

## **R-39**

June 21, 2022

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

### RECOMMENDATION:

Authorize the City Manager, or designee, to purchase, through Alliant Insurance Services, Inc., the following insurance policies: Excess Municipal Liability insurance, at a total premium not to exceed \$5,728,472 with multiple carriers for a 12-month period beginning July 1, 2022; a buy-down deductible of the Self-Insured Retention (SIR) down to \$7,500,000 from Safety National at a premium not to exceed \$1,335,712; a buy-down deductible of the SIR down to \$5 million for first claim only involving Officer Involved Shooting with Lloyd's of London at a premium not to exceed \$693,840; Airport Liability insurance at a premium not to exceed \$115,450 from National Union Insurance Company; Aircraft Liability and Hull Insurance for police helicopters at a premium not to exceed \$59,850 from National Union Insurance Company; Storage Tank insurance at a premium not to exceed \$32,079 from Liberty Surplus Lines; SPILLS pollution coverage at a premium not to exceed \$11,094; Drone coverage at a premium not to exceed \$8,746 from Starr Indemnity & Liability Co.; Crime coverage from National Union Fire Insurance Company of Pittsburgh, PA, and Berkley Insurance Company at a premium not to exceed \$42,387; Volunteer Medical coverage at a premium not to exceed \$12,000; Marine insurance from International Marine Underwriters (IMU) at a premium not to exceed \$388,549; Cyber Excess coverage at a premium not to exceed \$357,357 from Beazley; and, Cyber Breach Response buy-up for premium not to exceed \$7,669, for the period of July 1, 2022, to July 1, 2023, for all liability policies. (Citywide)

### DISCUSSION

The City annually purchases excess municipal liability, airport liability, aircraft liability and hull insurance, storage tank liability, SPILLS pollution coverage, drone insurance, crime coverage, marine insurance, volunteer medical coverage, and cyber excess insurance to cover exposures arising from City of Long Beach (City) operations. This year Risk Management conducted a gap analysis of insurance coverages. After analysis, it was recommended to solicit quotes for a new line of coverage for further protection to the City by transferring part of this risk to insurance. This year's coverage is through the City's casualty broker of record, Alliant Insurance Services, Inc. (Alliant).

The insurance market operates as either a soft or a hard market. In a soft market, there tends to be easier underwriting, increased capacity, lower premiums, and broader coverage. In contrast, a hard market sees tougher underwriting, reduced capacity, higher premiums, and restricted coverage. Currently, the status of the insurance market is hard, with the inverse of

carriers, especially in the public entity, shrinking. The remaining public entity markets are helping to cover the losses, but with less supply and increased demand, the market in general, is seeing higher rates. In addition to being in a hard market, several carriers have pulled out of public entity coverage in California and are non-renewing coverage within the state. The liability industry continues to see significant increases in plaintiff demands, jury verdicts, and high dollar claims. These three factors are depleting the liability market's surplus. This is causing increased retentions for exposures such as police professional and employment practices, which is resulting in double digit increases across the market. The City's casualty broker-of-record, Alliant, conducted full marketing for the excess layers. Alliant has gone to market for the best terms and pricing, including a soft marketing to the Public Risk Innovation, Solutions, and Management (PRISM) pool and Alliant Municipal Liability (ANML) pool.

This year's policy for excess municipal liability insurance will provide coverage limits of \$40 million, in excess of a \$10 million self-insured retention for all City departments including the Police Department. Due to historical claims frequency and severity including a recent large claim settlement, the 2022 excess liability renewals have been challenging due to a continued hardening of the market, lack of carrier capacity, and increases. The City purchases \$42.5 million in limits, having secured a "deductible buy-down" last year to help reduce our non-law enforcement retention from \$10 million to \$7.5 million. This year, the City will again secure a deductible buy-down from \$10 million to \$5 million only for the first claim that includes an Officer Involved Shooting. This buy-down reduction is only available as a result of reduced Officer Involved Shooting claims over the past few years. Coverage for eminent domain and pollution contamination will continue to be excluded from this policy. However, the policy does include \$40 million in coverage for unfair employment practices and public officials' errors and omissions. The excess municipal liability premium price indication will not exceed \$7,758,024, an increase of approximately 60 percent from the expiring policy.

Crime coverage will be purchased at a premium not to exceed \$42,387. This coverage protects the City from a variety of crimes such as employee theft, safe burglary, and funds transfer fraud.

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 \$115,450, an increase of approximately 10 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, 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 \$39,250 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 \$59,850, a 10 percent increase from the expiring policy.

To protect the risk of having a helicopter fuel tanker located at the Airport suffer an accident and release fuel, SPILLS Pollution coverage is purchased at a premium not to exceed \$11,094.

This insurance covers spills while loading, unloading, and in transport, and it covers clean-up costs as well as damage to natural resources. It also covers bodily injury, property damage, clean-up, and defense costs as well.

The City is also recommending drone coverage through the Alliant Municipality Aircraft Insurance Program with Starr Indemnity & Liability Co., at a cost not to exceed \$8,746 to protect the City from liability related claims due to drone operations.

The City operates water vessels that service the coast, including the City's Port. The recommended purchase will provide liability coverage on the boats and includes Jones Act coverage, which is a U.S. federal statute that provides a means for crew members, who are injured because of negligence, to recover for damages caused by injury, with limits of \$10,000,000 subject to a \$2,500/\$5000 deductible depending on the vessel. In addition, actual physical damage coverage to the boats is also provided, subject to varying deductibles depending upon the value of each boat. The renewal premium price indication will not exceed \$388,549.

The City also purchases storage tank insurance at a premium not to exceed \$32,079 from Liberty Surplus Lines. This coverage includes corrective action due to underground storage tank releases as well as cleanup of pollutants due to aboveground storage tank releases and provides financial assurance to the State.

The City is also recommending cyber excess coverage at a premium not to exceed \$357,357 from Beazley. This policy adds an extra \$2 million in coverage to the primary \$2 million Cyber limits and includes a breach buy-up option for a total of \$4 million in cyber insurance limits which includes coverage for ransomware. Nationally, cybercrime is projected to hit \$6 trillion annually in 2022 and soar to \$10.5 trillion by 2025, so it is expected to see upward pressure on rates and possible coverage restrictions. Public entities are among the largest target class for criminals. As a result of the frequent and severe losses the market has experienced in recent years, Long Beach will see an increase anywhere from 150 to 300 percent even though we have not had cybercrime claims. The City also purchases an excess cyber breach response buy up for an estimated premium of \$7,669.

Last year the City purchased volunteer medical coverage. This plan covers the City's roughly 1,500 volunteers that assist with various programs and enhancements throughout the City. In the event of an accidental injury incurred while working on behalf of the City, this coverage would assist the volunteer with medical expenses. The premium for this coverage will not exceed \$12,000.

After conducting a gap analysis of insurance coverages, Risk Management is recommending purchasing medical malpractice coverage. This policy has never been purchased as part of the insurance programs for the City. In the absence of coverage, this risk would be self-insured by the City. Medical malpractice insurance is a type of professional liability insurance that helps protect healthcare professionals against claims of injury and medical negligence. It is anticipated that the approximate quote for medical malpractice coverage will be \$100,000 although coverage may not be bound until after July 1, 2022. City staff will return to the City Council for authorization for the medical malpractice coverage.

This matter was reviewed by Assistant City Attorney Gary J. Anderson on May 25, 2022, Purchasing Agent Michelle Wilson on May 24, 2022, and by Budget Management Officer Nader Kaamoush on June 6, 2022.

TIMING CONSIDERATIONS

City Council action is requested on June 21, 2022, to allow the City to bind insurance coverage by the policy renewal date of July 1, 2022.

FISCAL IMPACT

The total aggregate renewal cost will not exceed \$8,793,205 for the period of July 1, 2022 to July 1, 2023. Last year the total aggregate renewal cost amount was \$5,923,898. Payments for renewal premiums are due upfront at the start of the term and charged to the Insurance Fund Group in the Human Resource Department. Funding to support the cost of the excess municipal liability policy will be collected as revenues recouped through charges to departments and funds based upon departmental risk and claims experience. Specialized coverage will also be collected as revenue recouped from charges to each applicable department and fund. Specialized coverage includes airport liability insurance funded by the Airport Fund Group in the Airport Department, aircraft liability insurance and Drone coverage funded by the General Fund Group in the Police Department, marine insurance funded by the Tidelands Operating Fund Group and Marina Fund Group, and is charged to the user departments, SPILLS and Storage Tank coverage funded by the Fleet Services Fund Group in the Financial Management Department. 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.

SUGGESTED ACTION

Approve recommendation.

Respectfully submitted,



JOE AMBROSINI  
HUMAN RESOURCES DIRECTOR

APPROVED:



THOMAS B. MODICA  
CITY MANAGER