



# CITY OF SAN MATEO

City Hall  
330 W. 20th Avenue  
San Mateo CA 94403  
[www.cityofsanmateo.org](http://www.cityofsanmateo.org)

## Agenda Report

Agenda Number: 12

Section Name: {{section.name}}

Account Number: 87-2314

File ID: {{item.tracking\_number}}

**TO:** City Council  
**FROM:** Alex Khojikian, City Manager  
**PREPARED BY:** Human Resources Department  
**MEETING DATE:** December 04, 2023

**SUBJECT:**

Excess Workers' Compensation Insurance Policy for Calendar Years 2024 and 2025 – Purchase

**RECOMMENDATION:**

Approve the purchase of excess workers' compensation insurance from Safety National in an amount projected to be \$491,604.00 for the two-year period commencing January 1, 2024, and ending December 31, 2025.

**BACKGROUND:**

The City has been insured for excess workers' compensation coverage with Safety National since 2009. In September of 2023, we requested that our benefits broker, Newfront, issue a bid request for coverage. The market for excess coverage in California is quite limited. Of the carriers contacted during the renewal process last year, only Safety National submitted a quote. Another carrier, Arch Insurance Co., indicated that they might be interested, but the premium they mentioned is significantly higher for the same level of self-insured retention. Municipal Code 3.60.050(c) provides that the City can forgo the competitive bidding process related to the placement of insurance coverage.

Based on the information provided by Newfront, Safety National is now again offering a two-year policy; this type of policy was not offered during the years 2020 through 2023. Our current policy provides workers' compensation liability limits of \$25 million with a \$2 million employer liability limit and a self-insured retention (SIR) of \$1 million for each occurrence. There is a \$500,000 corridor deductible.

There are two options available for renewal:

Option 1: Renew Workers' Compensation Excess Coverage Policy with Safety National for a period of one (1) year. The premium quoted by Safety National for a one-year policy is \$245,802.00, which is an 8.64% increase compared to the premium for the current year (\$226,244.00). Workers' compensation liability limits will remain unchanged.

Option 2: Renew Workers' Compensation Excess Coverage Policy with Safety National for a period of two (2) years. The premium quoted by Safety National for a two-year rate guarantee policy is \$491,604.00 (\$245,802.00 for the first year and \$245,802.00 for the second year), which is an 8.64% increase in the first year of the policy compared to the premium for the current year (\$226,244.00) and remains at the same for the second year of the policy, at \$245,802.00 (0% increase in the premium). Workers' compensation liability limits will remain unchanged compared to the current year policy. This option allows the City to avoid rate increase for the Workers' Compensation Excess Coverage Policy in 2025.

To keep the premium at the same level for the second year of the policy, several conditions must be met, such as:

- Program Commitment Agreement is signed by the Employer and returned to Safety National within 60 days following the effective date of the Current Period.

- No certified “act of terrorism”, as defined under the Terrorism Risk Insurance Act of 2002 or any subsequent acts, amendments, or reauthorizations thereto (“TRIA”), occurs during the Current Period (1/1/2024-1/1/2025).
- No “pandemic” first originates and/or is first declared during the Current Period with “pandemic” defined as a disease prevalent throughout an entire state, country, continent, or world that meets either of the following criteria:
  - (a) Such disease is declared a pandemic by the World Health Organization; or
  - (b) Any branch or agency of the United States Federal Government, or any state covered by the Excess Policy(ies), declares the spread of such disease to be a public health emergency.
- No significant change in allocation of Exposure Basis (basis upon which the policy is rated and may include, but is not limited to, payroll or man hours) among states for the Renewal Period from that in place for the Current Period with “significant” being understood to mean a  $\pm 5\%$  change in Exposure Basis of any state that represents more than 25% of the total policy Exposure Basis written in each preceding Liability Period or a  $\pm 50\%$  change in Exposure Basis in any state that represents less than 25% of the total Exposure Basis for such preceding Liability Period.
  - In other words, to keep the premium for CY 2025 at the same level as it is in 2024, the City’s Exposure Basis for CY 2025 should not change by more than 5% compared to the Exposure Basis for CY 2024.
- No significant change in core business underwriting exposure, with “significant” being understood to mean a  $\pm 15\%$  change in exposure for the Renewal Period over that in place for the Current Period.
- No significant change in underwriting exposure through development of, or acquisition of, non-core business, with “significant” being understood to be a change in exposure that is in excess of 5% for the Renewal Period over that for the Current Period.
- No new, individual incurred loss during the Current Period to exceed 75% of that Excess Policy's applicable SIR/Retention amount with such losses to be valued as of 10/1/2024.
- No development of existing claims having a date of loss prior to the effective date of the Current Period, to exceed 75% of the Excess Policy's applicable SIR/Retention amount with such losses to be valued as of 10/1/2024.
  - The foregoing does not apply to specified claims that have been already taken into consideration for the premium pricing for the 2023 policy.

Our broker, Newfront, is recommending that we utilize Option 2 for renewal due to the savings it provides.

**BUDGET IMPACT:**

The premium quoted by Safety National for 2023 for both options is calculated at a rate of \$0.3706 per \$100 of covered estimated payroll, which results in an expected expenditure of \$245,802.00 for each year, over the next two years. This rate is an 8.64% increase from our 2023 annual premium of \$226,244 at a rate of \$0.3598 per \$100 of covered estimated payroll.

According to our broker, it would be most beneficial for the City to utilize Option 2, as this will allow the City to avoid potential rate increase in the year 2025. There are sufficient funds budgeted in the Workers' Compensation Fund for this expense.

**ENVIRONMENTAL DETERMINATION:**

This agreement is not a project subject to CEQA, because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5).)

**NOTICE PROVIDED**

All meeting noticing requirements were met.

**ATTACHMENTS**

Att 1 - Coverage Summary

**STAFF CONTACT**

Yuliya Shukhat, Senior Risk Management Analyst

[yshukhat@cityofsanmateo.org](mailto:yshukhat@cityofsanmateo.org)

(650) 522-7263