



Agenda Report

Fullerton City Council

MEETING DATE: APRIL 16, 2019

TO: CITY COUNCIL / SUCCESSOR AGENCY

SUBMITTED BY: KENNETH A. DOMER, CITY MANAGER

PREPARED BY: GRETCHEN BEATTY, DIRECTOR OF HUMAN RESOURCES

SUBJECT: AUTHORITY TO BIND EXCESS LIABILITY INSURANCE COVERAGE WITH ALLIED WORLD INSURANCE COMPANY AND ALLIED WORLD ASSURANCE COMPANY

SUMMARY

Request for authorization to bind a premium quote for a renewal of excess liability coverage for the 2019-20 Fiscal Year.

RECOMMENDATION

Authorize Staff to bind excess liability insurance with limits of \$1 million to \$8 million per occurrence with Allied World Insurance Company and Allied World Assurance Company via Allied Public Risk at a premium cost of \$263,051 and authorize the City Manager, or designee, to sign appropriate documents.

PRIORITY POLICY STATEMENT

This item matches the following Priority Policy Statement/s:

- Fiscal and Organizational Stability
- Infrastructure and City Assets.

FISCAL IMPACT

The premium cost for the proposed renewal policy is \$263,051. The 2019-20 proposed budget will include the necessary funding.

DISCUSSION

The City's structure for liability loss financing includes three parts:

1. A self-insured retention (SIR) financed through allocations to departments. The SIR for the liability program was reduced to \$1 million per occurrence in Fiscal Year 2018-19.
2. Excess insurance purchased by the City covering losses the City of Fullerton incurs above the SIR and up to the attachment point of the group-purchased insurance coverage through ICRMA. (This layer is referred to herein as Fullerton-only.)
3. Reinsurance purchased in a group purchase program through ICRMA.

Marketing efforts by our the broker, Arthur J. Gallagher & Co, for the 2018-19 renewal revealed an interest in our Fullerton-only program by a new carrier, Allied World Insurance Company / Allied World Assurance Company, an A XV rated company. Allied provided a quote at the then expiring policy limits (\$2 million to \$8 million) at a cost of \$95,832, less than half of the renewal premium quote by the incumbent carrier for the same limits. In addition, Allied offered an alternate quote of \$247,418 for a policy that would lower the City's SIR for the fiscal year to \$1 million per occurrence from \$2 million. City Council authorized purchasing the commercial coverage at the \$1 million attachment point.

The incumbent carrier provided a renewal quote for the same limits of coverage for Fiscal Year 2019-20 with a premium increase of \$15,633 (6.3%). Broker fees for the policy are 10% of premium. Staff generally brings the property / casualty insurance program recommendations to City Council in total just prior to the beginning of the fiscal year. This recommendation is coming separately as the renewal proposal came in early and the broker urges quick action.

Below is a table that reflects the proposed structure of the program for 2019-20 as well as the prior three year structure. The arrow denotes the coverage recommended herein.

2016/2017	2017/2018	2018/2019	Proposed 2019/2020
SIR = \$2 Million Ultimate Loss = \$4.9 Million	SIR = \$2 Million Ultimate Loss = \$3.1 Million	SIR = \$1 Million Ultimate Loss = \$2.8 Million	SIR = \$1 Million Ultimate Loss = \$3.0 Million
Fullerton-only Layer \$2 Million to \$6 Million Cost = \$124,828	Fullerton-only Layer \$2 Million to \$8 Million Cost = \$189,895	Fullerton-only Layer \$1 Million to \$8 Million Cost = \$247,418	Fullerton-only Layer \$1 Million to \$8 Million Cost = \$263,051
ICRMA Layer \$6 Million to \$30 Million Cost = \$340,416	ICRMA Layer \$8 Million to \$30 Million Cost = \$478,513	ICRMA Layer \$8 Million to \$30 Million Cost = \$489,774	ICRMA Layer \$8 Million to \$30 Million Cost = pending

The balance of the property / casualty insurance recommendations for 2019-20 will be brought to City Council in June.