



STAFF REPORT

Report To: Board of Supervisors **Meeting Date:** June 17, 2021

Staff Contact: Sheri Russell, Chief Financial Officer, SRussell@Carson.org

Agenda Title: For Possible Action: Discussion and possible action regarding a proposed agreement for excess workers' compensation and employer's liability insurance with Safety National Casualty Corporation for a total estimated premium of \$176,747 for Fiscal Year ("FY") 2022. (Sheri Russell, srussell@carson.org)

Staff Summary: Staff is recommending excess workers' compensation and employer's liability insurance with Safety National Casualty Corporation for FY 2022. The total premiums for FY 2021 were \$114,545 so this renewal is an increase of approximately 54% for FY 2022. Safety National has increased their minimum premiums for all municipalities, resulting in a rate increase of 52% for FY 2022. The overall increase is 54% with a slight increase in estimated payroll. Premiums are estimated and subject to audit based on actual, rated payroll at the end of the policy term.

Agenda Action: Formal Action / Motion **Time Requested:** 5 Minutes

Proposed Motion

I move to approve the agreement based on the terms as presented.

Board's Strategic Goal

Efficient Government

Previous Action

FY 2020 excess workers' compensation and employer's liability insurance agreement was approved by the Board of Supervisors on June 6, 2019, for a two-year policy term.

Background/Issues & Analysis

The insurance market continues to face challenges with respect to catastrophic losses, reduced investment income and the ongoing challenges of the COVID-19 pandemic. US P&C insurers combined ratio of incurred losses and expenses as a proportion of earned premiums is expected to increase to 99.3% in 2020 and 99.8% in 2021, according to a recent report by A.M. Best.

Underwriting and investment performance deteriorated in 2020, with projected reductions of insurer pre-tax operating income of 15% and net income of 21%. The economic disruption and still unknown long-term financial impacts of the pandemic, along with natural catastrophes and civil unrest losses continue to weigh on insurers in 2021.

The markets for excess workers' compensation coverage for risks with law enforcement, fire and presumptive benefit exposures are limited. USI Insurance Services marketed the City's coverage and received declinations from four other markets, mainly due to municipal/presumptive exposures. Safety National has increased their minimum premium for municipal risks in 2021 across the country.

Safety National maintains an A.M. Best financial rating of A+ (Superior) with more than \$2 billion in adjusted policyholder surplus. Safety National has been in the market for over 75 years and provides a full suite of online resources designed to help insured's build or enhance their safety and compliance programs as well as medical management resources and risk control services.

Applicable Statute, Code, Policy, Rule or Regulation

N/A

Financial Information

Is there a fiscal impact? Yes

If yes, account name/number: Workers' Compensation Insurance Fund - Insurance Premiums
5800704-500512

Is it currently budgeted? Yes

Explanation of Fiscal Impact: \$176,747 in estimated insurance premiums for FY 2022 (based on estimates in rated payroll, subject to audit at the end of each annual period). \$120,272 was budgeted in this account for FY 2022, City will need to augment \$56,475 from working capital during first round of budget augmentations. Working Capital as of June 30, 2020 was \$3,185,544; the City keeps a minimum retention of \$3,000,000 as the City is self-insured, leaving \$185,544 available.

Alternatives

Do not approve the agreement and provide alternative direction to staff.

Attachments:

[Excess Workers Comp Renewal Summary Rev 6-4-21.pdf](#)

Board Action Taken:

Motion: _____	1) _____	Aye/Nay
	2) _____	_____

(Vote Recorded By)

USI Insurance Services

Excess Self-Insured Workers' Compensation and Employer's Liability Renewal Proposal

Policy Term: 7/1/2021 to 7/1/2022

Revised: **6/4/2021**

Expiring Coverage Terms

Coverage	Current Insurer	Exposures, Rating, Limits & Retentions	Expiring 2020/21
Excess Self-Insured Workers' Compensation & Employer's Liability	Safety National Casualty Corporation	Estimated, Rated Payroll:	\$24,309,150
		Premium Rate Per \$100 Payroll:	\$0.471
	A.M. Best Rating: A+ (Superior) XV (\$2B or greater)	Workers Comp: Statutory Coverage Employer's Liability Limits: \$1,000,000 Self-Insured Retentions: \$2,000,000 (EMT/Law Enforcement/Fire/Presumptive); \$750,000 All Other Claims	\$114,545
		Expiring Estimated Premium	\$114,545

Renewal Coverage Terms

Proposed Insurer	Exposures, Rating, Limits & Retentions	Renewal 2021/22	Renewal Variance	%	
Safety National Casualty Corporation	Estimated, Rated Payroll:	\$24,650,887	\$341,737	1.4%	
	Premium Rate Per \$100 Payroll:	\$0.717	\$0.246	52.2%	
	A.M. Best Rating: A+ (Superior) XV (\$2B or greater)	Workers Comp: Statutory Coverage Employer's Liability Limits: \$1,000,000 Self-Insured Retentions: \$2,000,000 (EMT/Law Enforcement/Fire/Presumptive); \$750,000 All Other Claims	\$176,747	\$62,202	54.3%
		Renewal Estimated Premium	\$176,747	\$ 62,202	54%

Marketing Summary	Response
Arch	Declined (Minimum Premium \$200k)
Liberty Mutual	Declined (Municipality/Presumptive Risks)
Midwest	Declined (Presumptive Risks)
Safety National	Quoted Renewal (Increased Minimum Premium)
US Specialty	Declined (Municipality/Presumptive Risks)

This proposal is merely a descriptive summary of coverage provided by the insurance companies being proposed and should be used for reference purposes only. This is a quotation of coverage only. It is not a binder. This proposal does not amend or alter the insurance contract.

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