

# Agenda Report

June 10, 2024

**TO:** Honorable Mayor and City Council

**FROM:** City Attorney/City Prosecutor's Department

**SUBJECT: AUTHORIZE THE CITY ATTORNEY TO PLACE, BIND, AND MODIFY PROPERTY AND CASUALTY INSURANCE FOR FISCAL YEAR 2025 IN AN AMOUNT NOT TO EXCEED \$9,591,130**

## **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(b)(4) and (5);
2. Authorize the City Attorney to place, bind, and modify the City's property and casualty insurance including, but not limited to, coverages outlined in this report effective July 1, 2024, with the total amount not to exceed \$9,591,130 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.

## **EXECUTIVE SUMMARY:**

The City of Pasadena purchases property and casualty insurance to protect the City and its operating companies against catastrophic loss and to comply with various bond covenants and agreements. Alliant Insurance Services, Inc. (Alliant) serves as the City's insurance brokerage firm. Alliant has worked closely with the City and has focused on marketing all insurance placements to secure the best available renewal options for the City. Overall, the premium for the citywide insurance program has a not-to-exceed increase of approximately 20% over the prior year (from \$8,024,437 to not to exceed

\$9,591,130). While increases are expected, it is likely the actual premiums will be lower than the not-to-exceed amounts indicated in this report. Underwriters for the carriers are reluctant to provide quotes too far in advance from renewal and are just starting to release the City's FY 2025 quotes.

### **BACKGROUND:**

Alliant worked with City staff in various departments to determine the City's risk exposure and total insurable values for appropriate levels of coverage. Alliant went out to market, on behalf of the City, obtaining multiple options from highly rated carriers with a broad range of coverage. All recommendations for insurance coverage and premium indications are included in the City's Recommended FY 2025 Budget. As the City's insurance broker, premiums for all renewal policies, with the exception of excess general liability, will be paid to Alliant and Alliant will distribute to the various insurance carriers. Should the City renew with risk sharing pool, Public Risk Innovation, Solutions, and Management (PRISM), the premium for excess general liability will be paid directly to PRISM.

### **DISCUSSION OF COVERAGE:**

Crime: The proposed renewal policy has a 5% premium decrease (proposed premium not-to-exceed \$25,143). Coverage provides protection to the City against theft of City monies and securities by employees of the City and for the faithful performance of duties, also known as Fidelity and Crime Policy.

General/Excess Liability: The proposed renewal policy has an estimated 33% increase in premium over the expiring premium (proposed premium not-to-exceed \$5,246,000). The factors that continue to fuel the increased claims costs are varied and many, but they all result in more and larger claims, further increasing frequency and severity. This is a widespread issue that particularly impacts public entities. The California municipal market has been hit particularly hard with "nuclear" jury verdicts due to many factors, including social inflation. 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.

Pollution Liability/Underground Storage Tank Liability: The proposed renewal policy has an estimated 12% increase in premium (proposed premium not-to-exceed \$55,564). Coverage under this policy provides environmental protection to the City for the discovery of pollution related claims, arising from covered operations at covered locations, resulting from City operations for which limited, or no coverage, is provided under the liability policies. The policy also covers City's Underground Storage Tanks (USTs). The City maintains multiple USTs,

located throughout the city, to fuel City vehicles including police and fire vehicles, aircraft, City sanitation trucks and street sweepers.

Pollution Liability includes coverage for site decontamination and remediation. Coverage extends to bodily injury claims related to asbestos. In addition, the insurance carrier provides “value-added services” to include access to their proprietary system for reporting an incident which allows for quick dispatching, 24/7, of clean-up crews, mitigating potential liabilities.

Healthcare Professional Liability Medical Malpractice: The proposed renewal has an approximate 59% increase in premium overall (proposed premium not-to-exceed \$57,368). The incumbent carrier is offering a reduced limit as carriers are limiting their capacity in the liability market. This reduction is not specific to Pasadena but to a change in the underwriting appetite. Alliant continues to actively market for additional limits. The 59% overall premium increase assumes additional limits will be purchased to maintain the City’s existing coverage amounts.

The City operates the Pasadena Public Health Department (PPHD). PPHD conducts various outpatient clinical operations including substance use treatment, tuberculosis diagnosis and treatment, and immunization. PPHD clinicians (doctors, nurses, social workers, and counselors) evaluate patients, order laboratory tests, prescribe medication, recommend treatment plans, and provide medical treatment. Medical Malpractice insurance affords coverage for errors and omissions of the medical providers and covers the facility.

Heliport and Aircraft, including LA IMPACT Aircraft: A flat renewal is expected, meaning coverage will renew with existing premiums remaining the same (combined proposed premium not-to-exceed \$123,825). This coverage provides protection to the City for liability arising out of its public safety/police helicopter operations and for the City’s leadership role on the LA IMPACT Team. Coverages include hull physical damage for the scheduled aircraft, damage done by the City’s aircraft to someone else’s hangar, and emergency landing. This policy also covers liability resulting from an error by pilot. In addition, the policy provides coverage for Airport Liability. This coverage complies with the City’s contract with Burbank airport. The annual premium is apportioned between the City and LA IMPACT since the policy carries hull coverage for LA IMPACT aircraft.

Property: Power Plant: The proposed renewal policy has an estimated 2% increase in premium as the market has improved for this line of coverage (proposed premium not-to-exceed \$1,126,113). The program provides property and equipment breakdown coverage for City’s power plant facilities and machinery. The policy affords coverage for risks of loss or damage, including boiler explosion, machinery breakdown for City’s power plant property.

Property: Citywide: The proposed renewal premium has an estimated 11% increase, driven by trending and inflationary value increases with minor property additions to the coverage (proposed premium not-to-exceed \$1,814,897). The property market has significantly improved and is reflected in the estimated 11% increase for FY 25 versus the estimated 50% increase for FY 24. This property policy is purchased by the City for the balance of City owned and leased property, as scheduled. This policy includes coverage for fine arts, valuable papers, business personal property, business income and extended business income or rental value.

Terrorism - Chemical, Biological or Biochemical, Radiological or Nuclear (CBRN): The proposed renewal policy has an estimated 15% premium increase (proposed premium not-to-exceed \$88,993). Under the City's renewal property program, in addition to the City's coverage for damage to property, the proposed terrorism coverage will provide protection covering terrorism acts for citywide property to include the Rose Bowl and Power Plant. This policy affords coverage to include the actual release, discharge, or dispersal of Chemical, Biological or Biochemical, Radiological or Nuclear Material (CBRN). This broader coverage assists after a CBRN event with removal, disposal, treatment, demolition or destruction of scheduled property and removal of debris, decontamination, in the alternative, the policy will indemnify the City for rebuilding costs.

Automobile Physical Damage: The proposed renewal policy has an estimated 1% decrease in premium due to reduced values for coverage (proposed premium not-to-exceed \$317,889). Policy will afford coverage for scheduled automobiles and mobile equipment owned by the City, at replacement cost, for covered perils including earth movement and flood.

Cyber Policy: Cyber Liability coverage is included in the property premium through APIP. Excess limits are purchased for the City and Pasadena Water and Power separately. Both excess policies are expected to renew at a 10% premium decrease each (combined proposed premium not-to-exceed \$110,237).

Fiduciary Liability: A flat renewal is expected (proposed premium not-to-exceed \$34,871). This policy includes liability coverage for fiduciaries of the Pasadena Deferred Compensation Plan, wrongful acts, and defense costs for performance of managed care services.

Excess Worker's Compensation: The proposed renewal policy has an estimated 14% increase in premium, which is attributed to increasing payroll and medical care costs (proposed premium not-to-exceed \$501,704). The City currently self-funds all Workers' Compensation losses. Excess Workers' Compensation policy provides statutory limits coverage above the self-insured retention to protect against a major catastrophe, including terrorist attack(s), causing injuries to multiple employees.

**ENVIRONMENTAL:**

State CEQA Guidelines Section 15378 provides guidance on the types of projects to which CEQA does and does not apply. Project does not include, among others, actions such as government fiscal activities which do not involve any commitment to any specific project, or organizational and administrative activities of governments that will not result in direct or indirect physical changes in the environment, as set forth in subsections (4) and (5) thereto. Renewal of insurance falls under both these categories, therefore no environmental review is required.

**COUNCIL POLICY CONSIDERATION:**

This action supports the City Council's strategic planning goal to maintain fiscal responsibility and stability and to protect the City's infrastructure and collateral for bond purposes.

**FISCAL IMPACT:**


The cost of adopting all proposed actions is approximately \$9,591,130, including additional surcharges, taxes, and fees, for insurance renewal. Funding for the recommended action is included in the City's FY 2025 Recommended Operating Budget within various departmental and affiliated agency budgets. Depending on the type of insurance coverage, departments and affiliated agencies are allocated their share of \$9,591,130 in premium costs, based on either Full-Time Equivalents, property square footage, and/or vehicles. While increases are expected, the actual premiums are likely to be lower than the not-to-exceed amounts indicated in this report.

For context, in FY 2024, \$2.99 million has been budgeted to departments in the General Fund as it relates to insurance premiums. For FY 2025, the amount budgeted to the General Fund will increase to approximately \$3.03 million.

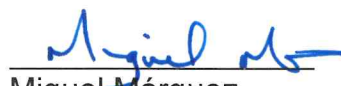
Respectfully submitted,

  
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