



Legislation Text

File #: 17-276, **Version:** 1

AUTHORIZATION TO RENEW FISCAL YEAR 2017-18 PROPERTY, LIABILITY AND WORKERS' COMPENSATION INSURANCE/EXCESS INSURANCE

Staff Contact: Jim Brown, Director, Human Resources and Risk Management

Purpose and Recommended Action

This is a request for City Council to authorize staff to purchase property, liability and workers' compensation insurance and/or self-insurance for FY 2017-18 in an amount not to exceed \$1,591,946.

Background

City of Glendale Ordinance, Chapter 2, Administration, Article 5. Financial Affairs, Division 5. Risk Management Trust Fund, Section 2-207 and Division 6 Workers' Compensation Trust Fund, Section 2-219 provides that "The city risk manager, acting for the city manager, is authorized to enter into, on behalf of the city, any appropriate commercial insurance, alternative risk financing and surety bonding contracts to provide such risk insurance as determined to be in the best interests of the city".

Staff has worked with our broker, Alliant Insurance Services on the renewals. Alliant has been placing insurance for cities for over 25 years. Their insurance placements include all lines of coverage placed through a proprietary group purchase program for public entities across the United States. Placement is underwritten and priced on a group basis without sharing the risks of the entire group.

Analysis

Alliant obtained quotations for excess or commercial insurance as follows: workers' compensation and employers' liability, property coverage including auto physical damage, cyber, boiler and machinery, pollution, crime and builders risk, excess liability coverage including automobile, general, errors and omissions, employment practices, employee benefits and commercial insurance for airport, deferred compensation committee fiduciary liability and a special liability policy for Glendale Regional Public Safety Training Center (GRPSTC). Except for excess liability, the quotes for all coverage remained flat based upon the same terms and conditions but with some changes in values, payroll and total employees. The excess liability increased 29% due to the current atmosphere involving policing activities and our loss experience.

Attached is the Renewal Projections Spreadsheet that lists each type of coverage, the expiring costs and the estimated costs. The total projected not to exceed cost for property, liability and worker's compensation coverage for FY 2017/18 is \$1,591,946 versus \$1,372,618 for last fiscal year. Alliant will continue to work with the carriers to obtain additional reductions prior to binding the policies.

Property Insurance

The policy provides coverage for damage to city assets up to \$1,000,000,000 with varying deductibles. Our “all risk” deductible on property is \$100,000, except for flood which is \$500,000, automobile physical damage is \$25,000 and unscheduled property (tunnels, bridges, dam’s roads, streets, sidewalks, traffic signals, etc.) is \$500,000.

The property coverage also provides limited coverage for pollution liability for all above and underground storage tanks, seepage and contamination, cost of clean-up for pollution and mold for NEW conditions found. Our current coverage for underground storage tanks is self-insured up to \$750,000 and is excess any other insurance. This coverage does not meet the financial assurance requirements of ADEQ since we self-insure the first \$750,000, but is accepted by ADEQ. Our current policy does not provide coverage for existing asbestos and lead based paint.

The final quote for property insurance is \$377,192 compared to \$373,105 for the prior FY. The city’s total insured property values are \$773,474,356 which is an .8% increase from the prior year due to a slight increase in property values. The coverage terms and conditions remained the same. The property market has been soft this year with underwriters willing to provide decreases based on the lack of catastrophe losses. For insureds, like us, who have had several large property losses in the past couple of years, our premium remained flat.

The property coverage includes cyber liability. There is coverage for information security and privacy liability, regulatory defense and penalties, website media content liability, cyber extortion loss, data protection loss and business interruption with separate \$2,000,000 aggregate limits. Privacy notification costs have a sublimit up to \$1,000,000 and PCI Fines and Penalties up to \$100,000. The coverage is subject to a \$25,000,000 Alliant cyber program aggregate. The City has a \$100,000 deductible. The cyber program aggregate is for all insureds in the pool and for all claims made against the policy. One large loss or multiple losses in one year by the pooling group could use up the total aggregate limit of insurance.

We obtained a quotation for enhanced cyber liability that provides coverage for notification costs that are not subject to the \$25,000,000 program aggregate, provides a lower deductible and no monetary cap for credit monitoring and call center services. The estimated cost of the enhanced coverage is \$25,169 compared to \$23,969 for the prior fiscal year. The coverage is based upon the City’s total operating budget. The deductible is reduced from \$100,000 per occurrence to kick in after 100 individuals have been notified. The average cost of notification is \$295. The deductible would be reduced to approximately \$29,500. This addition provides up to 250,000 per person notification services.

The city purchases crime insurance which provides protection for the city’s money and securities up to \$10,000,000 in limits with a \$50,000 per occurrence deductible. Due to an increase in the total employee count the premium increased slightly. The total not to exceed cost is \$31,375 compared to \$28,523 for the prior fiscal year. The city also purchases a fiduciary liability policy which covers the Deferred Compensation Plan/Deferred Compensation Committee with \$5,000,000 limits with a \$5,000 deductible. Due to an increase in the total funds contributed, the premium increased slightly. The total not to exceed cost is \$14,243 compared to \$12,948 for the prior fiscal year.

The city purchases a public employee blanket bond (required by ordinance) which covers the Risk Management and Workers’ Compensation Trust Fund board with limits to \$10,000. The policy cost \$180, same as the expiring policy.

We are recommending renewing with Alliant's Property Insurance Program as detailed above not to exceed \$448,159 (last fiscal year total costs were \$438,725).

Excess Liability

The city's excess liability insurance provides coverage on an occurrence basis up to a \$50,000,000 limit with a \$1,000,000 self-insured retention (SIR). This means that the first \$1,000,000 of each occurrence is for the City to pay. Last fiscal year's carriers were AmTrust who provided the first layer of coverage up to \$10,000,000 with Navigators Specialty Insurance providing the second layer up to \$15,000,000 and Arch Insurance Company providing the third layer up to \$25,000,000. AmTrust has been placed on AM Best watch list and is expected to pull out of the public entity market. Thus, staff asked Alliant to send bids out to market for quotations.

For the primary layer, \$10,000,000 excess our \$1,000,000 SIR, Alliant marketed to 13 carriers who have the potential to underwrite a program of this size. See attached Marketing Report. Out of those carriers, we have received three quotations as follows:

Alliant Municipal Liability Program	\$858,226	Primary \$10M Excess(XS) \$1M SIR
(Great American)	\$402,000	\$40M XS above primary \$402,000 through Navigators and Arch Last fiscal year \$691,217 all layers
Total estimated premium all layers	\$1,260,226	Prices are actuarial driven, very conservative, loss history 1 st layer 82% increase from expiring police atmosphere/environment
Munich Re American Risk	\$994,080	\$10M limits; \$20M annual agg. for Law enforcement liability, Sexual abuse, sexual harassment and wrongful acts
	\$402,000	\$40M XS above primary \$402,000
Total estimated premium all layers	\$1,396,080	
Safety National (<u>also excess WC Carrier</u>)	\$474,777	Primary layer \$10M XS \$1M SIR Coverage limits not as broad Genl/Auto \$2M occ/\$4M agg Public Officials/Emp. Prac. \$2M/\$4M Aggregates XS above \$8M with \$3M annual agg for sexual abuse and molestation Total \$10M primary layer
	\$420,000	\$40M XS above primary \$420,000

Total estimated premium all layers **\$894,777**

higher, may have to drop to primary
to fill in above aggregate limits
2nd year offering program

The quotes provided above are not to exceed numbers. We are recommending placing the excess liability coverage with Safety National at a not-to-exceed cost of \$894,777 compared to \$691,217 last FY or an increase of \$203,506. Alliant will continue working with the carriers to see if further discounts can be obtained. We expect final firm quotes by mid to end of June.

The city purchases a separate airport owners and operator's general liability policy with \$20,000,000 in limits on an occurrence basis including bodily injury and property damage liability, products and completed operations, personal injury and advertising injury, hangar keepers, non-owned aircraft liability, and fire damage liability. This policy is needed to provide coverage for the airport operations hazards which are not covered in the excess liability policy. There is no self-insured retention and no deductible. The carrier held the premium at \$7,800, which is the same as last year.

The city also purchases a small liability insurance policy to protect the Glendale Regional Public Safety Training Center (GRPSTC) with \$2M in limits and a \$5,000 deductible. This facility partners with five public entities (City of Surprise, City of Peoria, City of Avondale and Maricopa County Community College District) who use and share the costs based upon their agreements with the City. The total cost sharing of all other entities does not exceed 25% of the facility costs. Since this facility is used by all partners and the costs shared, we recommend continuing to purchase this separate insurance policy. The carrier has paid one claim for a trip and fall injury amounting to \$125,000 plus their cost of attorney's fees. The City paid, and shared the cost, of the \$5,000 deductible. If not for this policy, the City would have paid the claim plus legal fees less the 25% cost sharing. Adding this exposure into the self-insurance pool would increase the premium paid by the department and have an impact on the general fund. The not to exceed quote is \$5,622 and the expiring is \$5,111. This coverage does not renew until September 29, 2017.

We are recommending renewing the Liability Program as detailed above not to exceed \$908,199. (last fiscal year costs were \$704,128).

The property and liability insurance premiums are paid from the Risk Management Trust Fund. For the coverages described above, the total not to exceed premium for both property and liability is \$1,356,358. This amount is included in the budget being proposed to City Council. Last FY total premium was \$1,142,853, an estimated increase of \$213,505 over last year.

Excess Workers' Compensation

Alliant obtained a quote from the incumbent carrier, Safety National for statutory excess workers' compensation coverage with an \$800,000 self-insured retention and employer's liability with limits up to \$2,000,000. Last year Safety National provided a two-year rate guarantee of 0.188 per \$100 of payroll. Payroll is estimated at \$125,312,870 and is based upon a 2.5% payroll increase over last fiscal year. The projected not to exceed cost for this coverage is \$235,588 versus \$229,765 for last fiscal year. We recommend placing the coverage with Safety National not to exceed \$235,588.

The workers' compensation premiums are paid from the Worker's Compensation Trust Fund. The total not to

exceed premium for workers' compensation is \$235,588 compared to \$229,765 last FY. This amount is included in the budget being proposed to City Council.

The Risk Management and Workers' Compensation Trust Fund Boards met on June 1, 2017 and recommends City Council approve the purchase of the insurance/excess insurance for property, liability and workers' compensation programs not to exceed \$1,591,946.

Previous Related Council Action

At the June 28, 2016 City Council approved renewal of the FY 2016/17 property, liability and workers' compensation insurance/excess insurance.

Budget and Financial Impacts

The FY 2017/18 budgeted amount for all insurance and/or self-insurance as described above is included in the budget proposed to Council. Staff recommends purchasing property, liability and workers' compensation insurance and/or self-insurance for FY 2017/18 not to exceed \$1,591,946.

Cost	Fund-Department-Account
\$1,356,358	2540-18010-518200, Risk Management Trust Fund - HR
\$235,588	2560-18110-518200, Workers' Compensation Trust Fund - HR

Capital Expense? No

Budgeted? Yes