

## **City Council Action Item Cover Sheet**

DATE: July 17, 2019

### **Agenda Item:**

Insurance Coverages

### **Question Before Council:**

Whether to add recommended additional insurance coverages

### **Person/Group Initiating Request:**

City Manager

### **Item Summary/Background:**

I have confirmed that we do not have excess earthquake coverage. Any coverage is included in the City's general liability coverage. There are no additional costs for earthquake coverage.

The City currently purchases the bare minimum insurance coverage. The agent advises that cities of similar size do invest in higher limits placing Yachats below what might be considered average coverage.

The City Manager recommends Council consider all three coverages in the priority order provided in the memo. We have budgetary room this fiscal year for all 3 options since we did not experience the expected increase.

## MEMO

July 11, 2019

To: Shannon Beaucaire  
City of Yachats  
City Manager  
Sent Via E-mail  
[shannon@yachatsmail.org](mailto:shannon@yachatsmail.org)

From: Geoff Sinclair  
Brown & Brown NW Insurance

RE: Insurance renewal recommendations following our meeting

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Thank you very much for meeting with me at City Hall to discuss the 2019 insurance renewal. During that meeting, I brought some recommendations for increasing the insurance coverage currently purchased by the City. These are not requirements, but rather items that we believe are worthy of a discussion and consideration by the City at this time.

Below are three recommendations for the City to consider. I have placed them in the order which I would recommend you consider increasing coverage. For example, the first is what I would consider adding first if you were to make a choice not to implement all three recommendations.

1. Crime Insurance – Inc – Increase from \$50k to \$250k - Additional \$648

The City has a relatively small amount of people that interact with money on a daily/weekly basis. Crime insurance is a coverage that is in place to reimburse the City of expenses and losses associated with embezzlement, failure to perform your duties resulting in a financial loss (faithful performance) and Social Engineering.

Just last week, I was contacted by a small client who found that a manager had been making many personal purchases over the years and in total they will easily break 6 figures. This is unfortunate and more unfortunate is they only had \$50k of coverage. Not only do they stand to lose an additional \$50k+ but they also are in real jeopardy of losing the public's trust.

Another coverage that is a part of Crime insurance is for Social Engineering. This is when an outside person pretends to be someone else and tricks the City



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employee into paying them money. An example if when you as the business manager sends out an email to your finance officer asking them to please pay this contractor, it's overdue and they are going to charge us. They obviously want to help and send that check out sometimes glossing over your protocols because "the boss" said to get it done now! As it turns out, you didn't send that message and the money sent was actually sent to a bank that no longer has the money and the criminal is gone.

The Crime insurance limit that you currently have is low for a City in Oregon and I recommend that all small cities increase this coverage to at least \$250k. While I don't suspect any staff of wrongdoing at the City, I recommend that you increase this coverage as the most important consideration.

## 2. Cyber Liability Insurance – Increase from \$50k to \$250K – Additional \$1,150

Cybercrime and hacking is in the news nearly every day because of it's far reaching impact. Every corner of the globe including Yachats is not immune from its damaging effects.

The City may be small but your risk from cyber-attacks is still significant. Cyber insurance covers losses of Personally Identifiable Information (PII) in both paper and digital media, including W2's, Spearfishing, ransomware etc. It is a robust coverage and losses can get expensive very quickly. An example is if you have a laptop that is lost or stolen and it has some employees or citizens person information on it.

If this takes place, there are state required notification responses that must be done. Usually this is performed by hiring an attorney who then hires a forensic IT expert and an Forensic accountant. They determine what was lost, if something was lost that is PII and who/where they currently live. It matters where they live because what you need to do in order to "notify" them depends on where they reside and not where the data was lost.

The next step is mailing them all a letter stating what happened and to offer them a year of free credit monitoring or whatever the state they live in requires. Next, you would engage the services of a call center to take the responses and process the affected persons needs. You also notify the state and other authorities if it is large enough.

As you can probably imagine, the cost to do this can get very expensive, very quickly. It is for this reason that I recommend that City increase your Cyber insurance second next before considering the last recommendation.



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**3. General Liability Insurance – Increase from \$5Mill to \$10Mill – Additional \$646**

You currently have \$5 Million dollars of General Liability insurance through your current carrier. They have an option to purchase double the amount of insurance for an additional amount of \$646. The Oregon Tort Claims Act does limit the amount a person or company may claim in State court to just about \$1.5 Million dollars.

What the Tort Claims Act does NOT shield you from is Federal lawsuits. Employment claims, discrimination claims, retaliation claims all would be filed in federal court and there are no limitations including what they can win for attorney fees.

If you had police as a risk, I would place this recommendation at number 1 on this list. There are large cases in place right now that will bump up against the limits you currently have that are all jail/police cases.

I still believe the City should consider adding this coverage, but I have placed it third in this list given your risk profile and my experience in dealing with public entities of your size.

Again, I believe that all three of these recommendations are necessary to consider but I am very mindful of your budget and other expenses that may hold a higher priority for the City. Please reach out with any questions or if you would like to discuss any of the very general statements I have made within this memo.

The actual coverage wording, definitions and exclusions are the most important thing to consider whenever purchasing insurance so don't be afraid to ask.