

Agenda Report

June 22, 2020

TO: Honorable Mayor and City Council

FROM: City Attorney/City Prosecutor's Department/Liability & Claims Division

SUBJECT: ADOPT A RESOLUTION AUTHORIZING THE CITY OF PASADENA TO JOIN PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT (PRISM) FOR FISCAL YEAR 2021 GENERAL AND EXCESS MUNICIPAL LIABILITY INSURANCE COVERAGE

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15378; and
2. Adopt a resolution authorizing the City of Pasadena ("City") to join Public Risk Innovation, Solutions, and Management (PRISM) for the City's general and excess municipal liability insurance coverages effective July 1, 2020 to July 1, 2021, if such option is determined to be in the City's best interest; and
3. Grant an exemption from the competitive selection process of the Competitive Bidding and Purchasing Ordinance, Pasadena Municipal code Chapter 4.08, pursuant to Section 4.08.049(B) contracts which the City's best interests are served. The proposed insurance coverages are exempt from the competitive bidding process pursuant to the City Charter Section 1002 (F), contracts for professional or unique services.

BACKGROUND:

The City purchases general and excess municipal liability insurance to protect the City and its operating companies against catastrophic loss and to comply with various agreements. The City's insurance broker, Alliant Insurance Services, Inc. ("Alliant") assists the City and its various operating companies to access insurance markets and manage the cost and coverage of the insurance program. Alliant works with City staff to: determine the City's exposures; purchase an appropriate level of coverage; go to

market on behalf of the City; and seek a broad range of coverage from highly rated carriers. As the City's insurance broker, premiums for all renewal policies will be paid to Alliant for Alliant to distribute to the various insurance carriers through which coverage is purchased.

On June 15, 2020, City Council approved staff's recommendation to renew property and casualty insurance for the City for Fiscal Year 2021 (FY 21). The agenda report mentioned Alliant's ongoing marketing efforts and exploration of beneficial ways to redesign the current liability program, noting that estimated premiums and terms may be subject to change.

In an effort to keep premium costs down while maintaining the broadest coverage possible, Alliant engaged PRISM as an additional option. PRISM is a risk sharing pool comprised of numerous public entities, which was formed in 1979 to find cost-effective insurance solutions and risk management services for members. Since coverage is still being marketed and negotiated, it is likely that PRISM will offer the best option to the City wherein the City would have to enter into an agreement with PRISM for membership before July 1, 2020. On June 18, 2020, the PRISM Board approved a recommendation to accept the City into the pool. Therefore, this item comes before City Council today for such consideration.

DISCUSSION OF COVERAGE

The City's liability program was established to fund third party liability exposures including General Liability, Automobile Liability, Law Enforcement Liability, Public Officials Liability, and Employment Practices Liability. These policies afford coverage to the City, its various Operating Companies, Successor Agencies, Commissions, etc., against third party liability claims for property damage and/or bodily injury. The current policies are set to expire on July 1, 2020. However, Alliant's continued marketing and negotiations are expected to produce significant and more favorable results compared to the initial quotes Alliant received.

The City currently purchases \$25,000,000 in excess municipal liability insurance coverage, above a \$5,000,000 self-insured retention ("SIR"). Alliant and staff are working together to maintain this level of coverage with minimal to no changes to the City but this is an unsettling time for insurance carriers due to various factors, such as: hardened insurance markets, social inflation, large public entity verdicts and settlements, and public entity losses throughout the country. For these reasons, the City is presented with a challenging insurance renewal.

Alliant received an option that would still offer the City a general SIR of \$5,000,000. However, given the current social climate, staff was recently informed that this option would increase the City's Law Enforcement SIR from \$5,000,000 to \$7,500,000. Alliant's engagement with PRISM is expected to produce a more advantageous option for the City. With the June 18, 2020 PRISM Board approval, Alliant is working with PRISM to obtain firm details on a quote and terms. It is anticipated PRISM will offer the

City a more competitive premium and beneficial terms. Coverage with PRISM would also include an annual liability claims audit and access to loss control resources. Additionally, membership in PRISM would provide opportunities to build relationships with other public entities, which could prove to be invaluable to the City.

Although coverage continues to be marketed and negotiated, staff seeks City Council authorization and approval to join PRISM if such option is determined to be in the best interest of the City.


COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic planning goal to maintain fiscal responsibility and stability.

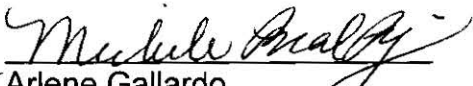
FISCAL IMPACT:

It is unknown what the fiscal impact will be at this time. However, it will not exceed the amount reviewed and approved by City Council on June 15, 2020.

Respectfully submitted,


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Concurrence:


STEVE MERMELL
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