



STAFF REPORT

Report To: Board of Supervisors **Meeting Date:** June 17, 2021

Staff Contact: Sheri Russell, Chief Financial Officer, (SRussell@Carson.org)

Agenda Title: For Possible Action: Discussion and possible action regarding insurance agreements for a total aggregate premium not to exceed \$1,087,044 for Fiscal Year ("FY") 2022 to be paid from the insurance fund and to be entered into with: (1) the Nevada Public Agency Insurance Pool ("NPAIP/POOL") for property insurance (including automobile physical damage), boiler and machinery, pollution (excluding the landfill), cyber insurance, auto liability, general liability, employment practices, errors and omissions and law enforcement liability coverage at a premium not to exceed \$1,045,573; (2) Great American for government crime insurance at a total premium of \$11,820; and (3) Beazley for Landfill Pollution Legal Liability insurance at a total two-year premium of \$29,651. (Sheri Russell, srussell@carson.org)

Staff Summary: Staff is recommending approval and execution of insurance agreements for various coverage with the NPAIP/POOL, Great American and Beazley.

Agenda Action: Formal Action / Motion **Time Requested:** 15 Minutes

Proposed Motion

I move to approve the agreements as presented.

Board's Strategic Goal

Efficient Government

Previous Action

FY 2021 insurance agreements were approved by the Board of Supervisors on June 18, 2020.

Background/Issues & Analysis

Staff recommends placing property insurance (including automobile physical damage), boiler and machinery, pollution (excluding the landfill) and cyber insurance, auto liability, general liability, employment practices, errors and omissions and law enforcement liability coverage with the POOL. Staff is recommending renewal of the crime insurance with Great American and the placement of landfill pollution liability with Beazley/Lloyds of London. The incumbent property insurance program quoted an increase of 44% for FY 22. The City's current liability carrier, Argonaut Insurance (Trident Public Risk) was not able to provide a renewal quote without significant restrictions in coverage. Travelers provided a competitive quote for the liability coverage with just a 1% increase over the expiring term, but the overall property/liability program increase would have been an increase of 31% (\$300,000) in premiums, with the incumbent property program. If approved, recommendations for the POOL, Great American and Beazley, will reduce the City's total renewal costs by \$7,000 from the prior year. Great American has quoted a decrease of 14% for the excess government crime insurance for FY 2022. Beazley/Lloyds of London quoted an annual cost increase of 9.5% for a two-year landfill pollution liability term. Great American is Rated A+ (Superior) by A.M. Best with adjusted policyholder surplus exceeding \$2 billion.

Beazley (Syndicates 2623/623 at Lloyds of London) are currently rated A (Excellent) with over \$2 billion in adjusted policyholder surplus.

The current property, boiler & machinery, vehicle physical damage, cyber, and pollution insurance program (PEPIP) is purchased on a year-to-year basis. The property & casualty insurance market continues to face challenges with respect to catastrophic losses, reduced investment income and the ongoing challenges of the COVID-19 pandemic. Catastrophic losses in 2020 included at least 19 events with at least \$1 billion in direct insured losses in the U.S. and \$89 billion in insured catastrophic losses worldwide. This follows record and above average catastrophic losses in recent years.

In 2019, the cyber insurance industry saw increased ransomware activity. In the fourth quarter of 2020, an unprecedented number of cyber incidents affected the insurance market, including the SolarWinds supply chain cyber event, a historical spike in ransomware attacks and cyber re-insurance challenges. Underwriters are reducing capacity, restricting terms, and increasing rates.

US P&C insurers combined ratio of incurred losses and expenses as a proportion of earned premiums is expected to increase to 99.3% in 2020 and 99.8% in 2021, according to a recent report by A.M. Best.

Underwriting and investment performance deteriorated in 2020, with projected reductions of insurer pre-tax operating income of 15% and net income of 21%.

The economic disruption and still unknown long-term financial impacts of the pandemic, along with natural catastrophes and civil unrest losses continue to weigh on insurers in 2021. Rate increases, capacity reductions and tighter underwriting scrutiny are expected to continue throughout 2021. City-insured values, which include buildings and contents, mobile equipment and vehicles, increased by 5%.

Due to challenging market conditions, the PEPIP program has projected a rate increase of 38% for the City, resulting in an overall increase of 44% for property, and a 31% increase overall for both property and liability. The POOL quote option would provide a 1% savings from the prior year.

The City's current program provides property coverage for the City's buildings, contents, vehicles and mobile equipment with coverage including terrorism. The program also provides dedicated earthquake and flood coverage, pollution liability (excluding landfill) and cyber liability insurance.

The POOL provides broad coverage with access to \$150 million in shared limits for earthquake and flood, subject to a \$25 million flood zone shared limit. Regardless of the cause of loss, the property deductible is \$25,000 per event. The City currently has a \$100,000 (\$250,000 for high risk flood zones) deductibles for earthquake and flood risks.

The POOL provides cyber coverage with no deductible and environmental liability coverage with a \$25,000 deductible. In comparison, these deductibles range from \$50,000 to \$150,000+ in the current program.

The following are the limits and deductibles that Staff is suggesting the City purchase:

- \$300,000,000 occurrence limit for property coverage subject to a deductible of \$25,000 and vehicle physical damage subject to a \$25,000 deductible.
- \$100,000,000 for boiler and machinery coverage subject to a deductible of \$25,000.
- \$150,000,000 shared aggregate for earthquake coverage subject to a deductible of \$25,000.
- \$150,000,000 shared aggregate for flood coverage subject to a deductible of \$25,000.
- \$25,000,000 shared aggregate for High Hazard Flood locations in A and V Zones subject to a \$250,000 per occurrence deductible.
- \$2,000,000 limit of pollution liability for the City with a deductible of \$25,000.
- \$3,000,000 aggregate limit of cyber liability for the City with a deductible of \$25,000.

USI Insurance Services marketed the property insurance program placement extensively in 2018 and again in 2020. Most property insurers declined to quote because they could not provide competitive rates or coverage. Two insurers previously provided quotes but offered significantly reduced earthquake and flood coverage. Pricing for excess earthquake and flood coverage made those quote options noncompetitive with the incumbent and proposed insurance options.

In anticipation of the FY 2022 renewal USI requested quote options from the Nevada Public Agency Insurance Pool and Travelers as part of their marketing efforts. The Pool provided an extremely competitive quote for combined property and liability, cyber and pollution subject to \$25,000 property deductibles and \$100,000 liability deductibles with an annual cost of \$1,045,573. Becoming a member of the POOL will require a two year commitment without knowing what the premium increase will be in FY 2023. Staff confirmed with USI and the POOL that the increase in premiums in the last three years has been between 10%-15%. The City's increase for FY 19 was 19.4% and for FY 20 was 16.4% with PEPIP and a separate Liability Insurer (Travelers/ Argonaut), therefore, Staff has deemed the risk of a two year commitment as acceptable. Travelers was unable to provide a comprehensive property quote for this year's renewal but did provide an option for auto physical damage with a premium of approximately \$101,000 which was declined.

The total insurance renewal costs are 1% less than last year with the recommended insurers. This compares to a 31% increase with the incumbent property and liability insurance programs. The crime policies renewal provides a decrease of 14% to provide coverage excess of the POOL. The landfill pollution renewal cost increased by 9.5% for the recommended two-year policy term (which provides a 45% savings over the annual landfill pollution renewal cost).

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? Yes

If yes, account name/number: Insurance Fund, Insurance Premiums - 5900745-500512.

Is it currently budgeted? Yes

Explanation of Fiscal Impact: \$1,239,659 is budgeted for insurance premiums for FY 22. Total insurance premiums for FY 22 discussed above will be approximately \$1,087,044. This is a 1% decrease in overall insurance program costs from the prior fiscal year.

Alternatives

Do not approve the agreements and provide alternative direction to staff.

Attachments:

[Property Casualty Renewal Summary Rev 6-8-2021 \(Portrait\).pdf](#)

Board Action Taken:

Motion: _____

1) _____
2) _____

Aye/Nay

(Vote Recorded By)

Nevada Public Agency Insurance Pool, Great American & Beazley Option

Revised:

6/8/2021

Expiring Coverage Terms

Coverage	Current Insurers	Current Coverage	Current Limits	Current Retentions	2020/21 Premiums
Property, Auto Physical Damage, Boiler & Machinery, Cyber Liability & Pollution Liability Premiums include program inspection and engineering fee, surplus lines tax (3.5%) and stamping fee (0.04%).	Public Entity Property Insurance Program*	Insured Property Values: \$333,122,051			\$ 721,068
		Each Occurrence Limit:	\$350,000,000	\$25,000	
		Dedicated Earth Movement Limit:	\$50,000,000	2% min \$100k	
		Dedicated Flood Limit	\$50,000,000	\$100,000	
		Dedicated Flood Zone A/V Limit	\$5,000,000	\$250,000	
		Business Interruption, Rental Income	\$100,000,000	\$25,000/24 hrs	
		Extra Expense	\$50,000,000	Per Peril	
		Boiler & Machinery (Equipment Breakdown)	\$100,000,000	\$25k to \$350k	
		Vehicle Physical Damage	Actual Cash Value	\$25,000	
		Mobile Equipment	Replacement Cost	\$25,000	
		Money & Securities/Employee Theft	\$500,000	\$25,000	
		Cyber Liability (Claims Made/Retro Date: 7/1/2013)	\$2,000,000	\$50,000+	
		Pollution Liability (Claims Made/Retro Date: 7/1/2013)	\$2,000,000	\$150,000+	
Excess Self-Insured Liability	Argonaut (Trident Public Risk)	Auto Liability (Each Accident/No Aggregate)	\$10,000,000	\$100,000	\$ 346,559
Liability		General Liability (Occurrence & Aggregate)	\$10,000,000	\$100,000	
		Employee Benefits Liability (Claims Made, Retro Date: N/A, Aggregate)	Included (GL)	\$100,000	
		Abuse or Molestation (Occurrence & Aggregate)	\$5,000,000	\$100,000	
		Employment Practices Liability (Claims Made, Retro Date 7/1/2010, Agg.)	\$10,000,000	\$100,000	
		Law Enforcement Liability (Occurrence & Aggregate)	\$10,000,000	\$100,000	
		Public Officials Liability (Claims Made, Retro Date 7/1/2010, Agg.)	\$10,000,000	\$100,000	
		Annual Aggregate (LIABILITY COVERAGE)	N/A	-	
Crime/Employee Theft	Great American	Employee Dishonesty/Money & Securities Inside the Premises Other Crime Insuring Agreements	\$1,000,000	\$50,000	\$ 13,808
Landfill Pollution Liability	Illinois Union*	Landfill Pollution (Claims Made, Retro Date: N/A; Transit: 7/1/2010)	\$2,000,000	\$25,000	\$ 13,537
		Expiring Total Cost			\$ 1,094,972

Renewal Coverage Terms

Coverage	Proposed	Proposed	Proposed	Proposed	2021/22
Property, Auto Physical Damage, Boiler & Machinery, Cyber Liability & Pollution Liability Premiums include program inspection and engineering fee, surplus lines tax (3.5%) and stamping fee (0.04%).	Nevada Public Agency Insurance Pool	Insured Property Values: \$348,175,418 +5%			\$ 489,332
		Each Occurrence Limit	\$300,000,000	\$25,000	
		Shared Earthquake Limit	\$150,000,000	\$25,000	
		Shared Flood Limit	\$150,000,000	\$25,000	
		Shared Flood A/V Limit	\$25,000,000	\$25,000	
		Business Interruption (Loss of Income)	Included	\$25,000	
		Extra Expense	Included	\$25,000	
		Boiler & Machinery	\$100,000,000	\$25,000	
		Vehicle Physical Damage	Repair Cost/	\$25,000	
		Mobile Equipment	Repair Cost/	\$25,000	
		Money & Securities/Employee Theft	\$500,000	\$25,000	
		Cyber Liability (Claims Made / Retro Date: 7/1/2013)	\$2,000,000	N/A	
		Pollution Liability (Claims Made / Retro Date: 7/1/2013)	\$2,000,000	\$25,000	
Excess Self-Insured Liability		Auto Liability (Per Event/Aggregate)	\$10,000,000	\$100,000	\$ 556,241
		General Liability (Per Event/Aggregate)	\$10,000,000	\$100,000	
		Employee Benefits Liability (Per Event)	Included (GL)	\$100,000	
		Abuse or Molestation (Per Event)	\$2,500,000	\$100,000	
		Employment Practices Liability (Claims Made, Retro Date:TBD**)	\$10,000,000	\$100,000	
		Law Enforcement Liability (Per Event)	\$10,000,000	\$100,000	
		Public Officials Liability (Claims Made, Retro Date:TBD**)	\$10,000,000	\$100,000	
		Member Annual Aggregate (LIABILITY COVERAGE)	\$10,000,000	-	
Crime/Employee Theft	Great American	Employee Dishonesty/Money & Securities Inside the Premises Other Crime Insuring Agreements	\$1,000,000	\$500,000	\$ 11,820
Landfill Pollution Liability	Beazley/Lloyds*	Landfill Pollution Liability (2-year term) (Claims Made, Retro Date: N/A)	\$2,000,000	\$50,000	\$ 29,651
		Renewal Total Cost			\$ 1,087,044
			Savings	\$ (7,928)	
			Variance	-0.72%	

* Coverage provided by non-admitted, surplus lines insurance. Premiums include surplus lines taxes and fees.

** Pending Confirmation: Employment Practices Liability & Public Officials Liability Retroactive Date - Requested 7/1/2010

This proposal is merely a descriptive summary of coverage provided by the insurance companies being proposed and should be used for reference purposes only. insurance
This is a quotation of coverage only. It is not a binder. This proposal does not amend or alter the

© 2021 USI Insurance Services LLC. All rights reserved.