

M E M O R A N D U M

TO: Chief Administrative Officer

FROM: City Comptroller

RE: First Year for Self-Insured Liability Claims

DATE: November 19, 2003

One year ago, I informed the Mayor and City Council that you and I had decided to accept some additional risk from liability claims. This action was taken in response to illogical price increases for insurance as compared to the amount of money paid out for claims. Specifically, the City agreed to pay for the first \$100,000 of any liability claim up to a maximum of \$240,000 in any one year and to pay for the repair or replacement of vehicles. I indicated that I felt that this additional risk was manageable and I promised to report results after one year, which we completed on November 1, 2003.

The proposed cost of renewing our old insurance program was \$378,000. The actual cost of the newer proposed insurance with the higher deductibles was \$266,313. The difference of \$111,687 would be available to pay claim costs. We experienced a good year with a total of \$33,045 in claims being paid out. So this first year we saved \$78,642. This amount has been transferred into the Insurance Reserve Fund and will be used to build up a reserve to pay for any possible future claim costs.