

TO: Andrew P. Powers, City Manager

FROM: Tim Giles, Human Resources Director

DATE: June 18, 2024

SUBJECT: City Insurance Renewals

RECOMMENDATION:

1. Authorize City Manager or designee to purchase insurance policies for excess liability, deadly weapon response, contractual liability insurance, aircraft (drone), excess workers' compensation, government crime, property, and earthquake, for the term of July 1, 2024, through June 30, 2025.
2. Authorize expenditure in an amount not to exceed \$900,000 for FY 2024-25 from A/C #711-0520-686-6312 (Internal Service Fund, Liability) for payment of premiums for renewals of excess liability insurance, deadly weapon response insurance, contractual liability insurance and aircraft (drone) insurance.
3. Authorize expenditure in an amount not to exceed \$145,000 for FY 2024-25 from A/C #712-0520-686-6321 (Internal Workers Compensation Fund) for renewal of excess workers' compensation insurance.
4. Authorize expenditure in an amount not to exceed \$5,000 for FY 2024-25 from A/C #001-0520-612-6340 (Internal Service Fund, Liability) for renewal of government crime insurance.
5. Authorize expenditure in an amount not to exceed \$2.2 million for FY 2024-25 from the General Fund, Library Fund, ECTA Fund, Landscape Fund, Water Fund, Wastewater Fund, Transportation Fund, and Solid Waste Fund for property insurance and for Difference in Conditions (earthquake) insurance.
6. Approve additional budget appropriation in the amount of \$76,900 for property insurance and Difference in Conditions (earthquake) insurance as follows: \$16,100 from A/C #611-0000-341-9900 (Water Fund, Net Position) to A/C #611-5010-686-6330 (Water Fund, Property); \$34,800 from A/C #621-0000-341-9900 (Wastewater Fund, Net Position) to A/C #621-5010-686-6330 (Wastewater, Property); and \$26,000 from A/C #110-0000-311-1000 (Library Fund, Fund

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Balance) with \$22,100 to A/C #110-7010-673-6330 (Library Fund, Thousand Oaks Library, Property) and \$3,900 to A/C #110-7410-673-6330 (Library Fund, Newbury Park Library, Property).

7. Find that this action is not a project as defined under the California Environmental Quality Act.

LEVINE ACT ITEM: Yes

FINANCIAL IMPACT:

\$76,900 Increase to Adopted FY 2024-25 Budget (Various Funds). \$76,900 additional budget appropriations are necessary in the Water Fund, Wastewater Fund, and Library Fund. \$3,173,100 of the \$3,250,000 is already included in the Adopted FY 2024-25 General Fund, Library Fund, ECTA Fund, Landscape Fund, Water Fund, Wastewater Fund, Transportation Fund, Solid Waste Fund, and Internal Service Fund Budgets for payment of the excess liability, deadly weapon response, contractual liability insurance, aircraft (drone), excess workers' compensation insurance, government crime, property, and earthquake policies. Premium costs shall be proportionately allocated to each respective fund.

BACKGROUND:

The Human Resources Department is responsible for managing the risk of City operations. This includes the purchase of insurance policies to mitigate such risks. Purchasing insurance helps protect the City from potential loss which could result from liability claims, automobile accidents, cyber-attacks, and/or workers' compensation injuries. Staff identifies opportunities to mitigate potential risk and analyzes the coverage needed to minimize adverse impacts of potential exposure.

The City procured the following types of insurance under staff level purchasing authority: deadly weapon response, contractual liability insurance, aircraft (drone), and government crime.

The City is currently self-insured for liability up to \$1.0 million per occurrence plus a \$1.0 million self-insurance "corridor" limit which is a one-time annual exposure and not on a per occurrence basis. The City purchases excess liability coverage up to a \$25.0 million aggregate limit. The City is also self-insured for workers' compensation, assuming responsibility for the first \$0.5 million in claim expense per injury, per employee.

Since 2003, the City has utilized Alliant Insurance Services, Inc. (Irvine, CA) for the City's insurance purchase needs. Alliant specializes in representing the needs of public agencies. Alliant provides the City with insurance brokerage services by

assisting staff in marketing insurance needs and identifying the best insurance options available for the City. Additionally, they help to ensure all viable policy options are considered and perform typical brokerage services such as underwriting, marketing, and placing various lines of insurance.

DISCUSSION/ANALYSIS:

The City continues to face an increasingly complex array of risks and remains aggressive in pursuing a variety of insurance coverage to best meet the City's needs. To assist in the analysis of policies available at the best cost and value for the City, Alliant markets and obtains proposals directly from carriers in the insurance market, as well as provides options for insurance purchases via joint purchase agreements and risk-sharing pools.

The City has received written proposals for deadly weapon, contractual liability insurance, aircraft (drone), excess workers' compensation, and government crime insurance, earthquake, and property insurance and is currently in the process of receiving finalized, written proposals for excess liability.

Insurance policies are proposed after Alliant completes the extensive marketing, vetting, and negotiation of bid proposals. However, to assure the ability to make timely decisions to bind insurance coverage prior to the expiration of the existing policies, staff is seeking City Manager, or designee, authority to purchase insurance policies. Overall, insurance premiums are anticipated to increase in response to insurance carriers experiencing billions of dollars in losses due to worsening climate disasters, increases in claims, and surging inflation. The following list of insurance policy renewals are proposed:

Excess Liability Insurance

Pending final written proposals, staff is recommending continuing to purchase excess liability insurance through Public Risk Innovation, Solutions, and Management (PRISM). For the purpose of this report, Alliant has provided premium cost estimates in an amount up to \$900,000, an anticipated increase of approximately 50.00 percent for maintaining the City's previous coverage. This would entail a coverage limit of \$25.0 million, a self-insured retention (SIR) of \$1.0 million, and utilizing a \$1.0 million Individual Member Corridor Deductible (IMCD). An IMCD is a tool that allows for a limited amount of risk above the self-insured retention in exchange for a significant premium discount. The City does not have any claim filings in the last 10 years that have exceeded the \$1.0 million SIR, which would have activated such an IMCD if it had been in place during those policy years. However, as the cost of litigation and the value of cases continue to increase, the City is facing an increasing number of claims that potentially could exceed the self-insurance limits. Alliant has identified an option for the City to move to a SIR of \$2.0 million. The final numbers are not available at the time of printing

this report. However, the estimated premiums would result in a substantial cost savings to the City.

Excess Workers' Compensation Insurance

Coverage for excess workers' compensation has been provided by Arch Insurance Company with coverage up to the limits prescribed by statute for costs exceeding the City's self-insured retention of \$0.5 million. The City's excess workers' compensation insurance premium is based on the City's payroll and will vary as the City's payroll changes. The rate has increased by 13.78 percent due to estimated payroll increases for FY 2024-25. Staff recommends purchasing excess workers' compensation insurance from Arch Insurance Company and is requesting contracting authority not to exceed \$145,000.

"All Risk" Property Insurance

Pending final, written proposals, staff recommends continuing to purchase property insurance with the Alliant Property Insurance Program (APIP), which includes cyber and flood hazards. APIP is a municipal joint purchasing group that combines cities/agencies under one insurance program to provide a broad level of coverage with the benefit of premium discounts. It is recommended that the City maintain property insurance coverage through the APIP program with a standard deductible of \$10,000, with a deductible of \$25,000 for vehicles. Property insurance premiums are anticipated to increase by up to 7.00 percent due to significant losses in the property insurance market related to claims from natural disasters like hurricanes, wildfires, and floods. Staff is requesting contracting authority not to exceed \$1,550,000.

"Earthquake" Property Insurance

A "differences in conditions" policy covers earthquake damage to property. The insurance is placed with Arrowhead and is distributed amongst three carriers. It is recommended that the City maintain this separate policy for \$50.0 million in earthquake coverage outside of the APIP program. The earthquake insurance premium is expected to increase by up to 8.11 percent due to rising market costs. Staff requests contracting authority not to exceed \$650,000.

LEVINE ACT (California Government Code § 84308):

This item is subject to the Levine Act. City Councilmembers who have received a campaign contribution of more than \$250 (aggregated) within the preceding 12 months from a party or their agent/representative, or a financially interested participant involved in this proceeding may do either of the following: (1) disclose the contribution on the record and recuse themselves from this proceeding; or if applicable (2) return the portion of the contribution that exceeds \$250 within 30 days from the time the official knew or should have known about the contribution, and participate in the proceeding.

All parties and their agents/representatives must disclose on the record of this proceeding any aggregated contribution of more than \$250 made to any Councilmember within the preceding 12 months. Councilmembers are prohibited from accepting, soliciting, or directing a campaign contribution of more than \$250 (aggregated) from a party, their agent/representative, or a financially-interested participant during a proceeding and for 12 months following the date a final decision is made. In addition, a party, their agent/representative, or a financially interested participant is prohibited from contributing more than \$250 (aggregated) to a Councilmember during a proceeding and for 12 months following the date a final decision is made.

COUNCIL GOAL COMPLIANCE:

Meets the following City Council goal:

C. Operate City government in a fiscally and managerially responsible and prudent manner to ensure that the City of Thousand Oaks remains one of California's most desirable places to live, work, visit, recreate, and raise a family.

PREPARED BY: Linda Quezada, Assistant HR Analyst