



AGENDA MEMORANDUM

Action Item for the City Council Meeting September 22, 2020

DATE: August 24, 2020
TO: Peter Zanon, City Manager
FROM: Miles Risley, City Attorney
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826-3739

Renewal of FY 2020-21 Excess Liability and Workers' Compensation Insurance Policy

CAPTION:

Resolution authorizing payment of \$754,787.85 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, 2020-September 30, 2021.

SUMMARY:

The current Excess Liability and Workers' Compensation policy expires 9/30/2020. The 2020-21 renewing premium represents an 18% increase over total premium expenditure of \$639,187.92. The proposed excess policy will have the same per occurrence limit, but a lower annual aggregate limit. The new policy will also contain a separate, higher retention limit of \$1,000,000 for law enforcement claims/lawsuits. Carlisle Insurance Agency, the City's Broker of Record, solicited quotes under the current contract and presents this quote for approval.

BACKGROUND AND FINDINGS:

Market conditions, national high-profile law enforcement liability incidents for law enforcement liability, and COVID and cancer liability issues for workers compensation caused many carriers to withdraw from the market, increase their premiums, increase their deductibles, and reduce their aggregate coverages. The Broker of Record, Carlisle Insurance Agency solicited insurance carriers for excess liability and workers' compensation renewal quotes. Only three insurance carriers responded with quotes this year. The current carrier, Colony, non-renewed the City's policy this year effective 9/30/2020.

Current/expiring policy limits and deductibles:			
Type	Retention/Deductible	Per Occurrence Limit	Annual Aggregate Limit
Workers' Compensation	\$500,000/\$650,000	Statutory	-
General Liability	\$ 500,000	\$5,000,000	\$10,000,000
Employee Benefits Liability	\$ 500,000	\$5,000,000	\$10,000,000
Law Enforcement Liability	\$ 500,000	\$5,000,000	\$10,000,000
Public Officials Liability	\$ 500,000	\$2,000,000	\$ 4,000,000

Proposed policy limits and deductibles:			
Workers' Compensation	\$ 500,000	Statutory	-
General Liability	\$ 500,000	\$5,000,000	\$ 7,000,000
Employee Benefits Liability	\$ 500,000	\$5,000,000	\$ 7,000,000
Law Enforcement Liability	\$1,000,000	\$5,000,000	\$ 7,000,000
Public Officials Liability	\$ 500,000	\$2,000,000	\$ 7,000,000

ALTERNATIVES:

If this item is not approved, the 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. For workers' compensation it is \$500,000/\$650,000 (Fire and Police) per injury. The excess policy limits the city's financial liability, whereas being fully self-insured would increase the City's financial exposure and may have an unexpectedly large impact on reserves as annual actuarial data and reports have not contemplated a fully self-insured program.

FINANCIAL IMPACT:

Risk Management included this expenditure of \$754,787.85 in its FY 2020-21 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.

LIST OF SUPPORTING DOCUMENTS:

December 15, 2015 Broker of Record Service Agreement SA-71
December 19, 2017 Broker of Record SA-71 Amended Service Agreement No.1