



CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

R-22

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

Alejandrina Basquez
DIRECTOR

June 21, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to purchase, through Aon, the following insurance policies: Excess Municipal Liability insurance for the period of July 1, 2016 through July 1, 2017, for a total premium not to exceed \$1,072,380 with Lexington Insurance Company, Berkeley National Insurance Company, Allied World National Assurance Company and Navigator's Insurance Company; Airport Liability insurance for the period of June 30, 2016 through June 30, 2017, for a premium not to exceed \$78,353 with National Union Insurance Company; and, Aircraft Liability and Hull insurance for police helicopters for the period of June 30, 2016 through June 30, 2017, for a premium not to exceed \$39,059 with National Union Insurance Company. The total cost of all of the above liability renewal premiums will not exceed \$1,189,792. (Citywide)

DISCUSSION

The City annually purchases excess municipal liability, airport liability, and aircraft liability and hull insurance to cover catastrophic exposures arising from City operations. This coverage is obtained through the City's casualty broker of record, Aon.

This year's policy for excess municipal liability insurance will provide coverage limits of \$50 million in excess of a \$5 million self-insured retention. Coverage for eminent domain, medical malpractice, and pollution contamination is excluded from this policy. However, the policy does include \$50 million in coverage for unfair employment practices, employee benefits liability, and public officials' errors and omissions. The renewal premium will not exceed \$1,072,380, which is reduction of approximately 10.4 percent from the expiring policy's premium. The reduction in premium cost will occur because the self-insured retention is being increased from \$3 million to \$5 million. In order to obtain the (current) \$3 million self-insured retention, the cost would be \$1,527,141, a significant increase in premium. Staff recommends the increase in the self-insured retention, due to the lower premium and more autonomy in the handling of high exposure losses.

HONORABLE MAYOR AND CITY COUNCIL

June 21, 2016

Page 2

The City also maintains limits of \$200 million in airport liability coverage and \$50 million in coverage for liability resulting from terrorist acts. 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 renewal premium will not exceed \$78,353, which is less than 1 percent lower than the expiring policy.

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 for the Police Department's two Eurocopter AS-350 helicopters. The renewal premium will not exceed \$39,059, which is 2.8 percent lower than the expiring policy.

This matter was reviewed by Assistant City Attorney Monte Machit on June 2, 2016 and Assistant Finance Director Lea Eriksen on June 3, 2016.

TIMING CONSIDERATIONS

City Council action is requested on June 21, 2016, to allow the City to bind insurance coverage by the policy renewal dates.

FISCAL IMPACT

The total cost of all renewal premiums will not exceed \$1,189,792 for the period of June 30, 2016 to July 1, 2017. Sufficient funding has been budgeted in the Insurance Fund (IS 390) in the Human Resources Department (HR). The cost of the excess municipal liability policy is allocated to all funds based upon departmental risk and claims experience, with 55 percent of the premium allocated to the General Fund (GF). Airport liability insurance is paid directly from the Airport Fund (EF 320) in the Airport Department (AP) and is not allocated. The Aircraft Liability insurance is 100 percent allocated in the General Fund (GF) in the Police Department (PD). There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ALEJANDRINA BASQUEZ
DIRECTOR OF HUMAN RESOURCES

APPROVED:


PATRICK H. WEST
CITY MANAGER