



## COUNTY OF NEVADA COUNTY EXECUTIVE OFFICE

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### NEVADA COUNTY BOARD OF SUPERVISORS Board Agenda Memo

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**MEETING DATE:** June 28, 2022

**TO:** Board of Supervisors

**FROM:** Martin Polt, Deputy County Executive Officer

**SUBJECT:** A resolution of the Board of Supervisors of the County of Nevada approving an increase to the self-insured retention for the General Liability 1 program and continuing to maintain reserves sufficient to cover the self-insured retention.

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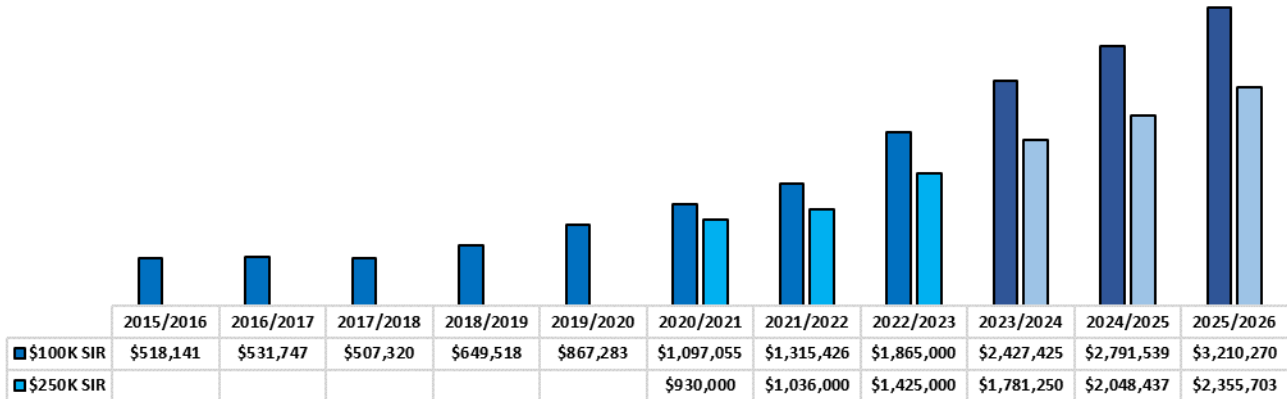
**RECOMMENDATION:** Adopt a resolution to increase the self-insured retention under the general liability 1 program to \$250,000, fund 2022/2023 general liability fund reserves to \$1,168,000, and adopt revised funding guidance for funding future reserves to at least the actuarially determined 75% confidence level.

**FUNDING:** The County is expected to have net savings from this recommendation—insurance premiums will be reduced, partially offset by higher Self Insured Retention (SIR or “deductible” out-of-pocket) costs. Savings will be used to fund reserve increases to provide a larger cushion for out-of-pocket expenses. No budget amendment is required for this item and no additional General Fund dollars are needed.

**BACKGROUND:** General liability insurance coverage for the County is comprised of two components – self-insurance and excess coverage. The County participates in Public Risk Innovation, Solutions, and Management (PRISM) general liability 1 program (GL1) for the excess coverage, which refers to the County transferring financial responsibility for eligible expenses over \$100,000 to PRISM. The County retains financial responsibility for ineligible expenses to include the first \$100,000, which are self-insured.

In recent years the cost of general liability insurance has been increasing substantially and is projected to continue to increase over the coming years as shown in Chart 1 below. The chart includes actual premiums paid to and quoted premiums from PRISM and projected premiums are from Alliant, the County’s coverage broker, with projected premium costs increasing 25% to 40% for the next couple of years, and then 10% to 25% beyond.

**Chart 1: Past and Future Excess Coverage Premiums**



As such, the County was interested exploring options on how to mitigate these cost increases. Staff worked Alliant to explore options and determined that increasing the SIR (“deductible”) will lower the premium cost. Working with Alliant and PRISM the County obtained two quotes for excess coverage for Fiscal Year 2022/2023:

SIR Options	SIR	Estimated Premium
Current SIR	\$100,000	\$1,865,000
Option 1	\$250,000	\$1,425,000

The County currently participates with a \$100,000 SIR. The proposed resolution seeks to increase the SIR to \$250,000. Increasing the County’s SIR would save the County an estimated \$440,000 on excess coverage premiums in Fiscal year 2022/2023, which would be offset by an estimated \$126,000-\$286,000 additional out-of-pocket costs due to the higher SIR, with a net savings of between \$154,000-\$314,000.

To mitigate added risk of higher out-of-pocket costs from increasing the SIR to \$250,000, staff and consultants recommend using the net savings of the program to increase reserves in the general liability internal service fund from the current \$980,000 in reserves to \$1,168,000.

We further recommend adopting revised funding guidance for funding future reserves to at least the actuarially determined 75% confidence level. This should ensure reserves continue to be prudently maintained going forward for the higher SIR. Staff will continue to annually evaluate reserve status and bring forwarded any needed adjustments.

If the Board of Supervisors agree to increase the self-insured retention to \$250,000 and reserves by \$188,000 (through the premium savings) and we save \$440,000 in premiums, then the County is estimated to save approximately \$252,000 in fiscal year 2022/2023 for comparable coverage.

In 1990, the County of Nevada passed resolution No. 90639 to restructure the liability insurance trust fund into the general liability trust fund. The general liability trust fund was renamed into the general liability internal service fund and restructured again with adoption of resolutions No. 96-39 and No. 96111 in 1996. The general liability internal service fund budget is prepared annually based on actuarial recommendations.

The County of Nevada joined the Public Risk Innovation, Solutions, and Management (PRISM) in 1986, then named California State Association of Counties Excess Insurance Authority (CSAC-

EIA), to participate in their general liability 1 program for excess coverage on general liability, automotive liability, employment liability, and public entity errors and omissions liability. PRISM is one of the largest, most successful, member-directed risk sharing pools in the nation.

Of note, loss prevention and loss control are also important components in the County's overall risk program and good loss prevention and loss control reduces self-insurance costs. The County achieves a favorable loss rating compared to other public entities which reflects the value of the County's loss prevention and loss control efforts.

We recommend that you adopt the resolution to increase to the self-insured retention for the General Liability 1 program to \$250,000 and continue to maintain reserves sufficient to cover the self-insured retention.

**Item Initiated by:** Nicholas Poole, Risk Manager

**Approved by:** Georgette Aronow, Senior Management Analyst  
Martin Polt, Deputy County Executive Officer  
Alison Lehman, County Executive Officer

Submittal Date:  
Revision Date: