



City of Culver City

Staff Report Details (With Text)

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On agenda: 6/28/2021 **Final action:**
Title: CC - Amendment to Existing Professional Services Agreement with AON Risk Insurance Services West, Inc. to Continue Providing Broker Services for the City's Insurance Programs through June 30, 2022

Sponsors:

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Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
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CC - Amendment to Existing Professional Services Agreement with AON Risk Insurance Services West, Inc. to Continue Providing Broker Services for the City's Insurance Programs through June 30, 2022

Meeting Date: June 28, 2021

Contact Person/Dept: Serena Wright-Black/Administrative Services
Phone Number: (310) 253-5640

Fiscal Impact: Yes No **General Fund:** Yes No

Public Hearing: **Action Item:** **Attachments:**

Commission Action Required: Yes No **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council (06/23/2021)

Department Approval: Serena Wright-Black, Assistant City Manager (06/20/2021)

RECOMMENDATION

Staff recommends the City Council approve an amendment to the existing professional services agreement with AON Risk Insurance Services West, Inc. to continue providing broker services for the City's insurance programs through June 30, 2022.

BACKGROUND/DISCUSSION

Since 2016, the City of Culver City (City) has contracted with AON Risk Insurance Services West, Inc. (AON) to purchase insurance coverage. Prior to that, the City was a member of the Independent Cities Risk Management Authority (ICRMA) for the purpose of participating in pooled programs for liability, workers compensation, auto physical damage, crime, and cyber insurance.

As indicated below, for the first four years after leaving ICRMA, the City realized a significant savings, receiving additional coverage and higher limits for a lower premium. However, last year presented a challenging market due to economic issues related to the global pandemic and increased police liability claims. In FY 20/21 the City’s program premium increased by about 53%, or \$714,881. In addition, the self-insured retention limit increased from \$1M to \$2M. The City recently received the renewals from our insurance broker for FY 21/22. The City’s insurance premiums have increased by another 40%, approximately \$830,000. In addition, our self-insured limit has increased from \$2M to \$3M.

Representatives from AON explained that markets nationwide are seeing substantial increases. Insurance carriers are reducing coverage limits and increasing premium costs. This is primarily due to the high level of claim activity and multimillion-dollar jury verdicts.

Following are the program costs prior to and since leaving ICRMA.

<u>FY 15/16 (ICRMA)</u> \$2,186,307	<u>FY16/17 (AON)</u> \$1,319,658	<u>FY 17/18 (AON)</u> \$1,317,638	<u>FY18/19 (AON)</u> \$1,310,022
<u>FY19/20 (AON)</u> \$1,361,223	<u>FY20/21 (AON)</u> \$2,076,104	<u>FY21/22 (AON)</u> \$2,907,746	

It should be noted that over the past four years the City’s premiums have experienced an approximate 122% increase. During that same period of time ICRMA’s premiums have seen an approximate 283% year over year increase.

Culver City Municipal Code (CCMC) § 3.07.065 exempts certain general services, including insurance in subsection 2, from the formal competitive bid process. In compliance with Culver City Municipal Code (“CCMC”) Section 3.07.045, a new request for proposals is being planned for issuance. To ensure continuation of services during the time in between, staff recommends City Council authorize an extension to the existing agreement with AON through June 30, 2022.

FISCAL ANALYSIS

Funding for the City’s insurance premiums, as well as the administrative fees, are included for City Council’s consideration in the FY 2021/2022 Proposed Budget.

ATTACHMENTS

None.

MOTION

That the City Council:

1. Approve an amendment to the existing professional services agreement with AON Risk Insurance Services West, Inc. to continue providing broker services for the City's insurance programs through June 30, 2022;
2. Authorize the City Attorney to review/prepare the necessary agreements; and
3. Authorize the City Manager to execute such documents on behalf of the City.