



AGENDA MEMORANDUM

Action Item for the City Council Meeting September 3, 2024

DATE: August 12, 2024
TO: Peter Zanoni, City Manager
FROM: Miles Risley, City Attorney
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826-3739

Renewal of FY 2024-25 Excess Liability and Workers' Compensation Insurance Policy

CAPTION:

Resolution authorizing a total payment of \$994,688 for the annual renewal of Excess Liability and Excess Workers' Compensation insurance coverage through its' Broker of Record, Acrisure LLC, dba Carlisle Insurance, for upcoming policy year October 1, 2024 - September 30, 2025.

SUMMARY:

The current Excess Liability and Workers' Compensation policy expires 9/30/2024. The FY 2024-25 premium renewal represents a 1.12% increase over expiring premium of \$983,636. However, during our current policy year, the City of Corpus Christi suffered two catastrophic fatalities involving police officers covered by workers' compensation, therefore the incumbent and most competitive carrier, Safety National, provided a quote that increased the City's retention level (deductible) from \$500,000 to \$1,000,000 for each injury. The projected lifetime paid and reserve costs of each fatality claim currently stands at \$1.2 to \$1.5 million each respectively. Further, the workers' compensation rate increased from 0.20 to 0.23 because of an 8% projected Police payroll increase.

This policy is an umbrella policy which provides an added layer of Acrisure LLC, dba Carlisle Insurance, the City's Broker of Record, solicited quotes under its current contract.

BACKGROUND AND FINDINGS:

The excess liability and excess workers' compensation market conditions are stabilizing, however, because the City suffered two fatalities within two months in 2024, the self-retention (deductible) structure increased to \$1 million. Our broker solicited the following quotes from excess liability and workers' compensation renewal markets and presents the most competitive proposal submitted by incumbent carrier Safety National:

The following are the current/expiring FY23-24 policy limits and deductible			
Type	Retention / Deductible	Per Occurrence Limit	Annual Aggregate Limit
Workers' Compensation	\$ 500,000	Statutory	-
General Liability	\$ 500,000	\$5,000,000	\$5,000,000
Employee Benefits Liability	\$ 500,000	\$5,000,000	\$5,000,000
Law Enforcement Liability	\$1,000,000	\$5,000,000	\$5,000,000
Public Officials Liability	\$ 500,000	\$2,000,000	\$5,000,000
Excess Liability (Shared Limit)	Underlying Policies	\$3,000,000	
The following is the proposed FY 24-25 excess policy limits and deductible:			
Workers' Compensation	\$1,000,000	Statutory	-
General Liability	\$500,000	\$5,000,000	\$ 5,000,000
Employee Benefits Liability	\$500,000	\$5,000,000	\$ 5,000,000
Law Enforcement Liability	\$1,000,000	\$5,000,000	\$ 5,000,000
Public Officials Liability	\$500,000	\$5,000,000	\$ 5,000,000
Excess Liability (Shared Limit)	Underlying Policies	\$3,000,000	

The following factors contributed to both the excess liability and workers' compensation program's retention, rates and premiums increases:

- two in the line of duty police officer death claims FY23-24
- 8% projected average payroll exposure used to calculate workers' compensation rates
- two large law enforcement liability settlements FY 22-23 policy year, above retention levels
- one workers' compensation fire fighter presumptive death claim FY21-22

ALTERNATIVES:

An alternative option presented by our broker was to increase the City's workers' compensation per claim retention (deductible) level from \$500,000 to \$750,000 for a total premium of \$544,773 which would be an increase of \$126,811 or 29% over proposed. In consulting with our broker, Acrisure LLC, dba Carlisle Insurance and our actuary, AMI Actuary Consultants, both agreed that the City would be able to assume the increased workers' compensation self-retention risk.

Another alternative for the City is to fully self-insure its liability and workers' compensation claims, and liability settlements and lawsuits funded through Risk Management. With the proposed retention level increase of \$1,000,000 per injury in workers' compensation and \$1 million for Law Enforcement Liability, future increases in retention levels may make this alternative plausible. Carrying an excess insurance policy, however, limits the city's financial liability, whereas being fully self-insured would increase the City's financial exposure and possibly impact the City's bond rating and would require reserve. However, current annual actuarial data and forecasting reports have not assumed a fully self-insured program.

FINANCIAL IMPACT:

Risk Management included this expenditure of \$994,688 in its FY 2024-25 Liability/Employee Benefits & Workers' Compensation Funds 5611 & 5612. The Risk Management fund is an internal operating fund based on cost allocation to each department. Approval of this item is an annual reoccurring expenditure to limit the City's financial exposure under its current self-insurance program.

Funding Detail:

Fund: 5611 & 5612 (50/50 Fee Split)

Organization/Activity: 40510 & 40520

Dept.:054

Project # **(CIP Only):** N/A

Account: 537030

RECOMMENDATION:

Staff recommends approval of this action item as presented with the revised increased self-insured retention (deductible) of \$1 million for workers' compensation claims while maintaining the current excess liability program with the same per occurrence, and aggregate limits with the incumbent carrier, Safety National as presented above.

LIST OF SUPPORTING DOCUMENTS:

Resolution