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Title: CONSIDER RENEWAL OF EXCESS LIABILITY, EXCESS WORKERS COMPENSATION, PROPERTY, CYBER LIABILITY, VOLUNTEER ACCIDENT, DRONE INSURANCE, CRIME INSURANCE, STORAGE TANK LIABILITY AND FIDUCIARY LIABILITY INSURANCE FOR FY 2020/21 (CITY COUNCIL)

Sponsors:

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Attachments: 1. City of Carson 20-21 Renewal Estimates as of 6-8-2020

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

Tuesday, June 16, 2020

Consent

SUBJECT:

CONSIDER RENEWAL OF EXCESS LIABILITY, EXCESS WORKERS COMPENSATION, PROPERTY, CYBER LIABILITY, VOLUNTEER ACCIDENT, DRONE INSURANCE, CRIME INSURANCE, STORAGE TANK LIABILITY AND FIDUCIARY LIABILITY INSURANCE FOR FY 2020/21 (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) Cyber Liability; 5) Volunteer Accident Insurance; 6) Drone Insurance; 7) Crime Insurance; 8) Storage Tank Liability and 9) Fiduciary Liability; for FY 2020/21. The estimated FY 2020/21 insurance cost for these policies is \$822,182.

	2019/20 Premium	2020/21 Premium	Comments and Recommendations
Excess Liability Insurance	\$509,812	\$584,850	NOT-TO-EXCEED PREMIUM ESTIMATE. Increase is due to hard market and PRISM's loss experience.
Excess Workers Compensation	\$119,985	\$113,000	NOT-TO-EXCEED PREMIUM ESTIMATE. Premium decrease is due to soft market and loss experience.
Property Insurance	\$84,906	\$104,785	Increase is mainly due to hard market conditions.
Cyber Liability	\$4,310	\$5,131	Increase is due to higher program limits.
Volunteer Accident Insurance	\$340	\$340	Flat renewal.
Drone Insurance	\$918	\$1,375	Pro-rated premium as term is extended to July 1, 2021.
Crime Insurance	\$2,580	\$2,709	Increase due to market conditions.
Storage Tank Liability Insurance	\$3,774	\$4,130	Increase due to age of tanks.
Fiduciary Liability Insurance	\$5,862	\$5,862	Flat renewal.
Total:	\$732,487	\$822,182	

- The year-over-year increase of \$89,695 is largely due to higher excess liability premium. Public entities across the board have experienced dramatic increases in adverse loss development and this trend has had an adverse effect on the Prism (formerly, CSAC-EIA) insurance pool of which the City is a member. The City's broker marketed the renewal to ensure that the quoted rates are competitive. The recommended program was the best price and coverage option.
- Excess workers compensation premium is lower by \$6,985 due to competitive market conditions and the City's favorable loss experience as a result of practices instituted (new WC legal firm, thorough investigation of claims presented, aggressive settlement of legacy claims and Company Nurse program).
- Property insurance premium is higher by \$19,879 due to a 0.74% increase in replacement values and a 22.5% rate increase due to market conditions.

II. RECOMMENDATION

TAKE the following actions:

1. APPROVE the PRISM (formerly, CSAC-EIA) GL1 Program to provide coverage for the city's Excess Liability Insurance for FY 2020/21, at an overall not-to-exceed cost of \$584,850.
2. APPROVE PRISM (formerly, CSAC-EIA) to provide coverage for the city's Excess Workers' Compensation Insurance for FY 2020/21, at an overall not-to-exceed cost of \$113,000.
3. APPROVE the City's insurance broker, Alliant Insurance Services, to place Alliant Property Insurance Program ("APIP") to provide coverage for the city's Property,

including terrorism, and pollution for FY 2020/21, at an overall cost of \$104,785.32.

4. APPROVE PRISM (formerly, CSAC-EIA) to provide coverage for the city's Cyber Liability Insurance for FY 2020/21, at an annual premium of \$5,131.
5. APPROVE the City's insurance broker, Alliant Insurance Services, to place Volunteer Accident Insurance with The Hartford Insurance Company for FY 2020/21, at a premium of \$340.
6. APPROVE the City's insurance broker, Alliant Insurance Services, to place the City's Drone Insurance with Westchester Fire Insurance Company (Chubb Insurance) for FY 2020/21, at a 15-month pro-rated premium of \$1,375.
7. 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 2020/21, at an overall premium of \$2,709.
8. APPROVE the City's insurance broker, Alliant Insurance Services, to place Storage Tank Liability Insurance with ACE American Insurance Company for FY 2020/21, at an annual premium of of \$4,130.
9. APPROVE the City's insurance broker, Alliant Insurance Services, to place Fiduciary Liability coverage with Hudson Insurance Company for FY 2020/21, at an annual premium of \$5,862.

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 2020/21 renewal recommendations are the best coverage and price combination available in the marketplace.

Policies that are placed with PRISM (formerly CSAC-EIA) 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.

Excess Liability Insurance

The City self-insures its third party liability exposure up to \$250,000 per occurrence. Losses exceeding the \$250,000 self-insured retention (SIR) are covered under the excess liability insurance policy. Since 2017 the City has been a member of PRISM (formerly, CSAC-EIA) excess insurance pool. The proposed (and expiring) GL-1 program provides a total limit of \$24,750,000 over the SIR.

The FY 2020/21 premium cost reflects an increase of \$75,038 over the expiring premium. The liability insurance marketplace is seeing significant increases in high dollar liability claims, plaintiff demands, and jury verdicts. These three factors are depleting the market's surplus, capacity and available reinsurers; pushing the industry into a "hard market". Indeed, municipalities with law enforcement exposures and those with a history of high claim frequency are experiencing even higher rate increases.

City's insurance broker, Alliant, marketed the renewal but was unable to obtain a better option.

Staff recommends that the City renew the Excess Liability coverage effective 7/1/2020 - 7/1/2021 with the incumbent PRISM (formerly, CSAC-EIA) at an annual premium of not-to-exceed \$584,850.

Excess Workers' Compensation Insurance

The City self-insures its workers compensation exposure up to \$750,000 per occurrence. Losses exceeding \$750,000 are covered under an excess workers compensation policy. The excess insurance policy is required because it protects the city from catastrophic employee injuries or illness. By statute, workers compensation liability is not capped. In other words, a catastrophic event may expose the City to unlimited liability over many years following the event. The proposed excess policy will protect the City from such catastrophic liability.

The proposed renewal premium reflects a decrease of \$6,985 due to competitive market conditions and the City's favorable loss experience.

Staff recommends to renew the Excess Workers Compensation insurance effective 7/1/2020 - 7/1/2021 with the incumbent PRISM (formerly, CSAC-EIA) at an annual premium of not-to-exceed \$113,000.

Property Insurance

The City purchases property insurance that provides coverage on a replacement cost basis. This insurance covers all city buildings and contents (including parks), City Hall office equipment, electronic data processing hardware and software, valuable papers, inventory and exhibitions (fine arts), boiler and machinery. Licensed vehicles and city-owned heavy equipment (e.g., forklifts, generators, etc.) are currently covered at Actual Cash Value.

The increase in premium is due to increased replacement cost values, 0.74%, and higher rates, 22.5%. In the last year, the property insurance market experienced catastrophic losses from hurricanes and wild-fires. Large property carriers including AIG, FM Global and Lloyd's of London are highly scrutinizing their North American property business impacting capacity, rates, and coverage.

Alliant routinely markets the renewal of the APIP program to optimize coverage and pricing for program participants.

The property program includes Pollution coverage.

Pollution Legal Liability Insurance

Pollution insurance covers third party bodily injury and property damage claims related to a pollution condition resulting from or emanating from a city operation. This may include remediation (clean-up) due to a spill or underground migration. Additionally coverage is provided for first party loss including but not limited to mold and business interruption. The City's property insurance with Alliant (APIP) includes coverage for Pollution liability with a \$2,000,000 policy limit and aggregate subject to the program-wide aggregate of \$25,000,000 and a deductible of \$150,000.

Staff recommends renewing the APIP property insurance program (including pollution) effective 7/1/2020 - 7/1/2021 through Alliant Insurance Services at an annual premium of \$104,785.32.

Cyber Liability Insurance

Cyber and Data Breach is one of the fastest growing and greatest risks facing public entities and private companies. The proposed renewal Cyber Liability Insurance through PRISM (formerly, CSAC-EIA) provides a \$7,000,000 limit and a \$5,000 deductible.

Staff recommends that the City renew the Cyber Liability insurance effective 7/1/2020 -

7/1/2021 with the incumbent PRISM (formerly, CSAC-EIA) at an annual premium of \$5,131.

Accident Insurance for Volunteers

Volunteers provide a valuable service to the city. Volunteers are not covered under the City's worker compensation program. Consequently, a Blanket Accident Insurance is provided for this group. This insurance covers medical expenses for injuries that occur while the volunteer is at City premises and under City supervision.

Staff recommends renewing the program through Alliant Insurance Services, with the incumbent carrier, Hartford, effective 7/1/2020 - 7/1/2021 at an annual premium of \$340.

Drone Insurance

Drone Insurance covers the City's liability arising out of the operation of the City's drone. This coverage was first placed in April of 2019. Staff is now recommending extending the term of the current coverage to July 1, 2021, to align with all other renewals.

Staff recommends renewing this coverage through Alliant Insurance Services, effective 4/1/2020 - 7/1/2021 with Westchester Fire Insurance Company (Chubb Insurance), at a 15-month pro-rated premium of \$1,375.

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 7/1/2020 - 7/1/2021 through Alliant Insurance Services at an annual premium of \$2,709.

Storage Tank Liability

The Storage Tank Liability insurance provides coverage for scheduled tanks only. The city currently schedules three tanks that store diesel and gasoline. The limits are \$2,000,000 per tank and \$4,000,000 aggregate.

Staff recommends renewing this coverage through Alliant Insurance Services, effective 8/20/2020 - 8/20/2021 with ACE American Insurance Company at an annual not-to-exceed cost of \$4,130, reflecting an increase of \$356 due to the age of the tanks.

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 is recommending that the City renew the coverage through Alliant Insurance Services, effective 7/1/2020 - 7/1/2021 with Hudson Insurance Company, at a premium of \$5,862.

V. FISCAL IMPACT

Funds for the insurance coverage renewals are included in FY 2020/21 general fund budget.

VI. EXHIBITS

1. FY 2020/21 Renewal Estimates (pages 8-13).

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