



MEMORANDUM

DATE: June 15, 2022
TO: CITY COUNCIL BUDGET & FINANCE COMMITTEE
FROM: CITY ATTORNEY
SUBJECT: CITY'S INSURANCE PROGRAM AND COVERAGES

SUMMARY

At the June 15, 2022 City Council Budget & Finance Committee meeting, the City Attorney will make a presentation on the City's insurance program and coverages. The presentation results from the Council's May 14, 2022 work session on the FY 2023 budget, at which the City Attorney discussed increased premium costs to cover the City's 45+ programs, activities, facilities and operations. In fact, insurance costs have increased dramatically over the last seven years, as reflected in this table:

2015	\$1,197,907.42
2016	\$1,212,881.48
2017	\$1,787,838.16
2018	\$1,800,890.33
2019	\$2,172,174.68
2020	\$2,627,030.46
2021	\$2,991,628.00
2022	\$3,341,426.00
2023	\$4,472,343.00

2015-2016	+1.7%
2016-2017	+47%
2017-2018	+7%
2018-2019	+21%
2019-2020	+21%
2020-2021	+14%
2021-2022	+12%
2022-2023	+34%

Between FY 2015 and FY 2022 (ending June 30, 2022), the overall increase is 179 percent. The proposed increase for FY 2023 would equate to 273 percent over eight years. The presentation on June 15 will go into detail regarding the reasons for the increases, and the specific areas in which insurance coverages are occurring. Those areas include:

Property (hurricanes, tornadoes, superstorms, wildfires)

Cyber risk

Police practices

Notably, the City has not experienced claims or losses in two of the above categories but the costs of property and cyber risk coverages have continued to increase. Claims in the category of police practices have obviously increased, and to some extent claims in California drive up coverage costs. Nationally, police practices claims, settlements, and verdicts have also affected the cost of coverage.

Despite what is happening in the insurance market, the City's coverages remain excellent across the board. We do not recommend changes at this time. Instead, our focus is on risk avoidance, risk prevention, and risk management.

It is important to point out that there is no earthquake/seismic risk coverage in the City's program. In part, the City (and many other public agencies) rely on federal disaster relief through FEMA and various state agencies. Recovery funds are often paid months or even years after the disaster, and usually agencies only receive a certain percentage of actual loss valuations. Traditional earthquake coverage is very expensive, with high 'deductibles' and low 'ceilings.'

There is a new earthquake/seismic risk program we will discuss with the committee that differs from traditional insurance coverage.

Respectfully submitted,

City Attorney