



## STAFF REPORT

**Report To:** Board of Supervisors                      **Meeting Date:** June 16, 2022

**Staff Contact:** Sheri Russell, Chief Financial Officer

**Agenda Title:** For Possible Action: Discussion and possible action regarding insurance agreements for a total aggregate premium not to exceed \$1,237,180 for Fiscal Year ("FY") 2023 to be paid from the Insurance Fund and to be entered into with: (1) the Nevada Public Agency Insurance Pool ("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 \$1,223,942; and (2) Great American for government crime insurance at a total premium of \$13,238. (Sheri Russell, srussell@carson.org)

**Staff Summary:** In FY 2022 the insurance listed in the agenda title was placed with POOL and Great American, respectively, and staff is recommending renewing the insurance with POOL and Great American. If approved, the City's renewal costs for POOL will increase by \$178,369 from FY 2022, a 17.1% increase, and for Great American will increase by \$1,418 from FY 2022, a 12% increase.

**Agenda Action:** Formal Action / Motion                      **Time Requested:** 10 minutes

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### **Proposed Motion**

I move to approve agreements as presented.

### **Board's Strategic Goal**

Efficient Government

### **Previous Action**

June 17, 2021 - FY 2022 insurance agreements were approved by the Board of Supervisors, including a 2-year pollution liability policy for the Carson City Landfill.

### **Background/Issues & Analysis**

In FY 2022 the City joined POOL and entered into insurance agreements with 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 for a premium of \$1,045,573; with Great American for government crime insurance for a premium of \$11,820; and with Beazley/Lloyds for Landfill Pollution Legal Liability insurance for a two-year premium of \$29,651. As a result of joining POOL, Carson City saved \$7,000 from the prior year's insurance costs and avoided a \$300,000 increase in premiums from the prior insurers. The POOL is not rated by A.M. Best and includes coverage provided through captives and rated reinsurance providers. Great American is Rated A+ (Superior) by A.M. Best with an adjusted policyholder surplus exceeding \$2 billion.

The property & casualty insurance markets have continued to present challenges to buyers. Global insured catastrophic loss rose to \$112 billion in 2021. This follows record and above average catastrophic losses in

recent years. The challenging market has led to loss of capacity. The excess liability market is particularly affected. In recent years, the reinsurance marketplace has been impacted by increased litigation, nuclear verdicts, defense costs, and the increased frequency of global natural disasters. The impact of COVID-19 on insurance costs has also not yet been felt within the marketplace. Calendar year 2022 may prove pivotal, as lawsuits arise from employment practices insurance claims and from employees contracting COVID-19 at work after transitioning from their remote environments.

Specific to Carson City, the value of City-insured buildings and their contents, mobile equipment and vehicles, increased by 7.7% primarily due to increases in replacement cost valuations and construction costs. The City's current insurance program provides property coverage for the City's buildings, contents, vehicles and mobile equipment with coverage including terrorism. The program also provides coverage for earthquakes, floods, pollution liability (excluding landfill) and cyber liability.

USI Insurance Services marketed the City's property insurance placement extensively in 2018, 2020 and 2022. Most property insurers declined to quote because they could not provide competitive rates or coverage. Some insurers have quoted but offered significantly reduced earthquake and flood coverage. Pricing for excess earthquake and flood coverage made those quote options noncompetitive with the proposed insurance options. Challenges in the liability insurance marketplace, including law enforcement liability, have caused two public entity insurers to exit the marketplace in the last two years.

Becoming a member of POOL in FY 2022 required a two-year commitment without knowing what the premium increase would be in FY 2023. Staff confirmed with USI and POOL that the increase in premiums in the last three years had been between 10%-15%. The increase for FY 2023 is 17.1%. The City's prior insurers are projecting rate increases in the same range. The City's increase for FY 2019 was 19.4% and for FY 2020 was 16.4%.

POOL provides broad coverage with access to \$150 million in shared limits for earthquake and flood, subject to a \$25 million flood zone A shared limit. Regardless of the cause of loss, the property deductible is \$25,000 per event. POOL also provides cyber coverage with no deductible and environmental liability coverage with a \$25,000 deductible.

Staff recommends that the City purchase insurance with the following limits and deductibles:

- \$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 \$25,000 per occurrence deductible.
- \$2,000,000 limit of pollution liability (excluding landfill liability) for the City with a deductible of \$25,000.
- \$3,000,000 aggregate limit of cyber liability, subject to a shared program aggregate of \$15,000,000, for the City with no deductible.

With the exception of the shared program aggregate of \$15,000,000 for the cyber liability, these are the same limits and deductibles for the insurance that the City purchased last year. Staff recommends that the City renew its policies of insurance with POOL and Great American. The Beazley/Lloyds policy for Landfill Pollution Legal Liability insurance was purchased for FY 2022 as a two-year premium of \$29,651. That policy will expire at the end of FY 2023, and does not need to be renewed at this time.

If approved, the City's renewal costs for POOL will increase by \$178,369 from FY 2022, a 17.1% increase, and for Great American will increase by \$1,418 from FY 2022, a 12% increase. For POOL and Great American combined, the total insurance renewal costs are \$179,787 more than FY 2022, or an increase of 17%.

**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:** \$1,338,832 is budgeted for insurance premiums for FY 2023. Total insurance premiums for FY 2023 discussed above will be approximately \$1,237,180.

**Alternatives**

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

**Attachments:**

[Carson City - Property Casualty Renewal Summary Rev 6-9-22 \(2\).pdf](#)

**Board Action Taken:**

Motion: \_\_\_\_\_

1) \_\_\_\_\_

2) \_\_\_\_\_

Aye/Nay

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Vote Recorded By)

**Expiring Coverage Terms**

Coverage	Proposed Insurers	Proposed Coverage	Expiring Limits	Expiring Retentions	2021/22 Premiums		
Property, Auto Physical Damage, Boiler & Machinery, Cyber Liability & Pollution Liability	Nevada Public Agency Insurance Pool	<b>Insured Property Values: \$348,175,418   Increase of +5%</b>			<b>\$489,332</b>		
		Each Occurrence Limit	\$300,000,000	\$25,000			
		Shared Earthquake Aggregate Limit	\$150,000,000	\$25,000			
		Shared Flood Aggregate Limit	\$150,000,000	\$25,000			
		Shared High Hazard Flood Aggregate 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/Market Value	\$25,000			
		Mobile Equipment	Repair Cost/Market Value	\$25,000			
		Money & Securities/Employee Theft	\$500,000	\$25,000			
		Cyber Liability	Cyber Liability (Claims Made / Retro Date: 7/1/2013)	\$3,000,000	N/A		
		Pollution Liability	Pollution Liability (Claims Made / Retro Date: 7/1/2013)	\$2,000,000	\$25,000		
		Other Liability		Auto Liability (Per Event/Aggregate)	\$10,000,000	\$100,000	<b>\$556,241</b>
				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	\$1,000,000	\$500,000	<b>\$11,820</b>		
		Other Crime Insuring Agreements	\$1,000,000	\$50,000			
<b>Expiring Total Cost</b>					<b>\$1,057,393</b>		

**Renewal Coverage Terms**

Coverage	Proposed Insurers	Proposed Coverage	Renewal Limits	Renewal Retentions	2022/23 Premiums		
Property, Auto Physical Damage, Boiler & Machinery, Cyber Liability & Pollution Liability	Nevada Public Agency Insurance Pool	<b>Insured Property Values: \$374,861,443   Increase of 7.7%</b>			<b>\$1,223,942</b>		
		Each Occurrence Limit	\$300,000,000	\$25,000			
		<b>Shared</b> Earthquake Limit	\$150,000,000	\$25,000			
		<b>Shared</b> Flood Limit	\$150,000,000	\$25,000			
		<b>Shared</b> 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/Market Value	\$25,000			
		Mobile Equipment	Repair Cost/Market Value	\$25,000			
		Money & Securities/Employee Theft	\$500,000	\$25,000			
		Cyber Liability	Cyber Liability (Claims Made / Retro Date: 7/1/2013)	\$3,000,000	N/A		
			Shared Cyber Liability Aggregate Limit (Effective 7/1/2022)	\$15,000,000	-		
		Pollution (Exc. Landfill)	Pollution Liability (Claims Made / Retro Date: 7/1/2013)	\$2,000,000	\$25,000		
		Other Liability		Auto Liability (Per Event/Aggregate)	\$10,000,000	\$100,000	<b>Included above</b>
				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: 7/1/2010)	\$10,000,000			\$100,000			
Law Enforcement Liability (Per Event)	\$10,000,000			\$100,000			
Public Officials Liability (Claims Made, Retro Date: 7/1/2010)	\$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	\$1,000,000	\$500,000	<b>\$13,238</b>		
		Other Crime Insuring Agreements	\$1,000,000	\$50,000			
<b>Renewal Total Cost</b>					<b>\$1,237,180</b>		
<b>Prior Year Cost</b>					<b>\$1,057,393</b>		
<b>Variance \$</b>					<b>\$179,787</b>		
<b>Variance %</b>					<b>17.0%</b>		

**Two-Year Coverage Term (Expires July 1, 2023)**

Coverage	Proposed Insurers	Proposed Coverage	Renewal Limits	Renewal Retentions	July 1, 2021 to June 30, 2023
Landfill Pollution Liability*	Beazley/Lloyds**	Landfill Pollution Liability (2-year term) (Claims Made, Retro Date: N/A)	\$2,000,000	\$50,000	<b>\$29,651</b>

\* Coverage provided on a two-year policy term 2021 to 2023.

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

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 contract.

This is a quotation of coverage only. It is not a binder. This proposal does not amend or alter the insurance contract.

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