



# City of Carson Report to Mayor and City Council

June 18, 2013  
New Business Consent

**SUBJECT: CONSIDER RENEWAL OF COMMERCIAL GENERAL LIABILITY, EXCESS WORKERS' COMPENSATION AND PROPERTY INSURANCE POLICIES FOR FY 2013/14**

Submitted by David C. Biggs  
City 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 three renewals are for FY 2013/14. These insurance premiums total \$411,023.00 resulting in an increase of \$5,078.41 from FY 2012/13 premiums of \$405,944.59, and the policies provide the same insurance coverage.

Also presented for Council's consideration is a new policy which is necessary to provide accident coverage for the City's many community volunteers. This new policy has an annual premium of only \$310.00.

## **II. RECOMMENDATION**

TAKE the following actions:

1. APPROVE BRIT (Lloyd's of London Syndicate) to provide \$10 million primary coverage, including terrorism, for the City of Carson's (City) Commercial General Liability Insurance for Municipal General, Public Officials Errors and Omissions, and Automobile Liability for FY 2013/14, at an annual premium of \$194,326.00.
2. APPROVE Safety National Casualty Corporation and BRIT to provide coverage for the City's Excess Workers' Compensation Insurance for FY 2013/14, at an annual premium of \$131,206.00.
3. APPROVE St. Paul Travelers Insurance Company to provide coverage for the City's Property Insurance, including terrorism, for FY 2013/14, at an annual premium of \$85,491.00.
4. APPROVE The Hartford Company to provide accident coverage for the City's volunteers for FY 2013/14, at an annual premium of \$310.00.

## **III. ALTERNATIVES**

1. REJECT renewal proposals presented by Keenan & Associates. Should Council reject the renewal proposals, the City may obtain additional information and

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submit a request to extend coverage of current policies on a month-to-month, pro-rata basis.

2. TAKE another action the City Council deems appropriate.

#### **IV. BACKGROUND**

On December 4, 2012, the City Council awarded a three-year contract with two one-year City renewal options to Keenan & Associates for insurance broker services. This three-year contract started on January 1, 2013. Keenan & Associates has represented over 700 public agencies and obtains 70% of its revenue from public entity accounts. They are the largest privately held insurance broker in California, which allows them to access all of the insurance markets and obtain high quality insurance coverage at the most competitive prices.

The City has three types of major insurance coverage: 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, 2013.

##### 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.

The coverage also applies to acts of vandalism, malicious mischief, general tort claims and auto liability coverage for all City employees driving City vehicles. Staff is recommending a policy that provides the same coverage and limits for FY 2013/14 that the City had in FY 2012/13.

BRIT 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. 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. BRIT is willing to provide the same coverage as the incumbent carrier.

BRIT'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.

BRIT will provide valuable loss control as a proactive approach to help identify hazards that could lead to claims against the City. BRIT's annual premium is \$194,326.00 which represents an increase of \$1,150.41 from last year's FY 2012/13

premium of \$193,175.59.

#### 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.

Safety National Casualty Corporation is the City's incumbent carrier and staff's recommended insurer 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. Our insurance broker recommended adding BRIT so that the self-insured retention remains at \$750,000.00. Safety National Casualty Corporation and BRIT's combined annual premium is \$131,206.00, which represents a \$7,847.00 increase from last year's FY 2012/13 premium of \$123,359.00. The premium increase is mainly due to new state laws, effective January 1, 2013, that will lead to additional benefits for injured workers.

#### 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, exhibitions (fine arts), boilers 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 2013/14. 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 \$85,491.00, which represents a \$3,919.00 decrease from last year's FY 2012/13 premium of \$89,410.00.

#### Volunteer Insurance

Volunteers provide valuable service to the City. Consequently, we requested that our insurance broker obtain quotes for Blanket Accident Insurance for Volunteers. The Hartford Company is staff's recommended insurer with a quote for coverage of

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\$10,000.00 per accident. The annual premium is \$310.00.

V. **FISCAL IMPACT**

The proposed FY 2013/14 insurance renewal premiums total \$411,023.00 which is an increase of \$5,078.41 from FY 2012/13 insurance premiums of \$405,944.59. Additionally, the new volunteer accident insurance policy premium is \$310.00. Funding for the City's insurance policies is included in the proposed FY 2013/14 general fund budget.

VI. **EXHIBITS**

1. Tentative Renewal Proposal for FY 2013/14. (pgs. 5-30)
2. Final Program Premium Cost Summary. (pg. 31)

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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 \_\_\_\_\_