



**Council Communication No. 97-279**

**SYNOPSIS –**

The City’ s current self-insured liability insurance program consists of a \$15,000,000 Special Excess Liability Insurance Policy with a \$3,000,000 self-insured retention (deductible). Except for the Airport and the Curbside Recycling Program, all City operations are covered under the City’ s self-insured program. It is proposed that liability insurance policies be purchased for the Solid Waste, Sanitary/Storm Sewer, and Wastewater Reclamation Facility Enterprise Funds in order to limit their exposure to catastrophic losses. The cost of the proposed insurance will be absorbed by the current operating budgets of these enterprises and will not increase current customer rates. The annual premium for each would be: Solid Waste - \$44,010; Sanitary/Storm Sewer - \$40,809; and Wastewater Reclamation Facility - \$57,773.

**FISCAL IMPACT –**

This is a budgeted expense in the Solid Waste Operating Budget for FY1996-97 and 1997-98. The Sanitary/Storm Sewer and Wastewater Reclamation Facility have reviewed their Operating Budget appropriations and expenses and have determined that adjustments can be made in fiscal years 1996-97 and 1997-98 to cover the added expense of the insurance premiums. In addition, WRF operating costs are shared on an equitable basis by all WRA constituent communities. These adjustments will not increase current customer rates.

**RECOMMENDATION –**

**Approve the purchase of the proposed liability insurance policies to limit the liability exposure to the financial assets of the City’ s Solid Waste, Sanitary/Storm Sewer, and Wastewater Reclamation Facility Enterprise Funds which are self-sustaining operations.**

**BACKGROUND –**

The City’ s current self-insured liability insurance program includes a \$15,000,000 Special Excess Liability insurance policy with a \$3,000,000 self-insured retention (SIR). Under this program, the City is responsible for paying the first \$3,000,000 per claim. Once the SIR is satisfied, the City’ s Special Excess Liability policy covers any expenses that exceed the SIR up to a maximum of \$15,000,000. This program’ s coverage has been designed to cover catastrophic losses. This program covers all City operations except the Airport and the Curbside Recycling Program which purchases their own liability insurance. At the request of the City’ s Enterprise Funds, the Risk Management Office inquired as to the cost of insuring the first

\$3,000,000 (the amount of the SIR) through an insurance policy.

Under the City's current self-insured insurance program, the City's Solid Waste, Sanitary/Storm Sewer, and Wastewater Reclamation Facility have a potential financial exposure of \$3,000,000 per claim. Because these enterprises are also self-sustaining in revenue, the loss would have to be absorbed by the financial resources of the fund and ultimately absorbed by the customers in the form of rate increases. However, because each enterprise is self-sustaining in revenue, each can purchase its own liability insurance policy that would protect it against the first \$3,000,000 SIR loss. The City's Special Excess Liability insurance policy will cover any losses that exceed the SIR.

The Risk Management Office recommends that the City purchase the following liability insurance coverages:

PER CLAIM INSURANCE COVERAGE: DEDUCTIBLE	EACH OCCURRENCE	GENERAL AGGREGATE
<i>Comprehensive General Liability:</i>		
Sanitary/Storm Sewer \$ 5,000	\$ 1,000,000	\$ 2,000,000
Wastewater Treatment Facility 5,000	1,000,000	2,000,000
<i>Automobile Liability:</i>		
Solid Waste \$ 10,000	\$ 1,000,000	N/A
Sanitary/Storm Sewer 5,000	1,000,000	N/A
Wastewater Treatment Facility 5,000	1,000,000	N/A
<i>Umbrella (Both CGL &amp; Auto):</i>		
Solid Waste \$ 10,000	\$ 2,000,000	N/A
Sanitary/Storm Sewer 10,000	2,000,000	N/A
Wastewater Treatment Facility 10,000	2,000,000	N/A
ANNUAL PREMIUM: 6/30/97*	___ FY 1997/98 ___	5/19/97 -
Solid Waste 5,300	\$ 44,010	\$
Sanitary/Storm Sewer 4,900	40,809	
Wastewater Treatment Facility 6,900	57,773	

\* Estimated on a prorated basis.

At an average annual premium rate of \$142,592, the City could purchase the above liability insurance coverages for 20 years before exceeding the amount of one \$3,000,000 claim.

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