



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Personnel

Subject: Authorize Personnel Department - Risk Management Division to purchase 2025-2026 Insurance Policies

Meeting Date: June 24, 2025

Formal Title: Authorize the Personnel Department Risk Management Division to purchase insurance policies as allocated in the 2025-2026 Liability & Property and Workers' Compensation Budgets, and take related actions

Recommended Actions

Authorize the Personnel Department - Risk Management Division to purchase the insurance policies as listed below and allocated in the 2025-26 Liability & Property budget (GL 515200), Workers' Compensation budget (GL 515300) and various other Risk Management budgets.

Executive Summary

This letter presents recommendations for the annual renewal of the County of Santa Cruz insurance policies which require approval by the Board. The proposed policies provide flexibility with the highest limits available at the most competitive premium levels.

Discussion

Every June, the Risk Management Division of the Personnel Department presents the annual renewals of the County's vital insurance policies. The County renews approximately ten insurance policies that protect the County against unanticipated losses, some potentially catastrophic.

The County purchases the majority of its insurance policies from Public Risk Innovation, Solutions, and Management (PRISM). PRISM is a member-directed risk sharing pool of public agencies. Membership includes 95% of California counties, 70% of California cities, and 10% of California education organizations and special districts. Additionally, PRISM provides a wide range of services to the County, including training, risk management tools, post-incident assessments, and stakeholder communications on safety topics, education and claims. The Excess Workers' Compensation, Property, General Liability, Excess Liability, Crime, Pollution Liability, and Cyber Liability insurance policies are purchased through programs arranged by PRISM and brokered by Alliant Insurance Services, Inc. These programs are underwritten by the largest and most financially stable insurer groups in the United States. PRISM's various policies are highly competitive in terms of premium price due to the buying power created by the large risk-sharing pool of its membership. PRISM's size provides more leverage in the insurance market and it allows access to the reinsurance markets, which are not available to individual buyers.

Due to a significant rise in plaintiff demands, high dollar liability claims including large non-economic damages awards, the increasing propensity to sue, California revive statutes, and an aggressive plaintiffs' bar, the liability market continues to harden and will continue to be extremely challenging. The claims environment in California and across the nation is increasingly adverse for public entities.

Furthermore, the property insurance market has been impacted by the increase in the frequency and severity of weather and climate events (wildfires and significant rain events). It is anticipated that the recent wildfire events in Southern California will impact pricing for the excess carriers. Additionally, the County of Santa Cruz recently acquired new properties, and existing properties were appraised at higher values in 2024.

The excess worker's compensation market has its own set of challenges, such as medical inflation, the aging workforce, workplace violence, mental health exposures, and presumption laws. Said factors all contribute to increased claims severity.

Below are the project premium renewal costs for the 2025-26 Fiscal Year (FY). The current policies expire July 1, 2025, except for the Property Insurance policy which expires on March 31, 2026, and the Master Crime policy which expires on June 30, 2025. These recommended policies provide flexibility with the highest limits available at the most competitive premium levels.

General Liability Insurance

The General Liability policy provides coverage for risks that include bodily injury, personal injury, property damage, and public officials' errors and omissions. This policy provides a \$1,000,000 Self Insurance Retention (SIR) with policy limits of \$10,000,000. An SIR is similar to a deductible; it is a specific dollar amount that must be paid before insurance will respond to the loss. Accordingly, the County must pay \$1,000,000 from its funds before PRISM begins to pay for claims. As stated above, large liability claims and numerous other factors have caused premiums for all pool participants to increase. The premium for the 2024-25 policy period was \$3,355,450. The estimated renewal premium for the 2025-26 policy period is \$4,786,000.

Property Insurance

The property insurance premium includes insurance coverage for physical damages to buildings owned and leased by the County, as well as coverage for earthquakes, floods, boiler and machinery, and vehicle insurance replacement. This coverage is pooled with other entities who are predicted to have the same or similar loss event experience as the County of Santa Cruz. This policy has a \$25,000 deductible for most all-risk type losses. The deductible for most vehicles is \$15,000 and \$50,000 for construction equipment. Earthquake and flood deductibles are much higher and depend on the property. Earthquake and flood coverage make up approximately \$3,400,000 of the total premium which is based on a determined rate times the declared value of all the structures identified in the County's schedule of covered properties with earthquake coverage. The actual premium for the 2024-25 policy period was \$3,897,211. The renewal premium for the 2025-26 policy period is estimated at \$4,681,000.

Excess Workers' Compensation Insurance

The Excess Workers' Compensation policy provides industrial injury coverage for employees who are injured on the job. Coverage includes reimbursement for payments above the County's SIR that employers are required to make under California Workers' Compensation law. This includes compensation for loss of earnings at statutory rates, medical benefits, and some allocated expenses. A factor that contributes to the cost of the policy premium is the amount of the County's payroll. Accordingly, as payroll costs

continue to increase due to the agreed upon salary and benefit increases with all representation units, premiums will also increase. The program continues to offset premium increases by settling older and more costly claims. The cost of the 2024-25 policy was \$1,580,807. The renewal premium for the 2025-26 policy period is estimated at \$1,848,000.

Excess Liability Insurance

Excess liability insurance provides an additional layer of insurance coverage for risks that include bodily injury, personal injury, property damage, and public officials' errors and omissions. In the event of exhaustion of the \$10,000,000 general liability coverage mentioned above, this program provides excess limits up to \$25,000,000. The 2024-25 policy premium was \$796,241. The renewal premium for the 2025-26 policy period is estimated at \$1,151,000.

Cyber Liability Insurance

The cyber liability policy provides coverage pertaining to breach response costs, business interruption loss, cyber extortion, data recovery costs, data and network liability, and fraudulent funds transfer. The premium for the 2024-25 policy period was \$54,295. The estimated renewal premium for the 2025-26 policy period is \$70,600.

Medical Malpractice Insurance

This policy provides coverage for alleged negligence arising from health care operations in County clinics, corrections facilities, and in the Sheriff-Coroner's Office for actions of County employees. The deductible is \$25,000 per medical event with a policy limit of \$21,500,000. The County has seen a slight increase in its experience and exposure in the medical malpractice policy program. Furthermore, high dollar value claims have been asserted against the pool members. The cost of the 2024-25 policy was \$752,686. The renewal premium for the 2025-26 policy period is estimated at \$953,000.

Master Crime Program

The crime bond/policy provides coverage for employee theft, forgery, computer fraud, funds transfer fraud, robbery, and destruction of monies and securities. The deductible for coverage is \$2,500 with policy limits of \$20,000,000. The cost of the 2024-25 policy was \$29,977. The renewal premium for the 2025-26 policy period is estimated at \$42,000.

Fine Arts

This policy covers the artwork displayed in various County buildings and outdoor art on various County properties. The cost of the policy from December 31, 2023, to December 31, 2024, was \$11,937. The Risk Management Division selected a new insurance carrier and renewed the policy for the period of December 29, 2024, to July 1, 2025, for \$3,380. We chose to renew the policy for only six months so that the next renewal period would commence at the 2025-26 FY. The renewal premium for the 2025-26 policy period is estimated at \$6,706.

Pollution Liability Insurance

This policy provides coverage for third-party bodily injury, property damage, and off-site cleanup coverage as a result of pollution conditions at, or emanating from, scheduled sites and County operations. The premium for the 2024-25 policy was \$21,621. The renewal premium for the 2025-26 policy period is estimated at \$26,000.

Aircraft Liability Insurance

This policy provides liability coverage for the use of owned and leased aircraft used for County business. The premium for the 2024-25 policy was \$12,166. The renewal premium for the 2025-26 policy period is estimated at \$12,166.

Financial Impact

The total estimated insurance renewal increases of \$3,064,081 are included in the approved Risk Management 2024-2025 budget and the cost of insurances are allocated across County operations.

Strategic Initiatives

Equity Framework - County Facilities & Infrastructure
Operational Plan - Operational Excellence

Submitted By:

Ajita Patel, Personnel Director

Recommended By:

Carlos J. Palacios, County Executive Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.