



CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

C-14

333 West Ocean Boulevard 13th Floor • Long Beach, CA 90802

Alejandrina Basquez
DIRECTOR

June 18, 2019

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 not to exceed \$200,000, from Allied Insurance Company, Berkeley National Insurance Company, Allied World National Assurance Company, and Navigator's Insurance Company, for a two-month period, from July 1, 2019 to September 1, 2019; Airport Liability Insurance, at a premium not to exceed \$120,000, from National Union Insurance Company; Aircraft Liability and Hull Insurance for police helicopters, at a premium not to exceed \$46,000, 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 National Aviation Liability Program; and, Marine Insurance, from International Marine Underwriters (IMU), at a premium not to exceed \$264,000, for a total aggregate cost of the liability renewal premiums not to exceed \$665,000, for the period of July 1, 2019 to September 1, 2019 for excess liability, and from July 1, 2019 to July 1, 2020 for the other five liability policies. (Citywide)

DISCUSSION

The City annually purchases excess municipal liability, airport liability, and aircraft liability and hull insurance, underground storage tank liability insurance, and will include this year drone and marine insurance to cover exposures arising from City operations. This year's coverage is to be obtained through the City's casualty broker of record, Alliant Insurance Services.

This year's (short-term) policy for excess municipal liability insurance will provide coverage limits of \$50 million, excess of a \$5 million self-insured retention (SIR) for all City departments other than the Police Department, which will continue to have a \$7,000,000 self-insured retention. The current primary excess insurance carrier has notified the City that it will not renew its insurance coverage due to concerns with

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municipal liability risk, particularly in California, police liability nationwide, and several recent large liability losses by the City. However, the company will provide a two-month extension at current pricing to enable the City to secure other insurance. Coverage for eminent domain, medical malpractice, and pollution contamination continues to be excluded from this policy. However, the policy continues to include \$50 million in coverage for unfair employment practices, employee benefits liability, and public officials' errors and omissions.

The City also purchases airport liability coverage. The City received a quote from the current insurance carrier, National Union Fire Insurance Company, offering limits of \$300 million for a premium not to exceed \$120,000, an increase of approximately 30 percent from the expiring policy. The increase is due to a high exposure claim recently settled by the insurance company. 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, subject to a \$36,000 deductible, when the helicopter is in motion on the Police Department's two Euro-Copter AS-350 helicopters. The renewal premium will not exceed \$46,000, a 20 percent increase from the expiring policy.

The City is also recommending drone coverage for a premium 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 City's Port. The recommended purchase will provide liability coverage on the boats and includes Jones Act coverage, with limits of \$10,000,000 subject to a \$2,500 deductible. In addition, actual physical damage coverage to the boats is also provided, subject to varying deductibles depending upon the value of each boat.

This matter was reviewed by Deputy City Attorney Gary J. Anderson and by Budget Manager Grace H. Yoon on June 3, 2019.

TIMING CONSIDERATIONS

City Council action is requested on June 18, 2019, to allow the City to bind insurance coverage by the policy renewal date of July 1, 2019.

FISCAL IMPACT

The total cost of all renewal premiums will not exceed \$665,000 for the period of July 1, to September 1, 2019 for excess liability insurance, and from July 1, 2019 to July 1, 2020 for the other five liability insurance policies. Staff plans to return to the City Council in August 2019 to request authority to purchase excess liability coverage for the period of September 1, 2019 to July 1, 2020. It is anticipated that there will be a significant cost

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increase and a budget adjustment may be requested at that time. The excess municipal liability policy is budgeted in the Insurance Fund Group in the Human Resources Department and funding is recouped from all funds through the Memorandum of Understanding (MOU) process, which is based upon departmental risk and claims experience, and with approximately 58 percent of the premium allocated to the General Fund Group. It is anticipated that this renewal will result in increased costs to various City funds, including the General Fund Group, and will be incorporated into future MOU allocations in a future budget development process. The Airport liability insurance is paid directly from the Airport Funds 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 marine insurance will be funded by the Harbor Fund Group in the Harbor 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,



ALEJANDRINA BASQUEZ
DIRECTOR OF HUMAN RESOURCES

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APPROVED:



PATRICK H. WEST
CITY MANAGER