



Legislation Text

File #: 23-1322, **Version:** 1

Human Resources, Risk Management Division, recommending the Board approve insurance coverage and programs for an estimated total amount of ~~\$9,902,755~~ \$9,904,368 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 2023-24 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; Underground Storage Tank; Watercraft; Optional Excess Liability; and Airport Operations Liability;
- 2) Alliant - Special Liability Insurance Program (SLIP); and
- 3) WellFleet - Volunteer Blanket Insurance.

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, Alliant, and WellFleet. The County utilizes its participation in PRISM in conjunction with professional insurance brokerage services to secure a variety of commercial insurance policies to protect the County.

The total estimated premium for Fiscal Year (FY) 2023-24 is ~~\$9,902,755~~ \$9,904,368. This represents a ~~\$1,133,431~~ \$1,135,043, 13%, increase from FY 2022-23. 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 decreasing 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 COVID protocols, as well as strong inflationary pressure overall. Note: Some premium amounts are only estimates, as PRISM and Alliant do not finalize premiums until program renewal which may be after Budget adoption.

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 30 years. Current program participation includes:

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 2023-24 is \$4,749,681, a \$305,100 increase of 7% from the previous fiscal year. Hard market, inflation and COVID claims have impacted this program.

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 for claims prior to our entry into the Primary Workers' Compensation Program in September 2018. The premium for FY 2023-24 is \$2,539,656, a \$437,726, or 21% increase from the previous fiscal year. Factors affecting workers' compensation premium rates include medical inflation and increased severity of workplace injuries in the overall market.

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 2023-24 is \$1,390,089. This reflects a \$305,669 increase, or 28%, from the previous fiscal year.

According to our PRISM insurance pool partner, "The hard general liability market that we have experienced in recent years will continue for 2023. The increase in the number and size of extremely large losses over the last six - eight years are the main contributor. The prolonged soft market that we enjoyed during the 15-20 years prior to the market starting to harden in the late 2010's contributed to the problem. Relatively good loss experience over that time drove competition way up and pricing down to a point that wasn't sustainable, especially once the loss experience changed. And change it did. Starting around 2013-2014, the size of loss outcomes got significantly bigger. Claims that previously had resolved in the \$5M-\$10M range started costing public entities and their insurers \$20M-\$30M and higher. This turned out to be an industry-wide trend, but certainly seemed to have its origins in California, and tracks with PRISM's experience as well."

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 2023-24 is \$483,787.

This reflects a \$97,734 increase, or 25%, from the previous fiscal year. Our PRISM pool has described the increase in the following way in a recent memo:

“..there have been two new factors contributing to the market remaining in this challenging cycle. First, treaty reinsurance pricing has significantly increased. Treaty reinsurance is purchased by nearly all carriers and protects them from claims at their company’s level. The rising cost of treaty reinsurance will be passed along to insured’s and is expected to impact excess pricing at the PRISM renewal.”

Secondly, severe winter storms across the country, including California has affected renewal pricing. Losses from California alone is over one billion dollars.

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 2023-24 is \$339,453, a \$54,034 decrease of 14% from the previous fiscal year. Good claims experience throughout program has facilitated premium decrease.

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 2023-24 is \$130,802, a \$25,762 increase of 25% from the previous fiscal year. The public entity excess liability market continues to be very difficult.

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 2023-24 is ~~\$120,048~~ \$121,101, a ~~\$3,986~~ \$5,039 increase, or ~~3~~ 4%, from the previous fiscal year, resulting mainly from good claim experience. An invoice received after the agenda had posted resulted in the updated amount.

Cyber Liability Program - Provides information security and privacy liability insurance with electronic media liability coverage. The self-insured retention is \$100,000. The estimated premium for FY 2023-24 is \$52,382, a \$11,942 increase, or 30%, from the previous fiscal year. Frequent and severe losses continue to grow for a couple of reasons: 1) public entity IT infrastructure and training budgets are generally smaller than commercial counterparts; and 2) public entities are seen as vulnerable and easy targets due to necessary public service interactions.

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 2023-24 is \$29,279. This reflects a \$2,161 increase, or 8%, from the previous fiscal year.

Pollution/ Underground Storage Tank (UST) 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 2023-24 is \$12,673. This is a decrease of \$5,517, or of 30%, from the previous fiscal year. This reflects a new Claims made policy in which claims must be made during policy period to be paid. UST 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 2023-24 is \$1,991, a \$138 increase from the previous fiscal year. These two programs are billed together on one invoice.

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 2023-24 is \$7,788, reflecting no increase from the prior year. It does not currently include coverage for the placement of the EDSO helicopter into service estimated for September 2023.

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 2023-24 is ~~\$7,464~~ \$8,023, a ~~\$479~~ \$1,038 increase, or ~~7~~ 15%, from the previous fiscal year. An updated invoice received after the posting of the agenda was received that incorporated watercraft added mid-year in FY 2022-23, increasing the cost.

Other Insurance Programs

Special Liability Insurance Program (SLIP) - The County purchases insurance for Community Service Area 2 and 9 Road Maintenance Zone 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 2023-24 is \$36,000, a \$3,250 increase from the previous fiscal year. This program renews in September and the amount is based on Alliant broker estimated 10% increase.

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 2023-24 is \$1,663, a \$966 decrease from the prior fiscal year. Reduced number of volunteers from County departments reported.

ALTERNATIVES

No viable alternative recommendations are available.

PRIOR BOARD ACTION

07/19/22 Legistar item 22-1245 - Prior year insurance program approval

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 2023-24, and costs are recouped from County departments through internal charges. Funding is included in the FY 2023-24 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