

# CITY COUNCIL REPORT



Meeting Date: June 04, 2024  
General Plan Element: *Provide for the orderly government and administration of the affairs of the city*  
General Plan Goal: *Provide Property/Casualty Insurance for the 24-25 Fiscal Year*

## ACTION

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**Authorize purchase of Property-Casualty Insurance for the Period of July 1, 2024 to June 30, 2025**

Adopt Resolution No. 13142 authorizing and directing the purchase of Property - Casualty Insurance, including General Liability, Law Enforcement Liability, Vehicle Liability, Public Officials Errors and Omissions, Property, Workers' Compensation, Cyber Liability, Aviation Drone, and Airport Liability insurance for Fiscal Year 2024/25.

## BACKGROUND

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Scottsdale Revised Code, Section 2-173, calls for the purchase of excess Property and Casualty insurance above the self-insured retention as recommended by the Safety & Risk Management Director and as approved by the City Council. The purpose of purchasing excess insurance is to insulate the City against the financial impacts of large and catastrophic claims, or a series of claims by transferring the risk to commercial insurers in exchange for a fixed cost premium amount. The City maintains reasonable per occurrence and annual aggregate property and casualty limits to safeguard against rising and often unpredictable claim values and court awards. The Safety & Risk Management Department consults with a certified actuary to best inform decisions regarding reserves and loss forecasting.

## ANALYSIS & ASSESSMENT

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In consultation with the City's insurance broker, the Safety & Risk Management Director undertakes a thorough review of the various loss exposures presented to and within the City, each coverage area and structure to optimize the cost-benefit assembly of self-retention and excess catastrophic insurance given the City's goal to mitigate and control the financial impacts of unpredictable losses and claims. Departmental budget parameters and international insurance market conditions factor heavily into the overall calculus regarding coverage and limits amongst the commercial insurers selected. The insurance program structure within the City includes a substantial self-insured

Action Taken APPROVED ON CONSENT; 6-1 WITH COUNCILWOMAN LITTLEFIELD DISSENTING

retention per accident or per person, and excess catastrophic insurance purchased through additional commercial insurers for a fixed premium charge and is determined by the City's insurance brokerage and the Safety & Risk Management Director to be the most cost-effective and comprehensive prudent insurance structure for the City, given its size and risk profile.

## **RESOURCE IMPACTS**

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### **Available funding**

The cost of insurance is fully covered along with estimated future claim expenses within the Safety & Risk Management Department FY 2024/25 budget. In the unlikely event costs and insurance premiums exceed budgeted amounts during the 2024/25 fiscal year, a request to transfer contingency funds from the Loss Trust (Safety & Risk Management) Fund will be submitted to City Council for approval.

### **Staffing, Workload Impact**

In a strong effort to control and mitigate the financial impacts of property - casualty losses, the City has a proactive safety and loss prevention program geared to address loss exposures. The Safety & Risk Management Department and the City Attorney's Office work in tandem to mitigate liability exposures in the respective work areas. Lessons learned from previous claims brought against, or derived from within, the City are reviewed with appropriate City staff to prevent and mitigate future similar or related happenings. The Safety & Risk Management Department employs a state licensed Property Casualty Claims Adjuster and two state licensed Workers Compensation Claims Adjusters who, under the direction of the Safety & Risk Management Director, administer, adjudicate and manage all claims presented against the Loss Trust (Safety & Risk Management) Fund. In addition, the City Attorney's Office handles most litigation defense for the Loss Trust (Safety & Risk Management) Fund. These programs are already in place and require no additional staff at this time.

### **Cost Recovery Options**

The cost of insurance is fully covered within the Safety & Risk Management FY 2024/25 Budget. Each year the entire cost of the insurance and the estimated costs for property losses, workers compensation claims, all liability claims as well as auto related claims costs are allocated across City Division budgets on a monthly basis. The allocations are based 45 percent upon an average of two years of payroll expense, 45 percent on a five-year average of claims or loss history, and 10 percent on the utilization of adjuster or staff, resources.

## **OPTIONS & STAFF RECOMMENDATION**

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### **Recommended Approach**

Authorize purchase of excess Workers' Compensation insurance from the incumbent insurer, Safety National, which will set atop the City's self-insured retention amount of \$1,000,000.

Authorize purchase of General Liability, Auto Liability, Public Officials Errors and Omissions, Employment Practices Liability insurance, Active Assailant, and Law Enforcement Legal Liability Insurance with protection of \$20,000,000 liability limits per occurrence and annual aggregate coverage from the Travelers Insurance Company. Additionally, authorize the purchase of following form excess coverage in the amount of \$30,000,000 from Starstone Insurance and Great American Insurance Company. The combination of these liability programs will address claims in excess of the City's self-insured retention amount of \$2,000,000 per occurrence.

Authorize purchase of Special Form Property, Boiler & Machinery, Earthquake and Flood Insurance on approximately \$1,131,228,961 of buildings, contents, equipment replacement values and vehicles from Zurich Insurance Company, RSUI Insurance, Arch & Westchester Surplus Lines Insurance.

Authorize purchase of Drone Liability Insurance with \$50,000,000.00 limits and Aviation Liability Insurance with limits of \$200,000,000.00 from Global Aerospace and National Union.

Authorize purchase of Storage Tank Liability Insurance from Illinois Union with limits of \$1,000,000.00. per occurrence.

Authorize purchase of Fine Arts Insurance with exposure of \$36,345,566 from Starnet Insurance.

Authorize purchase of NFIP Flood Insurance for pertinent buildings on the water campus.

Authorize purchase of Network Security and Privacy Liability Insurance of \$10,000,000 Aggregate Limit that includes coverage for event management, regulatory action, cyber extortion, data restoration, systems failure, and business interruption insurance from National Union and Axis Insurance.

Authorize purchase of comprehensive coverage for vehicles and trolleys while parked with \$20,000,000.00 limits from Allianz Insurance.

Authorize the proposed purchased of Fiduciary Liability with \$10,000,000.00 in limits. This insurance is to address liability exposures due to increased responsibilities associated with the 457-retirement savings plan.

Collectively the insurance policies and coverages referenced above represent the recommend insurance program profile for the City as determined by the Safety & Risk Management Director, in consultation with the City's insurance broker and the City Attorney's Office. The Safety & Risk Management Director request authorization to purchase comprehensive excess property & casualty insurance on behalf of the City. The purchase of the Property & Casualty coverages referenced above are expected to range from \$5,325,000 to \$5,750,000.

**Description of Option B**

Authorize no purchase of Property - Casualty Insurance, including General Liability, Law Enforcement Liability, Employment Practices Liability, Storage Tank Liability, Vehicle Liability, Public Officials Errors and Omissions, Property, Workers' Compensation, Airport Liability, Aviation Drone Liability, Cyber Liability, and Fiduciary Liability insurance for Fiscal Year 2024/2025- and elect to completely self-insure for all losses. Not electing to purchase any excess- insurance could place a financial strain on City resources and cash flows if the City had to pay monies on a severe or a catastrophic claim, or series of claims.

**Proposed Next Steps**

Upon Council approval, coverage will be bound for the period July 1, 2024 to June 30, 2025

**RESPONSIBLE DEPARTMENT(S)**

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City Attorney's Office

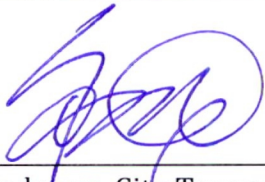
**STAFF CONTACT**

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George Woods, Jr., Safety & Risk Management Director

**APPROVED BY**

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Sonia Andrews, City Treasurer  
480-312-2364 [SAndrews@scottsdaleaz.gov](mailto:SAndrews@scottsdaleaz.gov)

5/21/24

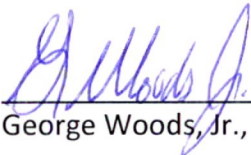
Date



Sherry R. Scott, City Attorney  
480-312-7816, [SScott@scottsdaleaz.gov](mailto:SScott@scottsdaleaz.gov)

5/21/24

Date



George Woods, Jr., Safety & Risk Management Director  
480-312-7040, [GWoods@scottsdaleaz.gov](mailto:GWoods@scottsdaleaz.gov)

5/21/2024

Date

**ATTACHMENTS**

1. Resolution No. 13142

RESOLUTION NO. 13142

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA AUTHORIZING AND DIRECTING THE PURCHASE OF PROPERTY AND CASUALTY INSURANCE FOR FISCAL YEAR 2024/2025.

WHEREAS, the purchase of general liability, vehicle liability, employment practices liability, law enforcement liability, cyber liability, storage tank liability, fiduciary liability, public officials errors and omissions insurance is of benefit to the City; and

WHEREAS, the City is also served by the purchase of property insurance, workers' compensation, aviation/drone liability and airport liability and hangar keepers' legal liability insurance;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scottsdale, Maricopa County, Arizona, as follows:

Section 1. The Safety & Risk Management Director or his designee is authorized to purchase, on behalf of the City of Scottsdale, the property and casualty insurance policies for Fiscal Year 2024/2025 from the insurers and with limits of insurance as follows:

A. Excess Workers' Compensation insurance from the incumbent insurer, Safety National, which will sit atop the City's self-insured retention amount of \$1,000,000 per injury.

B. General Liability, Auto Liability, Public Officials Errors and Omissions, Employment Practices Liability insurance, Active Assailant, and Law Enforcement Legal Liability Insurance with protection of \$20,000,000 liability limits per occurrence and annual aggregate coverage from the Travelers Insurance Company; and additional following form excess coverage in the amount of \$30,000,000 from Starstone Insurance, Great American Insurance Company and AWAC.

C. Special Form Property, Boiler & Machinery, Earthquake and Flood Insurance on approximately \$1,131,228,961 of buildings, contents, equipment replacement values and vehicles from The Zurich Indemnity Company, RSUI Insurance, Arch & Westchester Surplus Lines Insurance.

D. Drone Liability Insurance with \$50,000,000.00 limits and Aviation Liability Insurance with limits of \$200,000,000.00 from Global Aerospace and National Union.

E. Storage Tank Liability Insurance from Illinois Union with limits of \$1,000,000.00 per occurrence.

F. Fine Arts Insurance with coverage for \$36,345,566 from Starnet Insurance.

G. NFIP Flood Insurance for pertinent buildings on the water campus.

H. Network Security and Privacy Liability Insurance of \$10,000,000 Aggregate Limit that includes coverage for event management, regulatory action, cyber extortion, data restoration, systems failure, and business interruption Insurance from National Union and Crum & Foster Specialty Insurance.

I. Comprehensive coverage for vehicles and trolleys while parked with \$20,000,000.00 limits from Allianz Insurance.

J. Fiduciary Liability with \$10,000,000.00 in limits. This insurance is to address liability exposures due to increased responsibilities associated with the 457-retirement savings plan.

Section 2. The Safety & Risk Management Director or his designee is authorized to execute such documents and to take all other actions and sign all other documents necessary and proper to purchase the policies authorized by this Resolution. The purchase of the Property & Casualty coverages referenced above are expected to range from \$5,325,000.00 to \$5,750,000.00 for Fiscal Year 2024/2025.

PASSED AND ADOPTED by the City Council of the City of Scottsdale this \_\_\_\_ day of \_\_\_\_\_ 2024.

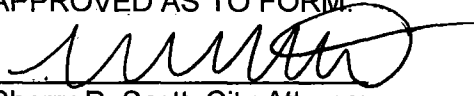
CITY OF SCOTTSDALE, an Arizona  
municipal corporation

ATTEST:

\_\_\_\_\_  
Ben Lane, City Clerk

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David D. Ortega, Mayor

APPROVED AS TO FORM:

  
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Sherry R. Scott, City Attorney  
By: Lori S. Davis, Deputy City Attorney