



REQUEST FOR CITY COUNCIL ACTION

MEETING DATE:

June 17, 2020

DEPARTMENT:

Finance

DIVISION:

Purchasing

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

TITLE:

Renewal of City's Insurance Coverage for Fiscal Year 2021

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 (FY) 2021 for the total amount of \$1,013,660.00 to:

Willis Towers Watson Ins Services West Inc. Dallas, Texas

(City Attorney-RFP #2018-20000061) (Richard Files/Robin R. Wilson)

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 of Yuma's insurance coverage. For the last several years, City staff (City Risk Management and the City Attorney's Office) 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 2019-2020 premiums. These goals are somewhat ambitious as every year private insurance carriers leave the marketplace, leaving less competition in a litigious climate.

Based on its analysis and the City's stated goals, WTW is providing a recommendation for renewal of the City's insurance policies for FY 2021. 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 Safety National Casualty Company (Travelers advised they could not compete), the recommended Crime coverage carrier is American International Group (AIG), and the recommended Cyber liability coverage carrier is Beazley Insurance Company.

The coverages for FY 2021 contain two (2) major changes from previous policy coverages. Both are directly related to workers compensation coverages. First, is an excess policy exclusion for Same Communicable Disease – Specific Excess. This is a national exclusion in response to COVID. The main result for the City of Yuma policy under this new national standard is that the SIR for communicable diseases (really COVID) would apply to each occurrence, rather than leaving open an argument to combine all cases into a single SIR. It has zero effect to the coverages.

The second change relates to the workers compensation SIR for firefighters and elevates the SIR from \$700,000 per occurrence to \$2,000,000 per occurrence. The SIR for police (\$700,000) and for the remainder of the City employees (\$600,000) remain unchanged. The higher rates and deductibles in Arizona stem from recent findings showing firefighters encounter higher rates of certain ailments, cancer being the most prevalent, and new statutes presuming the ailments were directly related to employment. The Arizona workers compensation market has also hardened because a major insurance carrier, CopperPoint (the progeny of the old governmental Arizona State Fund after it became privatized), exited the field and is no longer providing policies for governmental firefighting entities. As insurance carriers leave the business, competition decreases which leads to higher premiums and deductibles.

All of the remaining coverages remain consistent with the FY 2020 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 FY 2021, there are 165 covered properties with coverage limits of \$378,191,700. 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 FY 2021, City Equipment Value limit is \$10,044,365.

City Auto Physical Damage coverage includes all City Vehicles valued over \$30,000 or 2017 and newer with a \$5,000 deductible as well as any leased vehicles. For insuring FY 2021, there are 534 covered vehicles for auto liability and City Auto Physical Damage Value limit is \$25,769,339.

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 FY 2021, 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 \$4 million sublimit; sewer backup liability has a \$4 million sublimit and general liability coverage contains a clear lead exclusion.

Cyber Coverage: City's Cyber Coverage for FY 2021 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. As stated above, the FY 2021 excess workers compensation coverages for firefighters change from a City SIR of \$700,000 to a SIR of \$2,000,000. The other workers compensation

coverages 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	\$ 838,496.00
Cyber Liability	Beazley	\$ 21,000.00
Excess Work Comp	Safety National	\$ 148,274.00
Crime and Dishonesty	AIG	\$ 5,890.00
Total Insurance Premiums		\$ 1,013,660.00

The total insuring premium for fiscal year 2019-2020 was \$962,155.00. The premium for insuring year FY2021 coverages presented represents a 5.35% increase. The majority of the renewal premiums offered to other peer entities have been in double-digit range. City of Yuma secured lower premiums because of exemplary loss history.

FISCAL REQUIREMENTS	CITY FUNDS:	\$1,013,660.00	BUDGETED:	\$1,186,967.0
	STATE FUNDS:	\$0.00	AVAILABLE TO TRANSFER:	\$0.00
	FEDERAL FUNDS:	\$0.00	IN CONTINGENCY:	\$0.00
	OTHER SOURCES:	\$0.00	FUNDING FOR THIS ITEM IS FOUND IN THE FOLLOWING ACCOUNT / FUND / CIP: 502-20-10.6301 (Budget \$865,386) 531-90-10.6301 (Budget \$148,274)	
		\$0.00		
		\$0.00		
TOTAL:	\$1,013,660.00			
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="radio"/> Department <input type="radio"/> 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		6/10/2020	
	REVIEWED BY CITY ATTORNEY:		DATE:	
	Richard W. Files		6/10/2020	
	RECOMMENDED BY (DEPT/DIV HEAD):		DATE:	
Lisa Marlin		6/9/2020		
WRITTEN/SUBMITTED BY:		DATE:		
Robin R. Wilson		6/4/2020		