



Date: February 13, 2015

To: Thomas J. Bonfield, City Manager
Through: Wanda Page, Deputy City Manager
From: David Boyd, Finance Director
Glenn LeGrande, Risk Manager
Subject: Annual Insurance Plan 2015-2016

Executive Summary

The Finance Department has prepared the annual insurance plan for adoption by the City Council. The plan summarizes all property and casualty insurance related coverage and is the basis for authorization of insurance purchases throughout the year. Most of the City's insurance renewals are due April 1st. The City's annual property and casualty insurance plan has been prepared jointly by the Finance Department and Arthur J. Gallagher, the City's property casualty and risk management broker/consultant.

The proposed 2015-2016 plan continues the existing insurance coverage under a fifteen month policy adjusting the City's renewal to July 1, 2016. In addition to the specific coverages listed in the attachment, the City Manager may need to purchase other insurance and/or modify insurance coverage during the year as needed to protect the City's interest.

Recommendation

The Finance Department recommends that the City Council authorize the City Manager to:

1. Maintain the general insurance plan as attached and modify it as needed, provided the modifications are consistent with the City's overall risk management and financial objectives.
2. Purchase additional insurance throughout the year, as needed for special events, lease and contract requirements, new programs, and builders risk insurance.
3. Expend an amount for all insurance premiums not to exceed \$1,200,000.00 to maintain the annual insurance plan and make additional insurance purchases as needed beginning April 1, 2015.

Insurance Plan Analysis

The overall proposed property and casualty insurance plan for policy year 2015-2016 is relatively flat over the expiring premium along with a three month policy extension. The Finance Department tasked the City's Insurance Broker Arthur J. Gallagher to solicit quotes for fifteen months as opposed to twelve. This adjustment will allow the insurance renewal process to align with the City's fiscal year. Moving the insurance renewal to July 1 will allow for better predictability relative to the Risk Fund's budgeting for insurance premiums.

By aligning the City's insurance renewal with the start of the fiscal year budget, the Finance Department can budget for known insurance cost for the upcoming fiscal year.

The attached Insurance Plan Proposal includes the following limits and self-insured retention levels (SIR) – which are unchanged from prior years:

- Excess Liability at \$10,000,000.00 limit with SIR of \$1,500,000.00
- Commercial property at \$300,000,000.00 blanket limit with SIR of \$150,000.00
- Excess Workers Compensation at \$25,000,000.00 limit with SIR of \$1,000,000.00

Marketplace Analysis

The commercial insurance marketplace over the past year is showing some signs of softening relative to rate and pricing. For the 2015-2016 insurance plan, rates remained relatively flat with nominal increases. Overall the commercial insurance marketplace has not been as volatile as in recent years.

This year the general City policies did not experience any major price increases as the City's claim performance has remained stable during the past two renewal periods. Good claims experience along with stable rates, have produced favorable pricing for the City this renewal period.

Financial Impact

The cost of insurance premiums for general City wide policies are budgeted and paid from the City's Risk Fund. This fund is financed by the City's General Fund, Water and Sewer Fund and other enterprise funds that may contribute to the City's exposure.

The following table summarizes the proposed Insurance Plan for 2015-2016 with contingencies for additional insurance purchases and can be executed with the Risk Fund's current budget appropriations:

Insurance Category	Renewal Cost
General City Policies	\$812,520.00
Departmental Policies	\$77,941.00
Total Annual Insurance	\$890,461.00
3 Month Policy Extension	\$212,107.00
Total Authorization	\$1,102,568.00

Issues and Analysis

The City purchases insurance only when the terms and pricing of insurance are the most favorable risk-financing option, or when the loss potential is beyond the City's ability to retain the risk. The City retains all risk that is not transferred either by the purchase of insurance or by contract. Through its risk management practices, the City strives to identify risk and to make prudent choices concerning risk financing.

SDBE Summary

This item was not reviewed by the Department of Equal Opportunity/Equity Assurance for compliance with the Ordinance to Promote Equal Business Opportunities in City contracting.

Attachment

Insurance Plan Proposal 2015-2016