



City of Yuma

Legislation Details (With Text)

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File created: 6/14/2024 **In control:** City Council Meeting
On agenda: 6/26/2024 **Final action:** 6/26/2024
Title: Renewal of City Insurance Coverage for Fiscal Year 2025
Sponsors:
Indexes:
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Attachments:

Date	Ver.	Action By	Action	Result
6/26/2024	1	City Council Meeting		

	STRATEGIC OUTCOMES	ACTION
DEPARTMENT: Finance	<input type="checkbox"/> Safe & Prosperous <input type="checkbox"/> Active & Appealing <input checked="" type="checkbox"/> Respected & Responsible	<input checked="" type="checkbox"/> Motion <input type="checkbox"/> Resolution
DIVISION: Procurement	<input type="checkbox"/> Connected & Engaged <input type="checkbox"/> Unique & Creative	<input type="checkbox"/> Ordinance - Introduction <input type="checkbox"/> Ordinance - Adoption <input type="checkbox"/> Public Hearing

TITLE:
Renewal of City Insurance Coverage for Fiscal Year 2025

SUMMARY RECOMMENDATION:

Authorize binding of 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, Automobile Damage, Drone, and Deadly Weapon coverage for Fiscal Year (FY) 2025 for the total amount of \$1,982,334.86 to: Alliant Insurance Services, Inc., of Phoenix, AZ (City Attorney-RFB-23-110) (Richard W. Files/ Robin Wilson)

STRATEGIC OUTCOME:

This action supports the City Council strategic outcome of Respected and Responsible by obtaining required and proper insurance coverage for City 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, Alliant Insurance Services, Inc., (AIS) evaluates the City's insurance needs and obtains quotes/proposals each year for the City of Yuma's insurance coverage. For the last several years, 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 prior year's premiums. These goals are somewhat ambitious as every year private insurance carriers leave the marketplace, leaving less competition in a litigious

climate, especially against governmental entities.

Based on the analysis and the City's stated goals, AIS is providing a recommendation for the City's insurance policies for FY 2025. 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 Safety National, the recommended Crime coverage carrier is American International Group (AIG), the recommended Cyber liability coverage carrier is Beazley Insurance Company, the recommended Drone coverage carrier is Global Aerospace, and the recommended Alliant Deadly Weapon Response Program is offered through Underwriters at Lloyd's of London.

All of the coverages remain consistent with the FY 2024 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 2025, there are 157 covered properties. Under this insuring agreement, the Property coverage deductible remains at \$25,000. The insuring agreement also provides for flood and earthquake coverage, subject to a \$100,000 deductible. The City Property coverage is on a 110% Margin Clause per location at replacement cost.

City Equipment coverage includes all (non-auto) City Equipment valued over \$15,000 with a \$5,000 deductible. For insuring FY 2025, City Equipment Value limit is \$10,032,230.

City Auto Physical Damage coverage includes all City Vehicles valued over \$30,000 or 2021 and newer with a \$5,000 deductible as well as any leased vehicles. For insuring FY 2025, there are 540 covered vehicles for auto liability and City Auto Physical Damage Value limit is \$32,318,331.

Liability and Excess Liability Coverage: Liability and Excess Liability Coverage totals \$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 2025, 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 lead exclusion.

Cyber Coverage: City's Cyber Coverage for FY 2025 is a \$1 million limit base policy with a reduced \$50,000 retention. 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 FY 2024 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.

Drone: Drone insurance coverage provides coverage for incidents stemming from the use of unmanned aircraft. The liability limit is \$2 million with a 10% retention. For insuring FY 2025, there are 7 covered drones for drone liability.

Deadly Weapon: Deadly Weapon coverage provides \$500,000 in coverage for incidents involving deadly weapons. A weapon is broadly defined as any portable or handheld device, instrument, or substance which is used by the Assailant(s) in a manner to deliberately cause death or bodily injury. The policy covers third-party bodily injury, first-party property damage, bodily injury, and crisis management for events occurring at City-owned locations. The retention for each event is \$10,000.

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

Type of Coverage	Insurer	Premium
Property, Liability, Excess Liability, Vehicle Auto Damage	Travelers	\$ 1,547,476.00
Cyber Liability	Beazley	\$ 36,000.00
Excess Work Comp	Safety National	\$ 380,108.00
Crime and Dishonesty	AIG	\$ 5,944.00
Drone	Global Aerospace	\$ 7,619.00
Deadly Weapon	Underwriters at Lloyd's of London	\$ 5,187.86
Total Insurance Premiums		\$ 1,982,334.86

The total insuring premium for FY 2024 totaled \$1,606,025.09. The insuring agreements not only protect City and taxpayer assets, but also protect against liabilities. On assets, the costs to replace existing City assets in the event of a loss has greatly increased over the last two years. As such, the total liability and values have increased significantly. The City's rate difference is modest, but, the increases in asset value increase liability for the carrier and result in a premium increase. The increases in liability premiums stems from two factors: market increases throughout the United States; and large payouts in municipal litigation that have made national news.

The premium for insuring FY 2025 coverages presented represents an 19.5% overall increase over FY 2024. The number includes the increases in property value and liability exposure described above as well as an 26.2% increase in excess workers compensation coverage due to increases in presumptive claims and payroll. The number also includes a 150% decrease in Cyber premiums as a result of recent upgrades completed by the City's IT department.

The current policies of insurance expire at midnight June 30, 2024. By adopting this motion, the City Council authorizes the City Administrator to bind the insurance coverages offered and the offered policies of insurance are in effect beginning at 12:01am on July 1, 2024, and expiring at midnight on June 30, 2025.

FISCAL REQUIREMENTS:

CITY FUNDS:	\$ 1,982,334.86	BUDGETED:	\$ 1,982,334.86
STATE FUNDS:	\$ 0.00	AVAILABLE TO TRANSFER:	\$ 0.00
FEDERAL FUNDS:	\$ 0.00	IN CONTINGENCY:	\$ 0.00
OTHER SOURCES:	\$ 0.00	FUNDING: ACCOUNT/FUND #/CIP	

TOTAL	\$ 1,982,334.86	502 Insurance Reserve 531 Workers Compensati
To total; right click number & choose "Update Field"		

FISCAL IMPACT STATEMENT:

Budget authority for this insurance was programmed in the City Council approved FY 2025 Tentative Budget. Premiums, claims and judgments are allocated among City departments to fund the programs through two "Internal Service Funds."

ADDITIONAL INFORMATION:

SUPPORTING DOCUMENTS NOT ATTACHED TO THE CITY COUNCIL ACTION FORM THAT ARE ON FILE IN THE OFFICE OF THE CITY CLERK:

Click or tap here to enter text (please number each document) or type "NONE" - 11pt Arial

IF CITY COUNCIL ACTION INCLUDES A CONTRACT, LEASE OR AGREEMENT, WHO WILL BE RESPONSIBLE FOR ROUTING THE DOCUMENT FOR SIGNATURE AFTER CITY COUNCIL APPROVAL?

- Department
- City Clerk's Office
- Document to be recorded
- Document to be codified

Acting City Administrator: John D. Simonton	Date: 6/20/2024
Reviewed by City Attorney: Richard W. Files	Date: 6/18/2024