

Financial Overview of the City's Self-Insurance Trust Funds

Finance Department

Finance Committee
September 25, 2017

RiversideCA.gov

OVERVIEW

Worker's Compensation Fund – Administered by Human Resources

General Liability Fund – Administered by Risk Management (a division of Finance) in conjunction with Carl Warren a Third Party Administrator



2

RiversideCA.gov

INSURANCE COVERAGE AND EXPOSURE

1. General Liability – Policy Limit of \$20,000,000
Self-Insured at \$3,000,000 per occurrence
2. Worker’s Compensation – Policy Limit of \$25,000,000
Self-Insured remained steady at \$3,000,000 per occurrence
3. No Claims settled in last ten years that exceed coverage
4. Recent changes to Self-Insured Retention



3

RiversideCA.gov

FINANCIAL OVERVIEW

1. Large Cash Outlays
 - A. Claim Payments
 - B. Outside Legal Costs and Litigation Expenses
2. Worker’s Compensation for FY16-17
 - A. Claim Payments were \$3,900,000
 - B. Outside Legal and Litigation average \$496,000
3. General Liability for FY16-17
 - A. Claim Payments were \$2,200,000
 - B. Outside Legal and Litigation was \$1,500,000



4

RiversideCA.gov

FINANCIAL OVERVIEW (CONT.,)

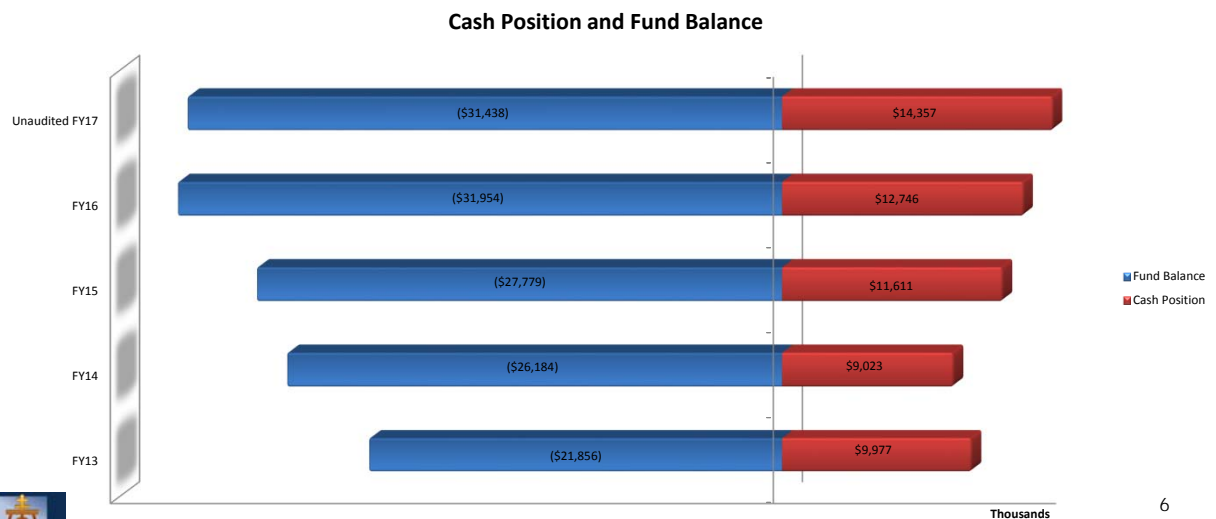
4. Combined cash on hand is approximately \$14.3 million
5. Fund Balance at a deficit
 - A. Reflects long-term nature of many claims
 - B. Sufficient cash on hand to cover 32% of long-term liabilities projected to increase to 47% by end of fiscal 2018-19.
 - C. Actuarial Adjustments have significant impact on fund balance.



5

RiversideCA.gov

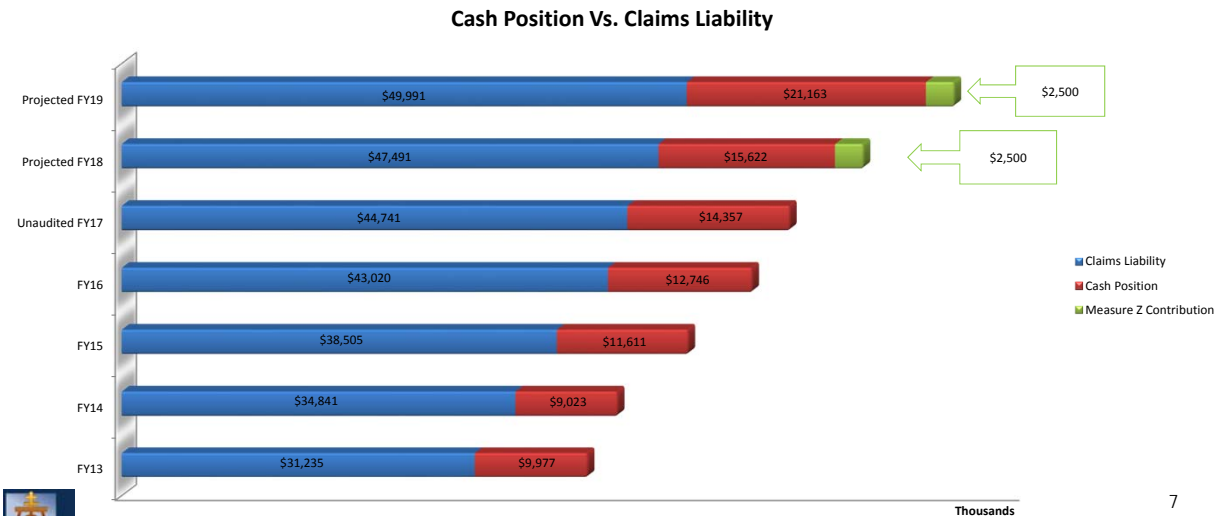
CASH POSITION VS. FUND BALANCE



6

RiversideCA.gov

CASH POSITION VS. CLAIMS LIABILITY



RiversideCA.gov

CLAIMS AND JUDGMENT LIABILITY BY FUND

Claims liabilities are estimates of long-term liabilities

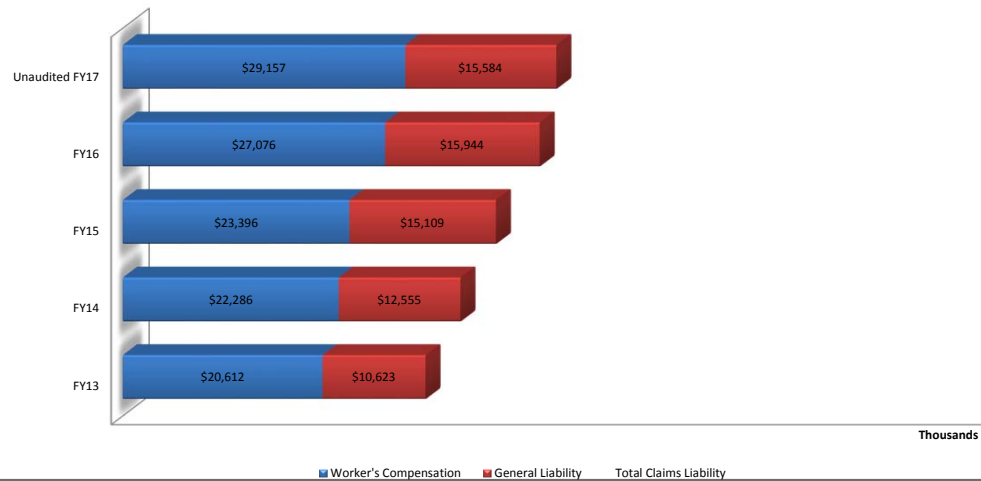
1. Basis for determining appropriate level of reserves
2. Actuarial valuation based on historical data
3. Claims often resolved for less than potential liability
4. Cash on hand not required to service total liability today



RiversideCA.gov

CLAIMS AND JUDGMENT LIABILITY BY FUND (CONT.)

Claims and Judgment Liability By Fund



9

RiversideCA.gov

FUTURE ITEMS

A reserve policy for the Liability Insurance Trust Funds will be presented to the Finance Committee at the October meeting

Policy will address best practices for Self-Insurance trust funds and lay the ground work for a healthy and sustainable fund balance



10

RiversideCA.gov

Recommendations

That the City Council:

1. Review and provide comment regarding the Financial Overview of the Liability Trust funds; and
2. Recommend City Council receive and provide approval of the overview of the financial position of the City's Liability Insurance Trust Funds



11

RiversideCA.gov