



Insurance Renewals & Changes to General Liability Self-Insured Retention

Finance Department
Risk Management Division

City Council
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Insurance Renewals

Each July 1st the City renews the following insurance policies. This includes new deductibles, new Self-Insured Retention(SIR) levels and new Premiums.

- Property
- General Liability
- Excess Workers Comp
- Excess Earthquake
- Boiler & Machinery
- Aviation Hull & Liability
- Airport Premises



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FY 2016-2017 Insurance Renewal

On June 21, 2016 the City Council approved a preliminary not-to-exceed amount for the FY 2016-2017 insurance renewals.

- Not-to-exceed \$2,243,492
- SIR of \$3 Million for general liability claims
- SIR of \$3 Million for workers comp claims



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New Rates and Increase to SIR

After the June 21st meeting, staff was informed by our insurance provider of the official new rates and SIR levels for the FY 2016-2017 insurance renewals.

- Total premiums increased by 4% compared to the prior year.
- SIR level for general liability increased from \$3 Million to \$3.5 Million



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Presentation to the Finance Committee

On August 10, 2016 staff presented the SIR change to the Finance Committee

- Received feedback
- Instructed to present to City Council for approval.



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Background

The state of the liability insurance markets in the United States is hardening for large, full service public entities, particularly those with urban law enforcement and fire exposures, due to:

- Complexity
- Recent increased sensitivity to public safety incidents nationwide
- Increased accidents
- Increased costs of avoidable incidents



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Analysis of the Liability Insurance Market

Public safety issues have caused a significant restriction in available carriers for larger cities as a number of insurers have decided to leave the city liability arena due to the challenging environment.

As the frequency and severity of claims increase, carriers will employ tactics to mitigate losses and hence their overall exposure including:

- Increased deductible/SIR's
- Increased premiums
- Decreased liability coverage



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Closing Items

Staff held a series of meetings with the City's Insurance provider to:

- Understand the changes in our SIR levels; and
- To discuss future strategies & explore other options for our liability insurance in future years, with a goal of reverting to the \$3 million SIR during the course of this fiscal year or subsequent fiscal years.



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Fiscal Impact

- Increase in the SIR adds a potential \$500,000 per instance liability to the City;
 - Only one claim above the SIR in the last 10 years
- Budget savings of approx. \$500,000 compared to the FY 16-18 Two-Year Adopted Budget;
 - General Fund Savings of approx. \$220,000; savings will be moved from various accounts to General Fund Contingency Account, via budget transfer.



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Thank You



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