



**Date: May 3, 2016**

**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 FY17**

**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. 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 and casualty and risk management broker.

The proposed 2016-2017 plan continues the existing insurance coverage under a twelve month policy renewing 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 endorsements, lease and contract requirements, new programs, and builders risk insurance.
3. Expend an amount for all insurance premiums not to exceed \$975,000.00 to maintain the annual insurance plan and make additional insurance purchases as needed beginning July 1, 2016.

**Insurance Plan Analysis**

Aligning the City’s insurance renewal with the start of the fiscal year budget allows for a more accurate assessment of total insurance plan cost for the entire insurance cycle. The overall proposed property and casualty insurance plan premiums for policy year 2016-2017 will remain flat compared to expiring premiums.

The attached Insurance Plan Proposal includes the following limits and SIR levels.

- Excess Liability at \$10,000,000.00 limit with self-insured retention (SIR) of \$1,000,000.00

- Commercial property at \$540,771,331.00 blanket limit with a deductible 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 continues to be soft over the past few years relative to rate and pricing. For the 2016-2017 insurance plan, rates fluctuated for a majority of the individual policies with an annualized rate decrease of 1% from expiring premiums.

**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 2016-2017 with contingencies for additional insurance purchases and can be executed with the Risk Fund’s current budget appropriations:

Insurance Category	Estimated Renewal Cost
General City Policies	\$909,298
Specialized Departmental Policies	\$ 36,439
<b>Total Annual Insurance</b>	<b>\$945,737</b>
<b>Total Authorization</b>	<b>\$975,000</b>

**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. Insurance policies are generally maintained for a one (1) year term, with appropriate adjustments throughout the year as necessary to reflect changes in risk.

**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 FY17