

R-20

June 23, 2020

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to purchase, through Alliant Insurance Services, the following insurance policies: Excess Municipal Liability insurance, at a total premium amount not to exceed \$3,000,000, with multiple carriers including, but not limited to, Gemini Insurance Company, Hallmark Specialty, Hiscox, Allied World and Navigators, for a 12-month period, from July 1, 2020 to July 1, 2021; Airport Liability insurance at a premium not to exceed \$93,000 from National Union Insurance Company; Aircraft Liability and Hull insurance for police helicopters at a premium not to exceed \$48,000 from National Union Insurance Company; Underground Storage Tank insurance at a premium not to exceed \$30,000 from Liberty Surplus Lines; Drone Coverage at a premium not to exceed \$5,000 from the National Aviation Liability Program; and, Marine insurance from International Marine Underwriters (IMU) at a premium not to exceed \$281,000, for a total aggregate cost of the liability renewal premiums not to exceed \$665,000, for the period of July 1, 2020 to July 1, 2021 for all liability policies. (Citywide)

DISCUSSION

The City of Long Beach (City) annually purchases excess municipal liability, airport liability, aircraft liability and hull insurance, underground storage tank liability, drone insurance, and marine insurance, to cover exposures arising from City operations. Coverage is to be obtained through the City's casualty broker-of-record, Alliant Insurance Services.

This year's policy for excess municipal liability insurance will provide coverage limits of \$30 million, excess of a \$10 million self-insured retention for all City departments, including the Police Department. Due to historical claims frequency and severity, the 2019 Excess Liability renewals were challenging. With a hardening of the market, lack of carrier capacity and increases, the City purchased \$30 million in limits, versus the historical \$45 million. City Risk Management staff is working with the City's broker, Alliant Insurance Services, to secure options to get the City closer to the \$45 million limit that has historically been purchased. Coverage for eminent domain, medical malpractice, and pollution contamination will continue to be excluded from this policy. However, the policy does include \$30 million in coverage for unfair employment practices, employee benefits liability, and public officials' errors and omissions.

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The City also purchases airport liability coverage. The City received a price indication from the current insurance carrier, National Union Fire Insurance, offering limits of \$300 million at a premium not to exceed \$93,000, an increase of approximately 1.5 percent from the expiring policy. This policy does not have a deductible and the City does not self-insure any of the airport risks covered under this policy. The policy includes extended coverage for international/ domestic terrorist acts under the Terrorism Risk Insurance Act (TRIA). The policy also covers personal injury, malpractice, auto, and employer's liability.

The City maintains limits of \$50 million in aircraft liability and hull insurance also through National Union Fire Insurance, subject to a \$31,400 deductible when the helicopter is in motion on the Police Department's two Euro-Copter AS-350 helicopters. The renewal premium price indication will not exceed \$48,000, a 21 percent increase from the expiring policy.

The City is also recommending drone coverage through the National Aviation Liability Program, at a cost not to exceed \$5,000 to protect the City from liability related to drone operations.

The City operates vessels that service the coast, including the port. The recommended purchase will provide liability coverage on the boats and includes Jones Act coverage, with limits of \$10 million, subject to a \$2,500 deductible. In addition, actual physical damage coverage to the boats is provided, subject to varying deductibles depending upon the value of each boat. The renewal premium price indication will not exceed \$281,000.

This matter was reviewed by Principal Deputy City Attorney Gary J. Anderson on June 8, 2020. No Financial Management review was able to be conducted due to the urgency and time sensitivity of this item.

TIMING CONSIDERATIONS

City Council action is requested on June 23, 2020, to allow the City to bind insurance coverage by the policy renewal date of July 1, 2020.

FISCAL IMPACT

The total cost of all renewal premiums will not exceed \$3,665,000 for the period of July 1, 2020 to July 1, 2021. Sufficient funding is budgeted in the Insurance Fund Group in the Human Resources Department. The cost of the excess municipal liability policy is recouped from all funds, based upon departmental risk and claims experience, with approximately 55 percent of the premium allocated to the General Fund Group. Airport liability insurance is paid directly from the Airport Fund Group in the Airport Department. The Aircraft Liability insurance is 100 percent allocated in the General Fund Group in the Police Department. The premium for the Marine insurance will be funded by the Self-Insurance Fund in the Harbor Fund Group. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

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SUGGESTED ACTION

Approve recommendation.

Respectfully submitted,



ALEJANDRINA BASQUEZ
HUMAN RESOURCES DIRECTOR

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APPROVED:



THOMAS B. MODICA
CITY MANAGER