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**Contracts: Authorizing City's Insurance Broker to Renew the City's Contracts for Insurance  
[Published for 10-day Review 06/13/2025]**

File ID: 2025-01232

**Location:** Citywide

**Recommendation:** 1) Pass a **Motion** authorizing the Interim City Manager or their designee to authorize Alliant Insurance Services, Inc., the City's insurance broker, to secure insurance policies for Excess Liability, Excess Workers' Compensation, Property, Fine Arts, Aircraft, and other insurance including Crime, Pollution, Underground Storage Tank, Special Events, and Airport Liability, for an amount not-to-exceed \$25,339,435, including \$650,000 for unexpected increases in costs.

**Contact:** Patrick Flaherty, Risk Manager, (916) 808-8587, pflaherty@cityofsacramento.org, Human Resources Department

**Presenter:** None

**Attachments:**

- 1-Description/Analysis
- 2-Attachment A Fiscal Year 2025/26 Insurance Premiums
- 3-Attachment B Schedule of Insurance

**Description/Analysis**

**Issue Detail:** The City faces a complex array of risks that can result in severe or catastrophic losses. The City utilizes professional insurance brokerage services to place a variety of commercial insurance policies to protect the City from these losses. The City currently contracts with Alliant Insurance Services Inc. (Alliant) to perform this function. Purchasing insurance helps protect the City from catastrophic liability claims, automobile accidents, and workers' compensation injuries.

Additionally, purchasing insurance protects the City from loss due to damage or destruction of City assets, pollution, crime, fine arts, cyber liability, special events, and airport/aircraft exposures. The City's insurance broker marketed all lines of insurance coverage to ensure all viable options were considered. Alliant and the Department of Human Resources, Risk Management Division have

evaluated each of the insurance programs in terms of potential loss, coverage, self-insured retentions, deductibles, premiums, and policy limits and recommend the purchase of insurance as outlined in Attachment A. Attachment B provides a comparison of insurance policies for Fiscal Year (FY) 2024/25 and FY2025/26.

In FY2024/25, Alliant placed insurance policies for the City with a total cost of \$19,507,656 and the FY2025/26 estimated total cost of insurance is \$25,339,435, a 30% increase. The increase is primarily driven by higher excess liability insurance costs which are discussed below. Similar to last year, this has been a very difficult insurance renewal process with costs increasing in many lines of coverage for the City and public entities throughout California and the nation. These recommendations for insurance policies, premiums, self-insured retentions, and deductibles may change as most quotes are not finalized and in some instances the City may receive additional insurance quotes that would change the costs and information outlined in this report.

**Policy Considerations:** Failure to purchase insurance policies to protect the City in case of catastrophic losses would place the City at risk of financial hardship should one or more of the losses referenced in this report occur.

The Sacramento City Code Section 4.04.020 and Council Rules of Procedure (Chapter 7, Section E.2.d) mandate that unless waived by a 2/3 vote of the City Council, all labor agreements, and all agreements greater than \$1,000,000 shall be made available to the public at least ten (10) days prior to council action. This item was published for 10-day review on June 13, 2025, in compliance with the City Code.

**Economic Impacts:** None.

**Environmental Considerations:** This report concerns administrative activities that will not have a significant effect on the environment and does not constitute a “project” as defined by CEQA [CEQA guidelines Sections 15061(b)(3); 15378(b)(2)].

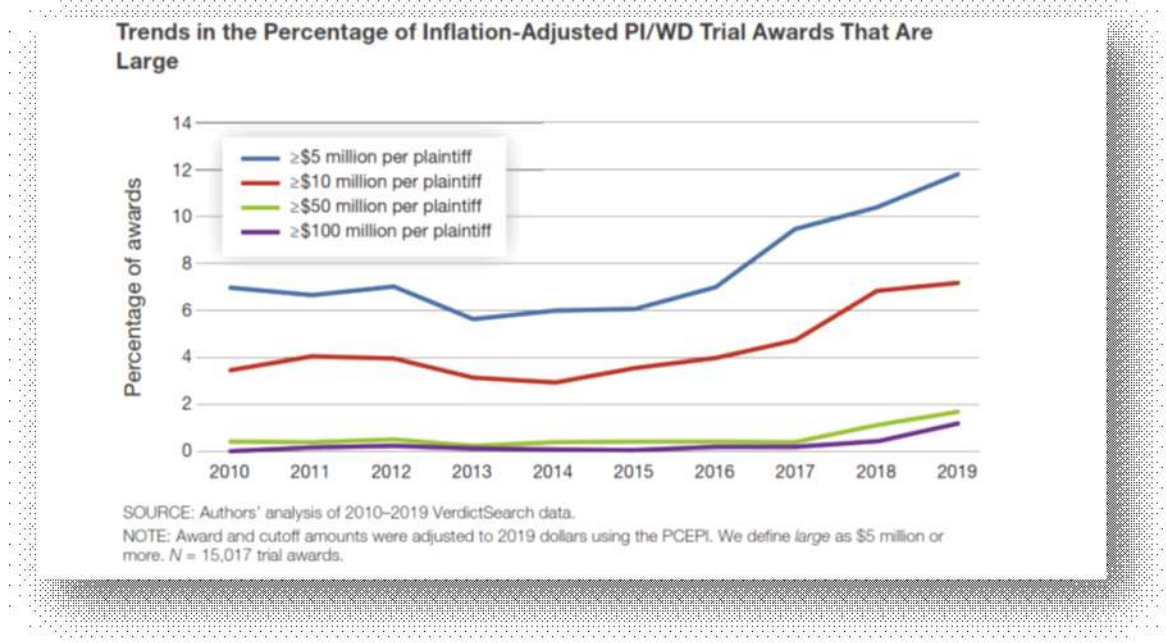
**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** The recommended insurance policies are as follows:

Excess Liability: As in recent years, the excess liability insurance renewal continues to be extremely challenging for the City and public entities throughout California and the nation. Costs continue to increase as the state of the liability insurance market for public entities continues to harden as plaintiff settlement demands, jury verdicts, and high dollar liability claims continue to rise dramatically. This results in more and larger claims which drives increasing premiums. For example, in 2023 there

were a record 27 U.S. verdicts in excess of \$100 million. These high verdicts drive higher settlement demands and higher settlement values, which also leads to increases in excess premium costs. The chart below is from a Rand Corporation study in 2024 which illustrates the dramatic increase in jury awards for personal injury and wrongful death litigation in the last ten years.



Unfortunately, these increases seem to represent the new normal rather than an anomaly. For example, the annual growth rate for claim costs for the last decade has been at 11% per year. Additionally, claim payouts by the City's excess liability carriers lead to increasing premiums and there are now fewer reinsurers willing to write public entity liability business, reducing the available capacity in the insurance market. The City participates in the General Liability 2 program in Public Risk Innovations, Solutions, and Management (PRISM), a member directed insurance risk sharing pool, for excess liability coverage. Policy limits were increased from \$35 million to \$40 million in FY2022/23 due to rising settlement and verdict values and remain at \$40 million this year. This amount of excess liability coverage is appropriate for a city the size of Sacramento and will provide additional protection from catastrophic losses. The City's self-insured retention is \$2 million with a \$2 million annual loss corridor deductible. The loss corridor deductible is an aggregate deductible for claims over the City's \$2 million self-insured retention. The City and other General Liability 2 program members received large premium increases in FY2025/26. Our FY2024/25 premium was \$11,110,317 and our FY2025/26 premium is estimated to be \$16,059,000, a 45% increase. It is important to note that these are conservative estimates, and the actual excess liability premium has been much lower than the pre-purchase estimates in recent years.

**Excess Workers' Compensation:** The City is self-insured for the first \$2 million of any workers' compensation loss and has purchased excess workers' compensation insurance from PRISM since

2007. PRISM uses pool purchasing power to achieve broad coverage for the lowest rates available. The PRISM pool is one of the largest pools in the nation and provides services to 93% of the counties and 60% of the cities in California. The City's Excess workers' compensation insurance premiums was \$1,556,581 in FY2024/25 and is estimated to be \$1,825,000 in FY2025/26, a 17% increase. The premium increase is primarily driven by medical inflation, an aging workforce, increases in mental health claims, and presumption laws for public safety employees which provide coverage for costly heart and cancer claims.

Property: Property insurance is currently purchased from the Public Entity Property Insurance Program (PEPIP) with a \$100,000 deductible. PEPIP was formed in 1993 to meet the property insurance needs faced by public entities and is currently the largest property insurance placement in the world. PEPIP is a joint purchase program and there is no risk of assessments. Because of PEPIP's large size, members receive low premiums with the best possible coverage terms.

The City's PEPIP premium in FY2024/25 was \$6,442,248 and the premium for FY2025/26 is estimated at \$6,981,052, an 8% increase. While the increase in the City's property insurance premium is less than last year, costs continue to increase. The recent wildfires in Los Angeles and economic losses from natural disasters nationwide that were above average in 2024 are resulting in higher premiums. Inflation, labor shortages, and rising material costs have also increased construction costs which drives higher premiums.

Fine Arts: Fine arts insurance with a limit of \$200 million was purchased last year to provide coverage for the Crocker Art Museum, Discovery Museum, Golden 1 Center, the Sacramento Archives and Museum Collection, and other locations throughout the City. Fine arts insurance was purchased from Axis last year and they remain the insurer this year. The Fine Arts premium in FY2024/25 was \$134,313. As the Crocker Art Museum continues to acquire artwork, some of high value, and market conditions are favorable, it is recommended we increase the policy limit from the current \$200 million to \$225 million for FY2025/26. The increased premium costs for this additional coverage are \$13,525 making the estimated FY2025/26 premium \$147,838, an increase of 10%.

Aircraft: Aircraft insurance is purchased to cover the City's small plane and three helicopters. The Aircraft premium in FY2024/25 was \$54,621, and the premium for FY2025/26 is estimated at \$65,545, an increase of 20%. This estimated increase is primarily due to the increasing cost of aircraft and new equipment on our helicopter.

Other Insurance: Other insurance includes policies for pollution, underground storage tanks, crime, airport, and special events, for FY 2024/25 was \$209,576, and the estimated premiums for these coverages in FY 2025/26 is \$261,000, an increase of 24%. The increase is primarily from higher pollution insurance costs as pollution claims increased in frequency and severity nationwide, and there are few insurers interested in writing this coverage. Special events insurance costs are also increasing.

Total Insurance Costs: Attachment A provides a summary of the FY2025/26 insurance policies and premiums. Attachment B provides a comparison of insurance policies and premiums from FY2024/25 and FY2025/26.

**Financial Considerations:** Sufficient funds will be available in the Department of Human Resources FY2025/26 operating budget for the Risk Management Fund (6502) and Workers' Compensation Fund (6504) for coverages through June 30, 2026.

**Local Business Enterprise (LBE):** Alliant is a qualified LBE.

# Attachment A

## Fiscal Year 2025/26 Insurance Premiums

<u>Schedule of Insurance</u>	Self-Insured Retention	Policy Limits	Premium	Carrier
Excess Liability	2,000,000*	40,000,000	16,059,000	PRISM
Workers' Compensation	2,000,000	Statutory	1,825,000	PRISM
Property	100,000	1,000,000,000	6,981,052	PEPIP
Fine Arts	10,000	225,000,000	147,838	AXIS
Aircraft	Varies	20,000,000	65,545	Starr Indemnity
Other Insurance: Includes pollution, crime, ust, airport, special events			261,000	
<b>Total Insurance:</b>			<b>25,339,435</b>	

\*2,000,000 loss corridor deductible

## Attachment B Schedule of Insurance

<b><u>Comparison Chart</u></b>					
	<b>Fiscal Year</b>	<b>Self-Insured</b>	<b>Policy Limits</b>	<b>Premium</b>	<b>Carrier</b>
Excess Liability	FY26	2,000,000*	40,000,000	16,059,000	PRISM
	FY25	2,000,000*	40,000,000	<u>11,110,317</u>	
	Difference:			4,948,683	45%
Workers' Compensation	FY26	2,000,000	Statutory	1,825,000	PRISM
	FY25	2,000,000	Statutory	<u>1,556,581</u>	
	Difference:			268,419	17%
Property	FY26	100,000	1,000,000,000	6,981,052	PEPIP
	FY25	100,000	1,000,000,000	<u>6,442,248</u>	
	Difference:			538,804	8%
Fine Arts	FY26	10,000	225,000,000	147,838	AXIS
	FY25	10000	200,000,000	<u>134,313</u>	
	Difference:			13,525	10%
Aircraft	FY26	Varies	20,000,000	65,545	Starr Indemnity
	FY25	Varies	20,000,000	<u>54,621</u>	
	Difference:			10,924	20%
Other Insurance: Includes pollution, crime, ust, airport, special events	FY26			261,000	
	FY25			<u>209,576</u>	
	Difference:			51,424	24%
<b>Total Insurance</b>	FY26			25,339,435	
	FY25			<u>19,507,656</u>	
	Difference:			5,831,779	30%

\*2,000,000 loss corridor deductible