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**Title:** CITY LIABILITY, PROPERTY, AND WORKERS' COMPENSATION INSURANCE POLICIES FOR FISCAL YEAR 2025

**Sponsors:**

**Indexes:**

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**Attachments:** 1. Staff Report, 2. Exhibit 1 - PRISM Info (GL1 Program Stakeholder Communication) (03-18-24), 3. Exhibit 2 - PRISM Info (Workers' Compensation Program Stakeholder Communication) (03-21-24)

Date	Ver.	Action By	Action	Result
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**REQUEST FOR CITY COUNCIL AND CORONA UTILITY AUTHORITY ACTION**

**DATE:** 07/03/2024

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

**FROM:** Legal and Risk Management

**SUBJECT:**  
CITY LIABILITY, PROPERTY, AND WORKERS' COMPENSATION INSURANCE POLICIES FOR FISCAL YEAR 2025

**EXECUTIVE SUMMARY:**

This staff report asks the City Council to approve the renewal of the City's insurance policies. 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 2025, *with an estimated maximum premium amount of up to **\$2,185,000***, coverage of \$25M per occurrence, and an increase in our self-insured retention from \$500,000 to \$1M 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 2025, *with an estimated maximum premium amount of up to **\$539,749***. 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 2025, *with an estimated maximum premium amount of up to **\$1,384,940***, coverage for both real and personal property valued at approximately \$760,215,998 (up from \$721,129,664 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. This year we will decline the cyber liability coverage previously provided under the APIP policy and purchase a standalone cyber liability coverage policy as discussed below.
- 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, also known as AIG ("AIG") for Fiscal Year 2025, *with an annual premium of **\$13,333***, 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 2025, *with a premium of **\$4,872***, coverage of \$25M per occurrence, and no deductible or SIR. There is no change in premiums 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 2025, *with a premium of **\$121,554***, 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 2025, *with an annual premium of **\$8,303*** and coverage of \$500,000 and sub-limit coverage of \$250,000 for

various incident related services and coverages.

- h. Cyber Liability. Authorize the purchase of enhanced cyber liability coverage with Public Risk Innovation, Solutions, and Management JPA for Fiscal Year 2025, *with a premium of \$143,832* and coverage of \$18M (policy limit/aggregate subject to the pool aggregate of \$115M), including various sublimits (most notable of which are now much larger \$7.75M extortion and data recovery cost sublimits). In the past few years, the cost of enhanced cyber liability insurance has been cost prohibitive, so we've relied on the coverage provided under the Alliant's Property Insurance Program. The cost and quality of cyber liability coverage has improved, and we believe it's a good time to once again purchase a standalone cyber coverage policy. We will continue to evaluate other alternatives in the market.
- 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 2025 budgets for the Workers Compensation Fund 683 and the General Liability Fund 687.

**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: The excess liability insurance renewal faced another challenging year for the City and public entities throughout California and across the nation. Costs continue to rise as the state of the liability insurance market for public entities continues to harden, with plaintiff settlement demands, jury verdicts, and high dollar liability claims continuing to rise dramatically. This results in more and larger claims, which drives increasing premiums.

The City's self-insured retention has been \$500,000 for many years, which is quite low when compared to full-service cities of similar size. This year staff is recommending increasing the retention to \$1M to retain more risk and reduce overall costs (by almost \$1M in premiums this year alone).

The Alliant team has evaluated other options for the City on a regular basis, and as part of this effort approached more than 25 commercial markets, as well as the viability of other risk sharing pools. Through these efforts, it has been determined that PRISM presents the broadest coverage option at the most competitive price. PRISM also allows the City flexibility in deciding how much risk to retain, understanding that the open market for cities with law enforcement has pushed retention levels up to a minimum of seven figures (ranging from \$2M - \$5M minimum). PRISM also allows the City a level of control over its own claims, including utilizing vendors that the City selects on its own merit, as well as using in-house personnel to defend litigation. In addition to the efforts that Alliant has put forth to validate the City's program, PRISM also performs an extensive marketing effort annually for the pool's reinsurance.

- 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.

In 2023, 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 a change to them more risky. In the end, the proposal was right in the ballpark of PRISM's preliminary quote and if we switched, we would have been locked out of the JPA pool for three years, thus staff and Alliant recommended that renewing with PRISM made the most sense.

- Property Insurance: Property insurance is currently purchased from the Alliant Property Insurance Program (APIP). APIP was formed in 1993 to meet the property insurance needs faced by public entities and is currently the largest property insurance placement in the world. APIP is a joint purchase program, and there is no risk of assessments. Because of APIP's large size, members receive low premiums with the best possible coverage terms. City losses, industry-wide events, inflation, labor shortages, and rising material costs in recent years have resulted in several years of increased premiums. Although 2023 was a record-breaking year in the marketplace, losses had a much greater impact on the residential/personal lines market; the commercial lines market observed its first year of positive combined ratio in many years. This has led to additional capacity flowing into the marketplace driving costs down. Alliant has evaluated standalone property options (more than 50+ carriers) over the years, however APIP remains the best program for the coming year. Not only has APIP's pricing been highly competitive, but no carrier has been able to compete with the broad coverage terms. Even when considering a "paired" down version of coverage, pricing has been an issue for other options. Plus, the APIP program includes coverage for terrorism, auto physical damage, boiler & machinery, pollution, loss control and appraisals (building valued at \$5M or greater).

The APIP program itself undergoes an extensive marketing effort every year. Carriers are added, deleted and rearranged based on availability capacity and layer pricing to ensure that the program continues to provide the most competitive structure for the membership.

- Master Crime Liability Coverage: The PRISM crime program is placed with AIG. While it is marketed annually, AIG remains the most viable partner for PRISM and the City 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 in 2023 to all viable aviation markets (approximately 10) and with Starr Indemnity and Liability Company due to the program's broad terms and competitive pricing.
- 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 was obtained.

This year, a competing quote came in from Indian Harbor/AXA XL, which prompted Ironshore to reduce its original quote and offer another year of coverage at the same rate as Fiscal Year 2024 with broader coverage. Ultimately, while the Indian Harbor quote was lower, it came with conditions and exclusions that the City is not ready to accept. Staff will continue to work with Alliant to try and obtain a more acceptable quote from Indian Harbor.

- Cyber Liability: Up through FY 2021, the City carried excess cyber liability insurance with Axis Insurance Company (\$3M in excess of the \$2M included in our APIP property policy), with extortion coverage of \$750,000 and premiums of approximately \$25,000. For FY 2022, at first, Axis intended to double our premium to approximately \$50,000, but ultimately decided to stop issuing the cyber coverage.

Since FY 2022, therefore, the City has participated only in the APIP Cyber Liability program, which provides a \$2M coverage limit and aggregate, as well as an extortion sublimit of just \$750,000. Last year the annual premium was approximately \$31,814.

Over the years, Alliant has worked closely with City staff (including IT) to review the City's exposure/cyber posture and discuss the adequacy of the current APIP program. It has been the consensus of the group that the current APIP limits are insufficient. In 2023, the Alliant team completed a benchmarking analysis for the City using a software called Cybercube, which uses analytics to provide information that will assist in data-driven decision making. The program seeks to estimate an entity's risk profile for a cyber event when compared to similar entities within a peer group. The result substantiated the belief that the City's current coverage is too low. The results indicated that the City should be purchasing \$3.8M in limits to be on par with its peer group, or \$7.2M to purchase at the 95<sup>th</sup> percentile (recommended).

Although the Alliant team has marketed the program and provided excess options several times over recent years, due to increased activity with cyber incidents worldwide (mainly breaches and ransomware attacks), cyber insurance has been unaffordable. A recent realignment of rates, however, has helped to reset the bar. Fortunately for commercial buyers, the premiums have come down significantly this

year. Although it may be temporary, the City and Alliant agreed to once again look at options to increase the policy limits for FY 2025. In total, the Alliant team approached 20+ markets, including PRISM.

The PRISM program provided the best option for the City, with an \$18M policy limit/aggregate (subject to the pool/program aggregate of \$115M), as well as various sublimits, the most notable of which are \$7.75M extortion and data recovery cost sublimits, for an annual premium of \$143,832. Although a pool, the PRISM cyber program is fully insured, and members are not pooling any risk, so there is no opportunity for PRISM to assess members.

Additionally, the City has been approached by a local broker for Aon Cyber Solutions. Aon is currently working with IT to perform an assessment of the City's systems and security protocols. Depending on the outcome, Aon may be able to provide the City with another quote to consider in the future.

- Deadly Weapons: The City purchases coverage through the Alliant Deadly Weapon Response Program (ADWRP) for events involving active assailants brandishing a weapon with intent on causing harm to persons or property while on City scheduled property. This program acts as a buy-down for other coverage programs and fills gaps in coverage that may exist under the City's property and casualty policies. This year the program was marketed and viable options were obtained from three other leading markets in the active assailant space, with only one materializing into a highly competitive option. However, after much review and negotiation, it was determined that although another option was compelling, the current program with Beazley remains the best solution. Not only was pricing the lowest, the terms were broader and the carrier was willing to make concessions to enhance several areas of the program.

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: PRISM's General Liability 1 Program***

**Stakeholder Communication dated March 18, 2024.** It summarizes 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 factors 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 again this year, the property, cyber and workers’ compensation markets also remain challenging: (1) Property: Catastrophic events throughout the world and fewer carriers willing to participate in the market; (2) Cyber: Ransomware claims are still on a steep increase, however, cyber liability coverage program costs have stabilized to a level that we recommend purchasing a standalone policy this year (as discussed above); and (3) Workers’ Compensation: While our estimated premium increase is also due to our rise in payroll, the market has been feeling pressure from catastrophic injury cases, cancer and PTSD claims, which are presumptions, which continue to rise dramatically.

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), OIS claim in 2023 (appx \$1.8M), as well as an increase in insurable property values, the “hard” insurance market has in some measure resulted in the following anticipated premium increases for this FY:

<b>FY 2024 TO FY 2025 PREMIUM % INCREASES</b>				
<b>Policy</b>		<b>FY 24 Premium</b>	<b>FY 25 Premium (Est.)</b>	<b>% Increase</b>
Property		\$1,274,412	\$1,384,940	8.67%
General Liability	\$500K SIR	\$1,945,496	\$2,921,000	50%



	\$1M SIR	\$1,486,000	\$2,185,000	47%
Enhanced Pollution		\$138,142	\$ 121,554	(12%)
Workers Comp		\$459,354	\$539,749	17.5%

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 SIR for injury, property damage, errors & omissions, and unfair employment practices claims.

Final Insurance Quotes Not Yet Available: Because of the very difficult nature of the insurance market this year, Alliant has not been able to secure a final, binding Excess General Liability quote as of the publication of this report. **However, the following premium estimates are good, not-to-exceed estimates:**

**\$500K SIR \$2,921,000**  
**\$1M SIR \$2,185,000**

These amounts compare to last year's premium quotes of \$1,945,495 and \$1,486,000 respectively. While this would represent an increase of approximately 50% and 47% respectively, 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: Most private insurers will only issue policies with a minimum SIR of \$1M (many require between \$2M and \$5M), so the \$500M SIR the City has been able to retain is a luxury. Unfortunately, it is a luxury that staff believes we can no longer afford, as the **premium difference has skyrocketed approximately \$258,000 to \$736,000**. In just 3 years, the premium difference has changed as follows:

FY 2022 TO FY 2025 \$500k AND \$1M SIR PREMIUM \$ DIFFERENCES			
FY	\$500K SIR	\$1M SIR	% Increase

FY 2022	\$977,000	\$719,000	\$258,000
FY 2023	\$1,385,000	\$1,091,000	\$294,000
FY 2024	\$1,945,495	\$1,486,000	\$459,495
FY 2025	\$2,921,000	\$2,185,000	<b>\$736,000</b>

While it is certainly possible to receive two large claims that exceed a \$500K SIR in a given year, and although moving to a \$1M SIR could have negative impacts on the City’s overall aggressive litigation strategy, a \$736,000 premium difference is simply too much to absorb. Moreover, although we likely will not be able to return to a \$500K SIR, it is also true that we do not see the GL market softening anytime soon to the extent that the premium difference between \$1M and \$500K SIR’s will shrink considerably.

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 \$539,749**, an increase of approximately 17.5% from \$459,354, based on actual payroll (currently estimated to be \$98,549,303 up from \$92,432,204 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. Additionally, PRISM reports that the workers’ compensation market has its own set of problematic issues to hurdle, some similar to excess liability and others unique to the workers’ compensation system. While workers’ compensation is currently a more stable line of coverage, the aging workforce, medical inflation, presumptions such as cancer, heart, and post-traumatic stress, and the pandemic have disrupted the workers’ compensation environment.

**Please see Exhibit “2” Attached Hereto: PRISM’s Workers’ Compensation Program Stakeholder Communication dated March 21, 2024.**

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. \$175,200 has been included in the FY 2025 budget for the workers' compensation fund.

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 \$760,215,998 (up approximately 5.4% from \$721,129,664 last year), including boiler and machinery coverage. The renewal rate increased approximately 3.08% from \$0.177 per hundred dollars of value last year to \$0.182 per hundred dollars of value this year. This collectively represents a premium increase of approximately 8.7% from \$1,274,412 to \$1,384,940 for FY 2025.

4. Master Crime Liability

Master crime liability coverage is proposed to be renewed with AIG, 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 \$13,333 for FY 2025, which is up from \$1,172 in FY 2024.

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 UD 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 UD'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 \$121,554 for FY 2025, down from \$138,141 for FY 2024. A competitive bid was received which prompted Ironshore to reduce its original proposal for FY2025, however, the competitive bid had more limited coverage, so ultimately it was decided to renew with Ironshore.

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 \$8,303, which is down from \$8,519 last year. This includes several enhancements to the coverage, including event attendee count increase from 500 people to 2,500 people, transit submit increase from \$250,000 to \$500,000 and additional CrisisRisk Services to address new legislation.

8. Cyber Liability Program

In previous years, the cost of cyber liability coverage skyrocketed, capacity vanished, retentions increased, and security controls became mandatory. The difficult market conditions made the cost of a standalone cyber policy cost prohibitive. Fortunately, our IT department has a robust system of controls and training in place to provide protection from cyber-attacks, so we determined that the exorbitant premiums were better saved in the event of a ransomware event; additionally, our property coverage included a small amount of cyber coverage of \$2M.

However, the market has stabilized somewhat, and Alliant presented a proposal from PRISIM for standalone coverage that is attractive to the City, with an \$18M policy limit/aggregate (subject to the pool aggregate of \$115M) at a premium of \$143,832. It also includes \$7.75M in extortion coverage.

D. RECOMMENDED NOT TO BE COVERED

1. 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 Citywide. 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 have been \$100,000 or 5%, whichever is greater, and the deductible for Flood would have been 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 Adopted FY 2025 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 Stakeholder Communication) (03-18-24)
2. Exhibit 2 - PRISM Info (Workers' Compensation Program Stakeholder Communication) (03-21-24)