

## STAFF REPORT

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**Date:** September 27, 2023

**To:** Mayor and City Council

**Thru:** Doug Thornley, City Manager

**Subject:** Staff Report (For Possible Action): Approval to bind the City's insurance policies including Excess Liability, Excess Workers' Compensation, Property Coverage including Difference in Conditions, Pollution Liability, Auto Physical Damage, and Cyber Liability, from October 1, 2023 through September 30, 2024, in an amount not to exceed \$3,400,000. (Risk Management Fund)

**From:** Adria White, Risk Manager

**Department:** City Manager's Office – HR

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**Summary:**

Staff is requesting Council approval to bind the City's Excess Liability, Excess Workers' Compensation, Property Insurance Program including Difference in Conditions, Pollution Liability, and Auto Physical Damage, as well as adding a Cyber Liability policy. The total cost of binding all of these policies is in an amount not to exceed \$3,400,000, and the terms for each is October 1, 2023 through September 30, 2024. Each of these policies is renewed on an annual basis.

In July 2023, staff began working with its contracted broker, AON, to complete applications that are requested by the various insurance carriers. The completion of these applications is a joint effort between Risk Management staff and various departments throughout the City. Once completed, these applications are sent out to the carriers for review and negotiations begin to secure the best premium rates and coverage limits for the City. This year, the City is seeing an increase in the premium rates of 15% or \$420,091.89 more than last year. The reason for this increase can be attributed to catastrophic losses throughout the world in the property market, an increase in the City's payroll, and the requested addition of a cyber liability policy.

**Alignment with Strategic Plan:**

Fiscal Sustainability

**Previous Council Action:**

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 \$357,525.89.

October 26, 2022 – Council approved binding of the general liability and excess workers' compensation policies from October 1, 2022, through September 30, 2023, in the amount of \$1,188,633.

June 8, 2022 – Council approved binding the property insurance program from July 1, 2022, through June 30, 2023, in an amount not to exceed \$1,750,000.

July 28, 2022 – Council approved binding of insurance program through Public Entity Property Insurance Program (EPIP), which includes property, boiler and machinery, vehicle physical damage, pollution, and cyber insurance from July 1, 2021 through June 30, 2022, in an amount not to exceed \$1,098,341.

June 3, 2020 – Council approved binding of insurance program through PEPiP, which includes property insurance, vehicle physical damage, business interruption, boiler and machinery, cyber liability, and pollution liability from July 1, 2020 through June 30, 2021 in an amount not to exceed \$818,205.

June 5, 2019 - Council approved binding of insurance program through PEPiP, which includes property insurance, vehicle physical damage, business interruption, boiler and machinery, cyber liability, and pollution liability from July 1, 2019 through June 30, 2020 in an amount not to exceed \$540,108.

June 6, 2018 - Council approved binding of insurance program through PEPiP, which includes property insurance, vehicle physical damage, business interruption, boiler and machinery, cyber liability, and pollution liability from July 1, 2018 through June 30, 2019 in an amount not to exceed \$463,216.

**Background:**

Excess liability insurance coverage helps protect the City from large liability losses which could impact the general fund. To protect itself from such claims, the City currently carries excess liability insurance in the amount of over \$10,000,000 for automobile liability, employment practices liability, general liability, law enforcement liability, public officials liability, crime, and pollution liability. Under each of these listed policies, the City has a self-insured retention for the first \$1,000,000 including qualified defense costs. The City purchases excess liability insurance on an annual basis. Coverage runs from October 1 in the calendar year of purchase through September 30 of the following year.

Excess workers compensation coverage provides protection to the City general fund for catastrophic workers' compensation claims and is also renewed annually. The City carries excess workers' compensation for statutory limits in excess of the City's \$2,500,000 retention.

The property insurance program is also renewed annually, and it insures all City buildings, contents, physical damage to vehicles, and business interruption, subject to applicable deductibles. The City's current policy has a limit of liability up to \$600,000,000. As part of the property insurance program, the City has an additional layer of property coverage to help reduce the fiscal impact in the event of a catastrophic loss not covered under the main property program, known as Difference in Conditions (DIC). An example of some of these exposures would be additional flood zones that are not covered under the main property insurance program. The City purchases Difference in Conditions (DIC) endorsements of up to \$25,000,000. DIC is also purchased on an annual basis.

The City currently does not have cyber liability insurance, which provides certain coverage in the case of a cyber-attack. This coverage would provide protection to the City in the event of a large-scale cyber-attack, which has become more prevalent for municipal entities. If approved, the City would renew cyber liability insurance annually.

#### **Discussion:**

**General Liability:** The current carrier, Safety National, provided renewal terms for the City's primary liability program with the same limits and terms as last year. The premium increased by 12%, which translates to a premium difference of \$49,582.40 from the prior year. In prior years, the City held separate policies for law enforcement liability, public officials liability, automobile liability, and employee benefits liability. Safety National has bundled these together for this renewal and they are now placed under the general liability policy.

The current carrier for the City's second liability layer, Berkley Public Entity, provided renewal terms with the same limits and terms as last year, which continues to exclude wildfire coverage. The premium increased by 17%, which translates to a premium difference of \$41,583 from the prior year. The importance of carrying a secondary liability layer or coverage is in the event of a large catastrophic event, this layer will take over coverage once the primary layer has been exhausted.

**Excess Workers' Compensation:** The current carrier, Safety National, provided renewal terms on the City's Excess Workers' compensation program with the same limits and terms as last year. The premium increased by 21%, which translates to an increase of \$100,353 from the prior year. The increase in premium stems from large losses that the City has faced with fourteen claims over \$1,000,000 with all of these claims remaining open. There was also a 5% increase in the City's payroll from the prior renewal year, which has also contributed to the increase in premium.

**Property Insurance Coverage:** The current carrier for the City's property program, Liberty Mutual, provided renewal terms with the same limits and terms as last year. The premium

increased by 16% which translates to a difference in premium of \$130,429 from the prior year. The reason for the increase is due to the City's overall property values increasing by 8% as well as a rate increase by Liberty Mutual by 8%. totalling to 16%.

Difference in Conditions (DIC): The City had multiple carriers for its DIC coverage last year and will continue to have more than one this year. Last year, there were three primary carriers on the policy that had coverage of \$15,000,000 excess \$10,000,000. This means that the policies of these carriers would not begin until the loss has exceeded \$10,000,000. Axis, AmWINS Special Risk Underwriters (SRU), and Arch all provided renewal terms with the same terms and limits as last year. The City also has a secondary layer of coverage for DIC with coverage limits of \$25,000,000 excess \$25,000,000. The current carrier, Arrowhead, provided the same renewal terms and limits as last year. All layers of this coverage have excluded flood and man-made earth movement from their policies. Overall, the City's DIC program has a renewal increase of 18%, which translates into a \$91,391.63 premium increase.

Pollution: The current carrier, Sirius Point, provided a flat renewal this year with the same terms and limits.

Auto Physical Damage: The current carrier, Hanover, provided the same renewal terms and limits as last year with a 3% premium increase, which translates to a \$6,753 increase. The reason for the increase was due to a vehicle rate increase from \$0.44 to \$0.46.

Cyber Liability Insurance: Currently, the City does not have a cyber liability policy and has been self-insured. In recent years, attacks on municipalities have become more prevalent and costly for those entities. In not having this layer of protection, the City is left vulnerable to these attacks. By adding cyber insurance, if the City is involved in a cyber-attack, it would gain fiscal protection as well as having additional measures in place to protect an employee's sensitive information. AON was not able to secure quotes from carriers for the cyber liability policy at the time of this Staff Report. AON has requested that carriers quote the City at a \$1,000,000, \$2,000,000, and \$5,000,000 limit and they are anticipating the premium to be no more than \$150,000. Due to this, Staff is requesting Council approve the City Manager or his designee to approve binding of this policy at a not exceed amount of \$150,000.

The recommended insurers will allow the City to continue to self-administer liability claims and defend those claims within the self-insured retention, resulting in savings and efficiency over the use of third parties.

The recommended policies would also include coverage for losses resulting from acts of terrorism, as defined in Section 102(1) of the Terrorism Risk Insurance Act of 2022 (as amended, extended, and/or re-authorized).

**Financial Implications:**

The premium would be paid through the Risk Management Fund.

**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 binding the City's insurance policies including Excess Liability, Excess Workers' Compensation, Property Coverage including Difference in Conditions, Pollution Liability, Auto Physical Damage, and Cyber Liability, from October 1, 2023 through September 30, 2024, not to exceed \$3,400,000 with authorization for the City Manager or designee to execute all documents related to such renewal.

**Proposed Motion:**

I move to approve staff recommendation.

**Attachments:**

City of Reno – Renewal Proposal Final 09.12.2023  
Executive Summary of 2023-2024 Premiums