



Staff Report

File #: REPORT 22-0759, Version: 1

**Honorable Mayor and Members of the Hermosa Beach City Council
Regular Meeting of November 29, 2022**

**ANALYSIS OF RISK-POOL INSURANCE MEMBERSHIP OPTIONS AND RECOMMENDATION TO
WITHDRAW FROM INDEPENDENT CITIES RISK MANAGEMENT AUTHORITY (ICRMA) AND
JOIN CALIFORNIA JOINT POWERS INSURANCE AUTHORITY (CJPIA) FOR THE 2023-2024
FISCAL YEAR**

(Human Resources Manager Vanessa Godinez)

Recommended Action:

Staff recommends City Council:

1. Adopt a Resolution to withdraw from Independent Cities Risk Management Authority (ICRMA) for property, excess liability, and excess workers' compensation coverage, providing ICRMA with the final withdrawal notice on or before December 1, 2022 that is effective July 1, 2023 (**Attachment 1**); and
2. Direct staff to proceed with the underwriting process and return to City Council with a resolution to join California Joint Powers Insurance Authority (CJPIA) for property, excess liability, and excess workers' compensation coverage effective July 1, 2023.

Executive Summary:

The City of Hermosa Beach currently contracts with the Independent Cities Risk Management Authority (ICRMA) for insurance and risk management products and programs. To ensure cost-effective service delivery and reduction of financial risk, staff worked with an independent broker, AP Keenan & Associates, to conduct a risk pool comparison. This report presents the results of the analysis and recommends City Council direct staff to proceed with withdraw from ICRMA and completion of the underwriting process to join California Joint Powers Insurance Authority (CJPIA) effective July 1, 2023.

Background:

The City of Hermosa Beach has been a member of Independent Cities Risk Management Authority (ICRMA) since 1985. ICRMA is currently comprised of 15 Southern California cities including Adelanto, Bell, Downey, El Monte, El Segundo, Fullerton, Glendora, Hawthorne, Hermosa Beach, Huntington Park, Inglewood, Lynwood, San Fernando, Santa Ana, and South Gate. Since the City last completed a market check, four members have left ICRMA and three cities have joined.

The City is enrolled in the self-insured risk-sharing pool for excess general liability and excess workers' compensation programs, along with property, cyber, and crime programs. The term 'risk

sharing pool' refers to the pooling of risks among a group of entities, generally in a Joint Powers Authority (JPA). Member cities join to share losses within the pooled layer. The annual premium amount each member pays for programs is based on the actuarial estimates of what will be needed to fund the claims for a given program year.

To ensure cost-effective service delivery and reduction of financial risk, staff recommended the City conduct a study of the various insurance options available. At its May 10, 2022 meeting, City Council authorized staff to proceed with the risk pool comparison and issued a Notice of Intent to Withdraw Membership from ICRMA. The notice, required by ICRMA Bylaws, was filed to preserve the City's right to withdraw from ICRMA if the study shows the City would be better off with another option. The due-diligence analysis is complete, and the City now has the appropriate information to make an informed decision regarding the best insurance option.

Past Council Actions

Meeting Date	Description
May 10, 2022	City Council adopted a resolution providing notice of the City's intent to withdraw from the Independent Cities Risk Management Authority (ICRMA).

Analysis:

Over the past six months, staff has worked with independent broker, AP Keenan & Associates, to assist in retrieving information to conduct the risk pool comparison. The information from the risk pools was gathered through interviews with representatives and brokers, review of information on the risk pools' websites, and the City's experience with its current pool. The risk pool analysis included a comparative review of the governance, services available to members, risk pool philosophy, contribution, and claims administrators. A Risk Pool Analysis Comparison Chart is included as **Attachment 2**.

In conducting the risk pool comparison, staff requested a cost indication from the Public Risk Innovation, Solutions and Management PRISM (formerly California State Association of Counties Excess Insurance Authority-CSAC EIA), California Joint Powers Insurance Authority (CJPIA), and California Insurance Pool Authority (CIPA) to compare against Independent Cities Risk Management Authority (ICRMA). CIPA declined to quote as they only add one member per year.

The City received indications from CJPIA and PRISM. The indications are for the current 2022-2023 fiscal year. The indications are compared against the actual coverage contribution the City made to ICRMA for fiscal year 2022-2023. Due to the current hard insurance market and the final notice requirement by ICRMA of December 1, 2022, CJPIA and PRISM are not able to provide an indication for the fiscal year 2023-2024. It is anticipated property, liability, and cyber program premiums will increase for fiscal year 2023-2024 due to the nationwide catastrophic property losses, loss of

capacity in the market due to increasing interest rates and the increasing jury awards in California.

After completing the risk pool comparison, staff has determined that CJPIA provides the best value in terms of mitigating the City's level of risk and liability, while delivering high quality risk management training and loss control services. Should City Council accept staff's recommendation, staff would proceed with the additional underwriting requirements from CJPIA, which include department interviews with staff, an inspection of City locations, and the approval from the CJPIA governing committees. It is anticipated the exposures of the City are in line with the other CJPIA members and it would not pose an issue with acceptance into CJPIA.

CJPIA is a primary pool providing excess coverage options and proactively reaches out to members, while ICRMA is an excess pool that is highly responsive to member requests. The CJPIA Board of Directors is comprised of one City Council representative per member. If City Council decides to join CJPIA, a Hermosa Beach City Councilmember would be required to serve on the Board of Directors for CJPIA. The Board of Directors meets once annually and elects a nine-member Executive Committee from its members. The Executive Committee provides the day-to-day governance for CJPIA. There are additional committees outlined in the analysis where City staff can participate.

If the City joins CJPIA, the City would have an increase in limits for liability coverage and access to risk management resources with a CJPIA Senior Risk Manager designated to work in partnership with City staff. CJPIA would meet the risk management staff to develop a three-year Loss Control Action Plan for the City designed to improve risk management and safety. Most of the resources available for property, excess liability, and excess workers' compensation are included with the program with limited items that have a cost share or additional cost. The training resources available include over 800 online trainings, virtual classroom trainings, annual education training, live training and inspections.

There is an estimated cost savings to the City in joining CJPIA which may increase with each year due to the reduction of the administrative fees required by ICRMA for all member cities withdrawing from the pool.

ICRMA is currently in year six of ten of the liability program assessment. Therefore, the City would be required to continue to pay ICRMA the remainder of the assessment, which is \$163,277 per year for four years. In addition, ICRMA withdrawal requirements include paying a percentage of the pool administration fees for the next three years, which are \$159,539 per year for three years; the estimates are included in **Attachment 2**.

The staff recommendation is to join CJPIA for property, excess liability, and excess workers' compensation effective July 1, 2023. If approved, ICRMA bylaws require the City Council adopt a resolution to withdraw from its program before December 1, 2022. Staff would then proceed with the underwriting process with CJPIA. After the underwriting process is completed and if the City Council

approves the recommendation, staff would prepare a resolution for the City Council's approval to join California Joint Powers Insurance Authority effective July 1, 2023.

General Plan Consistency:

This report and associated recommendation have been evaluated for their consistency with the City's General Plan. Relevant Policies are listed below:

Governance Element

Goal 1. A high degree of transparency and integrity in the decision-making process.

Policy:

- **1.2: Strategic planning.** Regularly discuss and set priorities at the City Council and management level to prioritize work programs and staffing needs.

Fiscal Impact:

The City's overall cost of excess general liability, excess workers compensation, and other insurance programs and fees would be reduced while increasing the services and resources available to the City. The comparison is based on indications for the Fiscal Year 2022-2023 and actual contribution to ICRMA.

Fiscal Year 2022-2023 premium contribution to ICRMA for all programs was \$1,587,541. Based on the Fiscal Year 2022-2023 indications provided by CJPIA, the estimated premium contribution is \$1,298,540, which results in an estimated annual savings of approximately \$289,001. After considering the ICRMA-required continuing costs for the remaining four years, the estimated annual savings is \$129,462.

Attachments:

1. Resolution of the City of Hermosa Beach, California Notice to Withdraw from Independent Cities Risk Management Authority (ICRMA) Effective July 1, 2023
2. Risk Pool Analysis Comparison Chart
3. PRISM Menu of Services
4. Link to May 10, 2022 City Council Staff Report

Respectfully Submitted by: Vanessa Godinez, Human Resources Manager

Noted for Fiscal Impact: Viki Copeland, Finance Director

Legal Review: Mike Jenkins, City Attorney

Approved: Suja Lowenthal, City Manager