

STAFF REPORT

Date: September 25, 2024

To: Mayor and City Council

Through: Jackie Bryant, Interim City Manager

Subject: Staff Report (For Possible Action): Approval and authorization for the City Manager, or designee, to bind and execute all documents related to securing the City's annual liability insurance policies from October 1, 2024, through September 30, 2025, in an amount not to exceed \$3,400,000. (Risk Management Fund)

From: Adria White, Risk Manager

Department: City Manager's Office – HR

Summary:

As a standard business practice, the City's Risk Management staff obtains liability insurance policies on an annual basis. The City's liability insurance portfolio provides coverage for a variety of risks that include general liability, excess workers' compensation, property, and cyber. Staff is requesting Council grant authority to the City Manager, or designee, to bind the City's liability insurance policies upon receipt of final policy parameters and premiums from insurance carriers in an amount not to exceed \$3,400,000 from the Risk Management Fund.

Consent Review	Yes	No
1. Is this item an annual or standard item that comes before Council for regular approval?	X	
2. Is this item an agreement required based on an item previously approved by Council?		X
3. Is this item included in the current budget approved and adopted by Council?	X	
Other Considerations		
What percent of the total City budget does this item represent?	0.003%	

Alignment with Strategic Plan:

Fiscal Sustainability

Previous Council Action:

September 23, 2023 – Council approved and authorized the City Manager to bind and execute all documents related to securing the City’s annual liability insurance policies, from October 1, 2023, through September 30, 2024, not to exceed \$3,400,000.

April 12, 2023 – Council approved realigning the property insurance program renewal cycle to September 30 of each year through an extension of the existing policy through a one-time payment of \$357,526.

Background:

The City carries liability insurance to mitigate the fiscal impact of high dollar losses or catastrophic events. With such liability insurance, the City is responsible for paying a Self-Insured Retention (SIR) or deductible, which is a fraction of the total cost of the loss, as opposed to the entire cost of the loss. The City currently has the following liability insurance portfolio that runs from October 1 through September 30 each year:

- Excess General Liability (liability due to automobile, employment practices, law enforcement, public officials, crime, and pollution):
 - Provides coverage for employee theft, third-party and pollution lawsuits against the City.
 - Self-Insured Retention (SIR): \$1,000,000
 - Policy Limit: Up to \$10,000,000
- Excess Workers’ Compensation (statutorily required coverage, NRS 616B.300):
 - Provides coverage for workers’ compensation claims that exceed the SIR.
 - SIR: \$2,500,000
- Property Insurance:
 - Provides coverage for damage to buildings (not wear and tear or deterioration), building contents, and fine arts.
 - Deductible: \$50,000
 - Policy Limit: \$600,000,000
- Difference in Conditions (additional catastrophic property loss):
 - Provides coverage for damage to City property as a result of earth movement (earthquake) and flood.
 - Deductible: Satisfied by property insurance.
 - Policy Limit: Up to \$25,000,000
- Cyber:
 - Provides coverage for ransomware/cyber extortion, data recovery, system failure, etc.
 - SIR: \$500,000
 - Policy Limit: \$2,000,000
- Auto Physical Damage:

- Provides coverage for vehicle accidents and damage to City owned vehicles, and heavy equipment.
- SIR for regular fleet vehicles: \$25,000; SIR for Fire Trucks: \$500,000
- Policy Limit: \$10,000,000

In order to procure the most affordable and favorable policies, the City has contracted with the insurance broker, AON. On an annual basis, AON bids the City's insurance needs in the insurance market. AON then negotiates the best possible premium pricing based upon the insurance market and the City's unique risk. Staff then meets with AON and reviews each coverage option to determine appropriate coverage levels that provide the best balance for our short-term and long-term risk tolerance.

Discussion:

The insurance markets are unwilling to quote policy premiums more than thirty (30) days in advance of the policy's effective date. This pricing model helps insurance carriers avoid added claims or risk exposure that may warrant premium increases between the time of quoting a policy premium and the effective date of the policy.

The City has been experiencing increases in its insurance premium pricing on an annual basis. This increase can be attributed to not only conditions affecting the insurance market as a whole, but also increases in the City's liability exposure. Conditions affecting the insurance market as a whole are events and catastrophic disasters that occur throughout the nation, for example hurricanes and wildfires. Due to these events, the insurance market increase premiums overall to recoup the funds expended in the recovery from these events. The City's liability exposure has also increased, which has a direct impact on increasing insurance premiums. For example, over the past year, the City has increased its staff headcount, total payroll, and has a larger vehicle fleet. These increases result in greater potential for risk and liability exposure, which lead to increases in liability insurance policy premiums.

The City is experiencing a total premium increase of 1%. Staff has reviewed the City's current liability insurance policies to ensure fiscally responsive coverage levels. This review included an analysis of changes in the City's operations and assets, historical claims experience, and premium and loss fiscal implications, to identify coverage limits and terms that strike an appropriate balance for the City's short-term and long-term risk tolerance needs.

Over the current coverage year, staff has worked to make operational improvements that have added the benefit of reducing liability insurance premium pricing for this policy cycle. Some of these improvements include the significant improvements to cyber security implemented by the IT Department. These improvements not only make the City less vulnerable to cyber-attacks but also assist AON when negotiating with various cyber insurance carriers. Staff has also executed

an agreement with a third-party at-fault vehicle accident recovery vendor who will facilitate recovery on behalf of the City from a liable party's insurance carrier to reimburse the City for damages and loss as a result of the accident.

Through concerted risk management strategies that balance liability insurance policy premium cost with the risk tolerance for the fiscal implications of loss, staff have identified liability insurance policy coverage limits that are responsive to the changing circumstances of our operations and risk exposure, while also seeking to mitigate increases to premiums.

Financial Implications:

The premium funds are budgeted for \$3,400,000 in the Risk Management Fund. Finance review completed for compliance with City procedures and Nevada law.

Legal Implications:

Legal review completed for compliance with City procedures and Nevada law. Amounts of insurance coverage and coverage limits are a policy decision, however, it is recommended that the City maintain these coverages for claim and financial stability purposes.

Recommendation:

Staff recommends Council approve and authorize the City Manager, or designee, to bind and execute all documents related to securing the City's annual liability insurance policies from October 1, 2024, through September 30, 2025, in an amount not to exceed \$3,400,000. (Risk Management Fund)

Proposed Motion:

I move to approve and authorize the City Manager, or designee, to bind and execute all documents related to securing the City's annual liability insurance policies from October 1, 2024, through September 30, 2025, in an amount not to exceed \$3,400,000.

Attachments:

City of Reno Renewal Proposal 2024
Proposal – City of Reno – 2024 – Cyber – AXA XL