



# WASHOE COUNTY

Integrity Communication Service

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## STAFF REPORT

BOARD MEETING DATE: June 25, 2024

**DATE:** Wednesday, June 12, 2024

**TO:** Board of County Commissioners

**FROM:** Doreen Ertell, Sr. Risk Management Analyst, Risk Management Division  
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**THROUGH:** Cathy Hill, Comptroller  
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**SUBJECT:** Recommendation to authorize the Comptroller's Office to renew the Excess Liability Insurance Policy with Safety National Casualty Corporation for a one-year term with an estimated annual cost not to exceed [\$489,000] effective July 1, 2024, and authorize the Comptroller's Office to sign the applications and agreements necessary to bind coverage, funding from the Risk Management Fund source. Comptroller. (All Commission Districts.) FOR POSSIBLE ACTION

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### SUMMARY

Seeking Board authorization to renew the County's Excess Liability Insurance with Safety National Casualty Corporation for an annual policy term effective date of July 1, 2024.

**Washoe County Strategic Objective supported by this item:** Stewardship of Our Community.

### PREVIOUS ACTION

On June 27, 2023, the Board authorized the placement of the County's Excess Liability Insurance with Safety National & Safety Specialty Insurance Companies for an annual premium of \$426,064.

On June 28, 2022, the Board authorized the placement of the County's Excess Liability Insurance with Safety National & Safety Specialty Insurance Companies for an annual premium of \$370,490.

On June 23, 2021, the Board authorized the placement of the County's Excess Liability Insurance with Safety National & Safety Specialty Insurance Companies for an annual premium of \$310,144.

AGENDA ITEM # \_\_\_\_\_

On June 23, 2020, the Board authorized the placement of the County's Excess Liability Insurance with Peleus Insurance Company for an annual premium of \$212,812.

On June 25, 2019, the Board authorized the placement of the County's Excess Liability Insurance with Peleus Insurance Company for an annual premium of \$199,380.

On June 19, 2018, the Board authorized the placement of the County's Excess Liability Insurance with Peleus Insurance Company for an annual premium of \$189,881.

On June 27, 2017, the Board authorized the placement of the County's Excess Liability Insurance with Peleus Insurance Company for an annual premium of \$189,202.

On February 14, 2006, and annually thereafter, the Board authorized renewal of the Excess Liability Insurance with Insurance Company of the State of Pennsylvania for one-year terms.

### **BACKGROUND**

The County's broker is USI Insurance Services (USI). USI continues to provide brokerage and consulting services through its experienced, local team based in Reno. USI is one of the largest insurance brokerage and consulting firms in the world with local team members in Washoe County. They monitor changes in the marketplace and when appropriate, solicit bids from qualified insurers.

The Risk Management Division administers all liability claims filed against Washoe County, pursuant to Washoe County Code 65.020. Approved or settled losses, including judgments, are paid from the Risk Management Fund. To protect against large or catastrophic losses, the County purchases excess liability insurance to cover any loss exceeding a selected retention.

The County was insured by Insurance Company of the State of Pennsylvania (part of AIG) from 2003 to 2017. USI marketed the coverage in 2017 to several insurance companies and received the most competitive quote from Peleus Insurance Company. Peleus provided broad coverage including General Liability, Auto Liability, Employee Benefits Liability, Law Enforcement Liability, Public Officials (Errors & Omissions) Liability, and Employment Practices Liability. USI marketed the coverage again in 2021 and received the most competitive quote from Safety National.

### **Insurance Market Updates**

The property and casualty insurance market continues to present challenges in 2023. Global insured catastrophic loss was estimated at \$140 billion in 2022, the fifth year that losses topped \$100 billion. The challenging market has led to loss of capacity. The excess liability market is particularly affected. In recent years, the reinsurance marketplace has been impacted by increased litigation, nuclear verdicts, defense costs, and frequency of global natural disasters.

US Property & Casualty insurers combined ratio of incurred losses and expenses as a proportion of earned premiums was expected to be around 115% in 2022, much higher than prior estimates of 97%. According to a recent report from the Council of Insurance Agents & Brokers, "average annual commercial insurance premium increases accelerated to 8.8% during the first quarter of 2023".

### **Excess Self-Insured Liability Insurance**

Safety National Casualty Corporation has provided renewal terms on their enhanced coverage form for public entity clients. The updated form includes auto liability, general liability, law enforcement liability, public officials' liability, and employment practices liability on a single policy form. All coverage will be written on an admitted basis. The form also includes standardized terms, enhanced coverage for public entities, and streamlined claims reporting. The updated form includes \$5,000,000 primary limits separately for each coverage, reducing the risk of eroding excess limits.

<b>Coverage</b>	<b>Limits</b>
General Liability	\$5,000,000
Employee Benefits Liability (Claims Made)	\$5,000,000
Auto Liability (each accident)	\$5,000,000
Employment Practices & Public Officials	\$5,000,000
Law Enforcement Liability	\$5,000,000

Coverage will continue to be excess of the County's \$1,500,000 self-insured retention, per occurrence, accident, or wrongful act(s).

Safety National is a leading specialty insurance and reinsurance provider. With a culture built on relationships, and over 75 years of unique expertise, they specialize in providing long-term solutions to its customers. The insurer is rated A++ by A.M. Best with an adjusted policyholders' surplus of more than \$2 billion. Safety National is a subsidiary of Tokio Marine Holdings. With nearly \$200 billion in assets, Tokio Marine is among the top 10 insurance groups in the world and its companies are among the highest rated.

The total annual cost, including broker compensation, was [\$407,755] for FY2024. The annual cost for the renewal term is [\$489,306] which is an increase of 20%. The increase is partly due to insurance market conditions noted above and the increasing severity of claims facing governmental entities, resulting in a 7% rate increase and an increase in the County's rating factors. The primary rating factors for this type of policy include population, employee count, vehicles, and payroll. The renewal increase is also partly due to increases in rating factors including budgeted payroll, number of employees, vehicles, and law enforcement officers.

### **FISCAL IMPACT**

Funding for the Excess Liability Insurance Policy renewal premium of [\$489,306] is available within the FY2025 adopted budget in the Risk Management Fund (619).

### **RECOMMENDATION**

It is recommended that the Board of County Commissioners authorize the Comptroller's Office to place the Excess Liability Insurance Policy with Safety National Casualty Corporation with an estimated annual cost not to exceed [\$489,306] effective July 1, 2024, and authorize the Comptroller's Office to sign the applications and agreements necessary to bind coverage, with funding from the Risk Management Fund source.

**POSSIBLE MOTION**

Should the Board agree with staff's recommendation, a possible motion would be:

I move to authorize the Comptroller's Office to place the Excess Liability Insurance Policy with Safety National Casualty Corporation with an estimated annual cost not to exceed [\$489,306] effective July 1, 2024, and authorize the Comptroller's Office to sign the applications and agreements necessary to bind coverage, with funding from the Risk Management Fund source.