



AGENDA MEMORANDUM

Action Item for the City Council Meeting September 13, 2022

DATE: August 15, 2022
TO: Peter Zaroni, City Manager
FROM: Miles Risley, City Attorney
MilesR@cctexas.com
826-3739

Renewal of FY 2022-23 Excess Liability and Workers' Compensation Insurance Policy

CAPTION:

Resolution authorizing a total payment of \$1,003,635.42 for the annual renewal of Excess Liability and Excess Worker's Compensation insurance coverage through the Broker of Record, Carlisle Insurance Agency, for upcoming policy year October 1, 2022-September 30, 2023.

SUMMARY:

The current Excess Liability and Workers' Compensation policy expires 9/30/2022. The 2022-23 renewing premium represents a 19.58% increase over expiring premium of \$839,330.88 keeping current retention levels, per occurrence and annual aggregate limit structure in place. The rate increase was 12% while the exposure increased 7.58%. This policy is an umbrella policy which provides an added layer of coverage above the City's \$500,000/\$1 million liability and \$500,000 workers compensation self-insured programs. Carlisle Insurance Agency, the City's Broker of Record, solicited quotes under its current contract.

BACKGROUND AND FINDINGS:

Excess liability and excess workers compensation market conditions, recent City of Corpus Christi Law enforcement claim settlements, increased exposure rate as well as recent national high-profile law enforcement liability incidents, has affected excess carrier participation this year by causing some carriers to withdraw from the market. Now, the market is becoming less competitive and capacity to write insurance is shrinking, thereby increasing rates and premiums.

The Broker of Record, Carlisle Insurance Agency, solicited quotes from the contracted excess liability and workers' compensation renewal markets and presents the following most competitive from the incumbent carrier, Safety National:

The following are the current/expiring policy limits and deductible			
Type	Retention / Deductible	Per Occurrence Limit *	Annual Aggregate Limit
Workers' Compensation	\$ 500,000	Statutory	-
General Liability	\$ 500,000	\$2,000,000	\$ 7,000,000
Employee Benefits Liability	\$ 500,000	\$2,000,000	\$ 7,000,000
Law Enforcement Liability	\$1,000,000	\$2,000,000	\$ 7,000,000
Public Officials Liability	\$ 500,000	\$2,000,000	\$ 7,000,000
The following is the proposed policy limits and deductible:			
Workers' Compensation	\$ 500,000	Statutory	-
General Liability	\$ 500,000	\$2,000,000	\$ 7,000,000
Employee Benefits Liability	\$ 500,000	\$2,000,000	\$ 7,000,000
Law Enforcement Liability	\$1,000,000	\$2,000,000	\$ 7,000,000
Public Officials Liability	\$ 500,000	\$2,000,000	\$ 7,000,000

The following factors continue to drive excess liability and workers' compensation coverage rates and premiums:

- 5.65% increased payroll exposure used to calculate workers' compensation rates
- law enforcement liability settlement each of the past two policy years
- large current **open** law enforcement reserves on two other claims
- two workers' compensation presumptive death claims the last two policy years
- market conditions and general litigation trends in law enforcement liability
- evaporating market capacity for public entity lines and excess coverage
- high inflation

ALTERNATIVES:

If this item is not approved as presented, one option is to increase our retention level for all lines of coverage to \$1 million (currently only law enforcement liability only has this retention level) for a premium of \$800,496 and savings of \$203,139 over the proposed quote. In consulting with our broker, Carlisle Insurance and our actuary, AMI Actuary Consultants, both agreed that the decrease in premium was insufficient to pay for the increased risk the City would be assuming. AMI and Carlisle will study this issue in the upcoming year.

Another alternative is for the City to fully self-insure its liability and workers' compensation claims, settlements and lawsuits funded through Risk Management. Currently, the City's maximum exposure per claim for liability is \$500,000 per occurrence and \$1 million for Law Enforcement Liability. For workers' compensation, it is \$500,000 for all employees. Excess insurance limits the city's financial liability, whereas being fully self-insured would increase the City's financial exposure and required reserves, as annual actuarial data and forecasting reports have not assumed a fully self-insured program.

FINANCIAL IMPACT:

Risk Management included this expenditure of \$1,003,635.42 in its FY 2022-23 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
Mission Element:	005
Project # (CIP Only):	N/A
Account:	537030

RECOMMENDATION:

Staff recommends approval of this action item as presented with the same self-insured retention, per occurrence, and aggregate limits per expiring with the incumbent carrier, Safety National.

LIST OF SUPPORTING DOCUMENTS:

Carlisle Insurance Agency marketing letter