

MEMORANDUM



TO: VICTOR CARDENAS, CITY MANAGER
FROM: CARL JOHNSON, FINANCE DIRECTOR
SUBJECT: GENERAL LIABILITY INSURANCE UPDATE
DATE: MAY 23, 2024

In 2022 the contract the City had with its City's General Liability and Property Insurance broker and provider/carrier, Tokio Marine, expired. In April of 2022, the City submitted a Request for Proposals (RFP) for General and Property Insurance. At that time, the City received only three proposals: (1) Kapnick Insurance Group was the only firm to provide a full and complete proposal with an insurance carrier, (2) Gallagher proposed being the City's insurance broker, but stated they did not have enough information to provide a proposal with an insurance carrier, and (3), Nickel & Saph, declined to cover due to a lack of information. The City learned that the former broker had not been maintaining the proper records on behalf of the City, which is essential information needed by other insurance companies to provide a quote for coverage. Without these records, the other insurance brokers felt they did not have a good representation of the City's coverage needs.

On June 20, 2022, the Consultant Review Committee recommended to council to appoint Kapnick as the City's authorized broker for property and liability insurance coverage for 2022-2023 fiscal year. Kapnick worked with Tokio Marine to continue coverage for the next year. Similar to other insurance brokers, the City does not pay a fee directly to the broker, they are compensated through commissions on each policy and are evaluated by the City on the overall cost of the insurance.

During January 2023, the City worked with Kapnick to establish the proper documentation to shop the City's general liability coverage to various insurance companies. During fiscal year 2023-2024, Kapnick was unable to locate a provider who would provide coverage for the City, other than Tokio Marine. The City renewed with Tokio Marine for the fiscal year 2023-2024.

In December 2023, the City met with Kapnick to discuss the upcoming fiscal year 2024-2025 insurance coverage. Kapnick stated they felt the City was in a good position to shop the City's coverage, again, to various providers and felt several would be interested. Kapnick and the City now have the proper documentation in place and will be meeting with the City at the end of May 2024 to review the proposals they receive. City staff have been satisfied with the services provided by Kapnick and recommend the City maintain them as the City's insurance broker for Fiscal Years 2024-2025 and 2025-2026. An RFP for insurance brokerage services will be prepared for the Fiscal Year 2026-2027. The purchasing policy states professional services (such as attorneys, engineers, consultants, accountants, and

other similar professions) may be appointed by the City Council upon the recommendation of the City Manager.

The Finance Department expects to present the Fiscal Year 2024-2025 insurance provider quote at the June 3rd council meeting.