

**CITY OF TEMECULA  
AGENDA REPORT**

**TO:** City Manager/City Council

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

**DATE:** June 13, 2023

**SUBJECT:** Approve Annual Renewal of City Insurance Policies

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**PREPARED BY:** Nicole Flores, Risk Manager

**RECOMMENDATION:** That the City Council approve the following insurance policies and renewals and appropriate an additional \$83,000 to Fund 300 – Insurance to cover the increased premiums:

1. 1<sup>st</sup> Excess Liability insurance with Illinois Union Insurance Company, in the amount of \$347,099.58, for the period of July 1, 2023 to July 1, 2024; and
2. 2<sup>nd</sup> Excess Liability insurance with Princeton Excess and Surplus Lines Insurance Company, in the amount of \$305,447.88, for the period of July 1, 2023 to July 1, 2024; and
3. 3<sup>rd</sup> Excess Liability insurance with Starstone Specialty Insurance Company, in the amount of \$260,667.90, for the period of July 1, 2023 to July 1, 2024; and
4. Excess Workers' Compensation insurance with Arch Insurance Company, in the amount of \$155,584.00, for the period of July 1, 2023 to July 1, 2024; and
5. Property & Equipment Breakdown insurance with Hanover Insurance Company, in the amount of \$168,130.35 for the period of July 1, 2023 to July 1, 2024; and
6. Difference in Conditions (Earth Movement and Flood) insurance with Steadfast Insurance Company and QBE Specialty Insurance Company in the amount of \$350,605.64, for the period of July 1, 2023 to July 1, 2024; and
7. Auto Physical Damage insurance with Hanover Insurance Company, in the amount of \$25,783.00, for the period of July 1, 2023 to July 1, 2024; and
8. Cyber Liability insurance with Houston Casualty Company, in the amount of \$51,750.97, for the period of July 1, 2023 to July 1, 2024; and
9. Crime insurance with Allmerica Financial Benefit Insurance Company, in the amount of \$2,660.00, for the period of July 1, 2023 to July 1, 2024; and

10. Pollution/Environmental Legal Liability insurance with Illinois Union Insurance Company, in the amount of \$10,978.41, for the period of July 1, 2023 to July 1, 2024; and
11. Volunteer Accident insurance with Berkley Life & Health Insurance Company, in the amount of \$976.80, for the period of July 1, 2023 to July 1, 2024; and
12. Standalone Terrorism Liability, Business Interruption, and Property Damage insurance with Lloyd’s Syndicate 33, in the amount of \$8,234.25, for the period of July 1, 2023 to July 1, 2024; and
13. Drone Coverage with ACE American Insurance Company, in the amount of \$3,456.00, for the period of July 1, 2023 to July 1, 2024.

**BACKGROUND:** In preparation for the July 1, 2023 expiration of the City’s insurance policies, staff requested that the City’s insurance broker, Arthur J. Gallagher & Company (AJG) 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, and Terrorism coverage. In response, AJG obtained proposals from various insurance carriers for insurance premiums which represents an approximate increase of 23% over the City’s FY 2022-23 insurance premiums. To ensure the insurance companies have sufficient financial capacity to provide the necessary policy limits to insure the City’s risks, AJG 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:

**First Excess Liability Insurance**

<b>Carrier</b>	<b>Premium</b>
Illinois Union Insurance Company	\$347,099.58

The premium amount of \$347,099.58 for Excess Liability Insurance is for the first excess liability insurance coverage and represents a \$60,919.49 increase over the previous FY 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 by Illinois Union Insurance Company provides coverage of \$2 million per occurrence with a self-insured retention of \$500,000. A.M. Best assigned Illinois Union Insurance Company a Financial Strength Rating of “A++” (Superior) and a Financial Size Category of “XV” (\$2 Billion or Greater) based on their policyholder’s adjusted surplus.

### Second Excess Liability Insurance

Carrier	Premium
Princeton Excess and Surplus Lines Insurance Company	\$305,447.88

The premium amount of \$305,447.88 for Excess Liability Insurance is for the second excess liability insurance coverage and represents a \$52,485.38 increase over the previous FY 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 by Princeton Excess and Surplus Lines Insurance Company provides coverage of \$3 million per occurrence. A.M. Best assigned Princeton Excess and Surplus Lines Insurance Company a Financial Strength Rating of “A+” (Superior) and a Financial Size Category of “XV” (\$2 Billion or Greater) based on their policyholder’s adjusted surplus.

### Third Excess Liability Insurance

Carrier	Premium
Starstone Specialty Insurance Company	\$260,667.90

The premium amount of \$260,667.90 for Excess Liability Insurance is for the third excess liability insurance coverage and represents a \$50,855.40 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 by Starstone Specialty Insurance Company provides coverage of \$5 million per occurrence. A.M. Best assigned Starstone Specialty Insurance Company a Financial Strength Rating of “A-” (Excellent) and a Financial Size Category of “XII” (\$1 Billion to \$1.25 Billion) based on their policyholder’s adjusted surplus.

### Excess Workers’ Compensation Insurance

Carrier	Premium
Arch Insurance Company	\$155,584.00

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 \$155,584.00 represents a \$18,385.00 increase over the previous policy. A.M. Best assigned Arch Insurance Company a Financial Strength Rating of “A+” (Superior) and a Financial Size Category of “XV” (\$2 Billion or Greater) based on their policyholder’s adjusted surplus.

### **Property and Equipment Breakdown Insurance**

<b>Carrier</b>	<b>Premium</b>
Hanover Insurance Company	\$168,130.35

The premium amount of \$168,130.35 represents a \$44,748.60 increase over the previous policy. The increase is based off an appraisal completed in December of 2022 of all City Facilities. The preferred proposal submitted by Hanover Insurance Company provides coverage of \$100 Million with a \$25,000 deductible. A.M. Best assigned Hanover Company a Financial Strength Rating of “A” (Excellent) and a Financial Size Category of “XV” (\$2 Billion or Greater) based on their policyholder’s adjusted surplus.

### **Difference in Conditions: Earth Movement and Flood**

<b>Carrier</b>	<b>Premium</b>
Primary - Steadfast Insurance Company \$10M Limit	\$235,869.48
Excess – QBE Specialty Insurance Company \$25M xs of \$10M	\$114,736.16
Subtotal	\$350,605.64

The premium amount of \$350,605.64 represents a \$87,904.59 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. A.M. Best assigned Steadfast Insurance Company a Financial Strength Rating of “A+” (Superior) and above and Financial Size Categories of “XV” (\$2 Billion or Greater) based on their policyholder’s adjusted surplus. A.M. Best assigned QBE Specialty Insurance Company a Financial Strength Rating of “A” (Excellent) and above and Financial Size Categories of “XV” (\$2 Billion or Greater) based on their policyholder’s adjusted surplus.

### **Auto Physical Damage & Contractor’s Equipment**

<b>Carrier</b>	<b>Premium</b>
Hanover Insurance Company	\$25,783.00

The premium amount of \$25,783.00 represents a \$9,548.00 increase over the previous policy due to an increase in fleet assets. The preferred proposal submitted by Hanover Insurance Company provides coverage of \$8,353,507 total insured value Auto Physical Damage and \$1,011,964 for Contractors Equipment with a \$10,000 deductible for each. A.M. Best assigned Hanover Insurance Company a Financial Strength Rating of “A” (Excellent) and a Financial Size Category of “XV” (\$2 Billion or Greater) based on their policyholder’s adjusted surplus.

### Cyber Liability Insurance

Carrier	Premium
Houston Casualty Company	\$51,750.97

The premium amount of \$51,750.97 represents a \$39.93 decrease over the previous policy. The preferred proposal submitted by Houston Casualty Company provides adequate coverage for the City. A.M. Best assigned Houston Casualty Company a Financial Strength Rating of “A++” (Superior) and a Financial Size Category of “XV” (\$2 Billion or Greater) based on their policyholder’s adjusted surplus.

### Crime Insurance

Carrier	Premium
Allmerica Financial Benefit Insurance Company	\$2,660.00

The premium amount of \$2,660.00 represents a \$76.00 increase over the previous policy. The Crime Policy is a three-year policy, which renews this year. The preferred proposal submitted by Allmerica Financial Benefit Insurance Company 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. A.M. Best assigned Hanover Insurance Company a Financial Strength Rating of “A” (Excellent) and a Financial Size Category of “XV” (\$2 Billion or greater) based on their policyholder’s adjusted surplus.

### Pollution/Environmental Legal Liability Insurance

Carrier	Premium
Illinois Union Insurance Company	\$10,978.41

The premium amount of \$10,978.41 represents a \$2,889.10 decrease over the previous policy. The preferred proposal submitted by Illinois Union Insurance Company provides a coverage limit of \$1,000,000 with \$2,000,000 aggregate and a \$25,000 SIR. A.M. Best assigned Illinois Union Insurance a Financial Strength Rating of “A++” (Superior) and a Financial Size Category of “XV” (\$2 Billion or Greater) based on their policyholder’s adjusted surplus.

### Volunteer Accident Insurance

Carrier	Premium
Berkley Life & Health Insurance Company	\$976.80

The premium amount of \$976.80 represents a \$305.20 decrease over the previous policy. The preferred proposal submitted by Berkley Accident & Health provides \$50,000 coverage with \$500,000 aggregate of Accidental Death and Dismemberment (AD&D) at no deductible and \$100,000 of Accidental Medical Expense at no deductible. A.M. Best assigned Berkley Life and Health Insurance Company a Financial Strength Rating of “A+” (Superior) and a Financial Size Category of “VIII” (\$100 Million to \$250 Million) based on their policyholder’s adjusted surplus.

### Standalone Terrorism Liability

Carrier	Premium
Lloyd's Syndicate 33	\$8,234.25

The premium amount of \$8,234.25 represents a \$134.29 increase over the previous policy. The preferred proposal submitted by Lloyd's Syndicate 33 provides \$5,000,000 coverage with \$5,000,000 aggregate and a \$10,000 deductible. A.M. Best assigned Lloyd's of London / Beazley a Financial Strength Rating of "A" (Excellent) and a Financial Size Category of "XV" (\$2 Billion or greater) based on their policyholder's adjusted surplus.

### Drone Coverage

Carrier	Premium
ACE American Insurance Company	\$3,456.00

The premium amount of \$3,456.00 represents a \$1,834.00 increase over the previous policy due to an additional drone covered on the policy. The preferred proposal submitted by ACE American Insurance Company provides \$2,000,000 in liability coverage. A.M. Best assigned ACE American / National Liability and Fire a Financial Strength Rating of "A++" (Superior) and a Financial Size Category of "XV" (\$2 Billion or greater) based on their policyholder's adjusted surplus.

**FISCAL IMPACT:** An increase in funds for the Insurance Internal Service Fund (account 300.199.999.5204) in the amount of \$83,000.00 is needed to fully fund the insurance premiums for the Fiscal Year 2023-24.

**ATTACHMENTS:** Insurance Proposal