



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JUNE 18, 2019**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: ANNUAL INSURANCE RENEWALS INCLUDING, BUT NOT LIMITED TO, LIABILITY, PROPERTY AND EXCESS WORKERS' COMPENSATION –TOTAL AMOUNT, NOT TO EXCEED, \$2,601,091 FOR FISCAL YEAR 2019-2020.

ISSUE:

Approve the renewal of the City's various insurance policies negotiated through the City's Insurance Broker, HUB International, as outlined herein, for a one-year term beginning July 1, 2019 and ending June 30, 2020, for a total amount, not to exceed, \$2,601,091 (amount pending final negotiations with insurance carriers).

RECOMMENDATIONS:

That the City Council:

1. Approve the renewal of the City's various insurance policies negotiated through the City's Insurance Broker, HUB International, as outlined herein, for a one-year term beginning July 1, 2019 and ending June 30, 2020, for a total amount, not to exceed, \$2,601,091; and
2. Authorize the City Manager, or designee, to execute all necessary documents submitted by HUB International to renew the City's various insurance policies, as outlined herein, for the total amount, not to exceed, \$2,601,091 including making minor and non-substantive changes to the insurance documents.

BACKGROUND:

The City's insurance policies are purchased through the City's Insurance Broker, HUB International, from their Riverside-based home office. HUB works with hundreds of insurance providers to secure the best prices for the best insurance coverages for their clients. Using HUB as our insurance broker has the benefit of allowing the City to get competitive insurance quotes and work with one broker who is familiar with the City's needs and can help resolve insurance issues quickly and effectively.

The City has several insurance policies to help manage risk. These policies include:

- 1) Commercial Property,
- 2) General Liability including Vehicle Liability,
- 3) Boiler & Machinery,
- 5) Workers' Compensation,
- 6) Airport Liability,
- 7) Aviation Hull & Liability, and

4) Excess Earthquake,

8) Fine Art and Collectibles policies.

Embedded in these policies are other coverages such as Cyber Security Liability, Public Officials Liability and Employee Theft Liability Insurance. In addition to these coverages, staff is still working with HUB to secure Special Event Liability Insurance to cover all of the City-sponsored special events held throughout the year.

The insurance carriers recommended by the Broker have A.M. 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 Alliant Property Insurance Program (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, but provide 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 SIR’s (\$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 which vary between no deductible to a \$250,000 deductible.

DISCUSSION:

The various insurance types, deductibles, limits and estimated premiums are illustrated in the table below. For comparison purpose, the premiums for the prior fiscal year are also provided.

Insurance Type	Deductible/ SIR	Limit	FY 2019 Actual	FY 2020 Proposed	Difference	% Change
Workers Compensation	\$3M SIR	\$25 M	\$399,630	\$399,159	\$(471)	-0.1%
General Liability 1st Layer	\$3M SIR	\$10 M	381,419	381,170	(249)	-0.1%
General Liability 2nd Layer	Excess	\$10 M	165,120	184,212	19,092	11.6%
Commercial Property	100,000	\$1 B	1,029,808	1,327,555	297,747	28.9%
Boiler & Machinery	250,000	\$100 M	151,991	151,991	-	0.0%
Excess Earthquake	None	\$15 M	61,577	63,397	1,820	3.0%
Museum Fine Arts	1000	\$20 M	34,600	34,600	-	0.0%
Airport Liability	None	\$25 M	6,334	7,250	916	14.5%
TOTAL			\$2,285,942	\$2,601,091	\$315,150	13.8%

The commercial property insurance policy experienced the highest increase in the amount of \$297,747 (29%) due to a \$70 million increase in reported property values from the \$200 million expansion of the wastewater treatment plant in addition to an overall general increase in rates for the property insurance market. The City’s insurance brokers attribute the market increases to fires and floods across the United States.

FISCAL IMPACT:

The City's insurance brokers continue to negotiate with various insurance carriers and will not receive the final premium amounts until July 1, 2019. The amount of \$2,601,091 is thought to be the maximum cost to the City. Sufficient funds are available in the FY 2019/20 Operating Budget. Costs are distributed among Departments and funds based on applicability of the policies.

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Approved as to form: Gary G. Geuss, City Attorney