



Agenda Report

August 26, 2019

TO: Honorable Mayor and City Council
FROM: City Attorney/City Prosecutor's Department/Liability & Claims Division
THROUGH: Finance Committee
SUBJECT: AUTHORIZATION AND APPROVAL TO PURCHASE EXCESS MUNICIPAL LIABILITY INSURANCE FOR THE CITY OF PASADENA FOR FISCAL YEAR 2020

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. Authorize City of Pasadena ("City") staff to place and bind the City's Excess Municipal Liability Insurance coverages outlined in this report effective September 1, 2019 to July 1, 2020, with the total amount not to exceed \$1,270,947, for all premiums, surcharges, taxes, and fees; 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.
4. Amend the Fiscal Year (FY) 2020 Adopted Operating Budget by the net amount of \$959,436.

BACKGROUND:

The City purchases 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, Arthur J. Gallagher & Company ("Gallagher") assists the

City and its various operating companies to access insurance markets and manage the cost and coverage of the insurance program. Gallagher works with City staff to: determine the City's exposure; 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 Gallagher for Gallagher to distribute to the various insurance carriers through which coverage is purchased.

INSURANCE RENEWAL

The chart below summarizes the recommended insurance renewals and coverages. An explanation of coverage is included in the following section.

Layers	Carrier	9/1/2019 to 7/1/2020 Term Premium *includes SLT&F
5M SIR		
1M x 5M	Allied World Insurance Company (Admitted)	\$175,357
4M x 6M	Allied World Assurance Company (Admitted)	\$299,311
5M x 5M	Allied World National Assurance Company (Non-Admitted)	\$371,520
5M x 10M	Lloyd's of London (Brit Syndicate 2987 – 100% - Non-Admitted)	\$203,150
5M x 15M	Hallmark Specialty Insurance Company (Non-Admitted)	\$133,889
5M x 20M	Allied World National Assurance Company (Non-Admitted)	\$87,720
TOTAL FOR \$25M excess of \$5M SIR		\$1,270,947

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 were set to expire on July 1, 2019. However, Gallagher obtained a two-month extension which allowed for continued marketing of such coverage that resulted in a significant reduction from the initial quotes Gallagher received.

Currently, the City purchases \$25,000,000 in excess municipal liability insurance coverage, excess of a \$3,000,000 self-insured retention ("SIR"). The recommended coverage in the Insurance Renewal section will provide the same limits of \$25,000,000, however, excess of a \$5,000,000 SIR, increasing the total limit by \$2,000,000. The prorated renewal premium for this ten-month period is estimated not to exceed \$1,270,947, which compares to \$414,172 for the expiring policies (a 307% increase). The premium increase is due to significant increases seen in California municipal liability risk, particularly law enforcement liability claims that are escalating on a national basis, especially among agencies throughout California. Recent increases in the City's case reserves with large liability claims in active litigation also impacts the premiums

and overall coverage. Gallagher tried to obtain a \$3,000,000 SIR from multiple carriers. However, the marketplace declined to offer coverage at the lower \$3,000,000 SIR amount. Therefore, staff recommends the increase in the SIR to \$5,000,000.


COUNCIL POLICY CONSIDERATION:

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

FISCAL IMPACT:

The fiscal impact of the recommended action is \$959,436 (including additional surcharges, taxes, and fees). The FY 2020 Adopted Budget currently has appropriations totaling \$311,511 for excess general liability. In order to fully fund the prorated excess renewal premium of \$1,270,947 the budget requires additional appropriations totaling \$959,436. The details of the funds and departments impacted by this budget amendment will be forthcoming in a FY 2020 Quarterly Clean Up report.

Respectfully submitted,


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Concurrence:


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