



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
August 6, 2024

TOPIC: Renew Citywide Insurance Program and Policies Procured through Independent Cities Risk Management Authority and Arthur J. Gallagher

AGENDA TITLE

Renewal of Citywide Insurance Program and Policies Procured through Independent Cities Risk Management Authority (ICRMA) and Arthur J. Gallagher, and Appropriation Adjustment, Associated Insurance Premiums, Costs, Programs, and Regulatory Fees for an Amount not to Exceed \$12,600,000 (Non-General Fund)

RECOMMENDED ACTION

1. Authorize the City Manager to approve payment of insurance premiums and associated programs to ICRMA in an amount not to exceed \$8,250,000 for the protection of City assets from July 1, 2024 through June 30, 2025 including, but not limited to, the following:
 - a. Excess Liability Program
 - b. Excess Workers' Compensation Program
 - c. Auto Physical Damage Program
 - d. Property and Equipment Program
 - e. Crime Program
 - f. Cyber Program
 - g. Associated Programs
2. Authorize the City Manager to approve payment of insurance premiums to Arthur J. Gallagher, Broker, in an amount not to exceed \$3,500,000 for ancillary coverages of City's assets from July 1, 2024 to June 30, 2025 including but not limited to:
 - a. General Liability Buffer Program
 - b. Workers' Compensation Buffer Program
 - c. Earth Movement & Flood and Difference in Coverage Program
 - d. Terrorism Insurance Program
 - e. Underground Storage Tank and Environmental Program
3. Authorize the City Manager to approve payments to cover FY 2024-25 City Special Events Insurance for events, including, but not limited to, Fourth of July fireworks show, neighborhood winter events, and other City-sponsored events as created and held, in an amount not to exceed \$350,000.

4. Authorize the City Manager to approve the City's obligation to pay the State of California DIR estimated assessment in the amount not to exceed \$500,000.
5. Approve an Appropriation Adjustment to recognize \$2,200,000 in the Liability and Property Insurance Revenue, Prior Year Carryforward revenue account (No. 08009002-50001) and appropriate the same amount into the Liability & Property insurance account (No. 08009051-64010). *(Requires five affirmative votes)*

GOVERNMENT CODE §84308 APPLIES: Yes

DISCUSSION

Staff is recommending renewal with ICRMA, a joint powers authority formed in 1980 in accordance with California Government Code Section 6500. ICRMA's purpose is to provide: 1) excess and re-insurance to protect members from extensive financial debt due to large claims, settlements, and judgments; 2) group insurance purchasing power that can offer broader coverage at a lower cost; 3) rate stability; and 4) protect individual member cities through pooling of losses and self-insurance. ICRMA also offers to its members actuarial services, appraisal services, loss control assessments and recommendations, safety trainings, claims audits, contract risk transfer consultation, and other services and resources. Currently composed of 14 California cities, Santa Ana joined ICRMA in July 2019.

For this renewal period:

- The City's Workers' Compensation coverage experienced an increase of approximately 12%.
- The City's Liability and Property premiums increased approximately 10%, which overall is a very good outcome.
- The City's Property & Equipment Program premium decreased approximately 10%.
- Overall, the City's insurance coverages remain the same with a lower than expected increase in premiums on the Liability and Property program and an average increase in premiums on the Workers' Compensation program.

Cost of insurance continues to increase primarily due to the following ongoing reasons:

1. An insurance market with continually decreasing excess carriers willing to quote municipal government entities in California, primarily those with police departments;
2. High dollar jury awards of litigated matters against public entities;
3. High dollar settlements of litigated and non-litigated matters;
4. Rising cost of repairs and replacement of damaged vehicles, property, and equipment;
5. Increased number of claims filed against the City resulting from aging infrastructure including sidewalks and streets; and
6. Increased number of claims filed against the City resulting from damage caused by

City-owned trees.

	QUOTED & ESTIMATED PREMIUMS & FEES		
WORKERS' COMPENSATION COVERAGES	FY 2022/23	FY 2023/24	FY 2024/25
Excess Pool Workers' Compensation Program	\$ 345,678	\$ 415,464	\$ 459,770
Excess Workers' Compensation Buffer	\$ 257,356	\$ 264,085	\$ 300,027
Sub-Total	\$ 603,034	\$ 679,549	\$ 759,797
Percent Change	12%	13%	12%
LIABILITY AND PROPERTY COVERAGES	FY 2022/23	FY 2023/24	FY 2024/25
Excess Pool Liability Program	\$ 5,123,142	\$ 6,070,925	\$ 6,927,723
Auto Physical Damage Program	\$ 129,488	\$ 145,108	\$ 185,294
Property & Equipment Program	\$ 485,380	\$ 593,557	\$ 534,757
Crime Program	\$ 14,233	\$ 15,394	\$ 17,563
Cyber Program	\$ 111,964	\$ 100,445	\$ 118,787
Excess Liability Buffer	\$ 1,233,321	\$ 1,743,398	\$ 1,805,650
DIC Earth Movement & Flood	\$ 1,126,819	\$ 1,283,147	\$ 1,353,245
Terrorism	\$ 13,164	\$ 13,723	\$ 14,652
Underground Storage Tanks- Environmental	\$ 11,112	\$ 12,539	\$ 15,314
Sub-Total	\$ 8,248,623	\$ 9,978,236	\$ 10,972,985
Percent Change	25%	21%	10%
	FY 2022/23	FY 2023/24	FY 2024/25
City Special Events Insurance		\$ 300,000	\$ 350,000
State of California DIR		\$ 500,000	\$ 500,000
Total		\$ 11,457,785	\$ 12,582,782

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action.

FISCAL IMPACT

The recommended action includes appropriating \$2.2 million of the General Liability Fund balance, which will reduce the available funds to pay liability claims in the future. The following table compares the most recent actuarial valuation for claims liability to the estimated fund balances in the Workers' Compensation and General Liability Funds. Actuarial estimates of the liability are more than the City has on deposit.

	Workers' Compensation	General Liability
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Actuarial valuation as of June 30, 2024	\$18,367,000	\$35,595,000
Estimated fund balance as of July 1, 2024	\$18,304,735	\$13,954,070
Estimated Shortfall	\$62,265	\$21,640,930

After appropriation adjustment, the following table summarizes the funds budgeted and available for estimated premium and administrative costs. Staff will continue to propose increases to internal service charges in future budget cycles to reduce the estimated shortfall, which will primarily be borne by the General Fund.

Fiscal Year	Accounting Unit – Account No	Fund Description	Accounting Unit – Account No. Description	Amount
2024-25	08209054-64010	Workers Compensation	Workers Compensation, Insurance Payment	\$ 1,300,000
2024-25	08009051-64010	Liability & Property Insurance	Liability & Property Insurance, Insurance Payment	\$ 9,640,380
APPROPRIATION ADJUSTMENT				
2024-25	08009051-64010	Liability & Property Insurance	Liability & Property Insurance, Insurance Payment	\$ 2,200,000
Total:				\$ 13,140,380

EXHIBIT(S)

1. Joint Exercise of Powers Agreement for Insurance and Risk Management Purposes
2. Agreement For Consultant Services Between City of Santa Ana and Arthur J. Gallagher Risk Management Services LLC
3. ICRMA Member Contribution Invoice – Santa Ana – Invoice # 4373
4. Arthur J. Gallagher Risk Management Services, LLC – Invoice # 5195470

Submitted By: Lori Schnaider, Executive Director of Human Resources

Approved By: Alvaro Nuñez, Acting City Manager