



City of Culver City

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Staff Report Details (With Text)

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Title: CC - CONSENT ITEM: Approval of 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, 2023

Sponsors:

Indexes:

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Attachments:

Date	Ver.	Action By	Action	Result
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CC - CONSENT ITEM: Approval of 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, 2023

Meeting Date: June 27, 2022

Contact Person/Dept.: Dana Anderson / Administrative Services

Phone Number: (310) 253 - 5640

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

Attachments: Yes ☐ No ☒

Commission Action Required: Yes ☐ No ☒

Public Notification: (E-Mail) Meetings and Agendas - City Council (06/22/2022)

Department Approval: Onyx Jones, Assistant City Manager (06/22/2022)

RECOMMENDATION

Staff recommends the City Council approve an amendment to the existing professional services agreement with AON Risk Services West, Inc. to continue providing broker services for the City's insurance programs through June 30, 2023.

BACKGROUND/DISCUSSION

Since July 1, 2016, the City of Culver City (City) has contracted with AON Risk Insurance Services West, Inc. (AON) to facilitate the City's purchase of insurance coverage. Prior to July 2016, the City was a member of the Independent Cities Risk Management Authority (ICRMA) for the purpose of participating in pooled risk 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 lower premium. However, events of the past two years, including the global pandemic, increased police liability claims, and varied natural disasters, have brought about challenging insurance and economic markets. In FY 20/21 the City's program premium increased by about 53%, or \$714,881. In FY 21/22 the City's insurance premiums increased by another 40%, approximately \$830,000. AON has notified the City and estimated another year of increases for FY 22/23 in the range of approximately 20%, or \$581,526. In addition, in FY 21/22 the City's self-insured retention limit for its general liability insurance increased from \$2M to \$3M and remains at the \$3M level continuing into FY 22/23.

Representatives from AON explained that insurance markets nationwide are experiencing 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>FY15/16 (ICRMA)</u>	<u>FY16/17 (AON)</u>	<u>FY17/18 (AON)</u>	<u>FY18/19 (AON)</u>
\$2,186,307	\$1,319,658	\$1,317,638	\$1,310,022
<u>FY19/20 (AON)</u>	<u>FY20/21 (AON)</u>	<u>FY21/22 (AON)</u>	<u>FY22/23 (AON)</u>
\$1,361,223	\$2,076,104	\$2,907,746	\$3,367,503

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) § 3.07.065.2.C. exempts insurance from the formal competitive bid process. In compliance with CCMC § 3.07.045, after the same vendor has been utilized for a period of five consecutive years, a new request for proposals is being planned for issuance. To ensure continuation of services during the interim, staff recommends City Council authorize an extension to the existing agreement with AON through June 30, 2023.

FISCAL ANALYSIS

Funding for the City's insurance premiums, as well as the administrative fees, is included for City Council's consideration in the FY 2022/2023 Proposed Budget.

ATTACHMENTS

None.

RECOMMENDED MOTIONS

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, 2023;
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.