



**EAST BAY REGIONAL PARK DISTRICT
FINANCE COMMITTEE
AGENDA STAFF REPORT**

DATE	May 22, 2024
TITLE	Recommendation to Authorize Renewal of the East Bay Regional Park District's Insurance Program
DIVISION	Human Resources
FROM	Alma Balmes, Risk Manager Allyson Cook, AGM Human Resources
APPROVED	Sabrina Landreth, General Manager

RECOMMENDATION

Staff requests that the Board Finance Committee review the 2024/2025 insurance program staff report and recommend to the full Board of Directors renewal of the Park District's insurance program in an amount not to exceed \$6,044,100 including authorization of payment to the California Department of Industrial Relations for workers' compensation self-insured assessment costs in an amount not to exceed \$275,000.

BACKGROUND

The Park District purchases excess insurance coverage through Public Risk Innovation, Solutions, and Management (or PRISM), a member-directed risk sharing pool of counties, cities, special districts, and other public entities. Volume discounts and a wide variety of services provided to members are benefits of belonging to a large risk sharing pool.

ANALYSIS

The Park District continues to maintain favorable claims history and manages nearly all claims within our self-insured retention limits. Despite an overall increase in both frequency and severity of claims of public agencies that participate in the General Liability I (GLI) Program due to high jury awards and other socioeconomic factors, the Park District anticipates a twenty-four percent (24%) increase in premium costs this upcoming policy period in 2024/25, which is eleven percent (11%) lower than the prior year increase. This continues the year-over-year downward trend (35% at this time last year for 2023/24 GLI premium costs and an anticipated 55% increase at this time two years ago for the 2022/23 policy period).

Although profitability has grown for the first time in seven years for most carriers insuring PRISM layers of the Property Program, premium estimates factored in about \$70 million in collective public agency losses related to the January 2023 storms. Although some storm losses have settled, more significant damages require longer term capital project planning and will take several years to resolve. The Park District estimates an overall thirty percent (30%) increase for the property program compared to the prior year. Additions to the 2024/2025 property schedule include several pedestrian-vehicle bridges at Sibley Pinehurst; the north and south docks at Contra Loma; observation decks, restrooms and the new entry kiosk at Coyote Hills; the Del Valle West shore restroom; and the Sunol Pleasanton Ridge Tyler Ranch Staging Area restroom.

Excess workers' compensation premium costs have increased at roughly the same rate compared to the prior year at thirty percent (30%). Although frequency of incidents has been managed by implementing loss prevention and control measures, like emphasizing safety training for employees, the severity of claims continues to trend upward in consideration of future medical costs which can be difficult to accurately project for more serious injuries.

For 2024/2025, crime coverage will continue to be provided by the Alliant Crime Insurance Program (ACIP) and Western Surety Company will issue the bond as required for a lease agreement with the City and County of San Francisco. The aviation policy with STARR Companies will offer a total policy coverage limit of \$50 million for the two Park District Police Department helicopters in service, as well as a drone endorsement. The new leased hangar space for the Police Department Air Support Unit will be covered by premises liability under the existing aircraft policy.

The Park District's cyber liability premium is estimated to increase just over \$15,000 or thirty-three percent (33%), which is about half the rate of increase over the prior year. Public agencies in general can be overwhelmed by cyber incident claims and costs associated with ransomware attacks, compromised system rebuilding, and business interruption; the Park District continues to make significant efforts to further strengthen systems in order to protect assets and information.

FISCAL IMPACT

To keep pace with baseline insurance market costs, the projection of costs used a comparison of estimates to actual premiums and increased the 2024 base budget in anticipation of a continued "hard" insurance market, where premiums are increasing and coverage is shrinking. The 2024/2025 insurance program costs have a high-end estimate of a \$1.6 million overall increase, or twenty-six percent (26%). This is a five percent (5%) improvement compared to last year's premium increase estimates. The table below shows the actual rates for the current year and the not-to-exceed 2024/2025 insurance cost estimates. Actuals typically come in lower than projected and premiums should be supported by the existing Risk budget. The Risk Department is monitoring the budget closely and depending on final premium costs to be released late June and early July, may return to the full Board for a mid-year budget adjustment to appropriate Risk reserves.

INSURANCE PROGRAM	ACTUAL 7/1/23 – 6/30/24	ESTIMATED* 7/1/24 – 6/30/25	CHANGE AMT 24/25 – 23/24	% CHANGE 24/25 – 23/24
General Liability	\$1,932,919	\$2,551,000	\$618,081	24.2%
Property	\$1,478,806	\$2,110,000	\$631,194	29.9%
Workers' Compensation	\$651,054	\$932,000	\$280,946	30.1%
WC Self-Insured Assessment	\$266,968	\$275,000	\$8,032	2.9%
Aircraft	\$102,026	\$117,300	\$15,274	13.0%
Crime	\$9,000	\$9,000	\$0	0.0%
Watercraft	\$2,071	\$2,300	\$229	10.0%
Cyber Liability	\$30,988	\$46,500	\$15,512	33.4%
Bond	\$1,000	\$1,000	\$0	0.0%
TOTAL	\$4,474,832	\$6,044,100	\$1,569,268	26.0%

**Estimated not-to-exceed amounts. The Park District budgets on a calendar year, while insurance policy periods run concurrently with the traditional public agency fiscal year. Cost analysis is based on budget and actuals that consider both.*

At this time, the Risk Department has determined that excess insurance secured through PRISM and participating in a large risk sharing pool as a direct member with other public agencies provides the greatest protection for the Park District. The Risk Department will continue exploring other self-insured models and risk sharing pools as the insurance market continues to evolve.

Workers' Compensation Self-Insured Assessment:

In addition to workers' compensation excess insurance premiums, the State Department of Industrial Relations assesses employers for the costs of the administration of the workers' compensation, health, and safety and labor standards enforcement programs. The Risk Department is seeking a recommendation to authorize making this payment in a not-to-exceed amount of \$275,000.

Workers Compensation Fund proposed encumbrances are at the not-to-exceed premium estimates below:

WORKERS' COMPENSATION – FUND 552	
Workers' Compensation (552-2055-000-6801)	\$ 932,000
WC Self-Insured Assessment (552-2055-000-6931)	\$ 275,000
Total Encumbrance	\$ 1,207,000

General Liability Fund proposed encumbrances are at the not-to-exceed premium estimates below (555-2055-000-6801):

GENERAL LIABILITY – FUND 555	
General Liability	\$ 2,551,000
Property	\$ 2,110,000
Aircraft	\$ 117,300
Crime	\$ 9,000
Watercraft	\$ 2,300
Cyber Liability	\$ 46,500
Bond	\$ 1,000
Total Encumbrance	\$ 4,837,100

NO ATTACHMENTS