



**City of Santa Ana**  
**20 Civic Center Plaza, Santa Ana, CA 92701**  
**Staff Report**  
**June 15, 2021**

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**TOPIC:** ICRMA JPA Renewal / Broker Agreement / Associated Premiums

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**AGENDA TITLE:**

Approve Renewal of Joint Powers Authority Agreement between the City of Santa Ana and Independent Cities Risk Management Authority (ICRMA) and Approve Associated Insurance Premiums and Corresponding Agreement for an Amount not to Exceed \$8,000,000 and Approve Appropriation Adjustment of \$1,500,000 (Non-General Fund)

**RECOMMENDED ACTION**

1. Authorize the City Manager to approve the agreement between the City of Santa Ana and Arthur J. Gallagher, broker of record, from July 1, 2021 to June 30, 2022 for insurance brokerage services, subject to non-substantive changes approved by the City Manager and City Attorney.
  
2. Authorize the City Manager to approve payment of insurance premiums to Independent Cities Risk Management Authority (ICRMA) for excess liability and workers' compensation for protection of City's assets.
  - a. Approve the City's continued participation in ICRMA's Excess Liability Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$3,936,181.
  - b. Approve the City's continued participation in ICRMA's Excess Workers' Compensation Program from July 1, 2021 to June 30, 2022, at estimated premium, fees, and taxes not to exceed \$362,219.
  - c. Approve the City's continued participation in the ICRMA's Auto Physical Damage Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$119,215.
  - d. Approve the City's continued participation in the ICRMA's Property and Equipment Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$484,653.

- e. Approve the City's continued participation in ICRMA's Crime Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$15,456.
  - f. Approve the City's continued participation in ICRMA's Cyber Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$70,314.
3. Authorize the City Manager to approve payment of insurance premiums to Arthur J. Gallagher, Broker, for coverages of City's assets.
  - a. Approve the City's General Liability Buffer Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$962,000;
  - b. Approve the City's Workers' Compensation Buffer Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$240,118;
  - c. Approve the City's Earth Movement & Flood and Difference in Coverage Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$985,856;
  - d. Approve the City's Terrorism Insurance Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$12,330; and
  - e. Approve the City's Underground Storage Tank Program from July 1, 2021 to June 30, 2022 at estimated premium, fees, and taxes not to exceed \$10,157.
4. Approve the City's obligation to pay the State of California Department of Industrial Relations (DIR) fee for the Workers' Compensation Program from July 1, 2021 to June 30, 2022, at an estimated assessment not to exceed \$365,000.
5. Authorize an appropriations adjustment to add an amount not to exceed \$1,500,000 to account 08009051-64010 Insurance Payment for increased expenditures to insurance premiums above the currently proposed budget.

## **DISCUSSION**

Staff is recommending renewal with Independent Cities Risk Management Authority (ICRMA), a joint powers authority formed in 1980 in accordance with California Government Code Section 6500. ICRMA's purpose is to provide: i) excess and re-insurance to protect members from extensive financial debt due to large claims, settlements and judgments, ii) group insurance purchasing power that can offer broader coverage at a lower cost, iii) rate stability, and iv) protect individual member cities through pooling of losses, and self-insurance. ICRMA also offers to its' members actuarial

services, safety trainings, claim audits, and policy reviews. Currently comprised of 16 California cities (Adelanto, Bell, Downey, El Monte, El Segundo, Fullerton, Glendora, Hawthorne Hermosa Beach, Huntington Park, Inglewood, Lynwood, Monterey Park, San Fernando, and South Gate), Santa Ana joined ICRMA in July 2019.

In this renewal period, the City’s premiums experienced an overall increase of 69% for Liability and Property lines of coverage. The City’s Workers’ Compensation coverage experienced a 4% increase overall. The significant program increases occurred in coverages for liability and cyber. These were primarily due to an insurance market with very few excess carriers willing to quote municipal government entities and a continuing rise in jury awards and settlement amounts and increasing cyber-attacks trending upward not only in California cities but nation-wide.

**ICRMA Pool and Ancillary Policies Premiums - Fiscal Year Comparisons**

WORKERS' COMPENSATION COVERAGES	QUOTED PREMIUMS		
	FY 2019/20	FY 2020/21	FY 2021/22
Excess Pool Workers' Compensation Program	\$ 456,447	\$ 386,000	\$ 362,219
Excess Workers' Compensation Buffer	\$ 155,433	\$ 194,000	\$ 240,118
<b>Total</b>	<b>\$ 611,880</b>	<b>\$ 580,000</b>	<b>\$ 602,337</b>
		<b>-5%</b>	<b>4%</b>
LIABILITY AND PROPERTY COVERAGES			
Excess Pool Liability Program	\$ 1,579,693	\$ 1,680,000	\$ 3,936,181
Auto Physical Damage Program	\$ 70,550	\$ 79,000	\$ 119,215
Property & Equipment Program	\$ 356,514	\$ 455,000	\$ 484,653
Crime Program	\$ 10,845	\$ 12,000	\$ 15,456
Cyber Program	\$ 21,611	\$ 31,000	\$ 70,314
Excess Liability Buffer	\$ 713,112	\$ 786,000	\$ 962,000
DIC Earth Movement & Flood	\$ 289,368	\$ 844,000	\$ 985,856
Terrorism	\$ 10,965	\$ 13,000	\$ 12,330
Underground Storage Tanks-Environmental	\$ 7,282	\$ 8,000	\$ 10,157
<b>Total</b>	<b>\$ 3,059,940</b>	<b>\$ 3,908,000</b>	<b>\$ 6,596,162</b>
		<b>28%</b>	<b>69%</b>

The City is permissibly self-insured for workers’ compensation through the State of California Department of Industrial Relations (DIR). For FY 2021-22, staff is requesting that the City Council approve the City’s obligation to pay the State of California DIR

estimated assessment in the amount not to exceed \$365,000 for the period of July 1, 2021 to June 30, 2022.

**ENVIRONMENTAL IMPACT**

There is no environmental impact associated with this action.

**FISCAL IMPACT**

Funds budgeted in the proposed FY 2021-22 Liability & Property Insurance account, No. 08009051-64010 are \$5,121,670. An appropriation adjustment not to exceed \$1,500,000 is requested to facilitate payment of estimated premiums and administrative costs.

Funds for payment of estimated Workers' Compensation and DIR premiums and associated administrative costs are currently included in the proposed FY 2021-22 Workers' Compensation Fund, account No. 08209054-64010.

**EXHIBIT(S)**

1. Agreement For Consultant Services Between City Of Santa Ana And Arthur J. Gallagher Insurance Brokers Of California, Inc. For Insurance Broker Services, Client Service Agreement

Submitted By: Jason R. Motsick, Executive Director - Human Resources

Approved By: Kristine Ridge, City Manager

**AGREEMENT FOR CONSULTANT SERVICES BETWEEN  
CITY OF SANTA ANA AND ARTUR J. GALLAGHER  
INSURANCE BROKERS OF CALIFORNIA, INC.**

**INSURANCE BROKER SERVICES**

**THIS AGREEMENT** is made and effective as of July 1, 2021, between the City of Santa Ana, a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California (hereinafter referred to as "City"), and Arthur J. Gallagher & Co. Insurance Brokers of California, Inc. a Corporation (hereinafter referred to as "Consultant"). In consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

**1. TERM**

This Agreement shall commence on July 1, 2021, and shall remain and continue in effect until tasks described herein are completed, but in no event later than June 30, 2022, unless sooner terminated pursuant to the provisions of this Agreement.

**2. SERVICES**

Consultant shall perform insurance brokerage services for the placement of the City of Santa Ana's insurance programs as outlined in Exhibit A.

**3. PERFORMANCE**

Consultant shall at all times faithfully, competently and to the best of his or her ability, experience, and talent, perform all tasks described herein. Consultant shall employ, at a minimum, generally accepted standards and practices utilized by persons engaged in providing similar services as are required of Consultant hereunder in meeting its obligations under this Agreement.

**4. PAYMENT**

a. The City agrees to pay Consultant for insurance premiums invoiced for insurance placements.

b. Consultant will submit invoices for insurance premiums. Invoices shall be submitted once insurance coverage is bound. Payment shall be made within thirty (30) days of receipt of each invoice as to all non-disputed fees. If the City disputes any of Consultant's fees, it shall give written notice to Consultant within thirty (30) days of receipt of an invoice of any disputed fees set forth on the invoice.

**5. LEGAL RESPONSIBILITIES**

The Consultant shall keep itself informed of all local, State and Federal ordinances, laws and regulations which in any manner affect those employed by it or in any way affect the performance of its service pursuant to this Agreement. The Consultant shall at all times observe and comply with all such ordinances, laws and regulations. The City, and its officers

and employees, shall not be liable at law or in equity occasioned by failure of the Consultant to comply with this section.

## **6. RELEASE OF INFORMATION**

a. All information gained by Consultant in performance of this Agreement shall be considered confidential and shall not be released by Consultant without City's prior written authorization. Consultant, its officers, employees, agents or subcontractors, shall not without written authorization from Risk Management Department or unless requested by the City Attorney, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories or other information concerning the work performed under this Agreement or relating to any project or property located within the City. Response to a subpoena or court order shall not be considered "voluntary" provided Consultant gives City notice of such court order or subpoena.

b. Consultant shall promptly notify City should Consultant, its officers, employees, agents or subcontractors be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions or other discovery request, court order or subpoena from any party regarding this Agreement and the work performed there under or with respect to any project or property located within the City. City retains the right, but has no obligation, to represent Consultant and/or be present at any deposition, hearing or similar proceeding. Consultant agrees to cooperate fully with City and to provide City with the opportunity to review any response to discovery requests provided by Consultant. However, City's right to review any such response does not imply or mean the right by City to control, direct, or rewrite said response.

## **7. NOTICES**

Any notices which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, that provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by Notice. Notice shall be effective upon delivery to the addresses specified below or on the third business day following deposit with the document delivery service or United States Mail as provided above.

City: City of Santa Ana  
Attn: Clerk of Council  
20 Civic Center Plaza, M-30  
P.O. Box 1988  
Santa Ana, CA 92701

With courtesy copies to: Risk Manager  
City of Santa Ana  
20 Civic Center Plaza, M-28  
P.O. Box 1988  
Santa Ana, CA 92701

City Attorney  
City of Santa Ana  
20 Civic Center Plaza, M-29  
P.O. Box 1988  
Santa Ana, CA 92701

To Consultant: Arthur J. Gallagher & Co., Insurance Brokers of California., Inc.  
Susan J. Blankenburg  
San Francisco, CA 94111  
415-536-8417  
Susan\_Blankenburg@ajg.com

**8. ASSIGNMENT**

The Consultant shall not assign the performance of this Agreement, nor any part thereof, nor any monies due hereunder, without prior written consent of the City. Upon termination of this Agreement, Consultant's sole compensation shall be payment for actual services performed up to, and including, the date of termination or as may be otherwise agreed to in writing between the City Council and the Consultant.

**9. LICENSES**

At all times during the term of this Agreement, Consultant shall have in full force and effect, all licenses required of it by law for the performance of the services described in this Agreement.

**10. GOVERNING LAW**

The City and Consultant understand and agree that the laws of the State of California shall govern the rights, obligations, duties and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement. Any litigation concerning this Agreement shall take place in the municipal, superior, or federal district court with geographic jurisdiction over the City of Santa Ana. In the event such litigation is filed by one party against the other to enforce its rights under this Agreement, the prevailing party, as determined by the Court's judgment, shall be entitled to reasonable attorney fees and litigation expenses for the relief granted.

**11. ENTIRE AGREEMENT**

This Agreement contains the entire understanding between the parties relating to the obligations of the parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged into this Agreement and shall be of no further force or effect. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

**12. AUTHORITY TO EXECUTE THIS AGREEMENT**

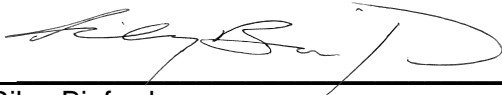
The person or persons executing this Agreement on behalf of Consultant warrants and represents that he or she has the authority to execute this Agreement on behalf of the Consultant and has the authority to bind Consultant to the performance of its obligations hereunder. The City Manager is authorized to enter into an amendment on behalf of the City to make the following non-substantive modifications to the agreement: (a) name changes; (b) extension of time not to exceed one year; (c) non-monetary changes in scope of work; (d) agreement termination.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed the day and year first above written.

CITY OF SANTA ANA


Arthur J. Gallagher & Co.

By: \_\_\_\_\_  
Kristine Ridge  
City Manager

By: \_\_\_\_\_  
  
Riley Binford  
Area President

ATTEST:

By: \_\_\_\_\_  
Daisy Gomez  
Clerk of the Council

By: \_\_\_\_\_  
  
Riley Binford  
Area President

APPROVED AS TO FORM:  
SONIA R. CARVALHO  
City Attorney

By: \_\_\_\_\_  
  
Ryan O. Hodge  
Assistant City Attorney

RECOMMENDED FOR APPROVAL

\_\_\_\_\_  
Jason Motsick  
Executive Director  
Human Resources Department

CONSULTANT

\_\_\_\_\_  
Susan J. Blankenburg  
\_\_\_\_\_  
1255 Battery Street, Suite 450  
\_\_\_\_\_  
San Francisco, CA 94111  
\_\_\_\_\_  
(415) 536-8417  
\_\_\_\_\_  
Susan.Blankenburg@ajg.com

\_\_\_\_\_  
PM Initials:  
Date:



## EXHIBIT A

- The following outlines services provided by Gallagher over the term of this Agreement:
- Use its best efforts to secure the following lines of insurance coverage on Client's behalf: Property, Excess Liability, Fidelity/Crime, Foreign Package, Employment Practices Liability and Underground Storage Tank.
- Consult with the **City of Santa Ana** to formulate a marketing strategy that focuses on delivering a cost-effective risk management strategy and structure based upon current market conditions.
- Work with the **City of Santa Ana** to produce comprehensive underwriting data and criteria for insurance carrier negotiations.
- Formally present coverage submissions to agreed upon insurance carrier(s) and negotiate terms on behalf of the **City of Santa Ana**.
- Summarize the results of executing the marketing strategy developed with the **City of Santa Ana** and communicate program recommendations.
- Provide consultation to the **City of Santa Ana** on exposures, existing coverage, and the desirability and/or feasibility of potential program changes when recommended by Gallagher or when requested by the Client.
- Request change endorsements, when requested by the Client or when otherwise necessary, ensuring accuracy and delivery in a timely manner.
- Administration of insurance program, including policy review and issuance, invoicing, coordination and/or issuance of required documentation, i.e., automobile identification cards, certificates of insurance, and other program administration, as required by the Client.
- Review accounting and billing data received from insurance markets on Client's behalf to ensure accuracy.