



## Legislation Details (With Text)

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**Title:** CONSIDER RENEWAL OF EXCESS WORKERS' COMPENSATION, CRIME, VOLUNTEER AND PROPERTY INSURANCE FOR FY 2017/18 (CITY COUNCIL)  
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Date	Ver.	Action By	Action	Result
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## Report to Mayor and City Council

Tuesday, July 18, 2017

Consent

### SUBJECT:

**CONSIDER RENEWAL OF EXCESS WORKERS' COMPENSATION, CRIME, VOLUNTEER AND PROPERTY INSURANCE FOR FY 2017/18**

### I. SUMMARY

Presented for City Council's consideration is the annual renewal of the following insurance policies: 1) Excess Workers' Compensation Insurance; 2) Property Insurance; 3) Volunteer Insurance, 4) Crime Insurance, 5) Cyber Liability Insurance, and 6) Pollution Insurance. These insurance renewals and new insurance policies are for FY 2017/18. In addition, Staff recommends that the City Council approve the insurance broker's annual Flat-Rate fee and the general liability insurance extension premium. The annual FY 2017/18 insurance cost is \$304,982.00 for these policies that reflect insurance purchases, the insurance annual broker's fee and the general liability insurance policy extension. This represents an increase of \$10,106.00 from FY 2016/17 insurance cost of \$294,876.00 while providing better insurance coverage and policy limits.

### II. RECOMMENDATION

TAKE the following actions:

1. APPROVE Alliant's annual Flat-Rate fee for FY 2017/18 at an overall cost of

\$49,500.00.

2. APPROVE Arch Insurance Company to provide coverage for the city's Excess Workers' Compensation Insurance for FY 2017/18, at an overall cost of \$121,600.00.
3. APPROVE Alliant Property Insurance Program ("APIP") to provide coverage for the city's Property Insurance, including terrorism, cyber (*new*) and pollution (*new*) coverage for FY 2017/18, at an overall cost of \$62,267.15.
4. APPROVE The Hartford Company to provide coverage for the city's volunteers for FY 2017/18, at an overall cost of \$289.00.
5. APPROVE Alliant Crime Insurance Program via National Union Fire Insurance Company of Pittsburgh, PA (AIG) to provide Crime coverage for FY 2017/18 at an overall cost of \$3,225.00.
6. APPROVE the premium to extend the general liability policy to August 31, 2017 at a cost of \$68,100.68.

### III. ALTERNATIVES

1. DO NOT APPROVE the policies. However, if Council chooses not to approve, critical insurance coverage will expire and the city will have 100% exposure for liability claims, injuries arising out of catastrophic events, workers' compensation claims, and property damage.
2. TAKE any other action the City Council deems appropriate.

### IV. BACKGROUND

The City traditionally works with an insurance broker to solicit renewal quotations, ("quotes") for our insurance coverages. In addition to approaching the insurance markets on behalf of the City, insurance brokers also provide free and low cost risk management and loss control services.

At City Management's direction, H.R./Risk Management retained a Risk Consultant, from December 2016 to February 2017, to evaluate the feasibility of joining a risk-sharing pool in lieu of purchasing standalone commercial liability insurance. Risk-sharing pools are also known as Joint Power Authorities ("JPA"). These JPAs require a three-year commitment and startup fees. Due to the required startup fees and three-year commitment, City Management determined that it was not feasible to join a JPA at this time.

Once the JPA decision was made in February 2017 and a JPA was not recommended, the

City needed to obtain insurance quotes from our insurance broker and purchase commercial liability insurance by July 1, 2017 for FY 2017/18. The insurance renewal process normally starts around February. The former insurance broker's contract was scheduled to end on June 30, 2017 after five years. After the JPA decision was made, H.R./Risk Management was directed to start the request for proposal process ("RFP") to test the market and obtain proposals for a new insurance broker. The RFP was opened on March 2, 2017. The City Council approved Alliant as the new insurance broker on June 6, 2017.

It was anticipated that the former insurance broker would provide insurance quotes by June 2017. The former insurance broker started the insurance marketing process in February 2017, but was unable to complete the process and provide insurance quotes for FY 2017/18 due, in part, to difficulty finding general liability insurance carriers that would provide quotes. Finding general liability insurance carriers to provide quotes has been increasingly difficult over the last two fiscal years due to the City's liability claim loss experience.

The late start to insurance renewals was due to the JPA analysis, changing insurance brokers during the crucial insurance marketing/quote receipt period (February to June), and the unwillingness of our former insurance broker to obtain insurance quotes that would be effective as of July 1, 2017. The former broker, Keenan & Associates, was able to obtain an extension on the city's general liability insurance policy until August 31, 2017 to allow sufficient time to obtain insurance quotes and maintain coverage for the City. There will be an additional premium cost to extend the general liability insurance policy until August 31, 2017.

Alliant approached multiple insurance carriers for one or more insurance coverages. Staff received and reviewed Alliant's Renewal Proposals on June 28, 2017 and recommends that the City Council approve the following insurance coverages.

The City received insurance quotes for the following insurance: 1) Excess Workers' Compensation, 2) Property which included *new* coverage for Cyber Liability and Pollution Legal Liability and 3) Crime Insurance. It should be noted that the City's Accidental Death and Dismemberment policy for volunteers has renewed automatically.

#### General Liability Insurance

Receipt of the general liability insurance renewal quote is deferred until August 2017 due to the difficulty finding insurers willing to provide a quote because of the City's liability loss experience. The current general liability insurance company has agreed to extend their policy until August 31, 2017 for a cost of \$68,100.68. Staff will bring the annual general liability insurance quote back to the City Council in August 2017 for approval.

#### Excess Workers' Compensation Insurance

This excess insurance policy is required because it protects the city from catastrophic employee injuries or illness in the Self-Insured Workers' Compensation Program. Additionally, part two of the Excess Workers' Compensation policy provides coverage for Employers Liability. This coverage provides the City liability insurance for employees that bring a suit related to their bodily injury or disease, other than liability imposed under the

workers compensation law. Employers Liability covers the city's negligence or intentional acts that result in a workplace injury. For example, if the City purposefully removed the safety mechanism from a tool to make it run more efficiently, and as a result an employee is injured while working.

Arch Insurance Company is the City's incumbent carrier and staff's recommended insurer with a statutory \$50,000,000.00 coverage limit. The coverage protects the City from a single major claim (e.g., claims related to a major industrial accident) or multiple injuries (e.g., earthquake) beyond its SIR (self-insured retention) of \$750,000.00. The expiring policy limit was \$25,000,000.00; however, based on Alliant's recommendation to increase the limit and their diligent efforts to keep the rate per \$100.00 of payroll relatively close to expiring, it is staff's recommendation to renew with Arch Insurance Company at a \$50,000,000.00 coverage limit for an overall annual cost is \$121,600.00 which is up approximately \$410.00 from the expiring FY 16/17 policy.

### Property Insurance

The City has historically purchased property insurance which provides coverage on a replacement cost basis ("new for old"). This insurance covers all city buildings and contents (including parks), City Hall office equipment, electronic data processing hardware and software, licensed vehicles, city-owned heavy equipment (e.g., forklifts, generators, etc.), valuable papers, inventory and exhibitions (fine arts), boiler and machinery (pools). The Alliant Property Insurance Program ("APIP") is City staff's recommended carrier for FY 2017/18. This policy also has a "Blanket Earnings and Expense Endorsement" which provides coverage for actual loss of earnings and extra expense that result from necessary suspension of operations caused by direct physical loss of, or damage to property. Coverage will now include a blanket limit for business interruption at \$10|10