

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Isaac Garibay, Director of Human Resources and Risk Management

DATE: June 11, 2024

SUBJECT: Approve Annual Renewal of City Insurance Policies

PREPARED BY: Nicole Flores, Risk Manager

RECOMMENDATIONS: That the City Council approve the following insurance policies and renewal premiums:

1. Excess Liability (\$10M Limit) insurance with Alliant National Municipal Liability (ANML) Program, in the amount of \$919,095.73, for the period of July 1, 2024 to July 1, 2025; and
2. Excess Liability (\$5M xs \$10M Limit) insurance with Starstone Specialty Insurance Company, in the amount of \$254,854.60, for the period of July 1, 2024 to July 1, 2025; and
3. Excess Workers' Compensation insurance with Safety National Casualty Insurance, in the amount of \$150,846, for the period of July 1, 2024 to July 1, 2025; and
4. Property & Equipment Breakdown insurance with Hanover Insurance Company, in the amount of \$189,245, for the period of July 1, 2024 to July 1, 2025; and
5. Difference in Conditions (Earth Movement and Flood) insurance with Steadfast Insurance Company and QBE Specialty Insurance Company in the amount of \$365,456, for the period of July 1, 2024 to July 1, 2025; and
6. Auto Physical Damage insurance with Hanover Insurance Company, in the amount of \$28,179, for the period of July 1, 2024 to July 1, 2025; and
7. Cyber Liability insurance with APIP Core, Boost & BBR, in the amount of \$39,763.51, for the period of July 1, 2024 to July 1, 2025; and
8. Crime insurance with Alliant Crime Insurance Program (ACIP), in the amount of \$2,422, for the period of July 1, 2024 to July 1, 2025; and
9. Pollution/Environmental Legal Liability insurance with Indian Harbor Insurance Company, in the amount of \$11,783.16, for the period of July 1, 2024 to July 1, 2025; and
10. Volunteer Accident insurance with Volunteer Insurance Program (VIP), in the amount of \$660, for the period of July 1, 2024 to July 1, 2025; and

RECOMMENDATIONS (continued):

- 11. Deadly Weapons insurance with Alliant Deadly Weapons Response Program (ADWRP), in the amount of \$5,555.21, for the period of July 1, 2024 to July 1, 2025; and
- 12. Unmanned Aircraft (Drone) Coverage with California Aircraft Municipal Program (CAMP), in the amount of \$1,224.26, for the period of July 1, 2024 to July 1, 2025.

BACKGROUND: In preparation for the July 1, 2024 expiration of the City’s insurance policies, staff requested that the City’s insurance broker, Alliant Insurance Services (AIS) market the City’s insurance program, including Excess Liability, Excess Workers' Compensation, Property & Equipment Breakdown, Difference in Conditions (Earth Movement and Flood), Automobile Physical Damage, Cyber Liability, Crime, Environmental Liability, Volunteer Accident, Terrorism, and Deadly Weapons coverage. In response, AIS obtained proposals from various insurance carriers for insurance premiums which represents an approximate increase of 15% over the City’s FY 2023-24 insurance premiums. To ensure the insurance companies have sufficient financial capacity to provide the necessary policy limits to insure the City’s risks, AIS utilized the services of A.M. Best Rating system to assess their financial strength and creditworthiness. The insurance premiums are listed below by category and in order of responsiveness:

**Excess Liability Insurance (\$10M Limit)
Alliant National Municipal Liability (ANML) Program**

Carrier		Premium
Great American E&S Insurance Company	A+ (Superior), FSC: XV (Greater than \$2B)	\$919,095.73
StarStone Specialty Insurance company	A- (Excellent), FSC: XII (\$1B to \$1.25B)	

The premium amount of \$919,095.73 for Excess Liability Insurance coverage and represents a \$5,442.79 increase over the previous policy. The increase in premiums is primarily due to recent liability related claim activity and the current market conditions as a whole. The preferred proposal submitted provides coverage of \$10 million per occurrence with a self-insured retention of \$500,000.

Excess Liability Insurance (\$5M xs \$10M Limit)

Carrier		Premium
StarStone Specialty Insurance company	A- (Excellent), FSC: XII (\$1B to \$1.25B)	\$254,854.60

The premium amount of \$254,854.60 for Excess Liability Insurance coverage is an increase in premium to add an additional \$5 million in limits to the \$10 million already purchased.

Excess Workers’ Compensation Insurance

Carrier		Premium
Safety National Casualty Corporation	A+ (Superior), FSC: XV (Greater than \$2B)	\$150,846.00

As a cost saving measure, in 2014 the City incorporated a \$500,000 *Self-Insured Retention* into the City’s Workers’ Compensation insurance program. Therefore, rather than the City’s insurance carrier covering the costs of employee related work injuries from the first dollar of loss, the City self-insures for the first \$500,000 of each occurrence, with the insurance policy covering costs in excess of \$500,000. The Excess Insurance premium amount of \$150,846.00 represents a (\$9,406.00) decrease over the previous policy.

BACKGROUND (continued):

Property and Equipment Breakdown Insurance

Carrier		Premium
Hanover Insurance Company	A (Excellent), FSC: XV (Greater than \$2B)	\$189,245.00

The premium amount of \$189,245.00 represents a \$1,429.00 increase over the previous policy. The preferred proposal submitted by Hanover Insurance Company provides coverage of \$100 Million with a \$25,000 deductible.

Auto Physical Damage & Contractor’s Equipment

Carrier		Premium
Hanover Insurance Company	A (Excellent), FSC: XV (Greater than \$2B)	\$28,179.00

The premium amount of \$28,179.00 represents a \$2,396.00 increase over the previous policy. The preferred proposal submitted by Hanover Insurance Company provides coverage of \$8,493,863 total insured value Auto Physical Damage and \$1,163,024 for Contractors Equipment with a \$10,000 deductible for each.

Cyber Liability Insurance

Alliant Property Insurance Program (APIP) Core, Boost and BBR

Carrier		Premium
Syndicate 623/2623 at Lloyd's	A (Excellent), FSC: XV (Greater than \$2B)	\$39,763.51

The premium amount of \$39,763.51 represents a (\$7,839.61) decrease over the previous policy. The preferred proposal submitted by APIP provides increased coverage for the City over prior years.

Difference in Conditions: Earth Movement and Flood

Carrier		Premium
<u>Primary \$10M Limit</u> Steadfast Insurance Company	<u>Primary \$10M Limit</u> A+ (Superior), FSC: XV (Greater than \$2B)	\$365,456.34
<u>\$25M xs of \$10M Limit</u> General Security Indemnity Company of Arizona – 5%	<u>\$25M xs of \$10M Limit</u> A (Excellent), FSC: XV (Greater than \$2B)	
Hiscox Syndicate #33 – 20%	A (Excellent), FSC: XV (Greater than \$2B)	
Mercer Insurance Company – 35%	A- (Excellent), FSC: X (\$500M to \$750M)	
QBE Specialty Insurance Company – 40	A (Excellent), FSC: XV (Greater than \$2B)	

The premium amount of \$365,456.00 represents a \$14,850.36 increase over the previous policy due to a slight increase in exposure rates and marketplace increases in catastrophe coverage. The premium amount includes the primary and excess policies indicated above. The preferred proposal submitted by Steadfast Insurance Company includes \$10,000,000 in coverage with an earth movement deductible of 5% applied per unit, flood deductible \$100,000, and a deductible for all other insured perils of \$25,000.

BACKGROUND (continued):

**Crime Insurance
Alliant Crime Insurance Program (ACIP)**

Carrier		Premium
National Union Fire Insurance Company of Pittsburgh, PA. (AIG)	A (Excellent), FSC: XV (Greater than \$2B)	\$2,422.40

The premium amount of \$2,422.00 represents a (\$238.00) decrease over the previous policy. The preferred proposal submitted by National Union Fire Insurance Company of Pittsburgh, PA (AIG) provides coverage of \$1,000,000 with a \$10,000 deductible. In addition, the Crime insurance policy includes coverage for City Officials including, but not limited to, the City Manager, City Clerk, Finance Director, and City Treasurer, as well as Volunteer Workers. An option is available to purchase \$2,000,000 limits for \$4,003.00.

Pollution/Environmental Legal Liability Insurance

Carrier		Premium
Indian Harbor Insurance Company	A++ (Superior), FSC: XV (Greater than \$2B)	\$11,783.16

The premium amount of \$11,783.16 represents a (\$1,705.56) decrease over the previous policy. The preferred proposal submitted by Indian Harbor Insurance Company provides a coverage limit of \$1,000,000 with \$2,000,000 aggregate and a \$25,000 SIR.

**Volunteer Accident Insurance
Volunteer Insurance Program (VIP)**

Carrier		Premium
National Union Fire Insurance Company of Pittsburgh, PA. (AIG)	A (Excellent), FSC: XV (Greater than \$2B)	\$660.00

The premium amount of \$660.00 represents a (\$316.80) decrease over the previous policy. The preferred proposal submitted by National Union Fire Insurance Company of Pittsburg, PA provides \$50,000 coverage with \$1,000,000 aggregate of Accidental Death and Dismemberment (AD&D) at no deductible and \$100,000 of Accidental Medical Expense at no deductible. An option is available to purchase \$100,000 coverage with \$500,000 aggregate of Accidental Death and Dismemberment (AD&D) at no deductible and \$250,000 of Accidental Medical Expense at no deductible for \$1,056.00.

Standalone Terrorism Liability

Carrier		Premium
Lloyds of London/Beazley	A (Excellent), FSC: XV (Greater than \$2B)	\$8,450.00

The premium amount of \$8,450.00 represents a \$215.75 increase over the previous policy. The preferred proposal submitted by Lloyd’s Syndicate provides \$5,000,000 coverage with \$5,000,000 aggregate and a \$10,000 deductible. City is non-renewing the “Political Terrorism” policy and instead opting to purchase a Deadly Weapons policy, which provides broader coverage as there does not need to be a political motivation for the violence to trigger the policy, unlike the “Political Terrorism” policy.

BACKGROUND (continued):

**Deadly Weapons Coverage
Alliant Deadly Weapons Response Program (ADWRP)**

Carrier		Premium
Underwriters at Lloyd's of London	A (Excellent), FSC: XV (Greater than \$2B)	\$5,555.21

The premium amount of \$5,555.21 represents a \$5,555.21 increase over the previous policy due to this being a new policy. This policy has broad coverages that will respond to non-politically motivated violence unlike a "Political Terrorism" policy.

**Unmanned Aircraft Coverage
California Aircraft Municipal Program (CAMP)**

Carrier		Premium
Underwriters at Lloyd's of London	A (Excellent), FSC: XV (Greater than \$2B)	\$1,224.26

The premium amount of \$1,224.40 represents a (\$2,231.74) decrease over the previous policy. The preferred proposal submitted by Underwriters at Lloyd's of London provides \$2,000,000 in liability coverage.

FISCAL IMPACT: No Fiscal impact as insurance premiums have been proposed at or below budget amounts for the Fiscal Year 2024-25.

ATTACHMENTS: Insurance Proposal