

PUBLIC MEETING AGENDA



Risk Management Trust Board

Virtual Meeting

Wednesday, October 5, 2022

5:00 p.m.

Members of the Board will attend virtually.

Ways to connect:

1. On your computer/tablet (*Recommended*)
 - a. Click on this [Cisco Webex Event Address for attendees](#).
 - b. Enter "RMTB" in the prompt "enter the meeting password".
2. On your phone - Dial in at 408-418-9388, Event number is 2496 874 4321

Due to health and safety concerns pertaining to Coronavirus (COVID-19), this meeting will be held virtually through Cisco WebEx Events. Written comments regarding agenda items may be submitted via email to alex_chin@tempe.gov no later than 5:00 p.m. on Monday, October 3, 2022.

AGENDA

1. Call to Order
2. Approval of the August 3rd, 2022, Board Meeting Minutes
3. Introductions to new RMTB members and 2023 reappointments
4. Approval of the Drone Aviation Coverage
5. Revisit Resolution for Insurance Renewal Authorization
6. Board Member & Staff Announcements

Board members and staff may make announcements regarding current events that are not listed on the agenda. No discussion or legal action will be taken regarding these announcements.

- Risk Management Performance Measure Update
- New Origami Risk Management Claim System
- Alliant Deadly Weapons Response Program

7. Public Appearances

The Risk Management Trust Board welcomes public comment. According to the Arizona Open Meeting Law, the Board may only discuss matters listed on its meeting agendas. Matters brought-up by the public under public appearances that are not listed on the meeting agenda cannot be discussed by the Board. A three-minute time limit per person will be in effect.

The City of Tempe endeavors to make all public meetings accessible to persons with disabilities. Special assistance is available at public meetings for sight and/or hearing-impaired persons. To request an accommodation, please contact the City Clerk's Office within 72 hours' advance notice to ensure availability at 480-350-4311 (voice) or 7-1-1 (relay users) or at clerk@tempe.gov.

Minutes Risk Management Trust Board August 3, 2022

Minutes of the Risk Management Trust Board meeting held virtually via Cisco Webex on August 3, 2022, at 5:00 p.m.

Board Members Present:

Heather Bilodeau
Jerry Hart
Tom Duensing, Deputy City Manager – Chief Financial Officer

Board Members Absent:

None

City Staff Present:

Chris Hansen, Risk Manager

Nichole Martinez, Workers' Compensation Program Specialist
David McAllister, Risk Mgmt Claims Adjuster
Alex Chin, Executive Assistant

Guests Present:

Shawn Kraatz, Alliant Insurance Service:
Inc.

Agenda Item 1 – Call to Order:

Chair Tom Duensing called the meeting to order at 5:00 p.m.

Agenda Item 2 – Approval of June 16th, 2022 Board Meeting Minutes:

No comments from the board. Motion by Heather Bilodeau to approve June 16, 2022, Board meeting minutes; second by Jerry Hart. Motion passed on a vote of 3-0.

Ayes: Chair Duensing, Board members Bilodeau, and Hart.

Nays: None

Absent: None

Agenda Item 3 – Ratification: lines of coverage approved administratively:

Tom Duensing reminds the board at the previous meeting not all lines were ready for approval by the Risk Management Trust Board. It was the intent to move forward by having Alliant Insurance Services obtain quotes on the remaining lines of coverage and approve them administratively. These remaining lines of coverage will be ratified through the August 3 Risk Management Trust Board Meeting and then at the next available Regular Council Meeting. Chris Hansen reports that on June 29th, the quotes for General Liability and Cyber Security were received. Those lines of coverage were administrate approved by the City Manager. The total purchase for General Liability is \$1,443,118.22 and Cyber Security is \$77,961.44. A Request for Council Action has been drafted to be presented to Tempe City Council for their approval once the board has approval the additional remaining lines of coverage. Shawn Kraatz mentions that our primary carrier for the general liability came back automatically with 30% increase and from the excess layers with 30% to 45% increases all the way to \$30 Million to the top. It was identified the general liability program was fragmented and it was way overpriced based on what was being seen in the marketplace. While the incumbent markets had the opportunity to compete, the entire

program had to be dissected and fully marketed it worldwide. At the end, the program was able to be reassembled with the elimination of exclusions that were significant to our entity. The program now is a more fluid program. From Alliant's standpoint, Tempe's renewal account was the best out of all the Arizona renewal accounts. Saving the city on average \$350,000 on the overall program. Jerry Hart posed a question regarding the history cost of the city's general liability excess coverage if it was higher. Chris Hanen states at one time it was at \$40 Million but the last few years has been around the \$30 Million. Tom Duensing asks the board for a motion to approve the ratification on the remaining lines of coverage to be approved by Tempe City Council. Motioned by Jerry Hart. Second by Heather Bilodeau. Motion passed on a vote of 3-0. Ayes: Chair Duensing, Board members Bilodeau, and Hart.

Nays: None

Absent: None

Agenda Item 4 – RMTB vacant positions:

The Risk Management Trust Board is a five-member board. Currently, there is a vacancy appointment councilmember and a member of the public. The mayor and a member of the public, Robin Arredondo-Savage, has expressed interest in serving on the board. After the appointment at the August 25th Regular Council Meeting, the Risk Management Trust Board will be full.

Agenda Item 5 - Board Member and Staff Announcements

Tom Duensing introduced Lisette Camacho, the City of Tempe's new Financial Services Director to the board. Chris Hansen would like to add the following items at an upcoming next Risk Management Trust Board meeting:

- Resolution for Insurance Renewal Authorization
- Alliant's Deadly Weapon Line Coverage.
- Drone Aviation Coverage which expires in November 2022.

Agenda Item 6 – Public Appearances

There were no public appearances.

The meeting adjourned at 5:18 p.m.

Minutes prepared by: Alex Chin

Minutes reviewed by: Chris Hansen

Unmanned Aircraft

	2021-2022	2022-2023
Carrier:	Global Aerospace	Global Aerospace
Limits:	\$2M Liability Limit Each Occurrence \$2M Personal & Advertising Injury Aggregate \$5K Medical Expenses Not Covered Physical Damage	\$2M Liability Limit Each Occurrence \$2M Personal & Advertising Injury Aggregate \$5K Medical Expenses Physical Damage per stated Hull Value <i>*Note 2 H20T Cameras are not covered for Liability</i>
Deductibles:	5% In Motion 5% Not In Motion	5% In Motion 5% Not In Motion <i>*Note 2 H20T Camera Deductibles are 10% in Motion & Not in Motion</i>
Premium:	\$10,536 Premium	\$10,075 Premium

Unmanned Aircraft

2022-2023 Policy Comments/Changes:

- Quoted short-term policy period from 11/4/22 to 7/1/23 to be concurrent with the City's other Policies
- Drone count decreased from 24 to 20
- Added coverage for physical damage

MEMORANDUM



TO: Risk Management Trust Board

FROM: Chris Hansen, Risk Manager

DATE: October 5, 2022

SUBJECT: Resolution for Insurance Renewal Authorization

ACTION:

Revisit and discuss the consideration of a Resolution for Insurance Renewal Authorization

BACKGROUND:

The City of Mesa has passed resolutions that authorize the city manager to purchase future insurance renewals as long as insurance premium increases "do-not-exceed" a specified percentage. At the May 23, 2022, Risk Management Trust Board Meeting, Chris Hansen brought this topic to the board for discussion and possible recommendation of a similar resolution for the City of Tempe. The board recommended tabling the resolution concept for future discussion when preparing for next year's renewal.

The reason for this type of resolution is to alleviate time constraints and approval issues associated with the insurance renewal process and the city council meeting calendar. Historically, insurance premium quotes from underwriters were available 60-90 days before the new policy's effective date (July 1). Current underwriting practices are to release premium quotes within 30 days of the new policy's effective date. Once the quotes are released, the quotes must be reviewed by the city's insurance broker and Risk Management division, then presented to the Risk Management Trust Board for approval and submitted for inclusion on the City Council agenda.

Other underwriter delays include but are not limited to quote questions from Risk Management staff or requests for additional information from the Risk Management Trust Board. The time constraint and delays make it difficult to meet council agenda deadlines resulting in a last-minute item for council approval.

For our last renewal in June 2022, the Risk Management Trust Board approved the lines of coverage on June 16, 2022, in preparation for the Regular Council Meeting on June 22, 2022. But not all lines were ready for approval by the June 16, 2022, Risk Management Trust Board Meeting. The remaining lines of coverage were approved administratively through the city manager's office via a resolution presented to Tempe City Council on June 22, 2022. Tempe City Council then ratified the remaining lines on August 18, 2022.

RECOMMENDATION:

The City of Tempe's resolution will intend to make the Risk Management Trust Board act as final approval, followed by ratification with Tempe City Council.

DIRECTION:

City Staff is seeking Risk Management Trust Board's direction to consider drafting a resolution for insurance renewal authorization.

ATTACHMENTS:

City of Mesa's Resolution Memo

City of Mesa's Resolution



Date: June 20, 2022

To: Mayor and City Council

Through: James Smith, City Attorney

From: Jason Reed, Deputy City Attorney
Lisa Lorts, Risk Management Claims Analyst

Re: Resolution for the Purchase of Insurance

The City seeks a Resolution that authorizes the City Manager and City Attorney jointly, through the City's national insurance broker and with Funds from the PPL Trust Fund, to obtain and enter into new insurance agreements.

This is similar to a resolution previously adopted by Council to facilitate the purchase of insurance. The adoption of this resolution is recommended by the Self-Insurance Trust Fund Board.

History and Recommendation.

The insurance market for municipalities has been very challenging the last couple of years. As a result, municipalities, including the City of Mesa, have seen a significant increase in its insurance premiums.

Various factors are contributing to these increased premiums, and the City anticipates that these factors will continue to affect the municipality insurance market for the foreseeable future.

For example, several carriers that previously provided municipal insurance have withdrawn from the market due to national factors like the increasing number of lawsuits, the increasing cost of litigation, and rising settlement costs. With fewer competitors in the market, the remaining carriers have raised premiums for the available insurance capacity.

Other factors affecting the insurance carriers and contributing to the lack of capacity include inflationary pressures, natural disasters (floods, winter storms, fires) where carries have made a significant payout, and challenges within the reinsurance market.

These challenges have led to premium increases for municipalities, including the City of Mesa.

For next year's renewal, the City intends to explore various options to manage the cost of the City's insurance. Options may include reducing the total insurance coverage, modifying coverage amounts, and modifying the City's deductibles and SIR.

Due to market conditions (fewer carriers, reduced capacity in the insurance market, increased premiums, decisions have to be made on short notice), however, the City needs flexibility in its ability to purchase insurance and/or adjust coverage amounts.

In 2020, the City Council provided that flexibility by adopting a resolution that permitted the City Manager to purchase insurance in 2020 and 2021 without the City Council's pre-approval. Without the flexibility provided by the Council's 2020 resolution, the City would not have been able to procure the full amount of excess liability coverage.

In order to continue to provide the City with flexibility, the City proposes that the City Council pass and adopt the attached resolution. Similar to the City's 2020 resolution, the attached resolution permits the City Manager and the City Attorney to jointly purchase insurance through the City's national insurance broker for the City for the next five years. The City Attorney will then provide updates to Council regarding the amount and cost of insurance that the City purchased.

On February 28, 2022, the Self-Insurance Trust Fund Board voted to recommend to Council that the proposed resolution be adopted to facilitate the City's purchase of insurance.

By adopting and passing the proposed resolution, the City anticipates that it will be in a better position to navigate market conditions, to negotiate favorable terms, and to manage the cost of the City's insurance by, among other things, potentially purchasing a lower amount of excess liability insurance, changing carriers, and/or adjusting the City's SIR.

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESA, MARICOPA COUNTY, ARIZONA, AUTHORIZING THE CITY MANAGER AND THE CITY ATTORNEY TO PURCHASE INSURANCE FOR THE CITY INCLUDING PROPERTY, LIABILITY, CYBER RISK, AND AVIATION INSURANCE AND AUTHORIZING ADDITIONAL INSURANCE PURCHASES AND RENEWALS.

WHEREAS, the City obtains insurance for the City of Mesa through the City's Property and Public Liability Trust Fund ("PPL Trust Fund") including property, liability, cyber risk, and aviation insurance annually in November of each year; and the City contracts with an experienced, national insurance broker ("City's National Broker") to assist and represent the City in procuring and selecting such insurance.

WHEREAS, these insurance policies for municipalities generally can only be purchased on an annual basis with annual renewals.

WHEREAS, even with City's National Broker, obtaining insurance for municipalities has become more complex and challenging, and obtaining or renewing insurance occurs near the renewal period or at other times of the year when additional policies may be needed with short notice; and therefore obtaining this type of insurance is a professional service.

WHEREAS, the City has historically obtained excess liability coverage, above the self-insured retention ("SIR"), of fifty million dollars, but obtaining this level of excess coverage has become extremely difficult for municipalities with some municipalities lowering their excess coverage or having gaps in their stack of excess coverage, and the City also had difficulty obtaining its excess coverage stack this past November with the City only able to obtain the full fifty million dollar excess coverage stack the day after the previous policies expired.

WHEREAS, the insurance market for municipalities makes it difficult to obtain insurance, has had unprecedented cost increases, and requires the ability to make decisions on short notice regarding the amount of insurance to obtain (e.g., excess liability coverage, cyber-insurance) based on costs and availability and the ability to modify deductibles or the SIR.

WHEREAS, the City Council would keep the excess liability coverage at its historical number of fifty million dollars if the insurance markets had not and did not continue to change; however, because of unprecedented costs and difficulties in obtaining such amount of excess coverage, City Council recognizes that the City, through the City Manager and the City Attorney, may need to reduce this amount in the future based on costs or availability.

WHEREAS, the City Council therefore finds it is appropriate that the City Manager and the City Attorney are jointly, through the City's National Broker, authorized to purchase and renew insurance coverages, including the ability to change carriers, to add additional insurance or excess layers of insurance, to reduce the total insurance coverage layers or amounts (e.g., reduce the excess liability coverage), to modify coverage amounts, and to modify deductibles and the City's SIR as appropriate or as needed so long as the City Attorney provides periodic updates to Council on the amounts of insurance obtained and costs.

WHEREAS, the Self-Insurance Trust Fund Board for the City of Mesa has recommended that the City Council pass and adopt this resolution that allows the City Manager and the City Attorney to jointly purchase insurance for the City.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MESA, COUNTY OF MARICOPA, ARIZONA, AS FOLLOWS:

Section 1: That the City Manager and City Attorney jointly are authorized, through the City's National Broker and with funds from the PPL Trust Fund, to obtain and enter into new insurance agreements for a period of five years (i.e., 2022/23, 2023/24, 2024/25, 2025/26, and 2026/27) for the benefit of the City, including property, liability, cyber risk, and aviation insurance coverages, and including the ability to change carriers, to add additional insurance or excess layers of insurance, to reduce the total insurance coverage layers or amounts (e.g., reduce the excess liability coverage), to modify coverage amounts, and to modify deductibles and the City's SIR as appropriate

Section 2: That the City Attorney shall provide periodic updates to Council on the amounts of insurance obtained and costs.

PASSED AND ADOPTED by the City Council of the City of Mesa, Maricopa County, Arizona, this 20th day of June, 2022.

APPROVED:

Mayor

ATTEST:

City Clerk