



Legislation Details (With Text)

File #: 19-0793 **Version:** 1 **Name:** HR - Purchase Excess liability coverage
Type: Contract **Status:** CCIS
File created: 7/18/2019 **In control:** City Council
On agenda: 8/20/2019 **Final action:** 8/20/2019

Title: Recommendation to authorize City Manager, or designee, to purchase, through Alliant Insurance Services, Excess Municipal Liability Insurance, for the period of September 1, 2019 to July 1, 2020, at a premium not to exceed \$1,605,000; and

Increase appropriation in the Insurance Fund Group in the Human Resources Department by \$431,908, offset by funds available. (Citywide)

Sponsors: Human Resources

Indexes:

Code sections:

Attachments: 1. 082019-C-9sr.pdf

Date	Ver.	Action By	Action	Result
8/20/2019	1	City Council	approve recommendation	Pass

Recommendation to authorize City Manager, or designee, to purchase, through Alliant Insurance Services, Excess Municipal Liability Insurance, for the period of September 1, 2019 to July 1, 2020, at a premium not to exceed \$1,605,000; and

Increase appropriation in the Insurance Fund Group in the Human Resources Department by \$431,908, offset by funds available. (Citywide)

The City annually purchases excess municipal liability insurance to provide financial protection against high exposure liability claims. At its June 18, 2019 meeting, the City Council approved a two-month extension of the July 1, 2018 to July 1, 2019 excess insurance policies, to enable the City’s broker, Alliant Insurance Services, to further explore the excess liability insurance marketplace.

Currently, the City purchases \$50 million in excess municipal liability insurance coverage, excess of a \$5,000,000 Self-Insured Retention (SIR) for City risks other than law enforcement, and a \$7,000,000 self-insured retention for law enforcement. This year’s policies for excess municipal liability insurance will provide limits of \$45 million, excess of a \$10,000,000 SIR for all risks. Coverage for eminent domain, medical malpractice, and pollution contamination is excluded. However, the policies include some coverage for unfair employment practices, employee benefits liability, and public officials’ errors and omissions. The renewal premium for a ten-month period is estimated not to exceed \$1,605,000. The proposed premium represents a prorated increase of approximately 67 percent as compared to the expiring insurance policies. The premium increase is due to concerns with California municipal liability risk, police risk nationwide, and several recent large liability losses incurred

by the City. As the insurance companies offering proposals do not want to provide insurance at a lower SIR, staff recommends the increase in the SIR. The recommended coverage has a SIR of \$10,000,000 per occurrence for all departments, as compared with the current \$5,000,000 retention for City risks, other than the law enforcement, which has a \$7,000,000 SIR.

This matter was reviewed by Principal Deputy City Attorney Gary J. Anderson on August 5, 2019 and by Budget Analysis Officer Julissa José-Murray on August 7, 2019.

City Council action is requested on August 20, 2019, to allow the City to bind insurance coverage by the policy renewal date of September 1, 2019.

The total cost of the excess renewal premiums will not exceed \$1,605,000 for the period of September 1, 2019 to July 1, 2020. Currently, \$2,723,424 is budgeted in the Insurance Fund Group to pay for the new rates for excess liability and property insurance. With the new renewal rates, an appropriation increase of \$431,908 in the Insurance Fund Group in the Human Resources Department is needed to complete the purchase and pay two months of current premiums for the excess municipal liability coverage, which will be offset by funds available. Excess liability renewal costs are charged out to departments by the Human Resources Department Memorandum of Understanding (MOU). The cost of the excess municipal liability policy is allocated to all funds based upon departmental risks and claims experience, with 55 percent of the premium allocated to the General Fund Group. 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.

Approve recommendation.

ALEJANDRINA BASQUEZ, DIRECTOR
DEPARTMENT OF HUMAN RESOURCES

APPROVED:

PATRICK H. WEST
CITY MANAGER