



Legislation Text

File #: 21-1065, **Version:** 1

Human Resources, Risk Management Division, recommending the Board approve insurance coverage and programs for a total amount of \$7,011,100 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 2021-22 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; Pollution; Underground Storage Tank; Cyber Liability; Master Crime; Catastrophic Inmate Medical Insurance; Watercraft; Optional Excess Liability and Airport Operations Liability; and
- 2) Volunteer Blanket Insurance with WellFleet.

FUNDING: Risk Management Internal Service Fund.

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 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 Medical Malpractice Program and Special Liability Insurance Program (SLIP) are not listed pending the County's receipt of final premium costs. These programs will be brought before the Board at a later date.

The total cost premium for these policies in Fiscal Year (FY) 2021-22 is \$7,011,100. This represents a \$214,925, or 3% increase from FY 2020-21. 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, social inflation of jury awards, and regulatory intervention deemed to be against the interests of insurers as in the case of coronavirus pandemic protocols.

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 Resources 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 premium for FY 2021-22 is \$811,218. This reflects a \$85,369 increase from the previous fiscal year. 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 2021-22 is \$1,754,473, a \$192,784 increase from the previous fiscal year. This increase reflects hard negotiating terms with the removal of a corridor discount in the PRISM pool insurance tower.

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 2021-22 is \$3,849,119, a \$153,302 decrease from the previous fiscal year. A successful prior year in claims management and reduced claims experience has provided some premium relief.

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 premium for FY 2021-22 is \$333,335. This reflects a \$45,580 increase from the previous fiscal year. Continued catastrophic fire claims and pandemic exposure has driven premium increases.

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 estimated premium for FY 2021-22 is \$15,904. This is a significant increase over prior years because the insurer has decided not to renew. The prior year claims left the County exposed and extension coverage is being bought to cover that exposure. The frequency and severity of industry claims has increased dramatically. The extended premium estimate has not been included but is estimated to come in at \$15,000, it could be higher depending on other agency participation.

Underground Storage Tank (UST) - This policy 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 2021-22 is \$1,333, a \$121 increase from the previous fiscal year.

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 premium for FY 2021-22 is \$24,918, a \$19,313 increase from the previous fiscal year. Severity of claims and a trend of Ransomware attacks 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 the prior fraud limit. The premium for FY 2021-22 is \$28,137. This reflects an \$8,983 increase 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 premium for FY 2021-22 is \$110,511, an \$8,548 decrease 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 2021-22 is \$5,366, a \$1,124 decrease from the previous fiscal year.

Optional Excess Liability Program - Provides excess insurance above the excess general liability program with identical coverage terms. The premium for FY 2021-22 is \$68,162, a \$14,898 increase from the previous fiscal year. A General Liability hard market and Public Safety jury awards have driven premium increases.

Airport Operations Liability - 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 2021-22 is \$7,080, a \$338 increase 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 premium for FY 2021-22 is \$1,544, a \$1,084 decrease from the prior fiscal year. Fewer volunteers were used

as a basis because of the pandemic restrictions.

ALTERNATIVES

No viable alternative recommendations are available.

OTHER DEPARTMENT/AGENCY INVOLVEMENT

N/A

CAO RECOMMENDATION

Approve as recommended.

FINANCIAL IMPACT

Sufficient funding for these insurance programs is included in the Risk Management Internal Service Fund budget for FY 2021-22, and costs are recouped from County departments through internal charges.

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