



Date: June 20, 2022

To: Mayor and City Council

Through: James Smith, City Attorney

From: Jason Reed, Deputy City Attorney  
Lisa Lorts, Risk Management Claims Analyst

Re: Resolution for the Purchase of Insurance

---

The City seeks a Resolution that authorizes the City Manager and City Attorney jointly, through the City's national insurance broker and with Funds from the PPL Trust Fund, to obtain and enter into new insurance agreements.

This is similar to a resolution previously adopted by Council to facilitate the purchase of insurance. The adoption of this resolution is recommended by the Self-Insurance Trust Fund Board.

### **History and Recommendation.**

The insurance market for municipalities has been very challenging the last couple of years. As a result, municipalities, including the City of Mesa, have seen a significant increase in its insurance premiums.

Various factors are contributing to these increased premiums, and the City anticipates that these factors will continue to affect the municipality insurance market for the foreseeable future.

For example, several carriers that previously provided municipal insurance have withdrawn from the market due to national factors like the increasing number of lawsuits, the increasing cost of litigation, and rising settlement costs. With fewer competitors in the market, the remaining carriers have raised premiums for the available insurance capacity.

Other factors affecting the insurance carriers and contributing to the lack of capacity include inflationary pressures, natural disasters (floods, winter storms, fires) where carries have made a significant payout, and challenges within the reinsurance market.

These challenges have led to premium increases for municipalities, including the City of Mesa.

For next year's renewal, the City intends to explore various options to manage the cost of the City's insurance. Options may include reducing the total insurance coverage, modifying coverage amounts, and modifying the City's deductibles and SIR.

Due to market conditions (fewer carriers, reduced capacity in the insurance market, increased premiums, decisions have to be made on short notice), however, the City needs flexibility in its ability to purchase insurance and/or adjust coverage amounts.

In 2020, the City Council provided that flexibility by adopting a resolution that permitted the City Manager to purchase insurance in 2020 and 2021 without the City Council's pre-approval. Without the flexibility provided by the Council's 2020 resolution, the City would not have been able to procure the full amount of excess liability coverage.

In order to continue to provide the City with flexibility, the City proposes that the City Council pass and adopt the attached resolution. Similar to the City's 2020 resolution, the attached resolution permits the City Manager and the City Attorney to jointly purchase insurance through the City's national insurance broker for the City for the next five years. The City Attorney will then provide updates to Council regarding the amount and cost of insurance that the City purchased.

On February 28, 2022, the Self-Insurance Trust Fund Board voted to recommend to Council that the proposed resolution be adopted to facilitate the City's purchase of insurance.

By adopting and passing the proposed resolution, the City anticipates that it will be in a better position to navigate market conditions, to negotiate favorable terms, and to manage the cost of the City's insurance by, among other things, potentially purchasing a lower amount of excess liability insurance, changing carriers, and/or adjusting the City's SIR.