



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Annual Excess Insurance Policy Renewals for Fiscal Year 2021-2022

1. Motion authorizing the annual renewal of excess insurance policies for the City's property, casualty, Workers' Compensation, and miscellaneous coverages for a total "not-to-exceed" amount of \$4,297,321.

COUNCIL ACTION

Item Type: Consent Calendar

Approved for June 29, 2021 **Calendar**

ADMINISTRATIVE ACTION

Submitted by:

Michael J. Garcia, City Attorney

Prepared by:

Veronika Padron, Risk and Insurance Services Analyst

Reviewed by:

Michele Flynn, Director of Finance

Michael J. Garcia, City Attorney

Approved by:

Roubik Golanian, P.E., City Manager

RECOMMENDATION

Staff recommends that the City Council authorize the renewal of the excess insurance policies for the City's property, casualty, Workers' Compensation, and miscellaneous coverages for a total "not-to-exceed" amount of \$4,297,321.

BACKGROUND/ANALYSIS

The City is currently self-insured for various losses with self-insured retention (SIR) amounts ranging from \$10,000 to \$2,000,000. In order to protect against additional losses, the City purchases excess insurance policies for these risks. The City utilizes two insurance brokers to assist in the purchase of the various lines of insurance. Gallagher handles the insurance transactions for property owned by Glendale Water and Power and Keenan and Associates manages the transactions for all other policies. The brokers are responsible for soliciting quotes from the various insurance carriers and proposing recommendations to staff for evaluation.

The following is a brief description of the various lines of insurance coverages.

Property

Property insurance covers loss, theft, or damage to City-owned property. An example of this type of loss includes damages caused by fire, wind, vandalism, etc. In order to secure the most advantageous rates for this insurance, the City purchases two separate policies. The first policy covers property owned by Glendale Water & Power because of the nature of the property and equipment. The broker for this policy specializes in utility operations and is able to obtain a lower price for this insurance. The second policy provides coverage for all other City property.

Excess Liability

The excess liability policy provides coverage for damages for a loss as a result of an act, or failure to act, by a City of Glendale employee. Examples of this type of loss include automobile accidents, trip and fall, improper design or maintenance, slander, copyright infringement, etc.

It is important to note that the deductible for the City's general excess liability policy will increase from \$2 million to \$5 million for the next fiscal year. Unfortunately, the market for the purchase of insurance policies is very challenging for insureds in the California market. Market conditions, the financial impacts of COVID and an increase in liability claims and high jury verdicts in California continue to drive the rates higher and deductibles higher. The increased frequency and severity of natural disasters such as wildfires are among these factors. Therefore, in addition to increased rates to various rates of insurance as discussed further below, an excess coverage policy with a \$2

million self-insured retention was not available in the market (other than for the separate law enforcement liability policy discussed below).

Employment Practices

This insurance covers losses from claims made by employees for alleged violations of employment laws such as wrongful termination, discrimination, sexual harassment, etc.

Fine Arts

The fine art insurance covers losses to artwork owned by the City, as well as the periodic art exhibitions held at the Brand Library and Art Center.

Aviation

Aviation coverage provides protection for the City's liability due to the Police Department's Helicopter Operations.

Employee Dishonesty

Employee dishonesty or "crime coverage" would cover losses associated with employee theft, fraudulent activity, and other criminal acts.

Verdugo Crime Lab

This insurance covers losses from a claim in the event an error or omission was made by an employee working at the Verdugo Crime Lab.

Cyber Liability

The cyber liability policy is designed to cover the costs associated with a compromise of electronic data. Examples of this could include unauthorized access to sensitive data, information released as a result of human error or equipment malfunction, intentional theft of data, etc.

Law Enforcement Liability

The law enforcement liability insurance provides coverage for bodily injury, personal injury or property damage caused by a wrongful act committed by or on behalf of a public entity while conducting law enforcement activities or operations. This policy was added last year to buy down the deductible for police claims which otherwise would have increased from \$2 million to \$5 million. Thus, the SIR for claims covered by the Law Enforcement Liability policy will remain at \$2 million.

Workers' Compensation

This coverage pays costs for Workers' Compensation claims that exceed the City's SIR.

FISCAL IMPACT

Due to the market conditions discussed above, this year the overall policy costs increased by 33.5%. The rate increase in Cyber liability coverage is mainly due to the latest increase in Cyber-attacks in general.

Funding for the insurance premiums is currently budgeted for in the Liability, Workers' Compensation and Department budgets. Additional appropriation of funds is not necessary. GWP property insurance will be directly charged to GWP and is budgeted for in the Electric Works Revenue Fund and the Water Works Revenue Fund. Aviation insurance will be directly charged to Police and is budgeted for in the Joint Air Support Fund.

The following table summarizes the proposed renewal premiums and revised Self-Insured Retentions (SIR) and policy limits where applicable.

Broker	Coverage	Current Carrier	SIR Amount	Policy Limits	Existing Premium	Final Premiums
Keenan and Associates	Property	Affiliated FM	\$25K	\$400M	\$293,099	\$340,092
	(Non-GWP)					
	Excess Liability	Banta Pro	Current: \$2M	Combined \$25M	\$1,399,015	\$2,111,610
		HDI	2021-22: \$5M			
		Gemini				
	Employment Practices	Ace American Insurance	\$250K (Non-Safety)	Current: \$2M	\$127,807	\$228,516
			\$500K (Safety)	2021-22: \$5M		
	Fine Arts	Ironshore Indemnity Inc.	\$1K	\$3M	\$8,690	\$8,690
	Aviation	QBE Insurance Group	\$26K	\$50M	\$71,539	\$91,269.35
	Crime	Ace American Insurance	\$50K	\$3M	\$43,057	\$95,094

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	Verdugo Crime Lab Errors and Omissions	Landmark American Insurance	\$10K	\$2M	\$23,748	\$24,934.88
	Excess Crime	Great American	\$2M	\$3M	\$7,896	\$25,358
	Cyber Liability	Ace American Insurance	\$100K	\$2M	\$62,510	\$84,956.38
	Law Enforcement Liability	QBE Insurance Co.	\$2M	\$3M	\$207,007	\$227,675
	Workers' Compensation	ARCH Insurance	\$2M		\$672,338	\$671,704
Broker	Coverage	Current Carrier	SIR Amount	Policy Limits	Existing Premium	Proposed Premiums
Arthur J. Gallagher Insurance Brokers of California, Inc.	GWP Property	AEGIS	\$250K	\$400M	\$293,369	\$386,408
Total Cost					\$3,156,075	\$4,297,321

The premiums for excess insurance premiums are budgeted in the City Attorney's Liability Fund.

ALTERNATIVES

1. The Council can authorize the renewal of excess insurance policies as set forth in this Report.
2. The Council can choose not to authorize the renewals. Lack of excess insurance coverage would expose the City to financial liability for the risks covered by the insurance.
3. The City can select another alternative not identified by staff.

CAMPAIGN DISCLOSURE

In accordance with the City Campaign Finance Ordinance No. 5744, the following are the names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, Subcontractors and any person or entity with more than 10% interest in the company proposed for contract in this Agenda Item Report:

Officers of Keenan and Associates:

Full Name	Title	Business Address	City	State	Zip
Sean Smith	CEO/President	2355 Crenshaw Blvd.	Torrance	CA	90501
David Seres	Chief Operating Officer	2355 Crenshaw Blvd.	Torrance	CA	90501
Tara Schilling	Sr. Vice President	2355 Crenshaw Blvd.	Torrance	CA	90501
Suzanne Miles Smith	Sr. Vice President	2355 Crenshaw Blvd.	Torrance	CA	90501
Dan Keenan	Sr. Vice President	2355 Crenshaw Blvd.	Torrance	CA	90501

Officers of Arthur J. Gallagher & Co. Insurance:

Full Name	Title	Business Address	City	State	Zip
J. Patrick Gallagher Jr.	Chairman	505 North Brand Blvd.	Glendale	CA	91203
Walter D. Bay	General Counsel and Secretary	505 North Brand Blvd.	Glendale	CA	91203

Joel D. Cavaness	President	505 North Brand Blvd.	Glendale	CA	91203
Thomas J. Gallagher	CEO, Brokerage Service	505 North Brand Blvd.	Glendale	CA	91203
Douglas K. Howell	CFO	505 North Brand Blvd.	Glendale	CA	91203
Allen Tyler	Area Executive Vice President	505 North Brand Blvd.	Glendale	CA	91203

Officers of FM Global:

Full Name	Title	Business Address	City	State	Zip
Sivan Subramiam	Chairperson	270 Central Ave	Johnston	RI	02919
Thomas Lawson	CEO/President	270 Central Ave	Johnston	RI	02919
Johnathan Hall	Chief Operating Officer	270 Central Ave	Johnston	RI	02919

Officers of Princeton Insurance

Full Name	Title	Business Address	City	State	Zip
Anthony J. Kuczinski	CEO/President	525 Princeton Road East	Princeton	NJ	08540
Stephen J. Morello	Senior Vice President.	525 Princeton Road East	Princeton	NJ	08540
Jennifer Ughetta	Senior Vice President	525 Princeton Road East	Princeton	NJ	08540

Richard Olsen	Chief Financial Officer	525 Princeton Road East	Princeton	NJ	08540
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Officers of Berkley National Insurance

Full Name	Title	Business Address	City	State	Zip
William Berkley	Chairperson/COO	11201 Douglas Avenue	Urbandale	IA	50322
Robert Berkley	CEO/President	11201 Douglas Avenue	Urbandale	IA	50322

Officers of ACE American Insurance

Full Name	Title	Business Address	City	State	Zip
Evan Greenberg	CEO/President	436 Walnut St.	Philadelphia	PA	19106
John Keogh	Chief Operating Officer	436 Walnut St.	Philadelphia	PA	19106
Philip Bancroft	Chief Financial Officer	436 Walnut St.	Philadelphia	PA	19106

Officers of Ironshore Indemnity

Full Name	Title	Business Address	City	State	Zip
Kevin Kelley	CEO	Six Concourse Parkway	Atlanta	GA	30328
Shaun Kelley	President	Six Concourse Parkway	Atlanta	GA	30328
Mitchell Blaser	Chief Operating Officer	Six Concourse Parkway	Atlanta	GA	30328

Joseph Roberts	Chief Financial Officer	Six Concourse Parkway	Atlanta	GA	30328
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Officers of QBE

Full Name	Title	Business Address	City	Country	Zip
Colin Fagen	CEO/President	Shop 4, Post Office Plaza	Bunbury	Australia	6230
George Katsogiannis	Chief Operating Officer	Shop 4, Post Office Plaza	Bunbury	Bunbury	6230
Victor Walter	Chief Financial Officer	Shop 4, Post Office Plaza	Bunbury	Bunbury	6230

Officers of Landmark American Insurance

Full Name	Title	Business Address	City	State	Zip
David Leonard	Chairperson/CEO	945 E. Paces Ferry Road	Atlanta	GA	30326
Greg	President	945 E. Paces Ferry Road	Atlanta	GA	30326

Officers of AEGIS Insurance

Full Name	Title	Business Address	City	State	Zip
Wesley von Schack	Chairperson	1 Meadowlands Plaza	East Rutherford	NJ	07073
Alan Maguire	CEO/President	1 Meadowlands Plaza	East Rutherford	NJ	07073

Officers of ARCH Insurance

Full Name	Title	Business Address	City	State	Zip
Marc Grandisson	Chairperson/CEO	360 Hamilton Avenue	White Plains	NY	10601
Constantine Lordanou	President	360 Hamilton Avenue	White Plains	NY	10601
Mark Lyons	Chief Financial Officer	360 Hamilton Avenue	White Plains	NY	10601

EXHIBITS

1. None