



Staff Report

File #: 23-0471

**REQUEST FOR CITY COUNCIL AND
CORONA UTILITY AUTHORITY ACTION**

DATE: 06/21/2023

TO: Honorable Mayor and City Council Members
Honorable President and Board

FROM: Legal & Risk Management

SUBJECT:

CITY LIABILITY, PROPERTY, AND WORKERS' COMPENSATION INSURANCE POLICIES FOR FISCAL YEAR 2024, AS WELL AS A RESOLUTION TO PROVIDE WORKERS' COMPENSATION COVERAGE TO CERTAIN VOLUNTEER POSITIONS

EXECUTIVE SUMMARY:

This staff report asks the City Council to approve the renewal of the City's insurance policies, as well as the adoption of a resolution regarding a list of authorized volunteer positions to be provided workers' compensation coverage. Each year, the City purchases at least eight insurance policies/programs to help mitigate the more common risks associated with the operation of the municipal organization. Alliant Insurance Services is the City's broker of record and works with Legal & Risk Management staff for more than ten months each year to market and obtain the most effective coverage for the City, considering what is reasonably available at our designated risk tolerances, and at the most competitive prices possible. The recommended actions below will allow for such purchases to be completed utilizing Alliant's extensive marketing efforts and professional advice.

RECOMMENDED ACTION:

That the City Council:

- a. General Liability. Authorize the renewal of the City's excess general liability insurance policy through the Public Risk Innovation, Solutions and Management JPA for Fiscal Year 2024, *with*

*an estimated maximum premium amount of up to **\$1,945,495**, coverage of \$25M per occurrence, and maintenance of our self-insured retention at \$500,000 per occurrence.*

- b. Workers' Compensation. Authorize the renewal of the City's excess workers' compensation insurance policy through the Public Risk Innovation, Solutions and Management JPA for Fiscal Year 2024, *with an estimated maximum premium amount of up to **\$459,354***. Coverage is equal to the statutory requirements for workers' compensation and \$5M per occurrence for employer's liability, and an SIR of \$1M per occurrence. The premium is based on estimated payroll and is subject to adjustment based on actual payroll.
- c. Property. Authorize the renewal of the City's property insurance with Alliant's Property Insurance Program for Fiscal Year 2024, *with an estimated maximum premium amount of up to **\$1,274,412***, coverage for both real and personal property valued at approximately \$721,129,664 (up from \$669,967,294 last year), a coverage limit of \$1B per occurrence (subject to policy exclusions and other sub-limits, including a \$500K deductible for wildfires and \$5M deductible for the biosolids facility), continuation of coverage for vehicles at actual cash value (as opposed to replacement value), continuation of coverage off-premises only for vehicles with a value of \$100,000 or more, primary SIR levels set at \$10,000 per occurrence for vehicles off-premises and on-premises, \$50,000 for buildings and facilities. In addition, the APIP policy includes first level *cyber liability coverage* through the pool's Cyber Program, with an aggregate pool limit of \$45M and an aggregate individual member sub-limit of \$2M.
- d. Crime. Authorize the renewal of the City's Master Government Crime insurance through the Public Risk Innovation, Solutions and Management JPA with the National Union Fire Insurance Company of Pittsburgh, PA ("National Union") for Fiscal Year 2024, *with an annual estimated premium of **\$12,161***, coverage of \$10M per occurrence, and a deductible of \$2,500 per occurrence.
- e. Airport. Authorize the renewal of the City's Airport Liability insurance with the Starr Indemnity & Liability Company for Fiscal Year 2024, *with a premium of **\$4,872***, coverage of \$25M per occurrence, and no deductible or SIR. No change in premium from last fiscal year.
- f. Enhanced Pollution. Authorize the renewal of the City's enhanced pollution liability insurance with Ironshore Specialty Insurance Company for Fiscal Year 2024, *with a premium of **\$138,142***, coverage of \$10M per pollution condition, and an SIR of \$250,000 per pollution condition.
- g. Deadly Weapon Response Program. Authorize the renewal of Alliant's Deadly Weapon Response Program coverage, underwritten by Lloyd's of London, for Fiscal Year 2024, *with an annual premium of **\$8,519*** and coverage of \$500,000 and sub-limit coverage of \$250,000 for various incident related services and coverages.
- h. Volunteer Workers' Compensation Coverage. Adopt Resolution No. 2023-051, establishing and approving a list of authorized volunteers deemed to be employees of the City for the sole purpose of providing workers' compensation coverage while performing such volunteer

service.

- i. Marketing Process. Pursuant to [Corona Municipal Code Section 3.08.140\(E\)](#), find that it is in the best interest of the City and its administrative operations to dispense with the City's normal formal competitive bidding process and authorize the above purchases using Alliant's competitive process, since the City's competitive bidding process is not amenable to the purchase of these insurance policies and Alliant's competitive process is a thorough and competitive which is an appropriate alternative to the City's formal public competitive bidding procedures.
- j. Earthquake & Flood. Concur with staff recommendation not to purchase earthquake and flood insurance because it is not available at a reasonable cost.
- k. Implementation Actions. Authorize staff to take all other actions and execute all documents necessary to implement these recommendations, including any minor adjustments which are consistent with these recommendations and within the finally adopted Fiscal Year 2024 budgets for the Workers Compensation Fund (#68320120) and the General Liability Fund (#68720120).

That the Corona Utility Authority review, ratify and to the extent necessary, direct the City Council to take the above actions.

ANALYSIS:

A. BASIS FOR EXCEPTION TO COMPETITIVE BIDDING

Alliant Insurance Services, Inc. ("Alliant") is the City's broker of record for liability, property and workers' compensation insurance coverage. Alliant is a well-established provider of specialty brokerage services to the public sector and has worked with the City for many years.

Alliant is not in the position to strictly follow the City's formal public competitive bidding procedures, as the renewal of the City's varied and detailed insurance policies does not lend itself to a typical RFP process and takes many months to complete. We have worked with Alliant over the years to identify the City's complex coverage criteria, including broad and detailed coverage terms, various policy limits depending upon City risks and needs, and self-insured retentions ("SIR") that allow for stable premium costs. Moreover, almost as soon as we purchase our policies for a given year, we begin to work with Alliant to gather information in order to begin the next renewal period. The process begins in earnest in the Fall and literally does not finish until this agenda report is ready to be finalized and published.

Staff believes that Alliant's competitive process is an appropriate alternative authorized by [Corona Municipal Code Section 3.08.140\(E\)](#), which states as follows:

"(E) Purpose of bidding is otherwise accomplished. When the purchasing agent and the authorized contracting party, with the approval of the City Manager, determine that it is

in the best interest of the city and its administrative operations to dispense with public bidding for non-public projects under this chapter.”

Staff believes that it is in the City’s best interests to follow the process established by our broker, since the process is more thorough and competitive than what the City could conduct itself using our competitive bidding procedures. Alliant begins to provide premium estimates to us in or about October, followed by updates in or about December and two or three additional times into the Spring. Alliant formally releases the City’s applications for coverage to insurance markets no later than March of each year. Alliant is able to reach markets and potential insurers that would very likely never respond to an RFP issued by the City or a process required by the City’s formal competitive bidding provisions.

This year, Alliant accessed the following competitive markets on behalf of the City:

- Excess General Liability: Due to the hard market and past marketing efforts, this coverage was not marketed this year outside of the current insurance program. In 2019 Fiscal Year (“FY”) Alliant surveyed other possible Joint Powers Insurance Authorities, and ultimately determined that only one (California JPIA) could even offer a program similar to that provided by PRISM. The quote provided by California JPIA was \$1,521,700 for a \$500,000 SIR and \$50M in coverage. While the coverage was double, the premium was more than 3 times the premium paid by the City in FY 2019 and more than 2 times the premium for FY 2020. For FY 2021, Alliant conducted an extensive marketing effort of the City’s coverage which included submissions sent to all viable markets. A detailed marketing report was provided to the City detailing carrier responses. The current market has continued to deteriorate since the last renewal with key carriers exiting the marketplace and/or changing their appetite (high attachment points, exclusions for law enforcement liability, etc.). If the City were to procure liability coverage outside of a pooling arrangement, given the current legal environment in California, it should be expected that the retention would increase from \$500,000 to \$5,000,000. Based on historical marketing efforts conducted on the City’s behalf coupled with the state of the current market, Alliant has determined through this process that the current program through PRISM will continue to be the most competitive option in terms of broad coverage and lower premium.

Excess Workers Compensation: In FY 2021, the Excess Workers’ Compensation coverage was extensively marketed outside of the current program to 6 alternative markets, and all ultimately declined to quote. The market for Excess Workers Compensation is very limited with only a small handful willing to write coverage in California. It is further condensed when coverage is factored in - only three of them will write statutory limits for entities with safety payroll. These markets have been approached regularly on behalf of the City and underwriters have contended that they cannot compete with the Public Risk Innovation, Solutions and Management JPA (“PRISM”) program.

However, this FY, Alliant presented a proposal from Arch Insurance Company for Excess Workers’ Compensation coverage that Alliant initially thought would have a significantly lower annual premium. The proposal included a three-year premium guarantee of no more than 3%

annual increase (with some exclusions). While the 3% annual rate increase limit would be desirable, the exclusions made the possible change more risky. In the end, the proposal was right in the ballpark of PRISM's preliminary quote and if we switch, we would be locked out of the JPA pool for three years, thus staff and Alliant recommend that renewing with PRISM makes the most sense.

- Property Insurance: The APIP is marketed each year to ensure that only insurance companies offering the broadest coverage terms at a preferred rate participate. Alliant also conducts marketing efforts outside of the APIP. However due to the broad terms of APIP, and City's claims history, Alliant has been unable to find a carrier willing or able to compete.

There are 2 new factors contributing to the premium increase this year:

(1) The cost of treaty reinsurance, which is purchased by nearly all carriers to protect them from claims at their company's level, has significantly increased. The rising costs are passed down to the insureds.

(2) Severe winter storms across the country, including California, have cost insurers billions. The current estimate of losses to the industry from California alone is over \$1B. The market as a whole has observed in recent years that more money is being paid out for claims than is being received in premiums. This perfect storm has created the worst market in history, and is being compared to the markets observed following the 9/11 attack and hurricane Katrina - combined.

Additionally, should the City leave the APIP, key coverage enhancement would need to be procured in the open market, including Cyber Liability. Alliant estimates that this change in structure would increase the City's premium by at least \$100,000 annually.

- Master Crime Liability Coverage: The PRISM crime program placed with National Union Fire Insurance Company (AIG) and is marketed annually. However, AIG remains the most viable partner for the City/program due to its ability to provide full limit for Faithful Performance of Duty, a key coverage for public entities.
- Airport Liability: The airport liability coverage was marketed last year to all viable aviation markets (approximately 10) and with Starr Indemnity and Liability Company due to the program's broad terms and competitive pricing. This is the 2nd year of a two-year coverage rate guarantee policy.
- Enhanced Pollution Liability: This coverage was marketed in October 2015 to approximately 8 viable carriers. Coverage was placed with Illinois Union Insurance ("Illinois Union"), in part due to the availability of coverage for regulatory fines and penalties. This coverage was remarketed for FY 2022 to 8 additional carriers to be sure continuation of coverage with Illinois Union provides the broadest coverage and best pricing, but no other reasonable and responsive quote could be obtained. It is important to note that the rate remained relatively stable with no major changes to coverage terms. The incumbent is the only carrier who can

provide products coverage.

Joint purchase plans and any available stable pooled insurance programs were also reviewed to provide the City with the best renewal quotes possible. Thus, while other markets were explored, those selected continue to offer the broadest policy language at the best premium for the City.

After searching the markets, Alliant thereafter negotiates competitive coverage and premiums on the City's behalf.

Pursuant to [Corona Municipal Code Section 3.08.140\(E\)](#), for the above reasons staff believes that the City Council should find that it is in the best interest of the City and its administrative operations to dispense with the City's normal formal competitive bidding process and authorize the recommended purchases using Alliant's competitive process, since it is an appropriate alternative to the City's formal public competitive bidding procedures.

B. CONTINUED HARD & EXPENSIVE INSURANCE MARKET

General Liability Market Issues

Please See Exhibit "1" Attached Hereto: It provides a memo from PRISM summarizing the continued "hard" and expensive General Liability insurance market we are experiencing this year. Stressors include the following:

- Larger Claims: More & larger claims (frequency & severity)
- Larger Verdicts: In part due to "social inflation" (\$5M - \$10M verdicts have become \$20M - \$30M verdicts and higher)
- Nuclear Verdicts: Public agencies can experience verdicts that are so large (e.g. \$25M - \$1B+), particularly with law enforcement, road design and child service related claims, that they can easily exceed your ability to insure.
- Litigation Financing: Third parties (plaintiff law firms and private equity firms) "investing" in lawsuits to earn a large return in the event the suit is successful is becoming more prevalent.
- Limited Insurers: These and other factor combine to limit the number of insurers and the amount of capacity that they have to insure.

Property / Cyber / Workers' Compensation Market Issues

While GL is certainly the most impacted market for the City this year, the property, cyber and workers' compensation markets also remain challenging: (1) Property: Catastrophic events throughout the world and less carriers willing to participate in the market; (2) Cyber: Ransomware

claims are still on a steep increase, so once again this year we have been priced out of the excess coverage market (as discussed further below); and (3) Workers' Compensation: While our estimated premium increase is also due to our rise in payroll, the market has been feeling some pressure for COVID 19 claims.

In addition to the City having a few relatively large claims since FY 2015, including storm damages to trees in FY 2017 (appx \$50,000), the Canyon Fire in FY 2018 (appx \$1.05M), water seepage damage in FY 2018 (appx \$63,000) the Biosolids Dryer explosion in 2020 (appx \$5M), OIS claim in 2022 (appx \$170,000) as well as an increase in insurable property values, the "hard" insurance market has in some measure resulted in the following anticipated premium increases:

Policy	FY 23 Premium	FY 24 Premium (Est.)	% Increase
Property	\$910,891	\$1,274,412	39.9%
General Liability	\$1,349,642	\$1,945,495	44.1%
Enhanced Pollution	\$123,366	\$138,142	11.9%
Workers Compensation	\$346,516	\$459,354	32.5%

Please See Exhibit "2" Attached Hereto: PRISM's Property Program and Market Update addresses the challenges in the insurance market and why it's beneficial to be part of an insurance pool.

C. RECOMMENDED INSURANCE COVERAGES

While this Agenda Report provides a brief overview of the various insurance policies, executive summaries with binding quotes for them will be available for review when the insurers are prepared to bind. The executive summaries provide detailed information about insurance premiums, coverages, deductibles and related issues, along with proposed changes to insurance terms from last year.

While final executive summaries and binding quotes are not yet available for Excess General Liability, Excess Workers Compensation, Property and Enhanced Pollution, Alliant has indicated that the quotes provided for these policies should be good "not-to-exceed" estimates.

All final executive summaries and binding quotes that we receive will be available to the City Council upon request.

1. Excess General Liability

Excess General Liability Insurance is proposed to be renewed with PRISM, a joint powers insurance pool for excess general liability coverage. It will provide the City \$25M in coverage per occurrence. Liability insurance provides protection against losses that exceed the City's \$500K SIR for injury, property damage, errors & omissions, and unfair employment practices claims. Most private insurers

will only issue policies with a minimum SIR of \$1,000,000, so the \$500M SIR the City is able to retain is relatively favorable.

Final Insurance Quotes Not Yet Available: Because of the very difficult nature of the insurance market this year, Alliant has been unable to secure a final, binding Excess General Liability quote as of the publication of this report. **However, the premium at the \$500K SIR deductible level is estimated not to exceed \$1,945,495, compared with \$1,349,642 last year.** While this would represent an increase of approximately 44%, Alliant indicates that the increase is almost entirely due to market and pool issues, and is not necessarily reflective of any actual risk facing the City.

Increasing SIR to \$1M to Save Premium Dollars: As we discussed over the last couple years, including very recently, the City can save premium dollars by increasing our SIR from \$500K to \$1M. However, the \$500K SIR is a benefit, since as a full-service City the risk of a covered GL claim and related costs exceeding \$500K is quite real, as is receiving more than one such claim in a given year. Moreover, once we move to a \$1M SIR, we likely could never return to a \$500K SIR.

This year, our first estimate for a \$1M SIR was significantly higher than our estimate for the \$500K SIR (a difference of \$613K), so we thought it might be possible to consider moving to a \$1M SIR. However, that difference has come down significantly, since the \$1M SIR premium has been rising and the \$500K SIR premium has been dropping. The difference in April was down to \$294K and is expected to drop further when the final estimates come in. Moreover, as we have discussed previously, moving to a \$1M SIR could have negative impacts on the City's overall aggressive litigation strategy. Accordingly, as of the writing of this report, we don't anticipate recommending that we move to a \$1M SIR, but we will supplement our report if we learn information that changes our recommendation before the meeting.

Independence Day Event Insurance Coverage: Please also note that, in addition to this excess general liability policy, the Community Services Department ("CS") routinely budgets and purchases a special event policy for the Fourth of July Family Parade and Festival, in order to obtain first dollar General Liability coverage due to the large crowd hazard. Limits of liability carried are typically around \$2M, since the PRISM liability policy is available, if needed, to provide coverage above the special event policy.

2. Excess Workers' Compensation

Excess Workers' Compensation Insurance is proposed to be renewed with PRISM, a joint powers insurance pool for excess workers' compensation coverage. It will provide the City with statutory workers' compensation coverage and employer's liability coverage of \$5M per occurrence. The City's workers' compensation SIR per occurrence is \$1M.

Final Insurance Quotes Not Yet Available: Because of the very difficult nature of the insurance market this year, Alliant has been unable to secure a final, binding Excess Workers Compensation quote as of the publication of this report. **However, the premium is estimated not to exceed \$459,354**, an increase of approximately 32.5% from \$346,516, based on actual payroll (currently estimated to be \$92,432,204 up from \$75,599,915 last year).

California's Worker's Compensation rates are higher for public agencies with a high percentage of safety personnel, as they tend to experience higher loss severity and frequency. Fortunately, however, Workers' Compensation is the lone casualty line in which a competitive market exists for most industries in most states, as Alliant reports that workplace injuries continue to decline year over year and loss ratios remain favorable.

State Self-Insurance Fee: In addition to the excess policy premium, the City is assessed an annual fee by the State of California's Department of Industrial Relations, Office of Self Insurance plans. The fee, which is intended to cover the State's costs to administer self-insurance plans, as well as an annual self-insurance license renewal fee and funding for various funds that protect against problematic insurers. The yearly assessment is based on the City's paid indemnity loss experience taken from the prior year's Self-Insured Annual Report. \$175,000 has been included in the FY 2024 budget for the workers' compensation fund.

Resolution No. 2023-051 - WC Coverage for Certain City Service Volunteers: Generally, volunteers for public agencies are not covered under an agency's workers' compensation insurance. However, California Labor Code Section 3363.5 provides that the governing body of an agency can adopt a resolution declaring certain volunteers to be deemed to be employees for the sole purpose of Workers' Compensation Insurance while performing their volunteer service. The reasons for providing coverage include both legal/risk management benefits (e.g. a defined and known system by which the City can provide compensation and remedial assistance to injured volunteers), as well practical benefits (e.g. encouraging additional volunteers to sign-up to provide the needed services).

The City has hundreds of volunteers performing a variety of services for the community, many of whom perform one-time or drop-in services, as well as services that don't carry either the City's expectation for a long-term commitment or a demonstrable risk of injury. On the other hand, some volunteers perform on-going City service roles for which staff believes it is in the best interest of the City and volunteers to provide workers' compensation coverage ("City Service Volunteers").

Staff has used the following criteria to establish a proposed list of such City Service Volunteer positions:

- ✓ Long-Term Commitment (not one-time or drop-in)
- ✓ Number of Hours (per week or month)
- ✓ On-Site Work (ability to oversee)
- ✓ Type of Work (risk of injury)
- ✓ Age (e.g. 18 or older)

Staff is recommending volunteer positions for coverage if they meet at least 3 of the criteria, or if they meet 2 or fewer in a way that makes coverage in the best interests of the City and volunteer.

Exhibit "A" of attached Resolution No. 2023-051 contains the list of proposed City Service Volunteers to be covered by the City, so adoption of this Resolution will implement such coverage. In addition, staff does not believe that the adoption of the resolution will result in a substantial impact on

insurance premiums, because the City has been required to report the number of volunteers for a number of years. Finally, this list is subject to change at anytime, so volunteer positions can be added or removed as desired by the City Council.

3. Property

Property coverage is proposed to be renewed with APIP, which will provide the City with coverage of both real and personal property valued at approximately \$721,129,664 (up approximately 7.6% from \$669,967,294 last year), including boiler and machinery coverage. The renewal rate unfortunately increased approximately 29.9% from \$0.135 per hundred dollars of value last year to \$0.176 per hundred dollars of value this year. This collectively represents a premium increase of approximately 39.9% from \$910,891 to \$1,274,412 for FY 2024.

4. Master Crime Liability

Master crime liability coverage is proposed to be renewed with National Union, which will provide the City with coverage of \$15M per occurrence for employee theft, forgery or alteration, theft of money and securities, robbery, safe burglary, computer fraud, funds transfer fraud, money orders and counterfeit paper currency. The crime liability deductible per occurrence is \$2,500. The premium is estimated to be \$12,161 for FY 2024, which is up from \$11,041 in FY 2023.

5. Airport Liability

The Airport Liability coverage with the Starr Indemnity & Liability Company provides Airport Owners and Operators General Liability and Hangar Keepers Liability coverage of \$25M per occurrence. There is no SIR or deductible. The premium is \$4,872, which is same rate as last year.

6. Enhanced Pollution Liability

Effective October 22, 2015, the City Council authorized DWP to purchase Enhanced Pollution Liability coverage due to a heightened awareness created by lessons learned from other water reclamation agencies. The goal was to cover litigation and other costs due to releases and odors, as well as associated regulatory fines and penalties.

In a supplemental action at the July 21, 2021 City Council meeting, you authorized a switch from Illinois Union/Chubb Insurance ("Illinois Union") to Ironshore Specialty Insurance Company ("Ironshore"), in part due Illinois Union's significant premium increase and its unwillingness to continue to provide "products" coverage (i.e. claims related to the water served to DWP's customers). Enhanced pollution coverage is proposed to be renewed with Ironshore, due in part to the inclusion of regulatory penalty and fine coverage not found elsewhere, with coverage of \$10M per pollution condition, with a SIR of \$250,000 per pollution condition. The premium is \$138,142 for FY 2024, up from \$123,366 for FY 2023.

7. Deadly Weapon Response Program

Several years ago the City chose to join a new program developed by Alliant, which provides certain coverages for third party liability, business interruption and crisis management for events occurring at City scheduled locations. While it does not provide coverage for employee or City contractor claims, it does provide other services, such as crisis management and counseling services, which can be utilized by such persons. In addition, the \$500K coverage limit can be used to cover the City's SIR for its General Liability Insurance. It is recommended to renew this coverage at the premium of \$8,519, which is up from \$7,020 last year.

D. RECOMMENDED NOT TO BE COVERED

1. Excess Cyber Liability

Beginning several years ago, the City began to purchase \$3M in Excess Cyber Liability Insurance, which when added to the underlying \$2M purchased through the APiP property program, would amount to an overall limit for cyber liability of \$5M. The coverage was purchased at an initial annual cost of about \$25,000, but it had increased to about \$50,000. In June of 2021, we expected that we would again purchase such excess coverage from Axis Insurance Company, but they suddenly dropped out of the market.

Thus, in a supplemental action at the July 21, 2021 City Council meeting, you authorized a switch from Axis to a new pooled program that Alliant was attempting to develop. Unfortunately, Alliant did not receive enough interest from public agencies, so the program was not formed. Since the only other option found was deemed to be too expensive, the City did not purchase Excess Cyber Liability Insurance in FY 2022 or FY 2023.

Although the Excess Cyber Liability Insurance market has apparently stabilized a bit, staff is continuing to recommend that we not purchase such coverage in FY 2024. Staff will continue to work with Alliant throughout the year to determine if and when Excess Cyber Liability Insurance becomes warranted and affordable.

This does not mean that the City is without coverage, however, since as mentioned above the City's current property insurance includes \$2M in cyber limits for services related to a data breach, with a sublimit up to \$1M for privacy notification costs.

2. Earthquake and Flood

Optional quotes were obtained in 2016 for Earthquake and Flood insurance on three City properties (City Hall, Police Headquarters and the Water Treatment Facility on Harrison), as a gauge of the feasibility of obtaining this coverage City wide. In addition to added protection, staff understands that public finance bond companies prefer such coverage to be carried if it is available at a reasonable cost with a reputable insurer.

Adding Earthquake and Flood to these 3 locations alone (with total insurable values of \$109,333,838) would have cost at least a couple hundred thousand dollars. The deductible for Earthquake would be \$100,000 or 5%, whichever is greater, and the deductible for Flood would be between \$100,000 and

\$250,000 depending on the flood zone. Thus, providing such coverage City-wide would be quite expensive and could easily double the City's property insurance costs.

While LRM does not recommend purchasing such coverage City wide, since it does not appear to be a reasonable cost and we believe there is some protection under State and Federal disaster assistance programs, the City Council could direct otherwise.

Please also know that the City's current risk insurance program conforms to the practices of California municipalities of similar size and risk factors.

FINANCIAL IMPACT:

Sufficient funds to purchase the recommended insurance policies have been included in the proposed Fiscal Year 2024 operational budgets or will be pursuant to the above recommended actions.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the commonsense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action is strictly an action to purchase City Liability, Property and Workers' Compensation Insurance Policies, and there is no possibility that adopting this resolution will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: MARIA CONZELMAN, SR. PARALEGAL & CLAIMS MANAGER

REVIEWED BY: DEAN DERLETH, CITY ATTORNEY/LRM DIRECTOR

Attachments:

1. Exhibit 1 PRISM Info (GL1 Program - Navigating the New Normal) (02-16-23)
2. Exhibit 2 PRISM Info (Property Program and Market Update) (02-02-23)
3. Exhibit 3 Resolution No. 2023-051