



## Insurance Renewals & Changes to General Liability Self Insured Retention

Finance Department

Finance Committee  
August 10, 2016

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## Insurance Renewals

Each July 1<sup>st</sup> 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 amount for the FY 2016-2017 insurance renewals.

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



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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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## New Rates and Increase to SIR

On June 30, 2016 staff was informed by our insurance provider of the official new rates and SIR levels for the FY 2016-2017 insurance renewals.

- Total premiums decreased from \$2,243,492 to \$2,033,703; which resulted in a savings of \$209,789
- SIR level for general liability increased from \$3 Million to \$3.5 Million



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## Analysis of the Liability Insurance Market

Insurance underwriting environment centered on:

- Careful consideration
- Actuarial analysis
- Emotional appeals

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.



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## Other Cities of Similar Size & Exposures

Riverside is not the only city experiencing challenging renewal terms. Other cities of similar size, with similar exposure to Riverside have experienced similar challenges, including:

- Significantly increased premium amounts
- Significantly increased SIR levels
- Policy aggregates & policy forms that offer far less coverage than their current programs



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## Pending Action Items

We have arranged a series of meetings with the City's Insurance provider to:

- Understand how they came up with the changes in our SIR levels; and
- To discuss 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.



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## Recommendations

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That the Finance Committee:

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



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