



APPROVED
BY THE CITY COUNCIL
JUN 24 1997
OFFICE OF THE
CITY CLERK
9697-098

1.18

DEPARTMENT OF
ADMINISTRATIVE SERVICES

CITY OF SACRAMENTO
CALIFORNIA

921 TENTH STREET
ROOM 401
SACRAMENTO, CA
95814-2713

ADMINISTRATION
DIVISION

916-264-5270

June 13, 1997

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: RENEWAL OF EXCESS AUTO AND GENERAL LIABILITY
INSURANCE COVERAGE AT A PREMIUM OF \$307,785**

LOCATION AND COUNCIL DISTRICT:

City.

STAFF RECOMMENDATION:

It is recommended the City Council adopt the attached resolution authorizing and directing the City Manager to secure \$18 million worth of liability insurance coverage from Robert Driver Insurance Services for an annual premium of \$307,785.

CONTACT PERSON:

Margaret Ann Allen, Risk Manager, 264-5823

FOR COUNCIL MEETING OF:

June 24, 1997

SUMMARY:

The City's policy is to maintain three distinct tiers or layers of automobile and general liability coverage as follows:

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- Tier One First dollar of loss to \$2 Million, completely self insured.
- Tier Two \$2 Million to \$10 Million, excess coverage purchased from an insurance company (\$250,037).
- Tier Three \$10 Million to \$20 Million, additional excess coverage purchased from an insurance company (\$57,748).

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

The City of Sacramento was first self insured in 1976. Insurance risks were relatively limited at that time. Since then, significant changes have occurred which necessitated insurance. Erratic insurance cycles, legislative changes, judicial decisions, municipal budget constraints, and an increasing involvement of the City with nontraditional community enterprises of a local government nature have greatly expanded the City's exposure to catastrophic losses. As a consequence, the fiscal resources and financial integrity of the City have been placed in greater jeopardy than the City's original self insurance program was expected to accommodate.

In November 1985 the City was completely self insured because excess liability coverage was not available. Staff has been pursuing alternatives to mitigate this situation since November, 1985. We have explored a number of alternatives which were more expensive and less stable than the City's present excess coverage. Excess joint powers pools were reviewed and found to have premiums greater than twice the renewal quotation for the City's present excess policy. Six years ago, staff contacted all known insurance brokers placing municipal excess liability coverage. Only two companies provided quotations responsive to the City's needs, and a Joint Purchase Agreement through Robert F. Driver was selected. This agreement is with California Municipal Excess Liability (CAMEL) Program comprised of numerous public agencies.

This anniversary/renewal demonstrates the benefit of the group purchase program and the commitment of the CAMEL underwriters. Our premiums for the past three years have been reduced at least 5% per year, because of the excellent loss experience of the total program.

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FINANCIAL CONSIDERATIONS:

- This year's premium is quoted at a 6.6% reduction (\$21,866) from the \$329,651 premium paid last year.
- In addition we are receiving a dividend in the amount of \$27,133, due to the positive loss history for the CAMEL group for the 1993 and 1995 claim years.
- In order to allow other brokerage firms an opportunity to compete for the City of Sacramento account, we will be issuing a Request for Proposal for broker services this fall.
- Funding to pay the subject \$307,785 is available in the 1997-98 Risk Management Budget.

ENVIRONMENTAL CONSIDERATIONS:

The subject of this report does not involve a project that requires compliance with the California Environmental Quality Act (CEQA), inasmuch as it does not involve an activity which may cause a direct or indirect change in the environment (Public Resources Code Section 21065).

POLICY CONSIDERATIONS:

Acquisition of this insurance is consistent with the City's policy to purchase protection for the City against catastrophic losses.

MBE/WBE EFFORTS:

Our insurance companies and brokers are multi-national companies owned by stockholders, and/or other insurance companies. There are no subcontracting opportunities for MBE/WBE according to the prime contractors. There are no MBE/WBE underwriters that are available in our MBE/WBE directory.

Respectfully submitted,



Margaret Ann Allen
Risk Manager

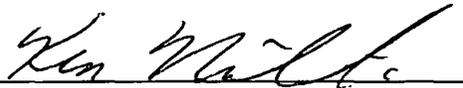
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Recommendation Approved:



Betty Masuoka
Deputy City Manager

Approved:



Ken Nishimoto
Director of Administrative Services

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RESOLUTION NO. 97-367

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION AUTHORIZING THE RENEWAL OF CITY'S EXCESS LIABILITY INSURANCE

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That the City Manager is hereby authorized and directed to purchase an excess liability insurance policy of \$18 million excess of \$2 million Self Insured Retention coverage through Robert Driver Insurance Services for the period from 7/1/97 to 7/1/98.
2. That the Department of Administrative Services is authorized and directed to pay the premium of \$307,785 for said coverage from the Risk Management & Insurance Program Budget 421-150-1546-4291.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____