

General Liability Insurance Cost Allocation

Adam Nguyen
County Administrator's Office

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Agenda

1. Overview of the County's General Liability coverage
2. Cost allocation methodology to departments
3. FY23-24 estimated charges to self-supporting departments and contracted entities for police services
4. Discussion



General Liability overview

1. Coverage for claims due to negligence, covering: bodily injury, personal injury, property damage, public officials Errors and Omissions, employment practices liability, automobile liability
2. County self-insures for losses for each incident up to its self-insurance retention (i.e. deductible) of \$1M
3. Excess general liability coverage provided by Public Risk Innovation, Solutions, and Management Company (PRISM)
 - a. Created in 1979 when 29 California counties formed the California State Association of Counties (CSAC) Excess Insurance Authority (EIA), a Joint Powers Authority (JPA)
 - b. Membership has since expanded to include 95% of counties, 70% of cities, as well as educational organizations, special districts, housing authorities, fire districts, and 27 other Joint Powers Authorities



Insurance renewal cycle

1. Actuarial analysis of claims and loss history required to predict likely liabilities, expenditures, and required reserves each year for disclosure in the County's audited financial statements
2. Latest analysis as of March 8, 2022 required an expected value of \$11.7M for insurance reserve, which the County's Public Liability Trust Fund currently meets
3. Initial insurance premium estimates are typically provided in October, and updated in December/January, and March
4. Early estimates are used to inform the County's budget development and cost allocation for general liability
5. Premiums are due on July 1 of each year



State Controller guidance on cost allocation

1. Best practices for cost allocation provided in the State's Handbook of Cost Plans for California Counties
2. Section 4230: Reserve Development – Requires annual actuarial analysis of loss history to determine reserves needed to meet likely liabilities
3. 4270: Rate Development
 - a. Develop premium based on risk management administrative costs, excess insurance premiums, and reserve requirements
 - b. Rates should be developed to charge the user departments for their share of the “premium.”
 - c. For counties that have at least 10 years of loss history, approximately 80% of the annual premium charge should be based on the average loss history, with 20% of the annual premium distributed on the exposure to potential losses.



County General Liability cost allocation methodology

Past practice

1. Weighted by risk exposure 20% and loss experience 80%
2. Modeled on 5 years paid loss experience
3. Informed departments of annual general liability costs, but only directly budgeted and charged to self-supporting departments. General Fund departments were charged to the County general fund.

Moving forward

1. Weights risk exposure 20% and loss experience 80%
2. Models on 10 years total incurred losses
3. All departments will be directly budgeted and charged for general liability coverage, better aligning each department's incentives to manage risk



General Liability Insurance Premium History

The insurance market, particularly for police services, is currently characterized as being a very “hard market,” driven by a significant increase in the frequency and severity of losses.

Fiscal Year	Premium Amount	Percentage Change
2019-2020	\$6,563,791	29%
2020-2021	\$8,291,263	26%
2021-2022	\$10,093,308	22%
2022-2023	\$12,689,147	26%



County General Liability cost allocation FY22-24

Department	Estimated FY23-24 Charge	FY22-23 Charge	Change Amount	Change Percentage
Child Support Services	\$64,932	\$55,374	\$9,558	17%
Conservation & Development	\$167,062	\$125,847	\$41,215	33%
Employment & Human Services	\$971,536	\$552,436	\$419,100	76%
Fire Districts	\$560,088	\$355,671	\$204,418	57%
First 5	\$16,617	\$14,280	\$2,337	16%
Health Services	\$2,279,324	\$3,167,797	(\$888,473)	-28%
Library	\$76,735	\$60,100	\$16,635	28%
Public Works	\$6,697,013	\$6,956,530	(\$259,517)	-4%
Sheriff Non-Detention	\$6,200,161	\$4,472,573	\$1,727,588	39%
Sheriff Detention	\$1,929,482	\$1,863,254	\$66,228	4%



FY23-24 Estimated General Liability cost allocation for Contracted Police Services

Sheriff GL Charge (non-detention)	\$6,200,161
Sheriff FTE (non-detention)	680
FY23-24 Annual Charge per FTE - Estimated	\$9,118
FY22-23 Annual Charge per FTE	\$2,580 <i>(based on \$215 monthly)</i>

Agency	Assigned FTE	FY23-24 Charge (est)	FY22-23 Charge
Town of Danville	30	\$273,537	\$77,400
Lafayette Police Department	18	\$164,122	\$46,440
Orinda Police Department	14	\$127,650	\$36,120
AC Transit	11	\$100,297	\$28,380
Crockett Community Services District	1	\$9,118	\$2,580
Diablo Community Services District	1	\$9,118	\$2,580
Crockett Cogen	1	\$9,118	\$2,580
P-2 Zone A Blackhawk	4	\$36,472	\$10,320
P-5 Round Hill	2	\$18,236	\$5,160
P-2 Zone B Alamo	1	\$9,118	\$2,580
	83	\$756,784	\$214,140