



## City Council Report

**Date:** November 3, 2025  
**To:** City Council  
**Through:** Scott J. Butler, City Manager  
Teri Overbey-Brown, Human Resources Director  
**From:** Nitra Hawkins, Safety Administrator

**SUBJECT:** FY 25/26 Excess Workers' Compensation Insurance and Self-Insurance Surety Bond Purchase

### PURPOSE AND RECOMMENDATION

The purpose of this report is to seek approval for the purchase of excess workers' compensation insurance coverage (renewing December 1, 2025) and a workers' compensation self-insurance surety bond (renewing January 1, 2026).

This year's recommended excess insurance and surety bond purchases are:

- Excess Workers' Compensation Insurance Policy – Premium Amount: \$750,000
- Surety Bond – Bond Rate: \$12.00 per every \$1,000 of unpaid losses/liabilities.

### DISCUSSION – EXCESS WORKERS' COMPENSATION INSURANCE

As a self-insured municipality, the City of Mesa is required by Arizona Administrative Code R20-5-1109 to purchase excess workers' compensation insurance. This coverage protects the City against excessive financial loss when an employee suffers a catastrophic work-related injury or illness.

The City currently maintains a self-insured retention (SIR) of \$1.25 million per accident/injury/illness and \$2 million per statutory presumptive illness. For each compensable workers' compensation claim, the City is responsible for payments up to these SIR limits. The excess workers' compensation insurance carrier reimburses the City for claim costs exceeding \$1.25 million (or \$2 million for statutory presumptive illnesses).

The below table highlights the City's excess insurance premium history.

| <b>EXCESS WORKERS' COMPENSATION INSURANCE: 2012 – 2023</b> |                                     |                |
|------------------------------------------------------------|-------------------------------------|----------------|
| <b>Coverage Period</b>                                     | <b>Self-Insured Retention (SIR)</b> | <b>Premium</b> |
| FY 14/15                                                   | \$1,000,000                         | \$314,582      |
| FY 15/16                                                   | \$1,000,000                         | \$320,386      |
| FY 16/17                                                   | \$1,000,000                         | \$320,375      |
| FY 17/18                                                   | \$1,000,000                         | \$321,218      |
| FY 18/19                                                   | \$1,000,000                         | \$311,609      |
| FY 19/20                                                   | \$1,000,000                         | \$311,609      |
| FY 20/21                                                   | \$1,250,000<br>\$2,000,000          | \$388,981      |
| FY 21/22                                                   | \$1,250,000<br>\$2,000,000          | \$439,650      |
| FY 22/23                                                   | \$1,250,000<br>\$2,000,000          | \$528,017      |
| FY 23/24                                                   | \$1,250,000<br>\$2,000,000          | \$543,644      |
| FY 24/25                                                   | \$1,250,000<br>\$2,000,000          | \$624,633      |

## **RENEWAL OPTION**

The City's insurance broker, Arthur J. Gallagher & Co., solicited competitive quotes from multiple insurance carriers for excess workers' compensation coverage. After evaluating current market conditions and the City's claims loss experience, the broker recommends maintaining the self-insured retention of \$1.25 million per accident/injury/illness and \$2 million for statutory presumptive illnesses. This will result in an annual premium of \$750,000.

### **Recommendation:**

Purchase the Workers' Compensation Excess Insurance Policy for \$750,000.

- SIR \$1.25/\$2 million per Accident/Injury/Illness.

## **WORKERS' COMPENSATION SELF – INSURANCE SURETY BOND**

To retain self-insurance authority, the City of Mesa must provide a security deposit to the Industrial Commission of Arizona equal to the total unpaid losses of all open compensable workers' compensation claims. The City currently satisfies this requirement through the purchase of a surety bond.

The surety bond serves as a financial guarantee that the City will meet its fiduciary obligations for current and future workers' compensation costs as a self-insured municipality. The City's insurance broker has secured a bond rate of \$12.00 per \$1,000 of total unpaid losses and liabilities.

### **Recommendation:**

- Purchase the Workers' Compensation Self-Insurance Surety Bond for the bond rate of \$12.00 per every \$1,000 of unpaid losses and liabilities.

The 2026 surety bond premium will be based on the total unpaid losses/liabilities of open compensable workers' compensation claims calculated on the Workers' Compensation Liability form to be filed with the Industrial Commission of Arizona on December 01, 2025. For comparison, the City's total unpaid losses/ liabilities for January 01, 2025 were \$26,459,248 which cost the City \$145,526 to purchase a self-insurance surety bond.

## **FISCAL IMPACT OF INSURANCE/BOND PURCHASED**

### Excess Workers' Compensation Insurance / Self-Insurance Surety Bond

With City Council's approval of staff's recommendations, the total fiscal impact for FY 25/26 includes:

#### **1) Excess Workers' Compensation Insurance**

- Premium Amount: \$750,000

#### **2) Self-Insurance Surety Bond**

- Premium Rate: \$12.00 per \$1,000 of unpaid losses and liabilities
- Based on: Workers' Compensation Liability form to be filed with the Industrial Commission of Arizona.
- Filing date: **December 01, 2025**