



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: JUNE 24, 2025**

**FROM: FINANCE- RISK MANAGEMENT** **WARDS: ALL**

**SUBJECT: ANNUAL INSURANCE RENEWALS INCLUDING, BUT NOT LIMITED TO, LIABILITY, PROPERTY AND EXCESS WORKER'S COMPENSATION – AMOUNT NOT TO EXCEED \$9,825,218 PLUS A 15% CONTINGENCY OF \$1,473,783 FOR A TOTAL AMOUNT NOT TO EXCEED \$11,299,001 FOR FISCAL YEAR 2025-2026.**

## **ISSUES:**

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, 2025, and ending June 30, 2026, for a total amount not to exceed \$11,299,001 (amount pending final negotiations with insurance carriers).

## **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, 2025, and ending June 30, 2026, for an amount not to exceed \$9,825,218;
2. Authorize a 15% contingency of \$1,473,783 for potential changes and coverage enhancements for a total amount not to exceed \$11,299,001; 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 \$11,299,001 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.

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.

### ***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>.

<b>Time Frame</b>	<b>Activity</b>
<b>January-February</b>	<ul style="list-style-type: none"> <li>• The City's Risk Management team meets with brokers 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 brokers distribute submissions to the marketplace and conduct 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> </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, 2025-2026.</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 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. The average cost of special event policies purchased between July 1, 2024, and May 15, 2025, was \$236.52.

**DISCUSSION:**

***2025-2026 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, we see some markets shifting towards soft market conditions while liability markets continue to support a hard market environment.

Soft Market	Hard Market
<ul style="list-style-type: none"><li>• More relaxed underwriting requirements</li><li>• Greater availability of quotes from insurance carriers</li><li>• More flexibility with deductibles and retention limits</li><li>• Potential for reduced premiums</li></ul>	<ul style="list-style-type: none"><li>• Increased underwriting involvement</li><li>• Fewer insurance carriers are available or willing to offer quotes</li><li>• Higher premiums and increased deductibles/retention limits</li><li>• Less competition among insurance carriers to bind new and renewal policies</li></ul>

***2025-2026 Marketing Overview***

During February 2025, 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 2025-2026 Property & Casualty Insurance Renewal Strategy.

***Excess Liability***

Underwriters continue to see increased claims frequency and severity. Factors impacting claim frequency include third-party litigation funding, aging infrastructure, and dissatisfaction in settlement offers.

- ❖ **Third Party Litigation Funding (TPLF)-** Refers to the action of involving a third-party financing entity to help fund litigation costs. TPLF allows investors to enter into agreements with plaintiffs and their attorneys where the investor will invest money and resources into a

lawsuit in exchange for a percentage of the settlement awards. This practice is vastly expanding as firms are seeking private equity investments to begin litigation.

- ❖ **Aging Infrastructure-** Aging infrastructure requires ongoing maintenance and oversight to prevent failures that can lead to severe consequences. These failures may result in serious injuries, fatalities, extensive property damage, financial losses, reputational harm, or even bankruptcy. The risks span across critical sectors such as energy production and distribution, water management, transportation—including roads, ports, and airports—and communication networks. Given the vital role these systems play in daily life, the repercussions of structural collapses or burst pipes can be profound, affecting communities and economies alike.
- ❖ **Dissatisfaction in Settlement Offers-** Many policyholders are rejecting initial settlement offers, arguing that the proposed amounts do not adequately cover their losses. When an offer is declined, insurers must reassess damages, as they are obligated to handle claims in accordance with good faith guidelines. In many instances, this leads to further negotiations, with insurers adjusting their offers to reach a fair resolution while aiming to avoid litigation costs and uncertainties. If an insurer stands by its original offer, they may request additional documentation from the policyholder to support their position.

Claim severity is influenced by factors such as social inflation, rising medical costs, and the increasing success of plaintiff attorneys driven by advertising. A higher frequency and severity of claims indicate they are not only occurring more often but also becoming more costly. Inflation remains a significant driver, pushing insurance carriers to seek premium increases to offset claim payouts and operational expenses, especially as investment portfolios experience fluctuations. As claims near retention thresholds, underwriters are likely to impose higher retentions and deductibles during policy renewals.

The City will have the option to renew coverage with the existing \$4M Self-Insured Retention (SIR), ensuring continuity at the current level. In addition, the incumbent carrier will provide an alternative quote with a \$5M SIR for the City's consideration as part of its evaluation of cost-effective options for the 2024–2025 period.

### ***Cyber Liability***

Ransomware losses remain a significant concern, ranking as the top cybersecurity threat for businesses. In response, select U.S. markets are incorporating exclusions for 'widespread events' or 'catastrophic first-party losses' in policy renewals. While some ransomware and data extortion attacks are politically driven, financial motives continue to drive the majority. Compared to previous years, fewer attacks now involve data encryption (locking). London underwriters are uniformly adopting proprietary Lloyd's war exclusion language, and the industry anticipates a rise in state and federal regulations, along with increased cyber-related enforcement actions.

### ***Riverside Police Department (RPD) Aviation Hull & Liability Policy***

The increased values from FY 22-23 to FY 23-24 are due to the City's purchase of two new Airbus H125 helicopters, with a combined total insured value (TIV) of \$11,309,693. The City submitted an endorsement request to remove disposed assets from the 24-25 policy, leaving only the two 2022 Airbus H125 units requiring coverage.

Policy Description	22-23	23-24	24-25	25-26
<b>RPD AVIATION Insured Values</b>	\$ 3,622,000	\$ 13,759,070	\$11,309,693	\$11,309,693
<b>TIV % Change</b>	0.00%	279.87%	-17.80%	0.00%

The City anticipates renewing coverage with the incumbent carrier.

### ***Citywide Commercial Property***

Underwriters and insurance carriers continue to conduct comprehensive assessments of client Statement of Values (SOV), Construction, Occupancy, Property, and Exposure (COPE), as well as Inflation to Value (ITV) amid rising construction costs. Property carriers are responding by increasing retentions and setting caps on certain risks, such as windstorms and severe convective storms. Projected rate increases will largely depend on Wind Season trends, conditions in the Reinsurance Market, and individual client loss histories. Programs that have not undergone changes over the course of the last few cycles may face additional underwriting scrutiny. Separate, increased water damage deductibles are also trending among the underwriting community as natural disasters continue to contract market capacity.

### ***California Wildfires of 2025***

It is estimated that 17,000 structures were either damaged or destroyed during the 2025 California wildfire season. Experts believe that a combined total of 40,000 acres burned across all California 2025 fires. A midpoint assessment of all damage was conducted and insured losses are estimated at \$32.5B with an average of \$1.9M per claim and a total economic loss of \$250B-\$275B. The Los Angeles fires are expected to have significant consequences for both the insurance and reinsurance markets. Insured losses could exceed \$50B. A large portion of the damage may be uninsured, highlighting the growing coverage gap.

<b>PROPERTY UNDERWRITING VALUES BASELINE</b>				
Description	22-23	23-24	24-25	25-26
<b>Total Insured Values (TIV)</b>	\$ 1,614,801,622	\$ 1,712,345,114	\$ 1,795,162,440	\$ 1,876,884,728
<b>Account Rate per \$100</b>	0.13658160	0.17938320	0.18814290	0.1749537
<b>Rate % Change</b>	7.14%	31.34%	4.88%	6.73%
<b>TIV % Change</b>	28.68%	6.04%	4.84%	4.55%

After multiple years of a difficult property market with double digit rate increases, the property market is significantly improving as we approach the 7/1/2025 – 2026 Alliant Property Insurance Program (APIP) renewal. The City has explored alternative stand-alone policy options, but APIP has remained the most comprehensive and cost-effective option for the City. APIP has advised the Risk Management team that the California wildfires are not expected to increase the City's 2025–2026 property insurance premium by more than 5%.

The City's Risk Management team received the 25-26 APIP Property renewal proposal on June 4, 2025. This year, APIP's All-Risk coverage limits increased from \$1 billion to \$1.2 billion and the City's renewal rate for fiscal year 2025-2026 has been set at 0.1749—marking a 6.73% decrease from the previous year's rate of 0.1875. As a result, the reduction in rate has led to a 2.49% overall decrease in premium costs, amounting to \$84,000 less in total premium owed compared to the amount paid for FY 2024-2025. The City's Risk Management team will finalize all policy terms, conditions, including potential coverage enhancements before July 1, 2025.

### ***Riverside Public Utilities Property Coverage for Property Generation Facilities***

The City has a separate property placement for the Riverside Energy Resource Center (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 City has successfully satisfied multiple Risk Improvement Actions (RIA's) issued by the City's carrier and will continue to address sensitive RIA's that will reduce hazards and safeguard City assets within these power generating plants.

- The Clearwater Plant has replaced CO<sub>2</sub> high pressure hoses. The team has also generated an RFP to have an ARC Flash study (incident energy analysis) performed. Other items still in progress include the addition of multiple pressure switches to the steam turbogenerator emergency bearing oil pump to eliminate single points of failure, installing flange guards on the lube oil system piping to eliminate spray-fire hazards, and drafting an additional RFP to perform smoke tests of the combustion turbine compartments.
- The Springs Plant performed breaker maintenance and testing of the multifunction relays protecting the transformers and generators and issued an RFP for ARC Flash study. Items still in progress are GSU transformer electrical testing and borescope testing on all four units.
- RERC has completed station battery discharge testing and issued RFPs for ARC Flash Study and for Cable Electrical Inspection and Testing. Items in progress are transformer electrical testing and maintenance and establishing an impairment program for the fire protection systems.

The City anticipates receiving a competing quote from an alternative market for the FY 25-26 renewal cycle. Risk Management will evaluate all quotes and select the most adequate option for the City.

### ***Excess Workers Compensation (WC)***

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. Cost drivers resulting in increased claims severity include medical technology, accident survivability, longer life expectancies, presumption laws, and comorbidities.

<b>EXCESS WORKERS COMPENSATION EXPOSURE BASELINE</b>				
	<b>22-23</b>	<b>23-24</b>	<b>24-25</b>	<b>25-26</b>
<b>PAYROLL ESTIMATES</b>	\$ 247,981,811	\$ 283,662,127	\$ 298,334,138	\$ 304,300,820

EXCESS WORKERS COMPENSATION EXPOSURE BASELINE				
	22-23	23-24	24-25	25-26
<b>AUDITED PAYROLL</b>	\$ 276,349,201	\$ 277,925,465	24-25 Audit to be completed Q4 of 2025	25-26 Audit to be completed Q4 of 2026
<b>\$ Difference Between Estimated &amp; Actual Payroll</b>	(28,367,390)	\$ 5,736,662	24-25 Audit to be completed Q4 of 2025	25-26 Audit to be completed Q4 of 2026
<b>% Difference Between Estimated &amp; Actual Payroll</b>	11%	-2%	24-25 Audit to be completed Q4 of 2025	25-26 Audit to be completed Q4 of 2026
<b>WC RATE</b>	\$0.2357 per \$100 of Payroll	\$0.2357 per \$100 of Payroll	\$0.2357 per \$100 of Payroll	Pending as of May 21, 2025

*\*The City received a return premium of \$13,522.00 in FY 24-25 following the FY 23-24 workers' compensation audit, due to overreported payroll when the policy was bound.*

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 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
8810	Clerical Office Employees -- N.O.C.
8838	Museums -- All Employees -- Including Clerical Office Employees
9403	Garbage, Ashes or Refuse Collecting



<b>Class Code</b>	<b>Class Code Description</b>
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 an additional premium.

### ***Crime, Museum Fine Arts, RPU Pollution, Excess DIC, & Airport Premises***

The City continues to maintain a favorable loss profile relative to other public entities. The City anticipates flat renewals for RPU's RERC, Springs, and Clearwater's Pollution Liability policy and the Museum's Fine Arts policy. Flat renewals are renewals that are bound with the same premium cost as the existing policy term meaning that the City will pay the same cost for the policy as it did for the current term. The City anticipates premium increase of less than 1% for the Crime policy and between 5 to 10% on all other ancillary lines of coverage.

Risk Management continuously explores alternative policies that enhance the City's insurance coverage and will be seeking quotes for Active Assailant coverage for the 25-26 policy renewal cycle.

### **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 2025. 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>24-25 Actual Premiums Paid</b>	<b>25-26 Maximum Projected Increases</b>	<b>25-26 Projected \$ Increase from 24-25</b>	<b>25-26 Budgeted Premiums</b>	<b>25-26 Estimated Premium</b>
Broker Fee	\$51,975.00	3.50%	\$1,819.13	\$68,267.00	\$53,794.13
EXCESS WC	703,174.00	10%	70,317.40	898,590.00	773,491.40
AIRPORT INSURANCE	12,038.00	10%	1,203.80	16,470.00	13,241.80
GENERAL LIABILITY	1,169,458.00	20%	233,891.60	636,210.00	1,403,349.60
EXCESS GENERAL LIABILITY	1,337,930.00	20%	267,586.00	1,528,390.00	1,605,516.00

Policy Description	24-25 Actual Premiums Paid	25-26 Maximum Projected Increases	25-26 Projected \$ Increase from 24-25	25-26 Budgeted Premiums	25-26 Estimated Premium
POLLUTION for RPU PLANTS	23,672.59	Flat	No Change	28,690.00	23,672.59
CRIME	25,116.00	0.50%	125.58	33,560.00	25,241.58
STAND-ALONE CYBER LIABILITY	282,739.90	5%	14,137.00	349,390.00	296,876.90
EXCESS EARTHQUAKE INSURANCE (DIC)	115,890.00	10%	11,589.00	150,430.00	127,479.00
PROPERTY & B&M RPU PLANTS	1,443,397.31	10%	144,339.73	1,962,240.00	1,587,737.04
APIP PROPERTY	3,367,682.46	5% Rate Increase on top of increased TIV	*329,357.54	4,168,360.00	3,697,040.00
MUSEUM FINE ARTS	31,645.00	Flat	No Change	38,350.00	31,645.00
AIRPORT HULL LIABILITY- POLICE AVIATION INSURANCE	169,212.00	10%	16,921.20	321,990.00	186,133.20
<b>Total</b>	<b>\$8,733,930.26</b>		<b>\$1,091,287.98</b>	<b>\$10,120,937.00</b>	<b>\$9,825,218.24</b>

*\*The 25-26 Projected \$ increase from 24-25 includes the 5% potential increase to the base rate in addition to the increase in TIV.*

#### Table Column Guide:

**24-25 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, 2025.

**25-26 Maximum Projected Increases-** These percentages represent the estimates provided to the City by the City's brokers.

**25-26 Projected \$ Increase from 24-25-** The figures in this column represent the dollar amount increase that the City's brokers on marketing feedback received to date.

**25-26 Budgeted Premiums-** These figures were developed during the FY 2024-2026 Biennial Budget cycle and may not reflect underwriting conditions subsequent to the June 25, 2024 budget adoption.

**25-26 Estimated Premium -** This column represents the \$ amount that the City anticipates paying upon renewing each policy.

#### **24-25 Excess Liability Renewal Outcome & Underwriting Impact for 25-26 Insurance Cycle**

During the 2024–2025 renewal cycle, the City's Self-Insured Retention (SIR) for tort liability claims increased from \$3 million to \$4 million, as required by the sole quoting insurer. The SIR represents the portion of each claim that the City is directly responsible for paying to a single claimant. The SIR adjustment had a material impact on the 2024–2025 premium, which was formally

documented by the Council on July 16, 2025, when it ratified the increase to a \$4 million SIR. The 2025–2026 budgeted premiums for the City’s General Liability and Excess programs do not account for the 2024–2025 underwriting conditions or the actual premiums paid, as the City relied on historical data to project costs for the upcoming cycle. The City will incorporate the insurance premium results from both fiscal years 2024–2025 and 2025–2026 for future premium forecasts during the next biennial budget cycle.

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, 2025. 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 \$11,299,001 (the 25-26 Estimated Premium plus 15% contingency) to finalize the insurance policy renewals for FY 2025/26.

### ***2025 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 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 \$250,000 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 loss 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.

## **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 total fiscal impact of this action is not to exceed \$11,299,001, which includes the City's estimated insurance premium of \$9,825,218 and a 15% contingency to account for potential changes and coverage enhancements that may be required during the fiscal year. The FY 2025/26 budget includes \$10,120,937 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, 2025. 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 \$11,299,001. Without the 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.

Prepared by: Jackie 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/Treasurer  
Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney