



CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

R-22

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

Alejandrina Basquez
DIRECTOR

June 20, 2017

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to purchase, through Aon, the following insurance policies: Excess Municipal Liability insurance for the period of July 1, 2017 through July 1, 2018, for a total premium not to exceed \$1,161,524 with Allied 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, 2017 through June 30, 2018, for a premium not to exceed \$72,751 with National Union Insurance Company; and, Aircraft Liability and Hull insurance for police helicopters for the period of June 30, 2017 through June 30, 2018, for a premium not to exceed \$37,300 with National Union Insurance Company, for a total aggregate cost of the liability renewal premiums not to exceed \$1,271,575. (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 (SIR) for all City departments, other than the Police Department, which will have a \$7 million SIR. The \$7 million SIR for Police claims is an increase of \$2 million from the current policy. There is a significant added premium cost of \$752,168 in order to maintain the current \$5 million SIR for Police claims. Therefore, staff recommends that the City raise the SIR for Police claims for the next policy year. 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 \$1,161,524, which is an increase of \$89,145 or 8.3 percent from the expiring policy, due to market conditions and the City's loss history.

The City also purchases airport liability coverage. The City received a quote from the current insurance carrier offering an increase in coverage limits from \$200 million to \$300 million at a premium of \$72,751, a reduction of \$5,602. 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 for the Police Department's two Eurocopter AS-350 helicopters. The renewal premium will not exceed \$37,300, which is a reduction of \$1,759 from the expiring policy.

This matter was reviewed by Deputy City Attorney Amy R. Webber on May 19, 2017 and by Revenue Management Officer Geraldine Alejo on May 25, 2017.

TIMING CONSIDERATIONS

City Council action is requested on June 20, 2017, 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 \$1,271,575 for the period of June 30, 2017 to July 1, 2018. 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 recouped from all funds based upon departmental risk and claims experience, with 55 percent of the premium allocated to the General Fund. Airport liability insurance is paid directly from the Airport Fund (EF 320) in the Airport Department (AP). 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