



City of Carson Report to Mayor and City Council

June 6, 2012
New Business Consent

SUBJECT: CONSIDER RENEWAL OF COMMERCIAL GENERAL LIABILITY, EXCESS WORKERS' COMPENSATION AND PROPERTY INSURANCE POLICIES FOR FY 2012/13


Submitted by Jacquelyn Acosta
Administrative Services General Manager


Approved by David C. Biggs
City Manager

I. SUMMARY

Presented for Council's consideration is the annual renewal of the following insurance policies: 1) Commercial General Liability Insurance [Municipal General, Public Officials Errors and Omissions, and Automobile Liability]; 2) Excess Workers' Compensation Insurance; and 3) Property Insurance. These renewals are for FY 2012/13. The insurance premiums total \$405,944.59 resulting in an increase of \$23,131.59 from FY 2011/12 premiums of \$382,813.00, while providing the same insurance coverage.

II. RECOMMENDATION

TAKE the following actions:

1. APPROVE Lloyds of London to provide \$10 million primary coverage, including terrorism, for the city's Commercial General Liability Insurance for Municipal General, Public Officials Errors and Omissions, and Automobile Liability for FY 2012/13, at an annual premium of \$193,175.59.
2. APPROVE Safety National Casualty Corporation to provide coverage for the city's Excess Workers' Compensation Insurance for FY 2012/13, at an annual premium of \$123,359.00.
3. APPROVE St. Paul Travelers Insurance Company to provide coverage for the city's Property Insurance, including terrorism, for FY 2012/13, at an annual premium of \$89,410.00.

III. ALTERNATIVES

1. DO NOT APPROVE the policies. However, if Council chooses not to approve, critical insurance coverage will expire and the city will have 100% exposure for liability claims, injuries arising out of catastrophic events, workers' compensation claims, and property damage.
2. TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The city has three types of major insurance coverages: 1) Commercial General Liability [Municipal General, Public Officials Errors and Omissions, and Automobile Liability]; 2) Excess Workers' Compensation, and 3) Property.

The city's Commercial General Liability, Excess Workers' Compensation and Property policies will expire on June 30, 2012. The city's insurance broker provided staff with one quote for Commercial General Liability Insurance, five quotes for Excess Workers' Compensation Insurance and one quote for Property Insurance.

Liability Insurance

The city carries \$10 million in Commercial General Liability insurance. This insurance provides the city coverage for claims from the general public regarding damage or injuries, such as claims for trip and falls, as well as claims filed against its public officials for conduct while performing public official duties.

Coverage also applies to acts of vandalism, malicious mischief, general tort claims and auto coverage for all city employees driving city vehicles. Staff is recommending a policy that provides the same coverage and limits for FY 2012/13.

Lloyds of London is staff's recommended insurer with a quote for primary coverage of \$10 million, with a self-insured retention (SIR) of \$250,000.00 for all claims (Exhibit No. 1). It has a Best Rating of A (non-admitted), with excellent financial strength, operating performance and a strong ability to meet its ongoing obligations to policyholders. Lloyds of London is willing to provide the same coverage as the incumbent carrier.

Lloyds of London's proposed policy for Employment Practices Liability includes coverage as part of the Public Errors and Omissions coverage and broadly defines "Employment Practices Liability" to include wrongful termination liability, discrimination claims, employment-related invasion of privacy, and defamation or wrongful infliction of emotional distress.

Also included with this liability insurance is Terrorism coverage and Claims Expense Reimbursement which provides 100% coverage for defense fees and costs exceeding the SIR or deductible up to the limits of liability under the policy.

Lloyd's of London will provide valuable loss control as a proactive approach to help identify hazards that could lead to claims against the city. Lloyds of London's annual premium is \$193,175.59 which represents **an increase of \$985.59 from last year's premium** of \$192,190.00.

An analysis of all Liability Insurance quotes received and the reasons why some insurance carriers declined to quote is attached as Exhibit No. 1.

Excess Workers' Compensation Insurance

This excess policy is required because it protects the city from catastrophic injuries or events in the Self-Insured Workers' Compensation Program. Another provision of this policy is that the Employer's Liability Limit gives the city an additional \$1 million over and above the Statutory Limit for lawsuits against the city by other interested parties for an injury to an employee.

Staff received five quotes, four from Safety National Casualty Corporation and one from Arch Insurance Group.

Safety National Casualty Corporation is the city's incumbent carrier and staff's recommended insurer (Exhibit No. 2) with a \$25,000,000.00 coverage limit because it protects the city from a single major claim (e.g., claims related to a major industrial accident) or multiple injuries (e.g., earthquake) beyond its SIR (deductible) of \$750,000.00. Safety National Casualty Corporation's annual premium is \$123,359.00, which represents a **\$2,025.00 increase from last year's premium** of \$121,334.00. The premium increase is mainly due to the state allowing workers' compensation carriers to increase their rates.

An analysis of all Excess Workers' Compensation Insurance quotes received is attached as Exhibit No. 2.

Property Insurance

The city has historically purchased property insurance, which provides coverage on a replacement cost basis ("new for old"). This insurance covers all city buildings and contents (including parks), City Hall office equipment, electronic data processing hardware and software, licensed vehicles, city-owned heavy equipment (e.g., forklifts, generators, etc.), valuable papers, inventory and exhibitions (fine arts), boiler and machinery (pools). Also, there is coverage for Business Interruption and Certified Acts of Terrorism as provided by the Terrorism Risk Insurance Reauthorization Act of 2007.

The city will maintain its Extra Expense provision in the recommended policy which will provide coverage for relocation expenses of city offices in case a single building or all buildings must be evacuated because of a major occurrence, criminal act or hazardous condition. Extra Expense includes the rental of temporary office(s), installation of phone lines, computer hookups and any other associated expenses required to enable the city to immediately continue with its daily business.

St. Paul Travelers is staff's recommended carrier for FY 2012/13 (Exhibit No. 3). This policy also has a "Blanket Earnings and Expense Endorsement" which provides coverage for actual loss of earnings and extra expense that result from necessary suspension of operations caused by direct physical loss of or damage to property. St. Paul Travelers' annual premium is \$89,410.00, which represents a **\$20,121.00 increase from last year's premium** of \$69,289.00. The increase is

due to St. Paul Travelers' internal audit process that evaluates property and found greater city property values.

An analysis of all Property Insurance quotes received is attached as Exhibit No. 3.

V. FISCAL IMPACT

The combined total increase in premiums is \$23,131.59. Funding for the city's insurance policies is included in the proposed FY 2012/13 General Fund Budget.

VI. EXHIBITS

1. Liability Insurance Quotes. (pgs. 5-6)
2. Excess Workers' Compensation Insurance Quotes. (pg. 7)
3. Property Insurance Quote. (pg. 8)

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TO: Rev102511

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Development Services
Economic Development	Public Services

Action taken by City Council

Date_____ Action_____

Liability Insurance Renewal 2012-2013

Insurance Carrier	Limit Coverage A, B & C	Self Insured Retention Coverage A, B & C	Admitted/Non-Admitted	Annual Premium	A.M. Best Rating	Comments
Lloyds of London	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Non-Admitted	\$ 193,175.59	A	Based on all quote option received, the option offered by Lloyds of London is significantly less and superior in coverage compared to coverage's offered by other carriers. The premium increased by \$ 985.59 which is to be expected when coverage changes between carriers. (This option is recommended by Broker)
ACE USA	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Admitted	Declined to Quote	A	Carrier declined to offer renewal terms (see notification letter enclosed)
Civic Risk	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Non-Admitted	No Response	NR	No response. (Note: minimum 1mil SIR; so doubtful there is sufficient premium dollars available commensurate with the increased risk retention this market would require)
Catlin	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Non-Admitted	No Response	A	No response
Munich	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Non-Admitted	Declined to Quote	A+	Declination; unable to improve upon current/expiring program terms.
Genesis	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Non-Admitted	Declined to Quote	A++	Declination; unable to compete (declined last year out of Chicago office); our SFO underwriter took fresh look, and not able to compete with expiring structure; generating over double current premium for only 5m x 250k.
Meadowbrook	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Non-Admitted	Declined to quote	A	Declination; minimum 1mil SIR, and therefore would not be a competitive alternative.
One Beacon	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Admitted	Declined to Quote	A	Underwriter advised: "Currently we are not targeting risks in the State of CA."



Liability Insurance Renewal 2012-2013 (Continued)

Insurance Carrier	Limit Coverage A, B & C	Self Insured Retention Coverage A, B & C	Admitted/Non-Admitted	Annual Premium	A.M. Best Rating	Comments
CV Starr	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Non-Admitted	Declined to Quote	NR	Declination; preference is to not attach below 1mil, but would note that even at absolute minimums, that would require 250k/500k EPL. Also feel there is not sufficient premium to warrant the increased SIR they would require and unable to then compete effectively with the current/expiring structure from ACE
Berkeley Public Entity	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Non-Admitted	Declined to Quote	NR	Declination; limited capacity/capability for California risks during start up stage of this new platform.
Ironshore	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Admitted	Unable to meet current coverage and SIR	A-	Would want a minimum 500k SIR and therefore not sufficient premium to offset the increased risk retention; and also noting there could be areas of improvement in coverage against current ACE form and endorsements (feel is deficient) Would consider a 10m x 10m, but would want a minimum premium of 100k. Aware of a large claim outside the window of loss data provided.
Markel	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Non-Admitted	Minimum Premium of \$ 100,000.00	A+	Would want a minimum 500k SIR and therefore not sufficient premium to offset the increased risk retention; and also noting there could be areas of improvement in coverage against current ACE form and endorsements (feel is deficient) Would consider a 10m x 10m, but would want a minimum premium of 100k. Aware of a large claim outside the window of loss data provided.
Alteris	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Non-Admitted	Premium would be 30% higher than current	NR	At current Retention, pricing develops 75% higher than expiring At 500k SIR, would be roughly 30% off the expiring price At 750k SIR, would be roughly 40% off the expiring price
Chartis	\$10,000,000 A \$10,000,000 B \$10,000,000 C	250K A 250K B 250K C	Non-Admitted	Declined to quote	NR	Declination; unable to compete against expiring structure.

Excess Workers Compensation Insurance Renewal 2012 -2013

Insurance Carrier	Limit	Self Insured Retention	Admitted/Non Admitted	Annual Premium	A.M. Best Rating	Comments
Safety National Casualty Corporation	\$25,000,000	\$750,000.00	Admitted	\$123,359.00	A	Price increase is reflective of WCRIB approval of workers comp rate increases up to 34% (Option recommended by Broker)
Safety National Casualty Corporation	\$25,000,000	\$1,000,000	Admitted	\$112,659.00	A	This option was also offered last year
Safety National Casualty Corporation	\$50,000,000	\$750,000.00	Admitted	\$133,368.00	A	Additional option offered by carrier
Safety National Casualty Corporation	\$50,000,000	\$1,000,000	Admitted	\$122,667.00	A	Additional option offered by carrier
Arch	\$25,000,000	\$750,000.00	Non-Admitted	\$142,655.00	A+	\$19,296.00 more than option offered by incumbent

Property Insurance Renewal 2012 -2013

Insurance Carrier	Limit	Self Insured Retention	Admitted/Non Admitted	Annual Premium	A.M. Best Rating	Comments
St. Paul Travelers	\$ 111,301,138	\$10,000	Admitted	\$ 89,410.00	A+	<p>Travelers now performs internal property valuations prior to issuing renewal quotes. As a result, the annual insurance premium increased by \$ 20,121.00 Below are the 16 properties who's values increased (highlighted in yellow) and the properties who's values decreased [REDACTED]</p> <p>Total property value increased by \$ 5,082,868.00</p> <p>Community Center Building @ 22400 Moneta Ave. \$ 15,722,00 - \$ 19,124,152</p> <p>Recreation Building @ 700 East Gardena Blvd. \$ 679,000 - \$ 988,693</p> <p>Community Center Building @ 17400 Lysander Drive \$ 2,847,000- \$2,722,591</p> <p>Recreation Building @ 19101 South Wilmington Ave. \$ 802,000 - \$1,113,635</p> <p>Recreation Building @ 1000 East 220 Street \$ 494,000 - \$721,062</p> <p>Recreation Building @ 23800 South Figueroa Street \$ 591,000 - \$920,934</p> <p>Recreation Building @ 21411 South Orrick Ave. \$ 816,000-\$1,190,568</p> <p>Dressing/Shower Facility Building @ 21411 South Orrick Ave [REDACTED] \$509,597</p> <p>Pool @ 21411 South Orrick Ave. \$ 341,000 - \$ 1,021,461</p> <p>Recreation Building @ 1340 East Dimondale Drive [REDACTED] \$852,498</p> <p>Recreation Building @ 703 East Del Amo Blvd. \$1,053,000 - \$1,458,446</p> <p>Pool 1 @ 21330 Santa Fe Ave. \$ 331,000-\$572,253</p> <p>Recreation Building @ 21330 Santa Fe Ave. \$ 782,000-\$1,216,269</p> <p>Recreation Building @ 23410 Catskill Ave. \$238,000- \$395,250</p> <p>Pool @ 23410 Catskill Ave. \$ 175,000- \$904,671</p> <p>Recreation Building @ 21205 South Water Street \$ 919,000 - \$1,298,857</p>