crime Insurance** - Crime Insurance covers employee theft, robbery, computer and identity fraud as well as other types of fraud, inside and outside the premises.

Staff recommends renewing the Alliant Crime Insurance Program (ACIP) program effective 7/1/2024 - 7/1/2025 through Alliant Insurance Services at an annual premium of not-to-exceed \$3,607.

**Storage Tank Liability** - Storage Tank Liability insurance provides coverage for scheduled tanks only. The city currently schedules one tank that stores fuel. The limits are

\$2,000,000 per tank and \$4,000,000 aggregate.

Staff recommends renewing this coverage through Alliant Insurance Services, effective 7/1/2024 - 7/1/2025 through Alliant Insurance Services at an annual cost of \$2,221 reflecting an increase of \$163 due to age of the tank.

**Fiduciary Liability Insurance** - Fiduciary Liability insurance provides coverage for claims alleging wrongful acts in administering the City's pension and 457 plans as well as claims alleging errors and omissions in administering the City's benefit plans.

Staff recommends renewing the coverage through Alliant Insurance Services, effective 7/1/2024 - 7/1/2025 at a premium of \$6,855.

**Inland Marine (Contractor Equipment)** - The Inland Marine insurance policy covers loss to City's equipment. The types of equipment insured under this policy include turf carts, blowers, generators, skid steer, etc.

Staff recommends renewing the coverage through Travelers or another insurance company recommended by Alliant, at an overall not-to-exceed cost of \$18,000.

## **V. FISCAL IMPACT**

Funds for the insurance renewals are included in FY 2024/25 general fund budget in accounts 101-50-660-172-6028, 101-50-660-172-6030, 101-50-660-172-6031, 101-50-660-173-6029, and 101-50-660-173-6030.

## **VI. EXHIBITS**

1. Schedule of Coverages (pgs. 6-12)

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