



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



5

May 28, 1986

Budget and Finance Committee
of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Report Regarding Agency Self Insurance

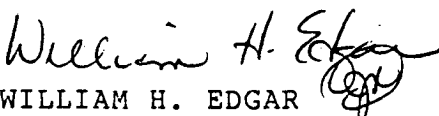
SUMMARY

The attached letter is submitted to you for review and recommendation prior to consideration by the Redevelopment Agency and Housing Authority of the City of Sacramento.

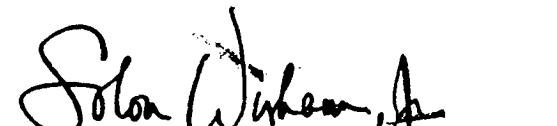
RECOMMENDATION

The staff recommends approval of the attached resolution authorizing the Executive Director to establish a self insurance program.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:



SOLON WISHAM, JR.
Assistant City Manager

Attachment

0026E



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



May 28, 1986

Redevelopment Agency of the
City of Sacramento
Housing Authority of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Report Regarding Agency Self-Insurance

SUMMARY

The staff of the Agency is recommending that the attached resolution be approved authorizing the Executive Director to establish a self insurance program for property and comprehensive general liability risks, and authorizing the Executive Director to contract for claims management and handling services covering a self insurance program. The Executive Director is, in addition, authorized to issue certification as to level of insurance coverage.

BACKGROUND

The Agency has used the firm of Pickett, Rothholz and Murphy as its insurance broker for over forty years. During this period of time, the broker has been able to secure property and liability insurance.

As everyone is aware, insurance premiums have been skyrocketing in recent years. Insurance premiums for the Agency have increased from a total of \$250,000 for 1983-84 to \$750,000 for 1985-86. In addition, the Agency has been one of a few housing authorities to be able to get any kind of general comprehensive liability coverage in recent years. In California, most housing authorities have gone either without insurance or have had to self insure for general liability coverage.

The current quote we received from our broker for insurance coverage compared to last year is detailed in Exhibit I. As can be seen, premium cost has increased over \$235,000 without even considering excess liability coverage. Our insurance

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broker has been unable to find excess liability coverage over the basic \$500,000 coverage by Fireman's Fund. Last year we had coverage up to \$5 million for general liability with the excess amount being obtained in the secondary market.

In addition, the general liability coverage provided has changed from a per occurrence basis to a claims made basis. A "claims made" policy covers claims first made against the insured and reported to the insurance company during the policy term. Those claims must arise out of incidents which occur after the effective date of the policy. Claims reported after the policy terminates are not covered. An occurrence policy covers all claims which arise out of incidents which occur during the policy period regardless of whether the insurance policy is still in effect at the time that the claims is made.

Our current coverage for both property and liability expired April 30, 1986, and the 30 day extension will expire June 1, 1986. Since the premium amount for property coverage has nearly doubled, and exposure for loss at the premium level of \$520,000 is very low, we believe that self insurance for property damage is justified. In addition, we believe that since we can not obtain insurance coverage in excess of \$500,000 for general liability, that self insurance is also justified for general liability exposure. We believe the premium and coverage limit for: automobile, \$500,000 combined single limit at a premium of \$81,335; and public officials errors/omissions coverage limit of \$500,000 at a premium of \$23,328, is reasonable and therefore recommend continuing the coverage with Fireman's Fund.

Currently our claims management is handled by our insurer, Fireman's Fund. Therefore, if we go self-insured we will need to contract for claims handling and management. Since we are under the gun, i.e. our insurance expired 6/1/86, to set up our self insured program, it will be necessary to obtain a claims management company without going through a competitive bidding process. Our insurance Broker/Advisor, Pickett Rothholz and Murphy, will be asked to recommend the best claims management company for the Agency.

A Request for Proposal process will be used to retain a claims management company for subsequent years.

Exhibit II details the claims filed against the Agency for 1985

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FINANCIAL

In 1985 the Agency paid premiums of \$290,824 for property coverage and \$385,418 for comprehensive general liability. We are proposing to establish self insurance fund with the following initial reserve levels: self insurance reserve for property \$350,000, and self insurance reserve for comprehensive general liability \$1,000,000. \$500,000 of the liability reserves for 1986 will be based on the proration of the 1985 insurance premiums to the Agency's Funding Sources. The remaining \$500,000 will be reserved for liability coverage from the City and County operating reserves with \$400,000 to be reserved for insurance from city conventional housing funds and with \$100,000 in county conventional housing funds. The \$350,000 property reserve will be based on the proration of the 1985 insurance premiums to the Agency funding sources. The reserves shall be increased by \$350,000 for property and \$500,000 for liability annually until they reach a maximum level of \$1,500,000 for property reserve and \$2,500,000 for comprehensive general liability.

The insurance reserves will be invested in the City Treasurer's pooled cash. All interest earned will be retained in the reserve accounts until the reserves reach the maximum designated levels at which time the excess interest will be deposited to the Agency's Central Support Fund.

All claims to be paid will be charged to the reserve accounts. In addition, costs relative to claims management and handling will also be charged to the reserve accounts.

ENVIROMENTAL REVIEW

No environmental review is required for this activity.

POLICY IMPLICATIONS

This staff report changes the method of insurance from one of outside coverage by an insurance company to self-insurance.

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VOTE AND RECOMMENDATION OF COMMISSION

It is anticipated that at its meeting of June 2, 1986 the Sacramento Housing and Redevelopment Commission will adopt a motion recommending that you take the above mentioned action. In the event they fail to do so, you will be advised prior to your June 4, 1986 meeting.

RECOMMENDATION

The staff recommends adoption of the attached resolution authorizing the Executive Director to establish a self insurance program for property and general liability risks and contract for claims management and handling services.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: TERRY L. WOLFORD, 440-1340

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

June 4, 1986

RESOLUTION ADOPTING SELF-FUNDED INSURANCE PROGRAM AND AUTHORIZING EXECUTIVE DIRECTOR TO CONTRACT FOR INSURANCE CLAIM ADMINISTRATION

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: That the Executive Director is hereby authorized and directed to take such actions as may be appropriate to implement a self-funded insurance program effective June 1, 1986.

Section 2: A self-insurance fund and self-insurance reserve accounts shall be established by the Agency with a minimum initial balance of \$350,000 for property reserve and \$1,000,000 for comprehensive general liability. Funding for the \$350,000 property reserve and \$500,000 of the general liability reserve shall be based on the proration of the 1985 insurance premium. The remaining \$500,000 of the general liability reserve shall be reserved from conventional housing fund balances with \$400,000 from City and with \$100,000 from County.

Section 3: The self-insurance reserve accounts shall ultimately have a maximum amount of \$1,500,000 for property reserve and \$2,500,000 for comprehensive general liability.

Section 4: Funding for the initial reserve accounts shall be prorated to Agency funding sources on the same basis as the prior year, 1985-86, insurance premium.

Section 5: Interest earned on the reserve accounts shall be retained in the self insurance reserve accounts until the time the reserve accounts reach the maximum level, at which time the excess interest earnings shall be deposited to the Agency's central support fund.

Section 6: Monies in the reserve accounts shall be used to pay claims and related legal defense costs, court costs, and out of pocket claim expenses involved in settling the claim and claim administrative costs.

Section 7: The Executive Director is authorized to contract for claims management and handling services for the period June 1, 1986 to May 31, 1987.

Section 8: The Executive Director is authorized to certify the amount of insurance coverage to other public and private entities.

CHAIR

ATTEST:

SECRETARY

RESOLUTION NO.

ADOPTED BY THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO
ON DATE OF

June 4, 1986

RESOLUTION ADOPTING SELF-FUNDED INSURANCE PROGRAM AND AUTHORIZING EXECUTIVE DIRECTOR TO CONTRACT FOR INSURANCE CLAIM ADMINISTRATION

BE IT RESOLVED BY THE HOUSING AUTHORITY OF THE CITY OF
SACRAMENTO:

Section 1: That the Executive Director is hereby authorized and directed to take such actions as may be appropriate to implement a self-funded insurance program effective June 1, 1986.

Section 2: A self-insurance fund and self-insurance reserve accounts shall be established by the Agency with a minimum initial balance of \$350,000 for property reserve and \$1,000,000 for comprehensive general liability. Funding for the \$350,000 property reserve and \$500,000 of the general liability reserve shall be based on the proration of the 1985 insurance premium. The remaining \$500,000 of the general liability reserve shall be reserved from conventional housing fund balances with \$400,000 from City and with \$100,000 from County.

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CHAIR

ATTEST:

SECRETARY

COMPARISON OF 1985-86 VS. 1984-87 INSURANCE PREMIUMS

POLICY TYPE	-----1985-86-----		-----1984-87-----		PERCENT INCREASE
	LIMITS	PREMIUM	LIMITS	PREMIUM	
PROPERTY	\$171,924,647	\$290,824	\$177,397,815	\$620,000	117%
GENERAL LIABILITY	\$250,000 PER OCCURRENCE	\$188,158	\$250,000 CLAIMS MADE	\$760,000	191%*
AUTOMOBILE	\$500,000 COMBINED SINGLE LIMIT	\$58,893	\$500,000 COMBINED SINGLE LIMIT	\$81,335	138%
PUBLIC OFFICIALS ERRORS/OMISSIONS	\$500,000 CLAIMS MADE	\$15,210	\$500,000 CLAIMS MADE	\$25,328	163%
EXCESS COVERAGE	\$4,500,000	\$197,250	NO QUOTE	---0---	
TOTAL		\$750,300		\$984,667	131%

* \$750,000 LIMIT WOULD BE PREMIUM OF \$ 453,613

HOUSING AUTHORITY OF SACRAMENTO
1985 CLAIMS OPEN AND CLOSED

March 21, 1986

		<u>STATUS</u>	<u>AMOUNT PAID OR RESERVE</u>
1-2-85	Lelia Walters, helping to clear tables, slipped & fell cut her eye.	Closed	\$ 154.00
1-85	Theft of office equipment.	Closed	\$997.88
1-7-85	Evelyn Green, caught foot on table leg, slipped & fell.	Closed	0
1-10-85	Loretta Winn, slipped & fell on sidewalk in mall.	Closed	0
1-14-85	Hattie Langstaff, tripped on floor mat injured arm & leg.	Closed	0
1-28-85	Vehicle ran into building & also damaged fence.	Closed	0
1-30-85	Vandalism damage to newly purchased building.	Closed	0
1-18-85	Occurred on three occasions.	Closed	0
1-25-85	"	Closed	0
2-4-85	Insured driver backing, didnt see vehicle behind him and backed into her.	Closed	\$ 782.95 ABI 531.94 APD
2-12-85	Insured driver hit parked vehicle.	Closed	\$ 196.80 APD
3-5-85	Insured driver hit parked vehicle.	Closed	\$ 434.73 APD
3-8-85	James Bushrod, broke his finger on dumpster hood.	Closed	\$1060.00 OBI
3-27-85	Intersection accident. Clmt has disappeared. Will check for suit 4-1-86, if none will close file.	Open	\$ 343.40 ABI
4-4-85	Insured driver backing hit car behind her.	Closed	0
4-4-85	Insured driver rear ended car in front of him.	Closed	\$ 494.43 APD
4-8-85	Claimant filed suit, regarding accessibility to restaurant for handicaps. Corrections underway. Adjuster keeping low profile.	Open	\$5000.00 R
4-8-85	Insured driver backed into parked vehicle	Closed	\$ 350.31 APD
4-85	Chester York, had confrontation with another tenant & was stabbed in abdomen. Clmt has disappeared. Will let statute run and close.	Open	\$2500.00 R

Exhibit II

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4-17-85	Insured building vandalized	Closed	\$143.12
5-9-85	Nancy K. Carroll, alleges she stepped in hole and fractured her foot.	Closed	0
5-23-85	Insured driver rear ended other vehicle.	Closed	\$ 664.67 APD
5-23-85	Sophia McCallister, opened window sat down, window fell on her head. Will wait for statute to run. Clmt says OK.	Open	\$2500.00 R
5-29-85	Rosa Walker, fell while entering building.	Closed	0
6-10-85	Insured driver backed into vehicle behind him.	Closed	\$4013.43 APD
6-14-85	Glen Campbell, caught foot on table leg, & fell.	Closed	0
6-21-85	Esther Cox, lost her balance fell backward down stairs. Carrier for owner of building has not accepted tender as yet.	Open	\$25,000. R
7-12-85	Pauline Valentine, slipped and fell in ladies restroom.	Closed	\$ 302.73 OBT
7-16-85	Insureds building caught fire.	Closed	0
8-5-85	W. Jean Champlin, fell down three steps. Clmt diabetic & just fell. Offered Medical refused. Adjuster feel may get an attorney.	Open	\$5000.00 R
8-6-85	Insured driver hit by clmt making left turn.	Closed	0
8-21-85	Eloise Hearn, had stereo stolen, because employee left window open.	Closed	\$ 229.95 APD
10-14-85	Apartment caught fire.	Closed	0
10-14-85	Lois Sotelo, died in fire, caused by her. Adj. says no liability, will hold open for statute to run.	Open	\$25,000.00 R
10-22-85	Bernice Huddleston, tripped over telephone cord. Adj. to send another contact letter, if no response will close file.	Open	\$2500.00 R

11-6-85	Rita M. Schaeffer, fell in elevator. Clmt Diabetic, fainted in elevator. No liability, will try to pay Medical limit and close. Clmt suffered broken hip.	Open	\$20,000.00 R
11-25-85	George Knowlen, fell on wet floor in community room.	Closed	0
11-25-85	Child was bitten by tenants dog. Dog kept tied up in tenants yard at all times. Has requested atty send her details of incident. Medical \$39.00.	Open	\$2500.00 R
12-11-85	Insured driver hit parked vehicle.	Closed	\$ 296.52 APD
12-23-85	Insureds driver hit vehicle while he was exiting parking lot and other driver was turning in. Adj. has not heard from clmt. Contact letter has been sent.	Open	
12-25-85	Fire started in garage and damage house as well.	Open	\$7000.00 R
1-27-86	Insured driver states he was hit when claimant pulled from curb. Clmt states he was stopped when he was hit. Minor property damage, estimate \$460.35 in file.		
9-86	Raymond Helppie, fell from his chair and injured himself. Questionable liability under investigation. No reserves set to date.		
3-4-86	Insured driver hit, Clifford Hersted on a bicycle. Damages very minor. I spoke with claimant, hurt his foot and tore his pants, bicycle repair approx \$30.00.	Closed	\$300.