



## AGENDA MEMORANDUM

Action Item for the City Council Meeting September 5, 2023

**DATE:** August 7, 2023  
**TO:** Peter Zaroni, City Manager  
**FROM:** Miles Risley, City Attorney  
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826-3739

### Renewal of FY 2023-24 Excess Liability and Workers' Compensation Insurance Policy

#### **CAPTION:**

Resolution authorizing a total payment of \$983,636 for the annual renewal of Excess Liability and Excess Workers' Compensation insurance coverage through its' Broker of Record, Carlisle Insurance Agency, for upcoming policy year October 1, 2023 - September 30, 2024.

#### **SUMMARY:**

The current Excess Liability and Workers' Compensation policy expires 9/30/2023. The 2023-24 premium renewal represents a 2.0% decrease over expiring premium of \$1,003,635.42, while sustaining current retention levels and increasing per occurrence limits but decreasing annual aggregate limit. The workers' compensation rate remained flat at .2000 while risk exposure (number of employees and payroll) decreased by 8%. 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 appear to be stabilizing, still, recent City of Corpus Christi law enforcement claim settlements, as well as recent national high-profile law enforcement liability incidents, continue to affect excess insurance carrier market participation. A constricted market becomes less competitive and capacity to write insurance is shrinking, thereby increasing rates and premiums.

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

<b>The following are the current/expiring policy limits and deductible</b>			
<b>Type</b>	<b>Retention / Deductible</b>	<b>Per Occurrence Limit</b>	<b>Annual Aggregate Limit</b>
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
Excess Liability (Shared Limit)	Underlying Policies	\$3,000,000	
<b>The following is the proposed policy limits and deductible:</b>			
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	\$5,000,000	\$ 5,000,000

The following factors contributed to the quoted excess liability and workers' compensation coverage rates and premiums:

- slight decrease in payroll exposure used to calculate workers' compensation rates
- two large law enforcement liability settlements in current policy year, affected the premium pricing
- two workers' compensation presumptive death claims the preceding two policy years
- general market conditions and litigation trends in law enforcement liability
- constricted market capacity for public entity lines and excess coverage
- high inflation

**ALTERNATIVES:**

An option presented by our broker was increasing the City's workers' compensation per claim retention level currently \$500,000 to \$750,000 for a premium savings of \$107,100. 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 per workers' compensation claim.

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. Carrying an excess insurance policy, 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 \$983,636 in its FY 2023-24 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 same self-insured retention, with per occurrence, and aggregate limits with the incumbent carrier, Safety National as presented above.

**LIST OF SUPPORTING DOCUMENTS:**

Carlisle Insurance Agency marketing letter.