



City of Arts & Innovation

Finance Committee

TO: FINANCE COMMITTEE MEMBERS **DATE: AUGUST 10, 2016**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: REPORT ON VARIOUS CITY INSURANCE RENEWALS AND GENERAL LIABILITY SELF INSURANCE RETENTION CHANGES - DIRECT SUBMITTAL

ISSUE:

Receive this report on various City Insurance Renewals, provide feedback and direct staff to the City Council regarding approval in the City's General Liability Self-Insurance Retention changes.

RECOMMENDATIONS:

That the Finance Committee:

1. Receive and file the insurance renewals report;
2. Receive and provide feedback on the self-insurance retention level changes; and
3. Direct staff to report to the City Council for their approval of the change in self-insurance retention levels.

BACKGROUND/LEGISLATIVE HISTORY:

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. The complexity, recent nationwide incidents involving public safety agencies, increase of accidents, liability issues, and the costs of avoidable incidents, has caused a huge financial and perception shift throughout the country's insurance companies.

Each July 1, the City renews a number of its annual insurance policies (property, general liability, etc.) that included new deductibles, new Self-Insurance Retention (SIR) levels and new prices. The City Council approved a preliminary maximum amount for insurance renewals at its June 21, 2016 meeting of \$2,243,492 and at the same time approved the City's Self-Insurance Retention level of \$3M for Liability Claims.

On June 30, 2016 staff was informed of the official new rates for FY 2016-17 from the City's Insurance provider Alliant National Municipal Liability (ANML) with a decrease in our overall total premium of \$209,788 but an increase in our SIR level to \$3.5M. The City's FY 2015-16 total premium was \$1,955,248.24 with a SIR of \$3M.

DISCUSSION:

The ramifications of the previously mentioned public safety issues has shaped an insurance underwriting environment that is not only centered on careful consideration and actuarial analysis but on emotional appeals and “second guessing” on behalf of insurance executives and their investors. These issues have also 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.

It should be noted that due to the aforementioned challenges in the liability insurance market in California, Riverside is not the only city experiencing challenging renewal terms. Below are renewal results for the 2016/2017 term for cities of similar size, with similar exposure to Riverside:

- A large city in Northern California with police services was non-renewed by the Alliant National Municipal Liability (ANML) program this year. As a result, this city has procured alternative insurance placements that have three times the current premium amounts and a significantly increased self-insured retention (SIR) level. The alternative terms include policy aggregates and policy forms that offer far less coverage than the current ANML program.
- A pool of six cities in Southern California have received a 70% increase in premiums and will also be seeing higher SIR's in order to offset the large increase. This group's consolidated losses have increased by more than \$4 million year over year.
- Another city in the Inland Empire is seeing an increase in premiums in addition to an increased SIR by the ANML carrier. This city also has not experienced significant losses and has a similar track record like Riverside's.
- A large city in the LA area saw an increase in their SIR from \$1 Million to \$3 Million with an increase in premium of 40%. An alternative carrier was willing to offer them their previous \$1 Million SIR, policy aggregate and far less coverage than offered by ANML. This alternative obtained resulted in an increase of premium of over 100%.

We have informed the insurance company this change in SIR levels has “surprised” us and we have a series of meetings with them to understand how the company came up with the changes in our SIR levels in light of our liability history and excellent practices and what measures we need to prevent SIR increases in the future. The Risk Management Division also plans on exploring other options for our liability insurance in future years.

The attached Premium Summary and Acceptance Page illustrates the major insurance coverage's we have for FY 16-17.

FISCAL IMPACT:

While there is no specific fiscal impact associated with this report however, there was a reduction in our overall premiums of \$209,788 and an increase in our SIR levels from \$3 Million to \$3.5 Million per occurrence which will likely result in an increase in our liability reserve funds as well.

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availability of funds: Scott G. Miller, Interim Finance Director/Treasurer
Approved by: Marianna Marysheva-Martinez, Assistant City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Premium Summary and Acceptance Page
2. Presentation