

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.

In addition to 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.

Time Frame	Activity
January-February	<ul style="list-style-type: none"> • The City's Risk Management team meets with brokers to discuss insurance market conditions and renewal strategies. • Risk Management & City staff gather exposure, loss, assets, and financial data. • Marketing Placement Specialists meet with insurers and reinsurers for current market conditions report. • The City's Risk Management will meet with market underwriters during the annual Public Agency Risk Management Association conference (PARMA).
March- May	<ul style="list-style-type: none"> • The City's brokers distribute submissions to the marketplace and conduct marketing trips to meet with carriers to discuss insurance submissions. • Insurance inspectors will visit City insured properties to assess conditions and make risk recommendations to the City.
May- June	<ul style="list-style-type: none"> • Finalize renewal negotiations & prepare coverage comparison of all formal quotes received. • Meet with City of Riverside to present renewal program options to City staff. • Bind renewal program and finalize subjectivities, issue binders, invoices, and renewal certificates of insurance effective July 1.
July- June of Expiring Policy Term	<ul style="list-style-type: none"> • The City receives invoices and binders confirming coverage was bound July 1, 2026-2027. • The City receives certificates of insurance and begins to issue self-insurance certificates. • The City's claims team updates reporting requirements per the City's insurance carriers.

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 in-house 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 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 in addition to first-party coverage for the City's IT infrastructure.

Third Party Event Liability Insurance Program

Risk Management also oversees 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 are less than \$1,000 each policy term. There have been enough purchases made each fiscal year to cover the \$1,000 minimum premium requirement.

DISCUSSION:

2026-2027 Market Conditions

The Property and Casualty market continue to remain uncertain, though some stabilization has been seen within the property market as incumbent insurers return with more consistent capacity. Both new and existing carriers are pursuing selective growth, supported by two years of improved insurer profitability driven mainly by rate increases rather than fewer losses. Loss trends also indicate that secondary perils have outpaced primary catastrophes for seven consecutive years. Primary perils are typically natural disasters that have severe loss potential but are less frequent while secondary perils are more frequent but result in less severe losses.

On the liability side, reduced capacity and market exits continue, fueled by social inflation and litigation financing that are pushing verdicts and settlements higher. Excess Workers' Compensation remains stable overall, though the retained layers are seeing more claim activity. Meanwhile, cyber capacity has strengthened, leading to more predictable terms and conditions.

Property Market

Property losses point to a more stable property insurance market, supported by strong competition and slightly more ample capacity. In the U.S., property insurance rates have declined, reflecting these favorable conditions. At the same time, the broader market continues to face pressures from rising claims costs and social inflation. Insurers are becoming more cautious about additional rate decreases and are prioritizing capital discipline. Looking ahead, the market is expected to maintain a disciplined approach, emphasizing sustainable growth and long-term program stability.

Time Period	Billion-Dollar Disasters	Events/Year	Cost	Percent of Total Cost	Cost/Year
1980s (1980-1989)	33	3.3	\$219.8B	7.50%	\$22.0B
1990s (1990-1999)	57	5.7	\$335.3B	11.50%	\$33.5B
2000s (2000-2009)	67	6.7	\$621.6B	21.30%	\$62.2B
2010s (2010-2019)	131	13.1	\$994.7B	34.10%	\$99.5B
Last 5 Years (2020-2024)	115	23	\$746.7B	25.60%	\$149.3B
Last 3 Years (2022-2024)	73	24.3	\$461.6B	15.80%	\$153.9B
Last Year (2024)	27	27	\$182.7B	6.30%	\$182.7B
All Years (1980-2024)	403	9	\$2,918.1B	100.00%	\$64.8B

*All dollar values are inflation adjusted to 2021 Source: NOAA National Center for Environmental Information (NCEI)

Casualty Market

The casualty insurance market continues to face significant pressure as several challenging liability trends drive increased claim severity and underwriting caution. Allegations of sexual misconduct have led to more frequent and costly claims, heightened by social awareness, expanded reporting, and higher expectations for institutional accountability. Law enforcement liability exposures also remain elevated, with claims involving use-of-force incidents, civil rights

allegations, and public scrutiny contributing to larger settlements and defense expenses. At the same time, lifetime care costs for severely injured claimants continue to rise due to medical inflation and longer life expectancies, increasing long-tail claim values.

The commercial auto insurance market continues to face sustained hardening conditions as multiple cost drivers and emerging risks continue to push loss trends upward. Vehicle prices have risen sharply due to inflation and supply constraints, while advanced onboard technology has made even minor repairs significantly more expensive. At the same time, fatality trends remain elevated, driven in part by the widespread rise in distracted driving, particularly cell phone use. New exposures such as robotaxis and autonomous driving systems are introducing complex liability questions, and the growing use of electric vehicles in fleets is adding uncertainty around repair costs, battery-related losses, and specialized labor. Rising medical costs and the rapid escalation of litigation expenses—often fueled by social inflation and nuclear verdicts—are further amplifying claim severity.

The Workers’ Compensation insurance market continues to experience tightening conditions driven by several converging trends. An aging workforce is contributing to higher claim frequency and longer recovery times, while persistent medical cost inflation further elevates overall claim severity. Expanding cancer and PTSD presumptions, especially in public-sector and first-responder occupations, are increasing employer liability and adding pressure to loss costs. Rising incidents of workplace violence and growing mental health concerns are also leading to more complex and prolonged claims. Delays in obtaining medical services are slowing return-to-work outcomes, and improved accident survivability means more workers are living with serious long-term injuries that require extensive care.

Product Line	Pricing	Capacity	Retentions	Coverage
PROPERTY				
Challenged Exposures	↓	↑	↔	↔
Non-Challenged Exposures	↓	↑	↔	↔
Standalone Earthquake	↓	↔	↔	↔
Builder’s Risk	↓	↑	↔	↔
CASUALTY				
General Liability	↑	↔	↔	↓
Automobile Liability	↑	↓	↑	↔
Workers’ Compensation	↓	↔	↔	↔
Umbrella Liability	↑	↓	↑	↓
Excess Liability	↑	↓	↑	↓
Pollution Liability*	↑	↔	↔	↓
MANAGEMENT & PROFESSIONAL				
Cyber	↓	↑	↔	↔
Employment Practice Liability	↔	↔	↔	↔
Fiduciary	↑	↔	↑	↔
Fidelity/Crime	↔	↔	↔	↔

Arrow Key

What direction are pricing, capacity, limits, deductibles and coverage moving?

- ↑ Increasing
- ↔ Stabilizing/No change
- ↓ Decreasing

Color Key

- Positive change
- Neutral/No change
- Potential Challenge

The overall trend is that Property markets are softening, while Casualty markets remain hard, and Management & Professional lines show mixed movement. In Property, pricing is broadly decreasing and capacity is increasing, while retentions and coverage remain mostly stable. This reflects improved insurer appetite after several years of volatility. In contrast, Casualty lines show widespread upward pressure: pricing is rising across all major categories, capacity is shrinking, and coverage is tightening, especially for Umbrella, Excess Liability, and Automotive Liability—indicating ongoing concerns around nuclear verdicts, social inflation, and claim severity. Management & Professional lines are more varied: Cyber shows decreasing pricing and increasing capacity, signaling a stabilizing market, while Employment Practices Liability is relatively flat across all indicators. Fiduciary and Pollution Liability remain challenged, with higher pricing and reduced coverage. Overall, the chart highlights a diverging marketplace where Property is easing, Casualty remains stressed, and Professional lines depend heavily on the specific exposure.

26-27 Underwriting Conditions for City of Riverside

Policy Type	Leading Underwriting Factors
Property	The City experienced a 1 st property loss in January of 2026 that exceeded the City’s deductible. Risk Management anticipates rates to have a slight impact on the City’s loss ratio with the incumbent carrier. Risk Management is exploring alternative coverages and deductible structures including the expansion of the current pollution liability program.
Property & Pollution for RPU’s Clearwater, Springs, and RERC plants.	Riverside Public Utilities continues to address improvement recommendations by the City’s primary carrier. Risk engineering reports consistently grade the City’s operations at each of the insured locations as “Better Than” industry operations.
Difference in Conditions	Risk Management anticipates receiving pricing indications that align with current rates and program structure.
General & Excess Liability	City anticipates renewing its underlying layer with the incumbent carrier. The City will consider various self-insured retention, coverage and quota-share program structures.
Excess Workers Compensation	Increases to the City’s premium are expected to be in proportion to payroll increases.
Aviation Hull & Liability	There are no changes to the assets on the aviation schedule with a total insured value of \$11,309,693. The City added two additional pilots to the City’s existing roster.
Airport Premises Liability	Risk Management anticipates receiving pricing indications that align with current rates and program structure.
Fine Arts- Museum	The City is exploring the modification of sub-limits assigned to specific covered locations. Risk Management anticipates receiving a renewal quote with minimal increases to the renewal premium.
Government Crime	Risk Management anticipates receiving pricing indications that align with current rates and program structure.
Cyber Liability	Risk Management anticipates receiving pricing indications that align with current rates and program structure.

Commercial Property Premium Range for 26-27

Line of Coverage	FY 25/26 Program Cost	Estimated Rate % Change	FY 26/27 Budget Estimates	Notes
Alliant Property Insurance Program (APIP) coverage includes Boiler & Machinery, Auto Physical Damage, Pollution, Flood	\$3,283,678.35	5% Rate Increase	\$3,771,351	APIP Estimates are based on TIV of \$1,876,884,728 inflated by 2.01% (\$1,914,610,111 estimated TIV at renewal binding)
		12% Rate Increase	\$4,022,774	

Excess Workers' Compensation (WC)

Excess WC Exposure Baseline				
	FY 23/24	FY 24/25	FY 25/26	FY 26/27
Payroll at Policy Inception	\$247,981,811	\$283,662,127	\$298,334,138	\$304,300,820
Audited Payroll	\$276,349,201	\$277,925,465	\$314,460,812	25-26 Audit to be completed Q4 of 2026
Difference Between Estimated Actual Payroll	\$28,367,390	\$-5,736,662	\$16,126,674	25-26 Audit to be completed Q4 of 2026
% Difference Between Estimated Actual Payroll	11%	-2%	5%	25-26 Audit to be completed Q4 of 2026
WC Rate	\$0.2357 per \$100 of Payroll	\$0.2357 per \$100 of Payroll	\$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 four 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 codes:

Class Code	Class Code Description
7424	Aircraft Operation -- Members of Flying Crew -- N.O.C.
7539	Electric Light or Power Companies -- All Operations -- Including Construction or Extension of Lines

Class Code	Class Code Description
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
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.

NOT-TO-EXCEED (NTE) BUDGETED PREMIUM PROJECTIONS

The not-to-exceed figures 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 2026. 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.

Description	FY 25/26 Actual Premiums Paid	FY 26/27 Maximum Projected Increases	FY 26/27 Projected \$ Increase from FY 25/26	FY 26/27 Budgeted Premiums	FY 26/27 Estimated Premiums
Citywide Property	\$3,283,678.35	12%	\$394,041.40*	\$4,022,774.00	\$3,771,351
Museum Fine Arts	\$31,645.00	5%	\$1,582.25	\$33,227.25	\$33,227.25
Broker Fee	\$53,795.00	5%	\$2,689.75	\$56,484.75	\$56,484.75
EXCESS WORKERS COMPENSATION	\$771,893.00	10%	\$77,189.30	\$849,082.30	\$849,082.30
AIRPORT INSURANCE (Airport Premises)	\$12,399.00	10%	\$1,239.90	\$13,638.90	\$13,638.90
AIRPORT HULL LIABILITY-POLICE AVIATION INSURANCE	\$161,453.00	10%	\$16,145.30	\$177,598.30	\$177,598.30
DIFFERENCE IN CONDITIONS - EXCESS EARTHQUAKE INSURANCE	\$113,310.50	10%	\$11,331.05	\$124,641.55	\$124,641.55
GENERAL LIABILITY INSURANCE	\$1,438,687.00	20%	\$287,737.40	\$1,726,424.40	\$1,726,424.40
EXCESS GENERAL LIABILITY	\$1,655,666.37	20%	\$331,133.27	\$1,986,799.64	\$1,986,799.64

Description	FY 25/26 Actual Premiums Paid	FY 26/27 Maximum Projected Increases	FY 26/27 Projected \$ Increase from FY 25/26	FY 26/27 Budgeted Premiums	FY 26/27 Estimated Premiums
STAND ALONE CYBER	\$268,583.10	10%	\$26,858.31	\$295,441.41	\$295,441.41
CRIME	\$25,259.00	10%	\$2,525.90	\$27,784.90	\$27,784.90
Pollution Liability for Co-Generation (RPU Only)	\$15,896.21	5%	\$794.81	\$16,691.02	\$16,691.02
PROPERTY AND BOILER & MACHINERY PROPERTY INSURANCE (Power Generation- RPU Only)	\$1,493,512.58	10%	\$149,351.26	\$1,642,863.84	\$1,642,863.84
Total	9,325,778.11		\$1,302,619.90	\$10,973,452.26	\$10,722,029.26

*The 26-27 Projected \$ increase from 25-26 includes the 5% potential increase to the base rate in addition to the increase in TIV.

Table Column Guide:

- **FY 25/26 Actual Premiums Paid-** The figures in this column represent the actual premium the City paid for existing policies that are set to expire on June 30, 2026.
- **FY 26/27 Maximum Projected Increases-** These percentages represent the estimates provided to the City by the City's brokers.
- **FY 26/27 Projected \$ Increase from FY 25/26-** The figures in this column represent the dollar amount increase that the City's brokers on marketing feedback received to date.
- **FY 26/27 Budgeted Premiums-** These figures were developed during the FY 2026-2028 Biennial Budget cycle and may not reflect underwriting conditions subsequent to the June 23, 2026 budget adoption.
- **FY 26/27 Estimated Premium -** This column represents the \$ amount that the City anticipates paying upon renewing each policy.

Insurance brokers are unable to provide more precise estimates until closer to the following year's renewal cycle, as carriers continue to work on closing claims from the expiring policy term and industry actuarial reports are still in development. Carriers are also still assessing their capacity and risk appetite for the upcoming renewal cycle. Due to 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 reserve the right to amend or rescind renewal quotes at any time before the City signs formal client authorizations to bind coverage. Insurance premiums are affected by broader program performance on a regional, national, and international level, in combination with the City's own loss experience and open claims. Updated premium amounts are anticipated to be finalized by July 1, 2026.

City staff continues to work with the City's insurance broker to negotiate the best possible terms based on a review of specimen policy forms, coverage, conditions, and pricing. Notwithstanding, City staff is seeking authority for an amount not to exceed \$12,330,333.65 (the 26-27 Estimated Premium plus 15% contingency) to finalize the insurance policy renewals for FY 2026/27.

2026 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 AP/IP 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 control insurance costs while maintaining adequate insurance protection includes a Self-Insured Retention (SIR) for certain policies. Under this approach, the City is responsible for the first \$3 or \$4 million of each claim as our self-insurance deductible. Currently, the City's General Liability program carries a \$4 million SIR, while the Workers Compensation insurance program has a \$3 million SIR. The City's other lines of insurance coverage have deductibles that range from no deductible to a \$500,000 deductible.

The City regularly reviews its policies to ensure that the City has the necessary coverage to protect its assets. Lower SIRs (\$1 million or \$2 million, for example) result in significantly higher insurance premium costs or are not offered by some insurance carriers. The City reviews its history and past use of the SIR to determine the most cost-effective and appropriate retention levels for each coverage line. This ensures prudent use of public funds while maintaining the financial resources necessary to manage potential liabilities. The Risk Management Division will continue to work with Keenan & Associates and negotiate the best possible coverages and premiums for the City of Riverside.

FISCAL IMPACT:

The total fiscal impact of this action is not to exceed \$12,330,333.65, which includes the City's estimated insurance premium of \$10,722,029.26 and a 15% contingency to account for potential changes and coverage enhancements that may be required during the fiscal year. The FY 2026/27 budget includes \$10,973,452.26 for insurance premiums across participating funds and departments.

The City's insurance broker continues to negotiate with various insurance carriers, and the final premium amounts will not be received until July 1, 2026. Based on current estimates, staff anticipates binding coverage within the adopted budget. However, the requested contingency provides flexibility to accommodate potential premium increases, changing market conditions, or coverage enhancements that may arise during the policy year (e.g., acquisition of additional property), without delaying the binding of essential coverage.

Staff is therefore requesting authority to bind coverage in an amount not to exceed \$12,330,333.65. Without contingency, the City may face delays in securing adequate coverage if market conditions shift or if additional coverage is required mid-year, as staff would need to return to the City Council for additional authorization. This could result in temporary coverage gaps or missed opportunities to respond promptly to emerging risk exposures. If the final costs exceed available appropriations and cannot be absorbed within departmental budgets, staff will return to City Council with a request for supplemental appropriation.

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