

June 20, 2023

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: (1) excess municipal liability insurance, at a total premium not to exceed \$7,390,387, with multiple carriers for a 12-month period, from July 1, 2023, to July 1, 2024; (2) a buy-down deductible of the self-insured retention down to \$7.5 million from Safety National, at a premium not to exceed \$1,545,299; (3) a buy-down deductible of the self-insured retention down to \$5 million for the first claim only involving Officer Involved Shooting, with Lloyd's of London, at a premium not to exceed \$928,011; (4) airport liability insurance, at a premium not to exceed \$150,085, from National Union Insurance Company; (5) aircraft liability and hull insurance for police helicopters, at a premium not to exceed \$74,813, from National Union Insurance Company; (6) storage tank insurance, at a premium not to exceed \$33,946, from Liberty Surplus Lines; (7) SPILLS pollution coverage, at a premium not to exceed \$14,229; (8) drone coverage, at a premium not to exceed \$10,933, from Starr Indemnity & Liability Co.; (9) crime coverage from National Union Fire Insurance Company of Pittsburgh, PA and Berkley Insurance Company, at a premium not to exceed \$44,111; (10) volunteer medical coverage, at a premium not to exceed \$16,680; (11) marine insurance from International Marine Underwriters (IMU), at a premium not to exceed \$433,368; (12) cyber excess coverage, at a premium not to exceed \$264,165, from Beazley; and, (13) cyber breach response buy-up, for a premium not to exceed \$9,940. All liability policies will be effective for a 12-month period from July 1, 2023, to July 1, 2024. (Citywide)

DISCUSSION

The City of Long Beach (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, in order to cover exposures arising from City operations. This year, Risk Management conducted a gap-analysis of insurance coverages. After the analysis was complete, it was recommended for the City to solicit quotes for a new line of coverage for further protection to the City, by transferring part of this risk to insurance. It is anticipated that the City will also be able to add medical malpractice insurance coverage to this year's renewal package. This year's coverage will be provided through the City's casualty broker of record, Alliant Insurance Services, Inc. (Alliant).

The insurance market operates as either a soft market 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 public entity sector is experiencing a hard market as a partial result of the shrinking supply of carriers with less supply and increased demand, the market, in general, is seeing much higher rates. In addition to being in a very 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 (1) significant increases in plaintiff demands; (2) jury verdicts; and (3) 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 2023 excess liability renewals have been challenging due to a continued hardening of the market, lack of carrier capacity, and increases. The City purchased \$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. 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 \$9,863,696, an increase of approximately 30 percent from the expiring policy.

Crime coverage will be purchased at a premium not to exceed \$44,111, an increase of approximately 16 percent from the expiring policy. This coverage protects the City from a variety of crimes such as employee theft, safe burglary, faithful performance, 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 \$150,085, an increase of approximately 30 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, and is subject to a \$39,250 deductible when the Police Department's two Euro-Copter AS-350 helicopters are in motion. The renewal premium price indication will not exceed \$74,813, a 25 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 \$14,229, an increase of approximately 30 percent from the expiring policy. This insurance covers spills while loading, unloading and in transport, and covers clean-up costs as well as damage to natural resources. Additionally, it covers bodily injury, property damage, clean-up, and defense costs.

The City also recommends drone coverage through the Alliant Municipality Aircraft Insurance Program with Starr Indemnity & Liability Co., at a cost not to exceed \$10,933, a 25 percent increase from the expiring policy, to protect the City from liability related claims resulting from drone operations.

The City operates water vessels which service the coast, including the City's Port. The recommended purchase will provide liability coverage on the water vessels and includes Jones Act coverage, which is a U.S. federal statute that provides a means for crew members, who are injured as a result of negligence, to recover for damages caused by injury, with limits of \$10,000,000 subject to a \$2,500/\$5,000 deductible, depending on the vessel. Furthermore, actual physical damage coverage to the water vessels is also provided, subject to varying deductibles depending upon the value of each vessel. The renewal premium price indication will not exceed \$433,368, an increase of approximately 20 percent from the expiring policies.

The City also purchases storage tank insurance, at a premium not to exceed \$33,946, a 20 percent increase from the expiring policy, 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.

Next, the City also recommends cyber excess coverage, at a premium not to exceed \$264,165, from Beazley. This policy adds an additional \$2,000,000 in coverage to the primary \$2,000,000 Cyber limits, and includes a breach buy-up option for a total of \$4,000,000 in cyber insurance limits, which includes coverage for ransomware. Nationally, cybercrime is projected to hit \$8 trillion annually in 2023 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, the City may see an increase anywhere from 50 percent to 100 percent. The City also purchases an excess cyber breach response buy up for an estimated premium of \$9,940.

Last year, the City purchased volunteer medical coverage. This plan covers the City's roughly 1,895 volunteers that assist with various programs and enhancements throughout the City. In the event of an accidental injury while working on behalf of the City, this coverage would assist the volunteer with medical expenses. The premium for this coverage will not exceed \$16,676, an increase of approximately 40 percent from the expiring policy.

After conducting a gap-analysis of insurance coverages, Risk Management is recommending the purchase of medical professional liability coverage. This type of 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 which 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, however coverage may not be bound until after July 1, 2023. City staff will return to the City Council for authorization for the medical malpractice coverage.

This matter was reviewed by Deputy City Attorney Atoy H. Wilson on May 31, 2023 and by Budget Management Officer Nader Kaamouh on June 2, 2023.

TIMING CONSIDERATIONS

City Council action is requested on June 20, 2023, to allow the City to bind insurance coverage by the policy renewal date of July 1, 2023.

FISCAL IMPACT

The total aggregate renewal cost will not exceed \$10,915,964 for the period of July 1, 2023 to July 1, 2024, which is approximately a 30 percent increase from last year total aggregate amount. Payments for renewal premiums are due upfront at the start of the term and will be paid from the Insurance Fund Group in the Human Resource Department. Funding to support the cost of the excess municipal liability policy in the Insurance Fund Group 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 funded by the General Fund Group in the Police Department, marine insurance funded by the Tidelands Area Fund Group, and is charged to user departments, and 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