

## **R-22**

July 14, 2020

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

### RECOMMENDATION:

Authorize the City Manager, or designee, to purchase, through Alliant Insurance Services, a Self-Insured Retention buy-down at a premium not to exceed \$831,000, for the period of July 15, 2020 to July 1, 2021. (Citywide)

### DISCUSSION

The City of Long Beach (City) annually purchases excess municipal liability to cover exposures arising from City operations. Coverage is to be obtained through the City's casualty broker-of-record, Alliant Insurance Services (Alliant).

On June 23, 2020, the City Council approved the purchase of this year's policy for excess municipal liability insurance with coverage limits of \$40 million, excess of a \$10 million self-insured retention for all City departments, including the Police Department. Last year, due to historical claims frequency and severity, the City's self-insured retention was increased to \$10 million, the highest it had ever been. This year, early in the insurance renewal discussions, the City did not appear to be eligible for lowering the self-insured retention back down to \$7.5 million. City Risk Management staff worked with Alliant, to secure an option to buy down the current \$10 million self-insured retention to \$7.5 million.

Jury decisions against local government are trending toward larger amounts and are more and more likely to exceed \$7.5 million. The City Attorney's Office and the Financial Management and Human Resources Departments all support this insurance change as an approach to better manage the liability insurance fund and its financial status.

This matter was reviewed by Principal Deputy City Attorney Gary J. Anderson and Finance Director John Gross on July 1, 2020.

### TIMING CONSIDERATIONS

City Council action is requested on July 14, 2020, to allow the City to bind the self-insured retention buy-down with an effective date of July 15, 2020.

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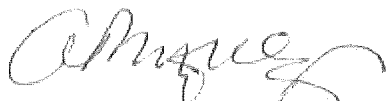
FISCAL IMPACT

The total cost of the self-insured buy-down premium will not exceed \$831,000 for the period of July 15, 2020 to July 1, 2021. Sufficient funding is budgeted in the Insurance Fund Group in the Human Resources Department. The cost of the excess municipal liability policy is recouped from all funds, based upon departmental factors including claims experience. Large jury awards are becoming more likely and this reduced self-insured retention level incurs an increased annual cost as a way to avoid much larger losses for individual claims. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ALEJANDRINA BASQUEZ  
HUMAN RESOURCES DIRECTOR

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APPROVED:



THOMAS B. MODICA  
CITY MANAGER