

**TO:** Andrew P. Powers, City Manager

**FROM:** Tim Giles, Human Resources Director

**DATE:** June 20, 2023

**SUBJECT: FY 2023-24 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, 2023, through June 30, 2024.
2. Authorize expenditure in an amount not to exceed \$678,600 from A/C #711-0520-686-6312 (Internal Service Fund, Liability) as follows: \$664,200 for payment of premiums for excess liability insurance, \$7,600 for renewal of deadly weapon response insurance, \$5,500 for renewal of contractual liability insurance, and \$1,300 for renewal of aircraft (drone) insurance.
3. Authorize expenditure in an amount not-to-exceed \$115,100 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 \$4,900 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 \$2,097,900 from the General Fund, Library Fund, ECTA Fund, Landscape Fund, Water Fund, Wastewater Fund, Transportation Fund, and Solid Waste Fund as follows: \$1,502,100 for property insurance, and \$595,800 for Difference in Conditions (earthquake) insurance.
6. Approve additional budget appropriation in the amount of \$212,700 for property insurance and Difference in Conditions (earthquake) insurance as follows: \$44,400 from A/C #611-0000-341-9900 (Water Fund, Net Position) to A/C #611-5010-686-6330 (Water Fund, Property); \$96,300 from A/C #621-0000-341-9900 (Wastewater Fund, Net Position) to A/C # 621-5010-686-6330 (Wastewater,

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Property); and \$72,000 from A/C #110-0000-311.1000 (Library Fund, Fund Balance) with \$61,200 to A/C # 110-7010-673-6330 (Library Fund, Thousand Oaks Library, Property) and \$10,800 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.

**FINANCIAL IMPACT:**

**\$212,700 Increase to Adopted FY 2023-24 Budget (Various Funds).** \$212,700 Additional budget appropriations are necessary in the Water Fund, Wastewater Fund, and Library Fund. \$2,683,800 of the \$2,896,500 is already included in the Adopted FY 2023-24 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 is self-insured for liability up to \$1.0 million per occurrence and 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. On July 1, 2022, Alliant was re-selected to serve as the City's insurance brokerage. Alliant specializes in representing the needs of public agencies. Alliant provides the City with insurance brokerage services by assisting Staff in marketing our insurance needs and identifying the best insurance options available for the City. Additionally, they help to ensure that 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 and is currently in the process of receiving finalized, written proposals for earthquake, excess liability, and property insurance. 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 by up to 38 percent. Increasing rates are 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), with 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. Staff requests contracting authority in a not-to-exceed amount of \$664,200; an anticipated increase of approximately 17 percent instead of the 50 percent increase without the IMCD option. As a pooled-authority, unused premiums are returned to participating members, or a call for additional premiums could exist in the extremely unlikely event that covered losses exceed pooled premiums collected.

**Deadly Weapon Response Program**

The City participates in the Alliant Deadly Weapons Response Program, which provides coverage up to \$0.5 million for resources in the event of a deadly weapon incident. This includes costs such as counseling support and loss of use for vehicles or facilities that may be unavailable during a criminal investigation in a covered incident. Staff recommends continuing participation in the Alliant Deadly

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Weapon Response Program. Staff is requesting contracting authority not to exceed \$7,600.

### Contractual Liability Insurance

The Covenants, Conditions, and Restrictions (CC&Rs) associated with the Newbury Park Library and adjoining parking lot require the City to maintain insurance for the common and parking areas for the entirety of the lot. This includes three non-City-owned parcels. Contractual liability insurance policies help fulfill our obligation associated with the CC&R requirements. The cost of this coverage is proportionally allocated, by the Finance Department, between the City's parcel and the three adjoining private parcel owners. Alliant marketed coverage to various insurance providers and determined our coverage was best placed with Travelers Property Casualty Company of America. Staff is requesting contracting authority not to exceed a premium total of \$5,500.

### Aircraft (Drone) Insurance

Unmanned aircraft insurance for drones is a type of coverage intended to protect the aircraft itself as well as the aircraft owner (City) against claims due to damage to personal property or accidental injury. The City utilizes drones for various film production and inspection needs. Staff recommends continuing to purchase unmanned aircraft insurance via Alliant, with a not-to-exceed premium of \$1,300.

### 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 6 percent due to expected market increases for FY 2023-24. Staff recommends purchasing excess workers' compensation insurance from Arch Insurance Company and is requesting contracting authority not to exceed \$115,100.

### Government Crime Insurance

Staff recommends continuing to purchase government crime insurance through Alliant with a standard deductible amount of \$2,500 and a \$1.0 million limit. Government crime insurance coverage is broad and includes items such as theft, forgery, and/or fraud. The rate has increased by 5 percent. Staff is requesting contracting authority not to exceed \$4,900.

### "All Risk" Property Insurance

Pending final, written proposals, Staff is currently recommending 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 45 percent due to significant losses in the property insurance market due to claims from natural disasters like hurricanes, wildfires, and floods. Staff is requesting a contracting authority not to exceed \$1,502,100.

"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 60 percent due to rising market costs. Staff is requesting contracting authority not to exceed \$595,800.

**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:** Brian O'Neill, Assistant Human Resources Analyst