



Agenda Report

Fullerton City Council

MEETING DATE: SEPTEMBER 16, 2025

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: EDDIE MANFRO, INTERIM CITY MANAGER

PREPARED BY: LAURA GIANNETT-MERCER, ACTING DIRECTOR OF HUMAN RESOURCES
VERONICA GUTIERREZ, SENIOR HUMAN RESOURCES / RISK MANAGEMENT ANALYST

SUBJECT: PROPERTY, CASUALTY AND WORKERS' COMPENSATION INSURANCE PROGRAM REPORT

SUMMARY

This report provides the Fiscal Year (FY) 2025-26 City of Fullerton property, casualty and workers' compensation insurance programs.

PROPOSED MOTION

Receive and file.

ALTERNATIVE OPTIONS

- Approve the Proposed Motion
- Other options brought by City Council.

STAFF RECOMMENDATION

Staff recommends the Proposed Motion.

CITY MANAGER REMARKS

None.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statement:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

FISCAL IMPACT

The premium for the various lines of Property and Casualty Insurance coverage funded by the City's Liability Program totals \$4,620,992. The FY 2025-26 Adopted Budget includes sufficient funds within the Liability Insurance Fund (Fund 62) to pay for the program premium. .

The premium for the Excess Workers' Compensation insurance coverage totals \$227,836 plus an estimated \$120,000 annual self-insurance assessment by the State of California Department of Industrial Relations. The FY 2025-26 Adopted Budget includes sufficient funds within the Workers Compensation Fund (Fund 65) to pay the indicated costs.

BACKGROUND AND DISCUSSION

The City of Fullerton risk financing strategy combines self-insurance with reinsurance policies to protect against exposure to financial or property losses and employee workers' compensation losses. The self-insured retention (SIR) is the portion of losses paid from City funds similar to regular insurance deductible.

The City has been a member of and has obtained reinsurance coverage and other group purchase coverages through the Independent Cities Risk Management Authority (ICRMA) risk pool since 1993. ICRMA is a joint powers authority with member cities including Bell, Downey, El Monte, El Segundo, Fullerton, Glendora, Huntington Park, Inglewood, Lynwood, San Fernando, Santa Ana and South Gate.

The City purchases certain lines of insurance coverage outside of the ICRMA program. These include airport liability, earthquake insurance / flood insurance, commercial general liability insurance covering City underground storage tanks, commercial general liability insurance for the compressed natural gas (CNG) station and unmanned aircraft system / drone insurance through broker Arthur J Gallagher & Co (AJG & Co.). AJG & Co. services the ICRMA risk pool as well as the City of Fullerton.

The following summarizes each line of coverage purchased by the City either through ICRMA, AJG & Co. or independently.

Excess Liability Insurance

The SIR for the City's liability insurance program totals \$4 million. The City purchases excess liability coverage in various tiers up to \$35 million through the ICRMA risk pool. The renewal for FY 2025-26 costs \$3,148,572.

Workers' Compensation Insurance

The SIR for the workers' compensation program totals \$750,000 per occurrence for non-safety employees and \$1 million per occurrence for safety employees. The City purchases excess insurance from Safety National Insurance Company to protect against losses above the SIR. The renewal for FY 2025-26 costs \$227,836.

Earthquake Insurance / Flood Insurance

City Council approved earthquake and flood insurance purchase in FY 2018-19, the first time in more than a decade. The broker developed a program to insure a select list of properties through a combination of four policies affording \$20 million limits of insurance exclusive to the City of Fullerton.

Staff identified facilities and properties key to core City services delivery including properties such as City Hall and facilities housing City business operations, water pump stations, wells, reservoirs and facilities for City transportation and parking needs. Additionally, a review of losses related to the 2014 La Habra earthquake revealed significant exposure to water main losses due to earth movement. The policy carries a \$10 million sub-limit for the water main system, in consideration of this exposure. The renewal for FY 2025-26 costs \$989,776.

Property Insurance / Auto Physical Damage Insurance

The City purchases all risk property insurance and boiler and machinery insurance through ICRMA. The program provides \$250 million limits per occurrence loss with a \$10,000 per member deductible per occurrence. The City also purchases Auto Physical Damage Insurance through ICRMA. The program provides \$10 million limits per occurrence with a \$10,000 per member deductible. The renewal for FY 2025-26 costs \$377,989.

Cyber Risk Liability Insurance

The City began purchasing cyber risk liability coverage and insurance for failure to protect or unauthorized release of personal information of employees or customers in FY 2012-13. ICRMA began offering this coverage as group coverage in FY 2014-15 at a much lower cost than the City's individual coverage. The group purchase through ICRMA continues to offer the best coverage terms and pricing. The program provides \$5 million aggregate limits, \$1 million per member aggregate. The renewal for FY 2025-26 costs \$38,849.

Underground Storage Tank Insurance

The City purchases coverage compliant with the Environmental Protection Agency and State Water Resources Control Board requirements for owners and operators of underground storage tanks. The City has five underground storage tanks: two at the Public Works Basque Yard, two at the Police Department and one at City Hall. This coverage provides \$1 million limits per "Storage Tank Incident" with a \$10,000 deductible. The renewal for FY 2025-26 costs \$10,013.

CNG Station - Commercial General Liability Insurance

The City purchases commercial general liability protection for the CNG Station. The current policy with Nautilus Insurance provides \$2 million limits per occurrence with a \$500 deductible per claim. The renewal for FY 2025-26 costs \$2,168.

Airport Liability Insurance

The City directly purchases insurance to protect against airport liability exposures. ACE Property and Casualty Insurance Company provides the City airport liability insurance. The City has a three-year rate guarantee from July 1, 2024 to June 30, 2027 with a \$26,488 annual premium.

Unmanned Aircraft System / Drone Insurance Policy

The City began purchasing unmanned aircraft system / drone liability insurance in 2019 when the Police Department launched drone operations. The current policy with United

States Aircraft Insurance Group provides \$2 million limits per occurrence. The renewal for FY 2025-26 costs \$11,826.

Crime Insurance

This policy protects the City against loss due to employee acts of dishonesty or theft by an outside party. The City joined the ICRMA crime protection group purchase program in July 2016. The policy provides \$5 million limits per loss. The renewal for FY 2025-26 costs \$5,916.

Terrorism Coverage

The City purchases terrorism coverage through ICRMA. The program provides coverage for property and liability claims in connection with a terrorist event. The coverage with Lloyd's Syndicate #2623 / 623 (Beazley) provides \$10 million limits per occurrence, with an annual \$10 million program aggregate limit. The renewal for FY 2025-26 costs \$9,395.

cc: Interim City Manager Eddie Manfro