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Title: Human Resources, Risk Management Division, recommending the Board approve insurance coverage and programs for an estimated total amount of \$8,772,340 and authorize the Human Resources Department, Risk Management Division, to sign and approve all documents required to secure continued insurance coverage and programs for Fiscal Year (FY) 2022-23 in order to avoid lapse of coverage, including the following:

- 1) PRISM - insurance and program participation in the following: Excess General Liability, Excess Workers' Compensation, Primary Workers' Compensation, Property, Medical Malpractice, Pollution, Cyber Liability, Master Crime, Catastrophic Inmate Medical Insurance, Watercraft, and Optional Excess Liability;
- 2) Special Liability Insurance Program (SLIP), Underground Storage Tank, and Airport Operations Liability with Alliant; and
- 3) Volunteer Blanket Insurance with WellFleet.

FUNDING: Risk Management Internal Service Fund.

Sponsors:

Indexes:

Code sections:

Attachments: 1. A - FY 22.23 Risk Budget Proposal Form

Date	Ver.	Action By	Action	Result
7/19/2022	1	Board of Supervisors	Approved	Pass

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DISCUSSION/BACKGROUND

The County faces a complex array of risks that can result in severe or catastrophic loss. Purchasing insurance helps protect the County from catastrophic general liability claims, automobile accidents, and workers' compensation injuries. Additionally, purchasing insurance protects the County from loss

due to damage or destruction of County assets, pollution, crime, cyber liability, and airport operation exposures. The County procures a variety of insurance policies and programs to mitigate and transfer exposures to catastrophic loss. By securing these risk mitigating and transfer mechanisms, the County is better positioned to protect assets and personnel for the fulfillment of its services, objectives, and Strategic Plan.

This request is an annual process for the Board to authorize the Risk Management Division to renew insurance coverage and programs provided by PRISM, Alliant, and WellFleet. The County utilizes its participation in PRISM in conjunction with professional insurance brokerage services to place a variety of commercial insurance policies to protect the County.

The total estimated premium for FY 2022-23 is \$8,772,340. This represents a \$1,430,440, or 19%, increase from FY 2021-22. The insurance market is cyclical as it fluctuates constantly between a hard market and a soft market. Currently, organizations are experiencing a hard market where premiums increase and capacity for most types of insurance decreases. This can be caused by a number of factors, including falling investment returns for insurers, increases in frequency or severity of losses, inflation of jury awards, and regulatory intervention deemed to be against the interests of insurers as in the case of COVID protocols, as well as strong inflationary pressure overall. Risk has received invoices for some of the programs with an upcoming payment due date; some premium amounts are only estimates, as PRISM and Alliant do not finalize premiums until program renewal which may be after Budget approval. If an actual premium amount is greater than the estimate approved by the Board, Risk will return to the Board for approval.

The Risk Management Division has evaluated each of the insurance programs in terms of potential loss, coverage, self-insured retentions, deductibles, and policy limits, and recommends the purchase of insurance as described below with allowance for estimation variation with approval from Human Resource and CAO/Fiscal departments.

PRISM Programs

PRISM is a Joint Powers Authority (JPA) comprised of California counties, cities, and public agencies organized to jointly develop and fund insurance and related programs with the most favorable terms and costs. The County has been a PRISM Program participant for more than 25 years. Current program participation includes:

Excess General Liability Program (GL2) - Provides coverage for claims from third parties alleging damages on the part of the member arising out of bodily injury, personal injury, property damage, public officials' errors and omissions, automobile liability and employment practices liability. The County has a \$1,000,000 self-insured retention in this program. The estimated premium for FY 2022-23 is \$1,084,420. This reflects a \$273,202 increase from the previous fiscal year. The uncertain political environment, inflation, Public Safety jury awards and social inflation costs have accelerated premium increases in an already hard insurance market.

Excess Workers' Compensation Program - Provides bodily injury and employer liability coverage for industrial-related injury and illness. Coverage also includes compensation for loss of earnings at statutory rates. The County has a \$300,000 self-insured retention in this program. The premium for FY 2022-23 is \$2,101,930, which reflects a \$347,457 increase, or 20% from the previous fiscal year due to continued hard markets and accelerating claims costs.

Primary Workers' Compensation Program - Provides "First Dollar" bodily injury and employer liability coverage for industrial-related injury and illness. Coverage also includes compensation for loss of earnings at statutory rates. The premium for FY 2022-23 is \$4,444,581, a \$595,462 increase, or 15% from the previous fiscal year. A hard market and COVID claims have affected this program.

Property Program - Provides coverage for physical damage to the County's property as a result of a variety of perils including flood and earthquake sub-limits. The deductible for the "all risk" perils is \$25,000. Vehicles are insured at replacement cost. The deductible for values under \$250,000 is \$10,000 and \$100,000 for values over \$250,000.

Contractor's equipment is covered with a \$10,000 deductible. Boiler and machinery and electronic data processing (EDP) equipment, data and media are also covered with a \$1,000 deductible. The estimated premium for FY 2022-23 is \$386,053. This reflects a \$52,718 increase, or 16% from the previous fiscal year. Our PRISM pool has described the increase in the following way:

"The property market has been challenging for the last several years as the industry has experienced unprecedented losses including the devastating wildfires that have impacted California. In addition to the large natural catastrophe losses, the size and frequency of "attritional" or non-catastrophe related claims such as fire and water damage has also been growing. This is seen as an industry-wide trend and is also taking place within the PRISM Program."

Medical Malpractice Program - Provides coverage for alleged negligence arising from health care operations including clinics, hospitals, mental health, public health, jail clinics, and coroner operations. The County has a \$10,000 deductible in this program. The premium for FY 2022-23 is \$393,487, a \$93,787 increase, or 31% from the previous fiscal year. This is a 12-month premium compared to the prior Fiscal year 9-month premium to align Fiscal year end with other renewals.

Pollution Program - Provides first- and third-party coverage for bodily injury, property damage, and clean-up costs caused by pollution conditions at scheduled owned or leased sites or arising from certain operations. The County has a \$250,000 self-insured retention in this program. The premium for FY 2022-23 is \$18,190. This is an increase of \$2,286, or 14% over the same program from last year without the extended claim period premium that was necessary with the carrier change.

Cyber Liability Program - Provides information security and privacy liability insurance with electronic media liability coverage. The self-insured retention has increased to \$100,000 from \$50,000 in this program. The estimated premium for FY 2022-23 is \$40,440, a \$15,522 increase, or 62% from the previous fiscal year. Severity of claims and a trend of ransomware attacks on public agencies, along with increased Russian activity threat and higher demand have created a very hard market.

Master Crime Program - Provides coverage for illegal acts committed by employees while on the job. Coverage includes, but is not limited to, employee theft including failure of faithful performance of duty, forgery or alteration, computer fraud and funds transfer fraud, and money order and counterfeit paper currency acts. The deductible is \$2,500. The fraud limit was reduced to \$250,000 from \$500,000. A minimum \$10,000 premium was added to keep prior fraud limit. The premium for FY 2022-23 is \$27,118. This reflects a (\$1,019) decrease from the previous fiscal year.

Catastrophic Inmate Medical Insurance Program - Provides medical expense coverage for inmates requiring off-site inpatient hospital services, outpatient surgical, and associated physician services. There is no aggregate limit of liability cap and the program can be excess of coverage provided under an existing contract or placed as primary. The County has a \$75,000 deductible. The estimated premium for FY 2022-23 is \$116,062, a \$5,551 increase, or 5% from the previous fiscal year, resulting mainly from good claim experience.

Watercraft Program - Provides property coverage as well as third party bodily injury for all owned watercraft operations including watercraft trailers. This is a fully insured program and the deductible is \$1,000. The premium for FY 2022-23 is \$6,985, a \$1,619 increase from the previous fiscal year. Additional premium need is expected as EDSO adds boats to service which are not reflected in current premium.

Optional Excess Liability Program - Provides excess insurance of \$10,000,000 above the excess general liability program of \$25,000,000 with identical coverage terms. The estimated premium for FY 2022-23 is \$105,040, a \$36,878 increase, or 54% from the previous fiscal year. The public entity excess liability market continues to be very difficult. While premiums have increased significantly, we believe this was the best negotiated option available.

Other Insurance Programs

Special Liability Insurance Program (SLIP) - The County purchases insurance for Community Service Area 2 and 9 Road Maintenance Zones of Benefit in a Special Liability Insurance Program (SLIP) offered through Alliant. The SLIP program is a unique liability program developed specifically for small public entities and not-for-profit organizations. The estimated premium for FY 2022-23 is \$35,765, a \$4,665 increase from the previous fiscal year. This program renews in September and is based on Alliant broker-estimated 15% increase.

Underground Storage Tank (UST) - This policy is placed with Alliant. It fulfills the State of California Financial Assurance Requirements for underground storage tanks for bodily injury, property damage or corrective action or loss that the insured entity becomes legally obligated to pay as a result of a claim for bodily injury, property damage or corrective action resulting from contamination that originates from an underground storage tank scheduled on this policy. The premium for FY 2022-23 is \$1,853, a \$520 increase from the previous fiscal year.

Airport Operations Liability - This policy is placed with Alliant. This program provides liability and property coverage for Placerville and Georgetown Airport operations. This is a fully insured program with no deductible. The premium for FY 2022-23 is \$7,788, a \$708 increase, or 10% from the previous fiscal year.

Volunteer Blanket Accident Insurance - This policy is placed with WellFleet. The County provides all volunteers with Accident Medical Expense Benefits of \$50,000 on an excess basis. There is a \$100 per accident deductible that is the responsibility of the volunteer, an additional Accidental Death Benefit of \$10,000, and an Accidental Dismemberment benefit up to \$10,000. The premium for this fully insured program is based on the number of volunteers and total volunteer hours. The estimated premium for FY 2022-23 is \$2,628, a \$1,084 increase from the prior fiscal year. COVID claims and return of volunteers after pandemic have increased premiums.

ALTERNATIVES

No viable alternative recommendations are available.

OTHER DEPARTMENT/AGENCY INVOLVEMENT

N/A

CAO RECOMMENDATION

Approve as recommended.

FINANCIAL IMPACT

Funding for these insurance programs is included in the Risk Management Internal Service Fund budget for FY 2022-23, and costs are recouped from County departments through internal charges. Funding is included in the FY 2022-23 Recommended Budget.

CLERK OF THE BOARD FOLLOW UP ACTIONS

Provide one certified minute order of the agenda item to Michael Andersen/Joseph Carruesco in the Human Resources Department, Risk Management Division; and one certified minute order of the agenda item to the Chief Administrative Office.

STRATEGIC PLAN COMPONENT

Good Governance

CONTACT

Joseph Carruesco, Director of Human Resources