



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
June 15, 2021

TOPIC: ICRMA JPA Renewal / Broker Agreement / Associated Premiums

AGENDA TITLE:

Approve Renewal of Joint Powers Authority Agreement between the City of Santa Ana and Independent Cities Risk Management Authority (ICRMA) and Approve Associated Insurance Premiums and Corresponding Agreement for an Amount not to Exceed \$8,000,000 and Approve Appropriation Adjustment of \$1,500,000 (Non-General Fund)

RECOMMENDED ACTION

1. Authorize the City Manager to approve the agreement between the City of Santa Ana and Arthur J. Gallagher, broker of record, from July 1, 2021 to June 30, 2022 for insurance brokerage services, subject to non-substantive changes approved by the City Manager and City Attorney.
2. Authorize the City Manager to approve payment of insurance premiums to Independent Cities Risk Management Authority (ICRMA) for excess liability and workers' compensation for protection of City's assets.
 - a. Approve the City's continued participation in ICRMA's Excess Liability Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$3,936,181.
 - b. Approve the City's continued participation in ICRMA's Excess Workers' Compensation Program from July 1, 2021 to June 30, 2022, at estimated premium, fees, and taxes not to exceed \$362,219.
 - c. Approve the City's continued participation in the ICRMA's Auto Physical Damage Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$119,215.
 - d. Approve the City's continued participation in the ICRMA's Property and Equipment Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$484,653.

- e. Approve the City's continued participation in ICRMA's Crime Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$15,456.
 - f. Approve the City's continued participation in ICRMA's Cyber Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$70,314.
3. Authorize the City Manager to approve payment of insurance premiums to Arthur J. Gallagher, Broker, for coverages of City's assets.
 - a. Approve the City's General Liability Buffer Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$962,000;
 - b. Approve the City's Workers' Compensation Buffer Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$240,118;
 - c. Approve the City's Earth Movement & Flood and Difference in Coverage Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$985,856;
 - d. Approve the City's Terrorism Insurance Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$12,330; and
 - e. Approve the City's Underground Storage Tank Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$10,157.
4. Approve the City's obligation to pay the State of California Department of Industrial Relations (DIR) fee for the Workers' Compensation Program from July 1, 2021 to June 30, 2022, at an estimated assessment not to exceed \$365,000.
5. Authorize an appropriations adjustment to add an amount not to exceed \$1,500,000 to account 08009051-64010 Insurance Payment for increased expenditures to insurance premiums above the currently proposed budget.

DISCUSSION

Staff is recommending renewal with Independent Cities Risk Management Authority (ICRMA), a joint powers authority formed in 1980 in accordance with California Government Code Section 6500. ICRMA's purpose is to provide: i) excess and re-insurance to protect members from extensive financial debt due to large claims, settlements and judgments, ii) group insurance purchasing power that can offer broader coverage at a lower cost, iii) rate stability, and iv) protect individual member cities through pooling of losses, and self-insurance. ICRMA also offers to its' members actuarial

services, safety trainings, claim audits, and policy reviews. Currently comprised of 16 California cities (Adelanto, Bell, Downey, El Monte, El Segundo, Fullerton, Glendora, Hawthorne Hermosa Beach, Huntington Park, Inglewood, Lynwood, Monterey Park, San Fernando, and South Gate), Santa Ana joined ICRMA in July 2019.

In this renewal period, the City's premiums experienced an overall increase of 69% for Liability and Property lines of coverage. The City's Workers' Compensation coverage experienced a 4% increase overall. The significant program increases occurred in coverages for liability and cyber. These were primarily due to an insurance market with very few excess carriers willing to quote municipal government entities and a continuing rise in jury awards and settlement amounts and increasing cyber-attacks trending upward not only in California cities but nation-wide.

ICRMA Pool and Ancillary Policies Premiums - Fiscal Year Comparisons

WORKERS' COMPENSATION COVERAGES	QUOTED PREMIUMS		
	FY 2019/20	FY 2020/21	FY 2021/22
Excess Pool Workers' Compensation Program	\$ 456,447	\$ 386,000	\$ 362,219
Excess Workers' Compensation Buffer	\$ 155,433	\$ 194,000	\$ 240,118
Total	\$ 611,880	\$ 580,000	\$ 602,337
		-5%	4%

LIABILITY AND PROPERTY COVERAGES			
Excess Pool Liability Program	\$ 1,579,693	\$ 1,680,000	\$ 3,936,181
Auto Physical Damage Program	\$ 70,550	\$ 79,000	\$ 119,215
Property & Equipment Program	\$ 356,514	\$ 455,000	\$ 484,653
Crime Program	\$ 10,845	\$ 12,000	\$ 15,456
Cyber Program	\$ 21,611	\$ 31,000	\$ 70,314
Excess Liability Buffer	\$ 713,112	\$ 786,000	\$ 962,000
DIC Earth Movement & Flood	\$ 289,368	\$ 844,000	\$ 985,856
Terrorism	\$ 10,965	\$ 13,000	\$ 12,330
Underground Storage Tanks-Environmental	\$ 7,282	\$ 8,000	\$ 10,157
Total	\$ 3,059,940	\$ 3,908,000	\$ 6,596,162
		28%	69%

The City is permissibly self-insured for workers' compensation through the State of California Department of Industrial Relations (DIR). For FY 2021-22, staff is requesting that the City Council approve the City's obligation to pay the State of California DIR

estimated assessment in the amount not to exceed \$365,000 for the period of July 1, 2021 to June 30, 2022.

ENVIRONMENTAL IMPACT

There is no environmental impact associated with this action.

FISCAL IMPACT

Funds budgeted in the proposed FY 2021-22 Liability & Property Insurance account, No. 08009051-64010 are \$5,121,670. An appropriation adjustment not to exceed \$1,500,000 is requested to facilitate payment of estimated premiums and administrative costs.

Funds for payment of estimated Workers' Compensation and DIR premiums and associated administrative costs are currently included in the proposed FY 2021-22 Workers' Compensation Fund, account No. 08209054-64010.

EXHIBIT(S)

1. Agreement For Consultant Services Between City Of Santa Ana And Arthur J. Gallagher Insurance Brokers Of California, Inc. For Insurance Broker Services, Client Service Agreement

Submitted By: Jason R. Motsick, Executive Director - Human Resources

Approved By: Kristine Ridge, City Manager