



REQUEST FOR CITY COUNCIL ACTION

MEETING DATE:

June 16, 2021

DEPARTMENT:

Finance

DIVISION

Purchasing

STRATEGIC OUTCOMES

- ☐ Safe & Prosperous
- ☐ Active & Appealing
- ☒ Respected & Responsible
- ☐ Connected & Engaged
- ☐ Unique & Creative

ACTION

- ☒ Motion
- ☐ Resolution
- ☐ Ordinance - Introduction
- ☐ Ordinance - Adoption
- ☐ Public Hearing

TITLE:

Renewal of City's Insurance Coverage for Fiscal Year 2022

SUMMARY RECOMMENDATION:

Authorize insurance coverage for Property, Public Liability (including Employee Benefits, Public Officials, Employment Practices, Liquor, Law Enforcement and Auto), Excess Liability, Crime/Dishonesty, Excess Workers Compensation, Cyber Liability and Auto physical Damage coverage for Fiscal Year 2022 for the total amount of \$1,163,241.00 to:

Willis Towers Watson Insurance Services West Inc. Dallas, Texas

(City Attorney-RFP #2-18-20000061) (Richard Files/Robin R. Wilson)

STRATEGIC OUTCOME:

This action supports the City Council strategic outcome of Respected and Responsible by obtaining required and proper insurance coverage for the City's assets.

REPORT:

To protect the City of Yuma and its taxpayers, the City purchases insurance coverages through policies of insurance every fiscal year. The City's insurance broker, Willis Tower Watson (WTW), evaluates the City's insurance needs and obtains quotes/proposals each year for renewal of the City's insurance coverage. For the last several years, the City Attorney's Office, working closely with City Administration has identified three overarching goals when obtaining insurance for the City: (1) no reduction in coverage limits; (2) no increase in the self-insurance retention (SIR) amount; and (3) a total Premium that is about equal to the FY2021 premiums. These goals are somewhat ambitious as every year private insurance carriers leave the marketplace, leaving less competition in a litigious climate. And, the FY2022 marketplace became even tighter due to the national and worldwide payouts stemming from COVID-19 insurance claims.

Based on its analysis and the City's stated goals, WTW is providing a recommendation for renewal of the City's insurance policies for FY2022. All insurance companies recommended have A.M. Best's rating of A (Excellent) or A+ or A++ (Superior) and a minimum of \$50 million in Policyholders' Surplus. The City's current primary insurance carrier is Travelers Insurance Company, which provided the recommended quote for

Property Coverage (including Equipment and Auto coverage), General Liability and Excess Liability Coverage. The recommended Excess Workers' Compensation carrier is Tokio Marine Group (parent of Safety National), the recommended Crime coverage carrier is American International Group (AIG), and the recommended Cyber liability coverage carrier is Beazley Insurance Company.

All of the coverages remain consistent with the FY2021 policies of insurance.

SUMMARY OF COVERAGE:

Property Coverage: Property coverage includes City-owned real property; City-owned leased property, and real properties operated by the independent Housing Authority of the City of Yuma (HACY). For insuring FY2022, there are 160 covered properties with coverage limits of \$392,936,544. Under this insuring agreement, the Property coverage deductible remains \$5,000. The insuring agreement also provides for flood and earthquake coverage, subject to a \$100,000 deductible. The City Property coverage is Blanket Coverage at replacement cost.

City Equipment coverage includes all (non-auto) City Equipment valued over \$15,000 with a \$5,000 deductible. For insuring FY2022, City Equipment Value limit is \$9,976,502.

City Auto Physical Damage coverage includes all City Vehicles valued over \$30,000 or 2018 and newer with a \$5,000 deductible as well as any leased vehicles. For insuring FY2022, there are 522 covered vehicles for auto liability and City Auto Physical Damage Value limit is \$28,688,691. The cost of liability insurance per vehicle is \$187 per vehicle for the year. For the 272 vehicles meeting the threshold for comprehensive coverage (aka "full" actual cash value coverage), there is an additional cost of \$249 per vehicle for the year.

Liability and Excess Liability Coverage: Liability and Excess Liability Coverage total \$15 million with a \$1 million base liability policy (\$2 million aggregate) and a \$14 million excess liability (umbrella) policy. Coverage examples include liquor liability, employee benefits, public entity management, employment practices, law enforcement liability and automobile liability.

For insuring FY2022, the City's SIR for Liability coverage remains \$300,000 per occurrence. The base coverage and excess umbrella coverage limits apply to all insured perils with two exceptions: emergency medical technician (EMT) liability has a sublimit per occurrence which caps coverage for these occurrences at \$4 million; sewer backup liability also has a sublimit cap at \$4 million and general liability coverage contains a clear lead exclusion.

Cyber Coverage: City's Cyber Coverage for FY2022 is a \$3 million limit base policy with a \$25,000 deductible. Coverage examples include third-party liability coverages, regulatory defense and credit card payment liabilities and costs, as well as, first party coverages data restoration expenses, cyber extortion loss and e-storage extortion and business interruption.

Excess Workers Comp: The City is self-funded through an SIR for its statutorily mandated workers compensation insurance. Excess insurance will limit the City exposure to workers compensation claims above the SIR. The FY2022 excess workers compensation coverage for firefighters remains the same, with a City SIR of \$2,000,000. The other workers compensation coverages also remain the same, with a City SIR of \$700,000 for police employees, and \$600,000 for all other City employees.

Crime/Dishonesty: Crime insurance coverage provides for situations such as employee theft, depositor forgery and alteration, theft, disappearance and destruction (money, securities and other property), computer and funds transfer fraud coverage and credit, debit or charge card forgery. Crime coverages have policy limits of \$1,000,000 with a \$10,000 deductible. The policy also endorses coverage for Impersonation Fraud for a limit of \$100,000 and deductible of \$25,000.

For reference, the table below summarizes the total premium costs.

Type of Coverage	Insurer	Premium
Property, Liability, Excess Liability, Vehicle Auto Damage	Travelers	\$ 918,945.00
Cyber Liability	Beazley	\$ 38,390.00
Crime and Dishonesty	AIG	\$ 5,890.00
Excess Worker's Compensation	Tokio/Safety National	\$ 200,016.00
Total Insurance Premiums		\$1,163,241.00

The total insuring premium for FY2021 was \$1,013,660.00. The premium for insuring year FY2022 coverages presented represents a 14.76% increase. The increase is attributed to market increases throughout the United States.

The current policies of insurance expire at midnight June 30, 2021. By adopting this motion, the City Council authorizes the City Administrator to bind the insurance coverages offered and the offered policies of insurance will be in effect beginning at 12:01am on July 1, 2021, and expiring at midnight on June 30, 2022.

FISCAL REQUIREMENTS	CITY FUNDS:	\$1,163,241.00	BUDGETED:	\$1,163,241.00
	STATE FUNDS:	\$0.00	AVAILABLE TO TRANSFER:	\$0.00
	FEDERAL FUNDS:	\$0.00	IN CONTINGENCY:	\$0.00
	OTHER SOURCES:	\$0.00 \$0.00 \$0.00	FUNDING FOR THIS ITEM IS FOUND IN THE FOLLOWING ACCOUNT/FUND/CIP: 502-20-10.6301 531-90-10.6301	
	TOTAL:	\$1,163,241.00		
	FISCAL IMPACT STATEMENT:			
ADDITIONAL INFORMATION	SUPPORTING INFORMATION NOT ATTACHED TO THE CITY COUNCIL ACTION FORM THAT IS ON FILE IN THE OFFICE OF THE CITY CLERK:			
	1. 2. 3. 4. 5.			
ADDITIONAL INFORMATION	IF CITY COUNCIL ACTION INCLUDES A CONTRACT, LEASE OR AGREEMENT, WHO WILL BE RESPONSIBLE FOR ROUTING THE DOCUMENT FOR SIGNATURE AFTER CITY COUNCIL APPROVAL?			
	<input checked="" type="checkbox"/> Department <input type="checkbox"/> City Clerk's Office <input type="checkbox"/> Document to be recorded <input type="checkbox"/> Document to be codified			
SIGNATURES	CITY ADMINISTRATOR:		DATE:	
	Philip A. Rodriguez		6/10/2021	
	REVIEWED BY CITY ATTORNEY:		DATE:	
	Richard W. Files		6/10/2021	
	RECOMMENDED BY (DEPT/DIV HEAD):		DATE:	
SIGNATURES	WRITTEN/SUBMITTED BY:		DATE:	