



## Legislation Details (With Text)

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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 2021/22 (CITY COUNCIL)  
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Date	Ver.	Action By	Action	Result
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## Report to Mayor and City Council

Tuesday, June 15, 2021

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 2021/22 (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 and 11) Fiduciary Liability; for FY 2021/22. The estimated FY 2021/22 premium cost for these policies is NOT -TO-EXCEED \$972,336.

	2020/21 Premium	2021/22 Premium	Comments and Recommendations
Excess Liability Insurance	\$561,579	\$665,000	NOT-TO-EXCEED PREMIUM ESTIMATE. Increase is due to hard market and loss experience.
Excess Workers Compensation	\$106,180	\$113,000	NOT-TO-EXCEED PREMIUM ESTIMATE. Increase is due to market conditions and loss experience.
Property Insurance	\$104,785	\$146,939	Bindable Quote Increase is mainly due to hard market conditions.
Auto Physical Damage	NA	\$9,836	NEW - Coverage for passenger vehicle physical damage
Earthquake Insurance	NA	\$5,915	NEW - EQ Insurance (Optional)
Cyber Liability	\$5,131	\$19,677	NOT-TO-EXCEED PREMIUM ESTIMATE. Increase is due to hard market conditions
Volunteer Accident Insurance	\$340	\$340	Bindable Quote
Drone Insurance	\$1,310	\$681	Bindable Quote
Crime Insurance	\$2,709	\$2,845	Bindable Quote
Storage Tank Liability Insurance	\$3,062	\$1,751	Bindable Quote
Fiduciary Liability Insurance	\$5,862	\$6,352	Bindable Quote
<b>Total:</b>	<b>\$790,958</b>	<b>\$972,336</b>	

- The year-over-year increase of \$181,378 is largely due to the hardening insurance market across nearly every coverage line and the addition of auto physical damage insurance for passenger vehicles and earthquake insurance. 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 and the Alliant Property Insurance Program which the City is a member of. City's broker marketed the renewal to ensure that the quoted rates are competitive. The recommended program was the best price and coverage option.
- The property market is very difficult in the aftermath of recent catastrophic losses including wildfires in California, Hurricanes in the South/Southeast, Wind/Hail/Convective storms in the Midwest and the recent ice storm, Uri, in Texas. Though there are still ample markets writing property insurance, there were none that could compete with the City's current program. The City's broker marketed the program and provided a marketing report to City staff. Overall, the City's property insurance increased by \$42,154 due to a 0.73% increase in replacement values and a 39.20% rate increase due to hard market conditions.
- The cyber insurance premium is expected to increase due to the hard cyber market. Going into the third quarter 2021, losses in the cyber industry are expected to reach \$6Trillion. Several key markets have exited the marketplace putting further strain on an already limited segment. In many instances, premiums have been observed increasing by several hundred percent (some higher) for reduced limits and higher retentions.

Overall, the City's cyber renewal in premium is expected to increase to \$19,677, a variance of 284%. The City's broker is still actively marketing the coverage and may be able to obtain lower premium quotes. This premium is a not-to-exceed estimate only.

- The excess workers compensation premium is expected to increase due to pressure on the market as a result of claims in the industry as a result of COVID-19. The City participates in the PRISM pool for Excess Workers' Compensation coverage. The renewal is expected to increase \$6,820 due to the hard market. This premium is a not-to-exceed estimate only.

## **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 2021/22, at an overall not-to-exceed cost of \$665,000.
2. APPROVE PRISM (formerly, CSAC-EIA) to provide coverage for the city's Excess Workers' Compensation Insurance for FY 2021/22, 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"), for the city's property, including terrorism, and pollution, for FY 2021/22, at an overall cost of \$146,939.
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 2021/22, at an annual premium of \$9,836.
5. APPROVE the City's insurance broker, Alliant Insurance Services, to place Parametric Earthquake coverage with Fair American Select Insurance Company for FY 2021/22, at an annual premium of \$5,915.
6. APPROVE PRISM (formerly, CSAC-EIA), or an alternative program marketed and identified by the City's broker Alliant with better premium/coverage, to provide Cyber Liability Insurance for FY 2021/22, at an annual premium of not-to-exceed \$19,677.
7. APPROVE the City's insurance broker, Alliant Insurance Services, to place Volunteer Accident Insurance with The Hartford Insurance Company for FY 2021/22, 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 2021/22, at an annual premium of \$681.
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 2021/22, at an

annual premium of \$2,845.

10. APPROVE the City's insurance broker, Alliant Insurance Services, to place Storage Tank Liability Insurance with ACE American Insurance Company for FY 2021/22, at an annual premium of \$1,751.
11. APPROVE the City's insurance broker, Alliant Insurance Services, to place Fiduciary Liability coverage with Hudson Insurance Company for FY 2021/22, at an annual premium of \$6,352.

### **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 2021/22 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 2021/22 premium estimate reflects an increase of up to \$103,421 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 7/1/2021 - 7/1/2022 with the incumbent PRISM (formerly, CSAC-EIA) at an annual premium of not-to-exceed \$665,000.

### **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 illnesses. 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 an increase of up to \$6,820 due to market conditions.

Staff recommends to renew the Excess Workers Compensation insurance effective 7/1/2021 - 7/1/2022 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.

Overall, the City's property insurance increased by \$42,154 due to a 0.73% increase in replacement values and a 39.20% rate increase due to hard market conditions driven by catastrophic losses. In the last year, the property insurance market experienced catastrophic losses from hurricanes and wild-fires.

Though there are still ample markets writing property insurance, there were none that could compete with the City's current program. The City's broker marketed the program and provided a marketing report to City staff.

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 7/1/2021 - 7/1/2022 through Alliant Insurance Services at an annual premium of \$146,939.

### **Auto Physical Damage**

Historically, physical damage to City's passenger vehicles and light trucks has been included under the Property Insurance Program with a deductible of up to \$100,000 per occurrence. This means that in most loss scenarios there is no meaningful coverage.

Staff recommends the proposed Alliant Mobile Vehicle Program (AMVP) with a lower \$5,000 deductible at an annual premium of \$9,836.

### **Earthquake Insurance**

The City is currently uninsured for earthquake. Typical earthquake insurance is expensive and carries a large (5%, 10% or higher) deductible per location. The proposed Parametric Earthquake insurance provides up to \$100,000 to reimburse for losses, with \$0 deductible.

Staff recommends the proposed Parametric Earthquake insurance effective 7/1/2021 - 7/1/2022 at an annual premium of \$5,915.

### **Cyber Liability Insurance**

Cyber and Data Breach is one of the fastest growing and greatest risks facing public

entities and private companies. The City's incumbent carrier has indicated that the premium will increase up to but not-to-exceed \$19,677.

Staff recommends that the City renew the Cyber Liability insurance effective 7/1/2021 - 7/1/2022 with the incumbent PRISM (formerly, CSAC-EIA) or an alternative carrier at an annual premium of not-to-exceed \$19,677.

### **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 7/1/2021 - 7/1/2022 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 recommends renewing this coverage through Alliant Insurance Services, effective 7/1/2021 - 7/1/2022 with Global Aerospace Insurance Company at a premium of \$681.

### **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 7/1/2021 - 7/1/2022 through Alliant Insurance Services at an annual premium of \$2,845.

### **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 7/1/2021 - 7/1/2022 with ACE American Insurance Company at an annual cost of \$1,751 reflecting a decrease of \$1,311 due to removal of 2 tanks from coverage.

### **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 7/1/2021 - 7/1/2022 with Hudson Insurance Company, at a premium of \$5,862.

### **V. FISCAL IMPACT**

Funds for the insurance coverage renewals are included in FY 2021/22 general fund budget.

### **VI. EXHIBITS**

1. City of Carson - Schedule of Insurance (pages 9 -14).

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