City of Arts & Innovation

Finance Committee

TO: **FINANCE COMMITTEE MEMBERS** **DATE: DECEMBER 10, 2025**

FROM: **FINANCE DEPARTMENT** **WARDS: ALL**

SUBJECT: **ANNUAL UPDATE OF THE CITY'S RISK MANAGEMENT DIVISION AND INSURANCE ADMINISTRATION**

ISSUE:

Receive, provide input, and forward to the City Council the annual update of the City's Risk Management Division and Insurance Administration.

RECOMMENDATION:

That the Finance Committee receive, provide input, and forward to the City Council the annual update of the City's Risk Management Division and Insurance Administration.

BACKGROUND:

The Risk Management Division is housed within the City's Finance Department. The division is staffed with a Risk Manager and a Risk Management Specialist. In Fiscal Year (FY) 2017-18, the City ended its agreement with Carl Warren & Company, the City's former Third-Party Administrator (TPA), and began self-administering all third-party claims. With this operational change, the City restructured the Risk Management Division and transferred the Tort Claims Team to the City Attorney's Office.

The City's Risk Management function is led by the Finance Department but has shared responsibilities with many other city departments including, but are not limited to, the City Attorney's Office, Human Resources, Riverside Public Utilities (RPU), the Public Works Department, Police Department, and Fire Department.

This report focuses exclusively on the duties of the Risk Management Division within the Finance Department, as outlined in **RMC 3.18.030 Powers and Responsibilities of the Risk Manager**, which requires the division to:

> *"Monitor and report annually to the City's Financial Performance and Budget Committee and City Council the insurance administration, and the compliance of City departments, offices, and agencies with the internal controls."*

In alignment with the Risk Manager's mandate under RMC 3.18 (Attachment 1), Risk Management strives to effectively prevent and minimize the financial impacts of property damage and personal injury. This includes analyzing claims, incidents, and employee injuries to develop, recommend, and implement programs that reduce the frequency and severity of these incidents. Through these proactive efforts, the Risk Management Division identifies and reduces property and liability losses, insurance costs, and administrative costs of risk management incurred by the City (RMC 3.18.030 (B).

The Risk Management Division also ensures that everyone doing business with the City provides proof of financial ability to pay for potential claims and lawsuits through Certificates of Insurance (COI). In addition, Risk Management implements proactive and preventive maintenance programs within the day-to-day operations of the City to mitigate risks and reduce significant financial impacts from potential losses.

Additional Administrative Duties include:

- Procure & maintain the City's Insurance Portfolio including determining appropriate levels of insurance for permits, events, consultants, and contractors.
- Management of all First-Party claims against the City's insurance policies.
- Administration of the Hazardous Waste Program and related taxes.
- Assist with emergency and non-emergency responses.
- Oversee the renewal of all Air Pressure Tanks with the California Department of Industrial Relations.
- Investigate and assess potential risks for current and upcoming projects.
- Issue formal positions and recommend actions or inactions for certain activities that may increase the City's liability.

Risk Management Working Group (RMWG)

In 2025, in an effort to strengthen citywide risk management and promote effective coordination across departments, the Risk Management Division established an internal Risk Management Working Group (RMWG) as part of the Finance Department's 2025 Book of Work. The Risk Management Working Group is a collaborative partnership established to proactively coordinate cross-cutting issues that identify, assess, mitigate, and monitor risks across City of Riverside operations. Its mission is to strengthen the City's risk posture, minimize liabilities, and ensure sustainable practices by fostering collaboration, transparency, and accountability across departments.

Members of the RMWG include staff from Finance, the City Attorney's Office, the Human Resources Department, Riverside Public Utilities, the City Manager's Office, the Police Department, and the Fire Department. The RMWG is designed to be flexible and collaborative, with additional participants invited as needed depending on the topics under discussion. This inclusive structure supports the Risk Manager in fulfilling the citywide mandate outlined in RMC 3.18, including coordinating a comprehensive risk management program across City departments, developing loss prevention strategies, and monitoring compliance with insurance and internal control requirements. By engaging the right stakeholders, the Risk Manager ensures effective oversight of cross-cutting risks and promotes consistent practices across the organization.

DISCUSSION:

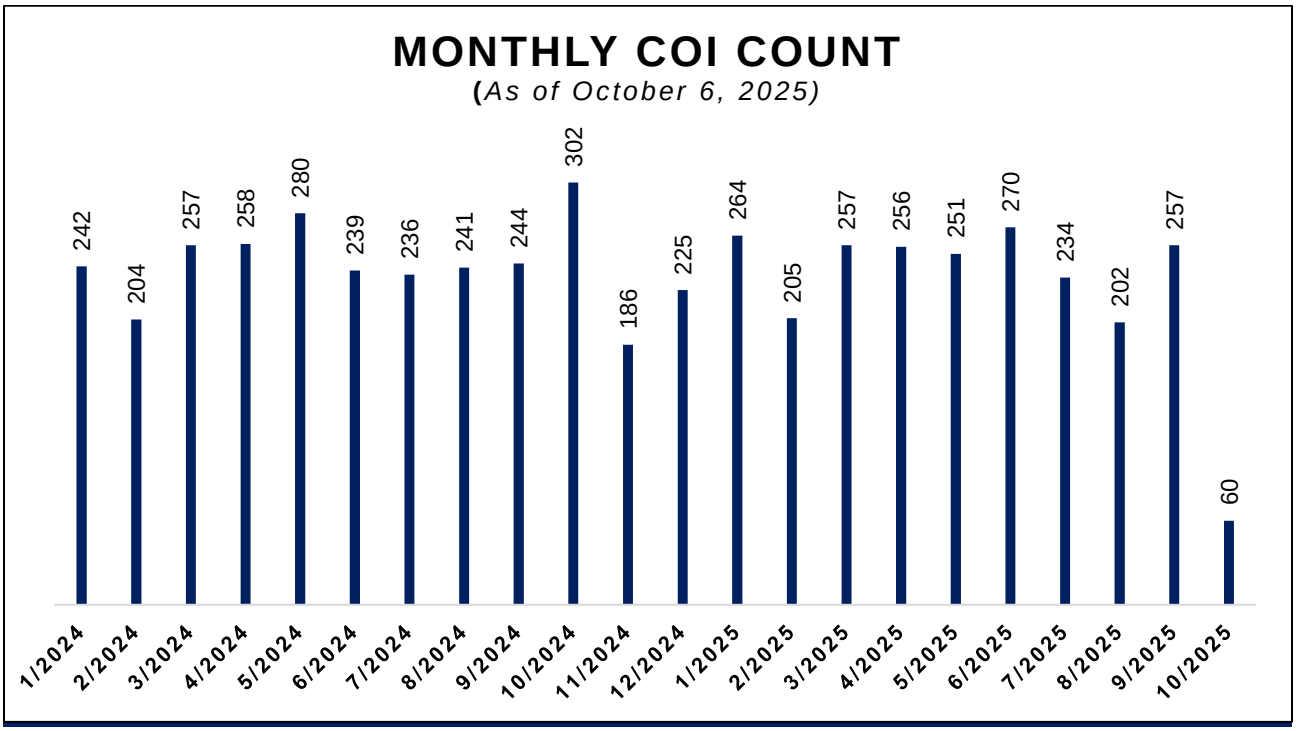
Third-Party Insurance Administration and Compliance

The Risk Management Division has worked extensively to streamline administrative processes, including automating COI reviews and establishing a program for third-party patrons hosting private events at City-owned properties to purchase insurance policies.

Certificate of Insurance (COI)

Insurance serves as a reliable financial mechanism to cover potential losses that may exceed a vendor's ability to pay for claims. By transferring risk to insurers with the financial capacity to meet specified liability limits, the City protects itself against significant losses caused by third-party vendors. Risk Management determines the appropriate types of coverage and insurance limits based on the specific risk exposures outlined in agreements.

Risk Management oversees 34 distinct risk profiles that specify the required types and levels of insurance. These risk profiles align with the City's agreements, permits, and grant recipient conditions. Each fiscal year, the division reviews more than 3,000 COI's and aims for a 48-hour review turnaround time. The table below includes data for COI's reviewed per month.



Tenant User Liability Insurance Program (GatherGuard)

The GatherGuard program provides a resource for third parties to purchase the insurance coverage required to host private events on City-owned property. Special event hosts can also use the program to purchase coverage for any of their vendors participating in events on City-owned property.

Residents hosting private events at one of twenty-seven eligible City-owned facilities, such as a wedding reception or birthday party, may also utilize the GatherGuard program. The program meets the City's liability protection requirements for special events, and because the coverages

are pre-approved, the permit process is more efficient as the Certificates of Insurance do not require review or approval by Risk Management.

	FY 23-24	FY 24-25
Policies Purchased	**179**	**184**
Total Premium Cost	**$33,095**	**$42,065**
Average Cost per	**$185**	**$185**

The City's cost of the GatherGuard program is a $1,000 minimum annual premium. Special event hosts self-fund the program by purchasing policies, and if total premiums collected are less than $1,000, the City covers the difference. The City does not receive any type of compensation or commission from GatherGuard for the event policies purchased through the program.

Benefits of GatherGuard:

- Self-serve: Policy setup takes approximately 5 to 10 minutes to complete.
- Transparent pricing.
- No additional broker fees for residents and host organizations.
- Streamlines the Special Event Permit process by enabling City-wide use, as insurance purchased through the program does not require secondary approval by Risk Management.

Monitoring and Reporting of Insurance Administration and Compliance

In accordance with the City's administrative requirement to report annually to the Financial Performance and Budget Committee and City Council, the Risk Management Division monitors compliance with insurance and internal control requirements across departments and third-party agreements. The Division regularly reviews insurance administrative processes, key performance indicators, and insurance coverage compliance to ensure adherence to the City's established risk profiles.

Assessment of the City's Insurance Requirements

RMC Chapter 3.18.030(C) requires the Risk Manager to determine and require appropriate insurance coverage for City departments, offices, and agencies. It also assigns the Risk Manager final approval over insurance requirements for City-sponsored events and for all individuals and entities engaging with the City.

The Risk Manager's role includes establishing insurance requirements that are appropriate, consistent, and defensible. Risk Management recently conducted a comparison of the City's insurance requirements with those of thirteen other Southern California cities, including seven market-basket agencies and six non-market-basket agencies. The results indicate that Riverside's requirements are 54% lower than neighboring agencies and are aligned with 46% of the cities included in the comparison.

General Observations:

1. Risk Management has maintained the City's insurance requirements without modification for over a decade.
2. The $1 Million Occurrence (OCC)/$2 Million Aggregate (AGG) Commercial General Liability (CGL) limits have served as the minimum standard since the 1980's. Adjusted for inflation, these limits would equate to approximately $5 million today.
3. The Risk Management team has not been able to identify any other public agency in California that requires less than the $1M OCC/$2M AGG minimum limits.
4. Claims against the City that involve wrongful deaths or serious bodily injury often seek millions of dollars in damages..
5. Lowering the City's insurance requirements could pose a significant financial risk to the City.

CATEGORY	MARKET-BASKET	NONMARKET-BASKET	% Overview
City of Riverside **ALIGNS** with Agency Requirements	2	4	46%
City of Riverside has **LOWER** Requirements	5	2	54%
Riverside **EXCEEDS** Requirements	0	0	0%
TOTAL	**7**	**6**	**100%**

Important Considerations:

- The insurance limits listed on COIs are not reserved solely for a vendor's agreement or work with the City of Riverside. Other entities may submit claims against a vendor's insurance, which can erode all available limits.
- Maintaining minimum commercial limits helps safeguard the City's General Fund and other funds by transferring risk and claims costs to responsible vendors.
- The total dollar amount of a Purchase Order does not equate to or reflect the level of potential liability.
- Legal fees and claim costs can erode CGL limits available to the City, as certain vendor CGL policies include defense costs that reduce the coverage available for City claims.

How the City Attorney's Office (CAO) Uses Insurance to Transfer Risk Away from the City:

1. When the City receives a claim or lawsuit, the City Attorney's Office ("CAO") evaluates whether a third-party vendor is responsible for the alleged harm or damage. If the allegations implicate a vendor's scope of work, the CAO reviews the vendor's contract and insurance information to transfer risk away from the City.

2. The CAO drafts a formal letter to the third-party responsible vendor and their insurance carrier demanding that they defend and indemnify the City. In essence, the letter demands that the insurance carrier pay for outside counsel to defend the City at no cost to the City, cover all related litigation defense costs from the date of tender, and pay for any settlement

or adverse judgment against the City. Having an insurance policy with limits of at least $1M OCC/$2M AGG provides the ability to pay for settlements or adverse judgments, particularly in high exposure cases.

3. The CAO has observed that when a vendor does not have insurance (for example, if the date of loss falls outside of the policy period), the vendor will dispute its obligations under the contract. The CAO has had success with having tender letters accepted by vendor's insurance carriers when the CAO can prove that the City was listed as an additional insured on the policy. When a tender letter is accepted in full, the risk is successfully transferred away from the City.

Insurance Premium Overview

The City purchases insurance to transfer liability away from the City and to protect the City's assets, such as vehicles, helicopters, buildings, and equipment. The City has a $3M self-insured retention for workers' compensation and a $4M self-insured retention third-party tort claim. This means that the City is responsible for paying the first $3M or $4M of each claim, depending on claim type. The City's excess insurance companies will then pay any claims excess of those amounts in accordance with the terms and conditions of each of the City's policies.

Insurance Marketplace Overview

The risk landscape is evolving rapidly, and the emergence of complex, interconnected threats has heightened the need for innovative and adaptive risk management strategies. Key trends and challenges currently shaping the industry include:

- **Climate Change & Extreme Weather –** Increasing frequency and severity of natural disasters impacting asset protection and continuity planning.
- **Nuclear Verdicts & Social Inflation –** "Nuclear" claims (large, high-severity claims) verdicts driven by third-party litigation funding and shifting societal views on liability and compensation.
- **Cybersecurity & Business Continuity –** Expanding exposures related to biometrics, pixel tracking, artificial intelligence, and digital infrastructure.
- **Geopolitical Instability –** Heightened global tensions influencing supply chains, asset security, and insurance markets.
- **Artificial Intelligence & Big Data –** Emerging risks in employment practices, hiring processes, and algorithmic decision-making.
- **Pandemics & Infectious Diseases –** Ongoing implications for return-to-work policies and related claims.
- **Parametric Insurance Products –** Innovative coverage solutions for contingent income loss and specific perils such as earthquakes, floods, and wildfires.
- **Market Consolidation –** Mergers among insurers and brokers reshaping competition and service delivery.
- **Law Enforcement Liability –** Challenges related to contracted personnel and operational responses during civil unrest.

Underwriting Challenges & Material Exposure Changes

Public entities in California continue to face heightened scrutiny and evolving liability exposures. Despite these challenges, the City of Riverside has successfully renewed its insurance program

with strategic adjustments that maintain broad coverage and competitive pricing. Over the past several fiscal years, the City has made a series of program adjustments and other notable changes to its insurance portfolio, summarized below:

- **FY 2020-2021:** City binds separate Boiler & Machinery, Property, and Pollution Liability coverage for Springs, Riverside Energy Resource Center (RERC), and Clearwater.
- **FY 2021-2022:** City purchases a stand-alone Crime policy. The Alliant Property Insurance Program (APIP) removes coverage for 'Communicable Diseases' from its policy form.
- **FY 2022-2023:** Formal property appraisals are conducted on all City-owned properties with a $5M or higher real property value. City adds more than $200M in insured value to the Waste Water Quality Control Plant (WWQCP).
- **FY 2023-2024:** City adds two new helicopters to the Aviation Hull policy with a total insured value exceeding $10M. City binds a stand-alone Cyber Liability policy.
- **FY 2024-2025:** City increased its self-insured retention from $3M to $4M for General Liability claims. Workers Comp self-insured retention remained at $3M.
- **FY 2025-2026:** City sees stabilization in the property market. Liability coverage lines continue to be impacted by "nuclear" claims verdicts and the need for large claim reserves to address potential losses.

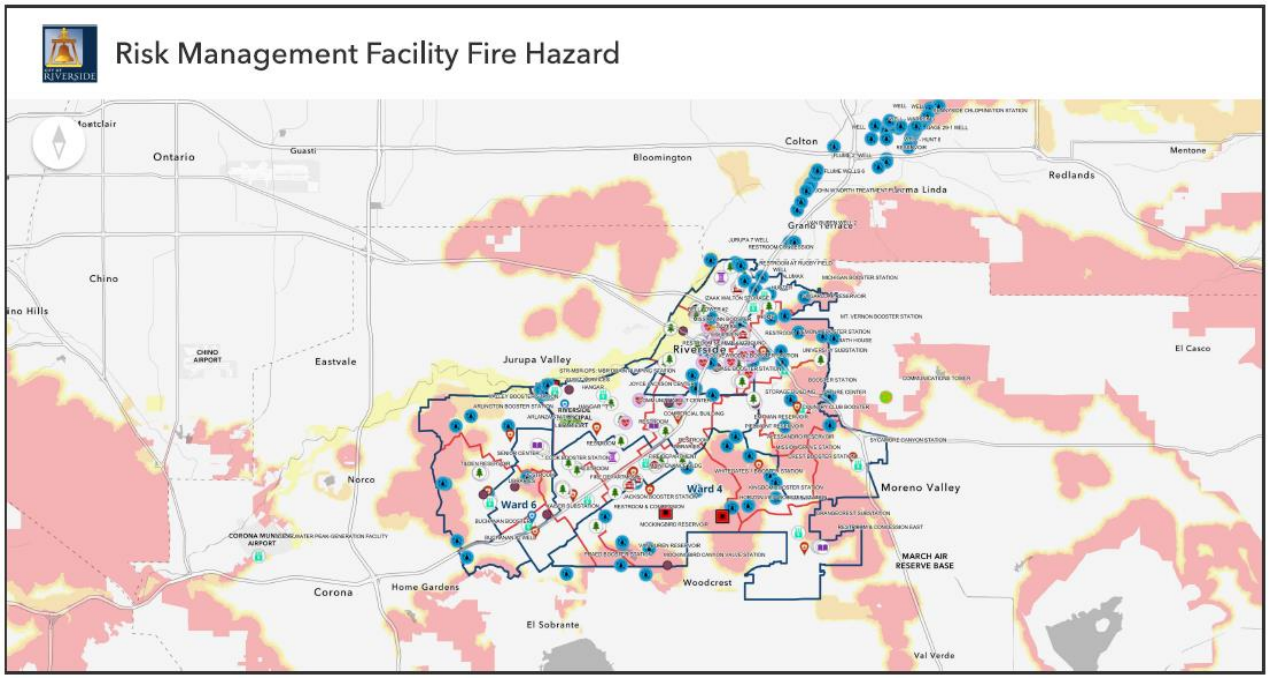
FY 2025-26 Program Highlights by Coverage Line

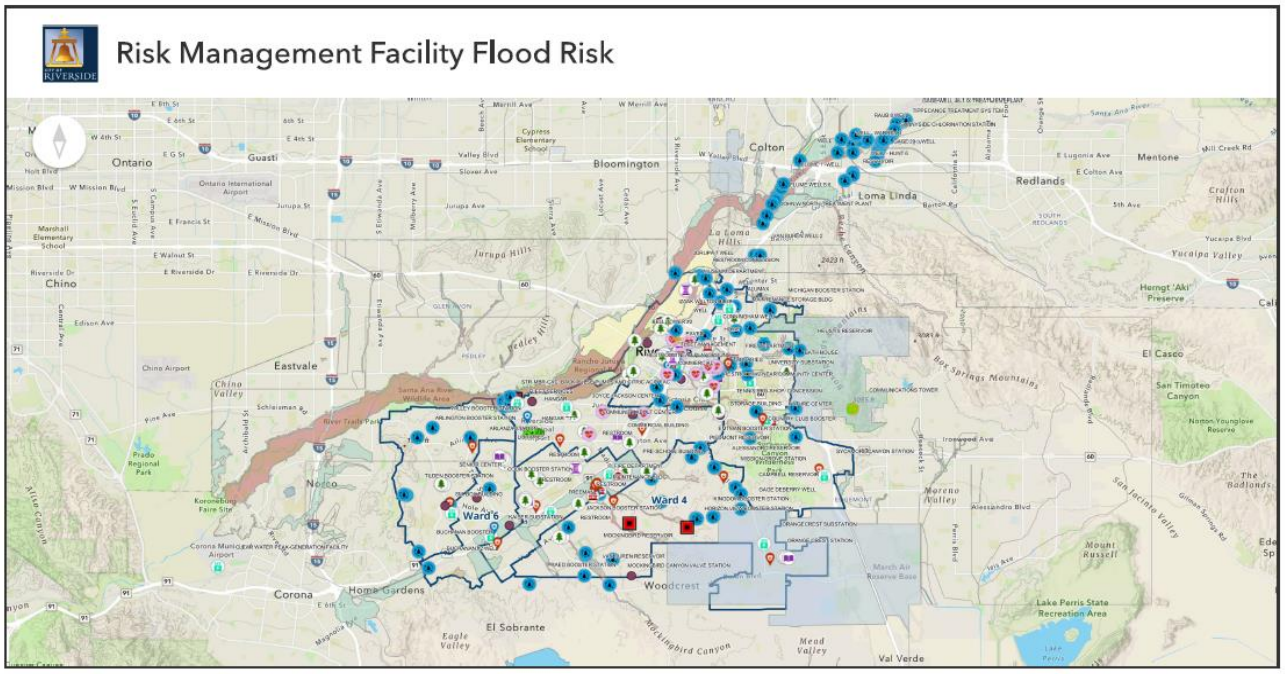
- **Excess Liability**: The City evaluated both $4M and $5M Self-Insured Retention (SIR) options. The $4M SIR program increased by 23.41% to $3,094,353.37, while the $5M SIR option rose more modestly by 5.27% to $2,639,872.08. The increase reflects market-wide rate adjustments and the City's large-scale risk profile.
- **Workers' Compensation**: With payroll increasing by 9.77% to $327.5 million, the premium rose proportionally to $771,893. The rate per $100 of payroll remained stable at $0.2357, indicating effective cost containment despite rising exposures.
- **Property – CoGeneration Facilities**: The premium increased by 3.47% to $1,493,512.58, aligned with a 2.4% increase in Total Insurable Values (TIV). The rate per $100 TIV rose slightly, reflecting modest market pressure.
- **Pollution Liability – CoGen Sites**: The premium decreased by 33% to $15,896.21, despite stable coverage terms and limits, demonstrating favorable negotiations.
- **Property – DIC (Excess Over APIP)**: The premium decreased by 2.23% to $113,310.50, even as TIV increased by 2.4%. The rate per $100 TIV dropped by 4.52%, indicating strong market positioning.
- **Fine Arts**: Coverage for museum collections and temporary loans remains unchanged at $31,645.
- **Aircraft Hull and Liability**: The premium decreased by 5% to $161,453, reflecting favorable underwriting and stable operations.
- **Airport Liability**: Increased modestly by 3% to $12,399, maintaining consistent coverage terms.
- **Government Crime**: Renewed at $25,259, a slight increase of 0.57%. The City continues to carry broad protection including employee dishonesty and fraud impersonation.
- **Cyber Liability**: The premium decreased by 5% to $268,583.10. This reflects improved cyber hygiene and favorable market conditions.

5-YEAR INSURANCE PREMIUMS PAID SUMMARY						
Policy Type	**20-21**	**21-22**	**22-23**	**23-24**	**24-25**	**25-26**
Broker Fee	$ 56,276	$ 49,500	$ 49,500	$ 51,975	$ 51,975	$ 53,795
EXCESS WC	476,291	528,805	584,281	668,592	703,174	771,893
AIRPORT INSURANCE	8,160	9,572	10,530	12,038	12,038	12,399
GENERAL LIABILITY	447,309	334,258	475,754	490,898	1,169,458	1,438,687
EXCESS GENERAL LIABILITY	252,735	741,535	966,440	1,061,384	1,337,930	1,655,666
POLLUTION for RPU PLANTS	25,999	25,999	23,689	23,673	23,673	15,896
CRIME NEW	N/A	25,051	26,799	27,147	25,116	25,259
STAND-ALONE CYBER LIABILITY	N/A	N/A	N/A	282,676	282,740	268,583
DIFFERENCE IN CONDITIONS - EXCESS EARTHQUAKE INSURANCE	72,611	99,260	101,659	113,959	115,890	113,311
PROPERTY & B&M RPU PLANTS	765,238	926,315	1,053,513	1,351,410	1,443,397	1,493,513
APIP PROPERTY	1,329,524	1,599,769	2,205,522	3,074,006	3,367,682	3,283,678
MUSEUM FINE ARTS	36,330	32,515	32,515	31,645	31,645	31,645
AIRPORT HULL LIABILITY- POLICE AVIATION	59,265	71,212	76,383	243,933	169,212	161,453
Total Premium Paid	$ 3,529,739	$ 4,443,792	$ 5,606,584	$ 7,433,336	$ 8,733,930	$ 9,325,778
$ Change		$ 914,053	$ 1,162,792	$ 1,826,751	$ 1,300,595	$ 591,848
YOY Increase		26%	26%	33%	17%	7%

GIS Maps of Insured Assets

Risk Management mapped all City-owned insured assets to evaluate whether current insurance coverage aligns with their locations on updated flood and fire hazard maps. This analysis ensures the City maintains appropriate coverage based on geographic risk exposure.





City of Riverside, County of Riverside, California State Parks, Esri, TomTom, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, Bureau of Land Management, EPA, NPS, USDA, USFWS | City of Riverside,CA

First-Party Claims

Over the past five fiscal years, the City of Riverside submitted six first-party claims under its own insurance policies. Five claims were accepted, resulting in $2,140,784 paid by the insurance

carriers, while one claim was rejected due to policy exclusions. Risk Management collaborates with staff to address losses that fall below the City's deductible thresholds.

Emergency and Non-Emergency Responses

The Risk Management Division is on call and ready to assist all City teams in responding to both emergency and non-emergency incidents. Purchasing Resolution 257, Section 300 (d) defines an "emergency" to be any incident that may directly affect "the public health, welfare, safety, property, or personal/confidential information" if goods, services, or repairs are not rendered immediately. Over the past five fiscal years, Risk Management has assisted staff by responding to 173 calls, ranging from general contracting services and plumbing emergencies to the repair of City infrastructure and property.

	20-21	21-22	22-23	23-24	24-25
Amount Spent	$437,910.30	$373,373.19	$811,024.86	$1,237,105.86	$691,453.86
# of Calls	60	40	24	36	13
$ Change	$(85,135.03)	$(64,537.11)	$437,651.67	$426,081.00	$(545,652.00)
% Change	-16%	-15%	117%	53%	-44%

Hazardous Waste Management

Risk Management is responsible for overseeing hazardous waste operations for the City of Riverside. In FY 2023-24, the City spent $141,681.15 on hazardous waste services, with 28 service calls recorded. In FY 2024-25, expenditures totaled $101,110.66, with 21 service calls, reflecting a 29% reduction as compared to the prior year. The most frequently collected waste types over the past two fiscal years included abandoned materials and oil spill clean-up.

FISCAL IMPACT:

There is no direct fiscal impact associated with this report.

Prepared by: Jaqueline Godinez, Risk Manager
Approved by: Sergio Aguilar, Deputy Finance Director
Certified as to availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Edward Enriquez, Assistant City Manager/Chief Financial Officer/City Treasurer
Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney

Attachments:
1. RMC 3.18 Risk Management Administration
2. Presentation