



CITY OF POMONA

COUNCIL REPORT

June 21, 2021

To: Honorable Mayor and Members of the City Council

From: James Makshanoff, City Manager

Submitted By: Linda Matthews, Human Resources/Risk Management Director

SUBJECT: AWARD OF CONTRACT TO ALLIANT INSURANCE SERVICES TO PROVIDE INSURANCE BROKER SERVICES BASED UPON COMMISSION NOT TO EXCEED \$44,000 ANNUALLY AND AUTHORIZE PAYMENT OF COVERAGE PREMIUMS

RECOMMENDATION:

It is recommended that the City Council take the following actions:

- 1) Award the contract to Alliant Insurance Services to provide insurance broker services for an initial three year term and two optional one-year extensions;
- 2) Authorize the City Manager to execute the contract and subsequent extensions on behalf of the City; and
- 3) Authorize the City Manager to bind coverage from the insurance carriers for the various lines of coverage obtained through Alliant Insurance Services and approve payment of premiums within existing budget appropriations.

EXECUTIVE SUMMARY: The City retains an insurance broker to purchase insurance coverage for various lines of insurance such as excess liability and workers compensation, general property, crime, underground storage tank, aircraft and airport, and cyber protection. Approval of the proposed action will authorize the City to retain Alliant Insurance Services as the City's insurance broker of record and authorize the City Manager to bind and authorize payment for coverages for the various lines of insurance the City obtains through Alliant.

FISCAL IMPACT: The City does not pay directly for broker services. Instead, the City pays the insurance premiums that are billed by the various carriers. The insurance carriers then compensate Alliant through commissions. Pursuant to the proposed agreement, the total commission Alliant could receive is capped at \$44,000. Should Alliant receive insurance commissions in excess of \$44,000, that excess amount would then be reimbursed to the City by Alliant and credited to the same account from which insurance premiums are paid. Total cost for all insurance coverage for Fiscal Year 2020/21 was \$1,904,000 and for Fiscal Year 2021/22, the cost is estimated to be \$2,600,746.85 (Attachment 1).

There is sufficient funding in the Self-Insurance Insurance Premiums proposed budget for FY 2021-22 (Account #668-1351-52250 and #668-1352-52250) to cover these expenses. Future insurance expenses will be budgeted for in the appropriate fiscal year.

DISCUSSION:

One of the most important functions of the Risk Management division is the securing of various lines of insurance coverage to protect the City's assets. These lines of insurance include, but are not limited to, excess general liability and workers' compensation coverage, aircraft and airport coverage, underground storage tank pollution insurance, cyber insurance and property insurance that protects the City's buildings. To assist staff in the securing of insurance coverage, an insurance broker is retained and that broker markets the City's insurance needs to obtain the best coverage available at the most reasonable cost. Since 2008, the City has contracted with Alliant Insurance Services to purchase these lines of coverage and during that time, Alliant has provided the City with excellent service. The need for an insurance broker that has a good track record has never been more important than now. In the last two to three years, the insurance market has become very challenging from a coverage and insurance premium cost standpoint. The current insurance market conditions have led to, in many instances, a lowering of policy limits by insurance carriers but also, very large insurance premium increases. The two main lines of insurance coverage that are most effected by the changing market conditions are excess general liability coverage and property coverage.

The excess liability market has been affected by a rapid increase in claim value costs due to excessive jury verdicts and extremely large settlements that are due to a variety of causes however, the most notable is the impact that social justice is having in the marketplace. An illustration of this is the extremely large George Floyd settlement and the multi-billion dollar Round-Up jury award. Additionally, the property insurance market has become extremely challenging due to the massive wildfires that have been experienced, along with multiple instances of widespread flooding and now, COVID-19 related claims. These occurrences have resulted in significant claim costs for property insurance carriers. This has resulted in property insurers reducing their market capacity and quoting very large premium increases to cover the costs of the losses experienced. Because of these insurance market challenges, it is imperative that a reliable and experienced insurance broker is engaged.

On March 3, 2021, the City issued Request for Proposal No. 2021-08 for Commercial Liability and Property Insurance Broker Services was issued on the City's electronic bidding platform. The solicitation notified 26 potential bidders, of which 11 potential bidders downloaded the RFP, resulting in 2 responses. The responses to the RFP were reviewed and evaluated on a 270 point scale based on Responsiveness, Qualifications, Experience, Project Approach, Responsiveness to the RFP, Timeliness, Past Performance, Comprehensiveness, References and Price. The RFP responses were evaluated and scored by three City staff members and the results are reflected below:

Rank	Firm	Total Score (out of 270 possible points)
1	Alliant Insurance Services	237
2	Keenan	203

As can be seen, the total possible monetary score was 270 points and Alliant received a score of 237 while Keenan received a score of 203. Based upon the scoring results, staff is recommending that the City continue to utilize Alliant as the City's insurance broker of record.

As an additional step of due diligence in evaluating insurance coverage, the City explored options for participation in the excess insurance pool. The excess insurance pool provides coverage in lieu of a traditional insurance policy for excess liability and workers compensation coverage. The City currently has a self-insurance retention (SIR) requirement of \$1 million, with excess coverage of \$49 million for general liability and statutory limits for excess workers' compensation. This means that if the total cost of a claim exceeds the City's SIR, PRISM will cover costs between \$1 million and \$50 million (or the statutory limit for workers compensation).

Staff contacted two pools: California Joint Powers Insurance Authority (CJPIA) and Independent Cities Risk Management Authority (ICRMA). An advantage of CJPIA is that this pool offers dollar one coverage. In other words, there is no self-insured retention and the cost of each individual claim is born by the pool. However, the cost for this type of coverage was found to be approximately \$4 million to \$5 million per year and clearly not cost effective. In addition, CJPIA declined to offer this coverage option to the City. In regards to ICRMA, the levels of coverage offered was significantly less than what the City has now with PRISM, with the same self-insured retention, the cost for this coverage was approximately \$2 million, which is double what the City now pays with PRISM for excess liability insurance coverage. Based upon this analysis, remaining with PRISM was determined to be the best option.

Based upon all of the factors noted above, staff is recommending that the City select Alliant Insurance Services as the insurance broker of record for the City of Pomona.

Prepared by: Chris Millard, Risk Manager

ATTACHMENT:

Attachment No. 1 – Insurance Premiums for Fiscal Year 2020-21 and Fiscal Year 2021-22