



# City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 11, 2024

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: ANNUAL INSURANCE RENEWALS INCLUDING, BUT NOT LIMITED TO, LIABILITY, PROPERTY AND EXCESS WORKER'S COMPENSATION – AMOUNT NOT TO EXCEED \$ 8,888,857.46 PLUS A 15% CONTINGENCY OF \$ 1,333,328.62 FOR A TOTAL AMOUNT NOT TO EXCEED \$ 10,222,186.08 FOR FISCAL YEAR 2024-2025.

**ISSUE:**

Approve the annual renewal of the City's various insurance policies negotiated through the City's Insurance Broker, Keenan & Associates, as outlined herein, beginning July 1, 2024, and ending June 30, 2025, for a total amount not to exceed \$10,222,186.08.

**RECOMMENDATIONS:**

That the City Council:

1. Approve the annual renewal of the City's various insurance policies negotiated through the City's Insurance Broker, Keenan & Associates, as outlined herein, for a one-year term beginning July 1, 2024, and ending June 30, 2025, for an amount not to exceed \$8,888,857.46;
2. Authorize a 15% contingency of \$ 1,333,328.62 for potential changes and coverage enhancements for a total amount not to exceed \$ 10,222,186.08; and
3. Authorize the City Manager, or his designee, to execute all necessary documents submitted by Keenan & Associates to renew the City's various insurance policies, as outlined herein, for the total amount not to exceed \$10,222,186.08, including making minor and non-substantive changes to the insurance documents.

**BACKGROUND:**

The City purchases insurance policies through Keenan & Associates ("Broker"). Keenan & Associates is responsible for marketing and negotiating quotes with numerous insurance carriers to secure the best coverage at the best price. The City benefits from partnering with Keenan & Associates as Keenan's compensation schedule is fee-based instead of a traditional broker commission structure which can add thousands of dollars to the City's annual insurance costs.

Insurance entails a contractual arrangement between an insurance carrier and an insured, whereby the carrier assumes a specified risk in return for the payment of an insurance premium by the insured. The insured, who pays the insurance premium, receives coverage from the

insurance company. Insurance policies serve as risk management instruments for transferring risk. They are pivotal in protecting valuable City assets, encompassing buildings and their contents, from perils such as fire and theft. Moreover, excess insurance policies provide the City with supplemental financial resources to manage and settle third-party claims exceeding the City's self-insurance retentions.

Apart from procuring insurance, the City mandates that any third-party performing work on City premises or on behalf of the City, such as contractors, class instructors, and professional consultants, provide evidence of insurance coverage. This requirement includes but is not limited to obtaining endorsements like the additional insured endorsement. Through the collection of insurance and endorsements, such as the additional insured endorsement, the City can transfer claims it receives back to responsible third parties if they are deemed liable for the loss.

**Renewal Timeline**

Renewing the City's insurance policies is a timely and data driven process which begins in January and ends on or before July 1<sup>st</sup>.

Time Frame	Activity
<b>January-February</b>	<ul style="list-style-type: none"> <li>• The City's Risk Management team meets with the broker to discuss insurance market conditions and renewal strategies.</li> <li>• Risk Management &amp; City staff gather exposure, loss, assets, and financial data.</li> <li>• Marketing Placement Specialists meet with insurers and reinsurers for current market conditions report.</li> <li>• The City's Risk Management will meet with market underwriters during the annual Public Agency Risk Management Association conference (PARMA).</li> </ul>
<b>March- May</b>	<ul style="list-style-type: none"> <li>• The City's broker distributes submissions to the marketplace and conducts marketing trips to meet with carriers to discuss insurance submissions.</li> <li>• Insurance inspectors will visit City insured properties to assess conditions and make risk recommendations to the City.</li> <li>• Prepare analysis of all formal quotes received for review and discussion.</li> </ul>
<b>May- June</b>	<ul style="list-style-type: none"> <li>• Finalize renewal negotiations &amp; prepare coverage comparison of all formal quotes received.</li> <li>• Meet with City of Riverside to present renewal program options to City staff.</li> <li>• Bind renewal program and finalize subjectivities, issue binders, invoices, and renewal certificates of insurance effective July 1.</li> </ul>
<b>July- June of Expiring Policy Term</b>	<ul style="list-style-type: none"> <li>• The City receives invoices and binders confirming coverage was bound July 1, 2024-2025.</li> <li>• The City receives certificates of insurance and begins to issue self-insurance certificates.</li> <li>• The City's claims team updates reporting requirements per the City's insurance carriers.</li> </ul>

## Risk Management's Priorities when Reviewing & Selecting Insurance Programs & Limits:

1. **Broad Coverage:** The goal of Risk Management is to secure insurance policies offering the most comprehensive coverage at competitive rates. The Risk Management team meticulously reviews all policy terms and conditions, cross-referencing them with City operations to confirm that no activities conducted by the City are excluded under any of its policies.
2. **Price & Self-Insured Retention (SIR) /Deductibles:** The City's excess policies follow an SIR (Self-Insured Retention) structure, whereas property policies are subject to deductibles. The Risk Management team evaluates SIRs, policy premiums, and deductibles during the coverage selection process to ensure optimal flexibility and financial advantage for the City.
3. **Insurance Carrier Resources & Services:** Insurance carriers have access to resources that can aid the City in achieving its Risk Management goals. Resources can include safety funds for inhouse training, access to complimentary claims assistance, educational webinars and access to various online systems and programs that focus on safety, occupational health, workers compensation and general risk management topics. The Risk Management team assesses these resources in conjunction with policy premiums and SIR's/Deductibles to determine the most appropriate program for the City.

The City purchases several insurance policies to help manage risks. These policies include:

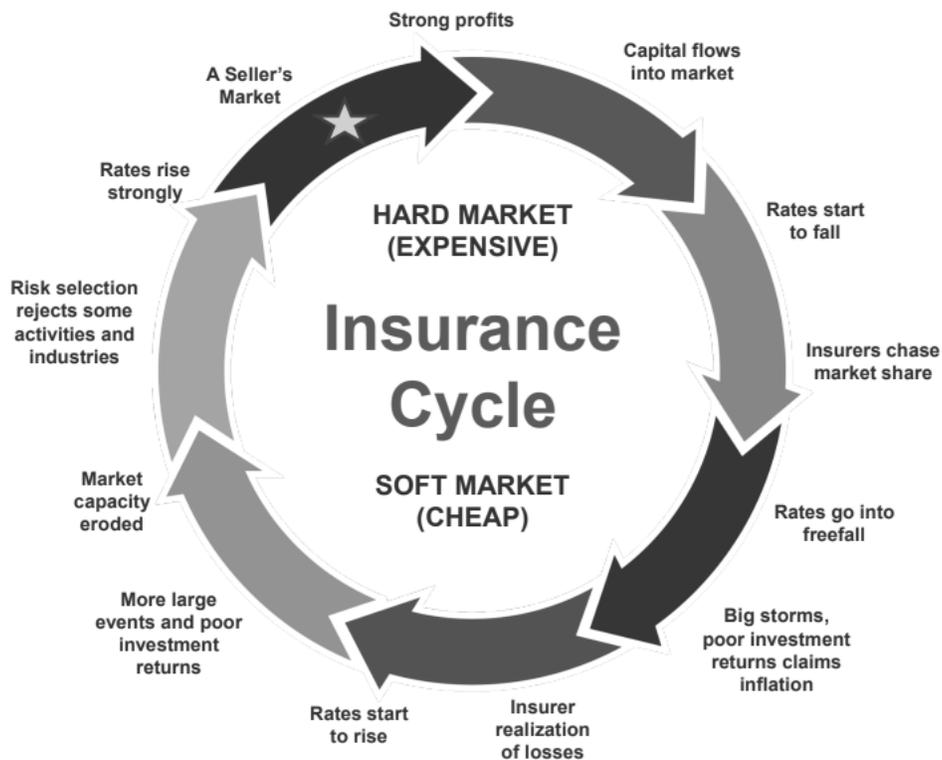
Policy Type	Coverage Provided
Property	Provides property coverage for the City's buildings, equipment, and vehicles.
Boiler & Machinery + Pollution	Provides property, pollution, and mechanical breakdown coverage for Riverside Energy Resource Center (RERC), Clearwater, and Springs.
Difference in Conditions (DIC)	Broadens property coverage to cover earthquake coverage on select City properties.
General Liability	Covers general, auto, public officials, and law enforcement liability.
Excess General Liability	Additional limits for General Liability claims shall the primary limits be exhausted.
Excess Workers Compensation	Additional limits for workers compensation claims that exceed \$3,000,000.
Aviation Hull & Liability	Provides liability to passengers and property damage to the City's aircrafts.
Airport Premises Liability	Provides 'bodily injury' or 'property damage' that result from aviation operations.
Fine Arts- Museum	Provides coverage for fine arts and collectible objects.
Government Crime	Provides coverage for employee theft and fraud.
Cyber Liability	Provides coverage for third-party ransomware attacks against the City.

Risk Management also manages the GatherGuard program which gives third parties the option to purchase the required insurance to hold a private event at City owned or leased property without having to go through a broker and incur additional fees. There is a \$1,000 minimum premium for the program which is self-funded by special event hosts who purchase a policy from the City's GatherGuard. The City does not receive any type of compensation or commission from GatherGuard for the event policies purchased through the program. The City is responsible for paying the difference if the policies purchased by individual special event hosts is less than \$1,000 each policy term. Since the launch of the program in 2020, event hosts' premiums for the insurance policies purchased surpassed the minimum premium amount due, relieving the City from having to pay any premiums for the maintenance of this program.

**DISCUSSION:**

***2024-2025 Insurance Industry Outlook***

The insurance market fluctuates between soft and hard markets. Soft markets are when insurance premiums are steady, and sometimes even decrease, and a hard market is when rates increase and there are less insurance carriers writing policies for a certain type of exposure. Today, the property and cyber markets have seemed to stabilize while the liability market continues to show hard market conditions.



For the 2024-2025 insurance renewal cycle, market pressures such as aging infrastructure, inflation, natural disasters, supply and labor shortages, and the proliferation of “secondary perils” (SCS) are impacting rates and quoted premiums. Secondary perils are events or circumstances that are typically considered less frequent or less severe compared to primary perils in the context of insurance. While primary perils often include well-known risks such as fire, theft, and natural disasters like hurricanes and earthquakes, secondary perils encompass a broader range of less common or less predictable events. These may include incidents such as riots, civil unrest, vandalism, power outages, or water damage from sources other than natural disasters. Although

secondary perils may have a lower likelihood of occurrence or may not result in losses as significant as those caused by primary perils, they still pose risks that may require insurance coverage or risk management strategies.

### 2024-2025 Marketing Overview

During February 2024, the City’s Risk Management team met with Keenan & Associates, the City’s Broker, and Alliant, the City’s property program administrator, to discuss the City’s 2023-2024 Property & Casualty Insurance Renewal Strategy.

Market Description	24-25 Market Conditions
Commercial Property	<ul style="list-style-type: none"> <li>• Property inflationary trends are moving downwards to 3%-4% after multiple years of larger increases.</li> <li>• Inflation continues to add to the issue of valuation across all property classes.</li> <li>• Consistent increases in attritional property losses (fires, water damage, tornados, hail, wildfires)</li> <li>• <b>Property Capacity Reductions:</b> <ul style="list-style-type: none"> <li>○ Further reduction in capacity from incumbent carriers.</li> <li>○ Coastal, earthquake, and wildfire capacity continue to be especially difficult coverages to secure.</li> <li>○ Very few new entrants into the commercial property sector as insurers produced negligible profit in 2022.</li> <li>○ Nearly \$125B in global insured catastrophic losses in 2022 – 2<sup>nd</sup> worst loss year on record.           <ul style="list-style-type: none"> <li>• In the insurance industry, catastrophic losses are losses that have a low probability of occurring yet yield high-cost damages to policy holders and insurers. Catastrophic losses are usually natural disasters but can include human-made disasters, such as a terrorist attacks.</li> </ul> </li> <li>○ United States has accounted for 75% of global insured losses.</li> </ul> </li> </ul>
Excess Liability	<ul style="list-style-type: none"> <li>• Markets report an 11% annual growth in liability claims over the last decade.</li> <li>• Liability capacity pullback and withdrawals have been significant over the past two years.</li> <li>• Social inflation &amp; litigation financing driving up liability verdicts and settlements.</li> <li>• Excess Workers Compensation remains stable, but the retained layer may be experiencing increased claims volume.</li> <li>• Casualty market disrupters include increases in catastrophic losses, punitive damage awards, organized plaintiff bar, personal injury trends, litigation financing, aging infrastructure, and sexual misconduct.</li> </ul>
Cyber Liability	<ul style="list-style-type: none"> <li>• Cyber capacity has improved, and markets have stabilized terms and conditions.</li> <li>• Ransomware cyber losses are systemic – Expecting \$10 Trillion by 2025.</li> <li>• Cyber market will scrutinize risk management practices and ensure infrastructure is managed and well maintained, as the resurgence of ransomware attacks are steadily on the rise.</li> </ul>

Market Description	24-25 Market Conditions
	<ul style="list-style-type: none"> <li>• 5 to 10% increases, at a minimum, for “good” risks; increases higher for “poor” risks with worse controls.</li> <li>• Overall capacity remains flat, with no new entrants into the primary public entity market.</li> <li>• Increased per-claim, self-insured retentions for poor security posture.</li> <li>• Potential coinsurance percentages added for ransomware if controls remain weak.</li> </ul>

***Excess Liability***

Risk Management met with multiple underwriters during the 2024 PARMA conference. Meeting with program underwriters helps build relationships as the City is able to provide detailed information about the City’s operations, loss control efforts, and safety/risk initiatives.

Excess Liability remains a significant challenge for public entities across southern California. Carriers are particularly focused on limiting their exposure in pool programs by implementing aggregate policy limits. Underwriters are closely scrutinizing attachment points and retentions based on individual risk exposures. Moreover, there is heightened scrutiny on Law Enforcement and Sexual Abuse/Misconduct coverages due to recent litigated cases resulting in substantial verdicts. Many carriers are also excluding claims related to PFAS (synthetic chemicals) and biometric identifiers. Insurers are reporting increases in loss costs ranging from 10% to 15%. Given these developments, it is imperative for the City to engage with incumbent carriers proactively to secure renewal commitments, as the City has received non-renewal notices from various carriers due to changes in their risk appetite.

***Property***

The City is currently a member of Alliant’s Property Insurance Program (APIP). The APIP program provides property coverage for the City’s fleet and real property structures, pollution liability, boiler & machinery (excluding power generation facilities), and cyber liability. The City has explored alternative stand-alone policy options, but APIP has remained the most comprehensive and cost-effective option for the City.

The City has a separate property placement for RERC, Springs, and Clearwater. The property coverage for these electric power plants is composed of a three-tiered quota share program comprised of three different insurance companies. The leading insurance company has conducted insurance surveys since they began to insure the program in 2020. The City has successfully satisfied multiple the Risk Improvement Actions issued by the carrier and will continue to address sensitive RIA’s that will reduce hazards and safeguard City assets within these power generating plants. This year, Zurich, the City’s primary carrier in the quota share program for RPU’s plants, visited the sites in January and February to conduct the annual insurance inspections.

Underwriters and insurance carriers engage in thorough evaluations of client Statement of Values (SOV), Construction, Occupancy, Property, and Exposure (COPE), alongside Inflation to Value (ITV) with Elevated Construction Costs. Property carriers are also heightening retentions and implementing caps on specific exposures like windstorms and severe convective storms. Anticipated rate increases hinge significantly on Wind Season, Reinsurance Market conditions, and individual client losses. Numerous London markets are aiming for premium growth within the

20-30% range, encompassing heightened rates on renewal business and adjustments for inflation.

**Excess Workers Compensation**

Emerging trends in the workforce, such as changes in employment practices, occupational health and safety concerns, and advancements in medical treatments, may impact the excess workers' compensation market. Insurers may adjust their underwriting strategies and coverage offerings in response to these trends.

Current workers compensation market concerns include an increase in state legislative bills filed for Presumptive and post-traumatic stress disorder (PTSD) benefits, data analytics and artificial intelligence (AI) emerging in claims handling, increased severity of workplace injuries, mental health exposures, medical marijuana, the impact of rising payroll cost on premiums, and remote work. Underwriters are also concerned with per occurrence exposures to catastrophic losses, rate adequacy, and changes in the labor market.

<b>WORKERS COMPENSATION EXPOSURE SUMMARY</b>				
	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>FY 23-24</b>
<b>PAYROLL ESTIMATES</b>	\$ 225,240,266	\$ 236,636,505	\$ 247,981,811	\$ 283,662,127
<b>AUDITED PAYROLL</b>	\$ 235,403,933	\$ 252,033,115	\$ 276,349,201	FY 23-24 audit to be completed in Quarter 4 of 2024
<b>WC RATE</b>	\$0.2054 per \$100 of payroll plus \$13,647 flat charge for aircraft	\$0.2177 per \$100 of payroll plus \$13,647 flat charge for aircraft	\$0.2357 per \$100 of payroll	\$0.2357 per \$100 of payroll

The City's excess workers compensation policy premium is calculated by multiplying the WC Rate quoted by the underwriter and the City's payroll estimate (WC Rate x Payroll Estimate = Premium). There have been no changes in the WC rate over the last two policy renewal cycles. The payroll estimate used to quote the excess workers compensation policy is based on the City's most recent payroll audit in addition to a trend factor applied by Risk Management based on historical audit results.

The City's Payroll Manager completes premium audits during the first quarter of the new policy period. The premium audit consists of a premium report that details gross payroll including all overtime, overtime and a half and gross double overtime paid per employee class code. The City has nine employee class codes:

<b>Class Code</b>	<b>Class Code Description</b>
7424	Aircraft Operation -- Members of Flying Crew -- N.O.C.
7539	Electric Light or Power Companies -- All Operations -- Including Construction or Extension of Lines
7706	Fire Fighters -- Not Volunteers -- Including All Employees of Fire Department
7720	Police, Sheriffs, Constables, Marshals, Animal Control Officers, Game and Fish Wardens, and Jailers -- Including Deputies -- Not Volunteers

<b>Class Code</b>	<b>Class Code Description</b>
8810	Clerical Office Employees -- N.O.C.
8838	Museums -- All Employees -- Including Clerical Office Employees
9403	Garbage, Ashes or Refuse Collecting
9410	Municipal, State or Other Public Agency Employees -- Not Engaged in Manual Labor, Clerical Office Duties, or Immediate Charge of Construction or Erection Work - N.O.C.
9420	Municipal, State or Public Agency Employees -- All Other Employees -- Including Laborers, Mechanics, and Storekeepers -- N.O.C.

The City also provides copies of Form 941 'Employer's Quarterly Federal Tax Return' for every quarter. If the audited premium is less than the premium estimate provided at the inception of the policy period, then the City is owed a premium credit back from the insurance carrier. On the contrary, if the audited premium is more than the premium estimate provided at the inception of the policy period, then the City owes the insurance carrier additional premium.

The City saw the largest difference between estimated and actual payroll between FY 21-22 and FY 22-23 as the City renegotiated salaries and paid stipends to City employees in accordance with union negotiations. Employee stipends and pay increases issued in FY 21-22 impacted the premium audit completed by the City's Payroll Manager in the third quarter of 2023. The excess workers compensation market is one of the most stable markets in the insurance industry. Risk Management anticipates little to no change in the rate for FY 24-25 given the City's loss run report and favorable loss projections as stipulated in the City's actuarial reports.

### ***Cyber Liability***

Ransomware incidents remain a prominent concern, being identified as the primary cybersecurity threat across all business sectors. Certain U.S. markets have initiated the inclusion of 'widespread event' or 'catastrophic first-party loss' exclusions in their policy renewals. While there have been instances of politically motivated ransomware and data extortion attacks, the majority of such incidents are still financially driven. Fewer attacks involve data encryption compared to previous years. Notably, claims related to MetaPixel and Movelt have surged, prompting underwriters to impose exclusions on entities lacking adequate controls. Amidst the ongoing conflict in Ukraine, London underwriters are uniformly implementing proprietary/Lloyd's war exclusion language. An anticipated rise in state and federal regulations, along with enforcement actions related to cybersecurity, is also expected.

### **On the Horizon for 2024-2025**

The City's broker will request renewal quotes from existing carriers and will explore alternative markets to secure the most competitive rates for the City's policies. Additionally, the City of Riverside will continue to investigate additional cyber insurance limits and alternative cyber coverage options, as well as coverage for volunteers and supplementary coverage for incidents involving deadly weapons response. With the increasing cost of capital and inflation, brokers and carriers anticipate higher loss costs to be absorbed by insurers and reinsurers, which will impact premiums across the spectrum. The rising frequency and severity of global risks, ranging from climate change to cybercrime, underscores the insurance industry's need for capacity and preparedness to respond effectively.

**NOT-TO-EXCEED (NTE) BUDGETED PREMIUM PROJECTIONS**

The not-to-exceed numbers illustrated in the following table were provided to the City by Keenan & Associates and Alliant. Keenan & Associates, along with Alliant, will present the City with a final proposal in June 2024. The City's Risk Management staff will evaluate all policy coverage options in terms of premium, retention limits, and terms & conditions and determine which option is the most competitive and comprehensive for the City's coverage needs.

<b>POLICY DESCRIPTION</b>	<b>23-24 PREMIUM PAID</b>	<b>HISTORICAL INCREASE (10 Year Average)</b>	<b>24-25 BUDGETED PREMIUM</b>	<b>MAXIMUM POTENTIAL \$ CHANGE</b>	<b>24-25 INCREASE PER HISTORICAL TREND</b>
All Risk Property	\$3,074,006.25	13%	\$3,688,807.50	\$614,801.25	\$3,473,627.06
Difference in Conditions (DIC)	\$113,959.00	6%	\$136,750.80	\$22,791.80	\$120,796.54
Property and Boiler & Machinery for RERC, SPRINGS, CLEARWATER	\$1,351,410.08	10%	\$1,621,692.10	\$270,282.02	\$1,486,551.09
Pollution Liability for 3 RPU Plants (RERC, SPRINGS, CLEARWATER)	\$23,672.59	10%	\$28,407.11	\$4,734.52	\$26,039.85
Museum Fine Arts	\$31,645.00	0%	\$31,645.00	0.00	\$31,645.00
Excess Workers Compensation	\$668,592.00	5%	\$802,310.40	\$133,718.40	\$702,021.60
Airport Liability	\$12,038.00	3%	\$14,445.60	\$2,407.60	\$12,399.14
Aviation Hull	\$243,933.00	1%	\$292,719.60	\$48,786.60	\$246,372.33
Crime	\$27,147.00	0%	\$25,116.00	\$(2,031.00)	\$25,116.00
Excess General Liability (Includes Law Enforcement Liability, Auto Liability, Public Officials Liability)	\$490,898.00	2%	\$589,077.60	\$98,179.60	\$500,715.96
Excess General Liability 2 <sup>nd</sup> Layer	\$1,061,383.75	11%	\$1,273,660.50	\$212,276.75	\$1,178,135.96
Broker Fee	\$51,975.00	3%	\$53,534.25	\$1,559.25	\$53,534.25
Cyber Liability	\$282,676.00	0%	\$330,691.00	\$48,015.00	\$283,691.00
<b>Total</b>	<b>\$7,433,335.67</b>		<b>\$8,888,857.46</b>	<b>\$1,455,521.79</b>	<b>\$8,140,645.78</b>

**\*23-24 Premium Paid** - The figures in this column represent the actual premium the City paid for existing policies that are set to expire on June 30, 2024.

**\*Historical Increase (10 Year Average)** - The percentages in this column are equal to the 10-year average increase the City experienced in premiums paid through the last 10 insurance renewal cycles.

**\*24-25 Budgeted Premium** - The figures in this column represent the 20% budgeted premium amounts as suggested by the City's broker.

**\*Maximum Potential \$ Change** - This column represents the \$ amount difference between what the City paid for its existing FY 23-24 policies and the 20% budgeted premium amounts.

**\*24-25 Increase per Historical Trend** - This column represents the anticipated premium for FY 24-25 based on historical 10-year averages for each policy.

During budget development (September-November), the Risk Management team asks Keenan & Associates and Alliant to provide estimated premium budgets for all the City's lines of coverage. Insurance brokers can't provide more precise estimates until the following year closer to renewal as carriers continue to work on closing claims made during the expiring policy term and industry actuarial reports remain in progress, so carriers are still determining their capacity and risk appetite for the following renewal cycle. Due to the changing market conditions, the City's broker will typically provide Risk Management with a blanket percentage for the City to use for budgeting purposes.

Insurance carriers have the right to amend and rescind renewal quotes quoted to the City any time before the City signs formal client authorizations to bind. Insurance premiums are affected by entire program performances on a regional, national, and international basis in combination with the City's own loss experience and open claims. The City's excess liability carrier recently paid \$1.3 million to help settle an employment practices case and the City also has an open multimillion dollar equipment breakdown claim under the City's property policy. The amount of first-party claims submitted to the insurance carriers and total claim payments made to the City over the past five policy terms can impact the City's standing as a no-loss leader.

As of May 28, 2024, the City's broker received three formal renewal quotes for the City's Museum, Fine Arts, Crime, and Cyber policies. The City's Museum Fine Arts policy saw a flat renewal while there was a 7% reduction in the City's Crime policy. The Cyber policy premium was quoted at \$330,691 which includes a commission to the City's broker. The City has a flat fee payment structure with Keenan, thus Keenan will discount the commission from the quoted policy premium, reducing the policy premium owed by the City to \$283,691 which equates to a less than 1% increase for the 24-25 policy term. The City is also in the process of auctioning two helicopters which, when sold and removed from the City's Aviation Hull policy schedule, will reduce the premium owed for that policy. Risk Management does not anticipate receiving renewal quotes that meet or exceed the blanket 20% suggested increase initially provided by the City's broker as the City has no losses reported on eight of the City's commercial policies and remains in good standing with current excess liability and commercial property carriers.

Given the current state of the insurance market, and as of the publication date of this report, it is unknown which of these options the City will select. It is anticipated that updated premium amounts will be finalized by July 1, 2024. City staff continues to work with the City's insurance broker to negotiate the best terms possible based on the policy specimen forms and a review of coverage, conditions, and price. Notwithstanding, City staff is seeking authority for an amount not to exceed \$10,222,186.08 to finalize the insurance policy renewals for FY 2024-2025.

## **2024 Carrier Ratings & Self-Insured Retentions**

AM Best is a credit rating agency that specializes in assessing the creditworthiness of insurance companies. The insurance carriers recommended by the Broker have AM Best ratings of AX or better. ("A") is the financial rating of "Excellent" and "X" is the financial size rating of the carrier equal to \$500,000,000 to \$750,000,000 in policy holder surplus. The APIP does not have a rating, but is underwritten by 29 different insurers, the majority of which are rated "A" or higher. The City's strategy to keep costs low while providing adequate insurance protections includes a Self-Insured Retention (SIR) for certain policies. This means the City is responsible for the first \$3 million of each claim as our self-insurance deductible. The City's General Liability and Workers Compensation insurance programs contain this \$3 million SIR requirement. Carrying lower SIRs (\$1 million or \$2 million, for example) results in significantly higher insurance premium costs for the City or are not offered by some insurance carriers. The City's other lines of insurance coverage have deductibles that range from no deductible to a \$250,000 deductible. The City regularly reviews its policies to ensure that the City has the necessary coverage to protect its assets. The Risk Management Division will continue to work with Keenan & Associates and negotiate the best possible coverages and premiums for the City of Riverside.

### **STRATEGIC PLAN ALIGNMENT:**

The topics included in this report align with **Strategic Priority 5 High Performing Government and Goal 5.5:** Foster a culture of safety, well-being, resilience, sustainability, diversity, and inclusion across the city organization.

The action aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – A comprehensive insurance program strengthens the City's ability to protect its assets and provides the City with a means to transfer liability risks to insurance companies.
2. **Equity** – Insurance is a risk management instrument that safeguards assets and provides resources to City staff, enabling the City to continue providing consistent and reliable services to all community members.
3. **Fiscal Responsibility** – The City's broker markets the various insurance policies to multiple markets to ensure that the City is purchasing the best coverage at the most competitive price.
4. **Innovation** – The City's insurance portfolio consists of various structures including quota share programs, stand-alone excess policies, and insurance pools, all designed to maximize the City's unique coverage needs.
5. **Sustainability & Resiliency** – The insurance renewal process is a data-driven process that aims to build an insurance program that will enhance the City's ability to remain resilient during losses.

### **FISCAL IMPACT:**

The City's insurance broker continues to negotiate with various insurance carriers and will not receive the final premium amounts until July 1, 2024. The amount of \$10,222,186.08 is expected to be the maximum cost to the City. As such, City staff is seeking authority for an amount that does not exceed \$10,222,186.08 to finalize the insurance policy renewals. Following the

finalization of rates, staff will request a supplemental appropriation where City funds or departments are unable to absorb the cost increase within their approved FY 2024-2025 appropriation limits.

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