



TRUCKEE MEADOWS FIRE PROTECTION DISTRICT STAFF REPORT

Board Meeting Date: June 1, 2021

DATE: May 21, 2021

TO: Truckee Meadows Fire Protection District Board of Fire Commissioners

FROM: Cindy Vance, Chief Fiscal Officer
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THROUGH: Charles A. Moore, Fire Chief
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SUBJECT: Recommendation to approve the Property and Liability Insurance and Workers' Compensation Insurance Proposal for the Truckee Meadows Fire Protection District for one year beginning July 1, 2021 for a total annual premium not to exceed \$1,407,085 and authorize purchase of insurance based upon the Proposal. The Proposal includes Property, Casualty, Professional and Excess Liability Insurance to be provided by VFIS/American Alternative and will include Crime/Employee Theft Insurance through Travelers Bond & Specialty, Network Security/Privacy (AIG Specialty), and Workers' Compensation through 7710 Insurance Company. The Proposal also includes a three-year renewal term for Environmental Liability and Assault Expense and Threat Response to be provided by Great American E&S. (All Commission Districts) **FOR POSSIBLE ACTION**

SUMMARY

To approve the Property and Liability Insurance and Workers' Compensation Insurance Proposal for the Truckee Meadows Fire Protection District for one year beginning July 1, 2021 for a total annual premium not to exceed \$1,407,085 and authorize purchase of insurance based upon the Proposal. The Proposal includes Property, Casualty Professional and Excess Liability Insurance to be provided by VFIS/American Alternative and will include Crime/Employee Theft Insurance through Travelers Bond & Specialty, Network Security/Privacy (AIG Specialty), and Workers' Compensation through 7710 Insurance Company. The Proposal also includes a three-year renewal term for Environmental Liability and Assault Expense and Threat Response to be provided by Great American E&S.

PREVIOUS ACTION

On June 19, 2018, the Board of Fire Commissioners approved a Property and Liability and Workers' Compensation Insurance proposal with the Travelers Bond & Specialty to include Data and Security liability through AIG, Pollution Liability through Great American, and Excess Earthquake coverage through Houston Casualty, for one year beginning July 1, 2018 for a total annual premium of \$1,137,615 and authorized purchase of insurance based upon the Proposal.

On June 18, 2019, the Board of Fire Commissioners approved the Property and Liability Insurance and Workers' Compensation Insurance Proposal for the Truckee Meadows Fire Protection District for one year beginning July 1, 2019 for a total annual premium of \$1,119,694 and authorized purchase of insurance based upon the Proposal. Property and Liability Insurance to be provided by VFIS to include Crime and Employee Theft through Travelers Bond & Specialty, Data and Security liability through AIG Specialty, and Workers' Compensation Insurance will be provided by 7710 Insurance/Benchmark Insurance Company.

June 16, 2020 the Board of Fire Commissioners approved to approve a Property and Liability Insurance and Workers' Compensation Insurance Proposal for the Truckee Meadows Fire Protection District for one year beginning July 1, 2020 for a total annual premium not to exceed \$1,146,019 and authorize purchase of insurance based upon the Proposal. The Proposal includes Property, Casualty and Excess Liability Insurance to be provided by VFIS and will include Crime/Employee Theft Insurance through Travelers Bond & Specialty, Data and Security Liability through AIG Specialty, and Workers' Compensation through 7710 Insurance/Benchmark Insurance Company.

BACKGROUND

The property & casualty insurance market continues to face challenges with respect to catastrophic losses, reduced investment income and the ongoing challenges of the COVID-19 pandemic.

Catastrophic losses in 2020 included at least 19 events with at least \$1 billion in direct insured losses in the U.S and \$89 billion in insured catastrophic losses worldwide. This follows record and above average catastrophic losses in recent years.

In 2019, the cyber insurance industry saw increased ransomware activity. In the fourth quarter of 2020, an unprecedented number of cyber incidents affected the insurance market, including the SolarWinds supply chain cyber event, a historical spike in ransomware attacks and cyber re-insurance challenges. Underwriters are reducing capacity, restricting terms, and increasing rates.

US property & casualty insurers combined ratio of incurred losses and expenses as a proportion of earned premiums is expected to increase to 99.3% in 2020 and 99.8% in 2021, according to a recent report by A.M. Best.

Underwriting and investment performance deteriorated in 2020, with projected reductions of insurer pre-tax operating income of 15% and net income of 21%.

The economic disruption and still unknown long-term financial impacts of the pandemic, along with natural catastrophes and civil unrest losses continue to weigh on insurers in 2021. Rate increases, capacity reductions and tighter underwriting scrutiny are expected to continue throughout 2021.

The District and the District's broker, USI Insurance Service, worked with the current carriers to obtain competitive renewals and recommended staying with the current carriers. The current proposal includes Property and Liability Insurance and Workers' Compensation Insurance for

one year beginning July 1, 2021 for a total annual premium not to exceed \$1,407,085 with coverages and limits outlined in the attachment. Property and Liability Insurance will be provided by VFIS and will include Crime and Employee Theft through Travelers Bond & Specialty Insurance, Data and Security Liability (AIG Specialty), and Workers' Compensation will be provided by 7710 Insurance Company.

Also included in the proposal is Environmental Liability and Assault Expense and Threat Response through Great American E&S for a three-year term. The three-year term is approximately 40% less than the annual rate, therefore the District recommends the three-year term.

The increase of 21% represents approximately 10% in premium increase and 10% in exposure increase including the growth in count and value of the District Fleet and an increase of approximately 12% in staff. The District does include workers compensation insurance as a reimbursable expense under the NV Energy and Nevada Department of Forestry (NDF). Vehicle and equipment usage is also charged to the NV Energy and NDF programs. The usage fees are developed to cover costs for depreciation, fuel, and insurance. Currently the charges for equipment usage are offset against the purchase price of the vehicle/equipment reimbursed by NV Energy, once the usage costs exceed the cost of the vehicles and equipment, the district will collect charges for service fees when using vehicles and equipment to support the NV Energy and NDF programs.

Founded as Volunteer Firemen's Insurance Service in 1969, VFIS is a leading insurer of more than 12,000 fire and emergency service organizations in the United States and Canada. VFIS provides insurance, education, and training to more emergency services organizations in North America than any other provider. VFIS is a member of Glatfelter Program Managers, one of the largest insurance program managers in the United States. VFIS coverage is provided through American Alternative Insurance Corporation, which is rated A+ (Superior), XV by A.M. Best.

Travelers Bond & Specialty is a division of Travelers Bond & Specialty, which offers a wide variety of insurance and surety products, as well as risk management services to numerous types of businesses, organizations, and individuals. Travelers Casualty and Surety Company of America, the primary underwriting company for Travelers Bond, is rated "A+" (Superior), XV by A.M. Best for financial strength and claims paying ability.

AIG Specialty is an underwriting carrier for cyber liability insurance to address the financial costs associated with a breach, as well as first party costs including event management, data restoration, financial costs to third parties, network interruption, and cyber extortion. AIG Specialty is rated "A" (Excellent), XV by A.M. best.

7710 Insurance provides specialized Workers' Compensation for first responder organizations throughout the United States. 7710 provides loss control, claims management and health and fitness program consultation to help prevent and mitigate risk for its insured organizations. 7710 Insurance Company is rated A (Excellent), VII by A.M. Best.

FISCAL IMPACT

The cost for the recommend insurance renewal policies is \$1,407,085. This is within the District's FY21/22 budget for general and workers compensation insurance.

RECOMMENDATION

It is recommended that the Board of Fire Commissioners approve the Property and Liability Insurance and Workers' Compensation Insurance Proposal for the Truckee Meadows Fire Protection District for one year beginning July 1, 2021 for a total annual premium not to exceed \$1,407,085 and authorize purchase of insurance based upon the Proposal. The Proposal includes Property, Casualty and Excess Liability Insurance to be provided by VFIS/American Alternative and will include Crime/Employee Theft Insurance through Travelers Bond & Specialty, Network Security/Privacy (AIG Specialty), and Workers' Compensation through 7710 Insurance Company. The Proposal also includes a three-year term for Environmental Liability and Assault Expense and Threat Response to be provided by Great American E&S.

POSSIBLE MOTION

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

"I move to approve the Property and Liability Insurance and Workers' Compensation Insurance Proposal for the Truckee Meadows Fire Protection District for one year beginning July 1, 2021 for a total annual premium not to exceed \$1,407,085 and authorize purchase of insurance based upon the Proposal. The Proposal includes Property, Casualty and Excess Liability Insurance to be provided by VFIS/American Alternative and will include Crime/Employee Theft Insurance through Travelers Bond & Specialty, Network Security/Privacy (AIG Specialty), and Workers' Compensation through 7710 Insurance/Benchmark Insurance Company. The Proposal also includes a three-year term for Environmental Liability and Assault Expense and Threat Response to be provided by Great American E&S."