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DEPARTMENT OF
FINANCE

RISK MANAGEMENT &
INSURANCE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

June 27, 1989

RM: 89045MM:WR/eb

APPROVED
BY THE CITY COUNCIL

JUN 27 1989

OFFICE OF THE
CITY CLERK

CITY HALL
ROOM 14
915 I STREET
SACRAMENTO, CA
95814-2685

916-449-5556

WILLIAM REDMOND
MANAGER

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: RENEWAL OF EXCESS AUTO AND GENERAL LIABILITY INSURANCE COVERAGE

SUMMARY

As part of the City's overall management of its exposure to risks and potential liability, the Risk Management Committee has regularly reviewed and analyzed various alternatives to liability insurance available to public agencies. The excess public liability insurance market has not significantly changed in the past 12 months. Last year the City Council approved a long range solution to the excess liability problem by providing an 8.5 year three tier plan. This is the second year in the plan to provide the necessary excess liability cover for the City.

BACKGROUND

Since the City's excess liability insurance coverage expired on November 20, 1985, the City has been fully self insured (uninsured) for its liability exposure. The City had been unsuccessful in finding an underwriter willing to provide excess liability insurance coverage until May 9, 1988.

Sacramento's original self insurance program, approved by Council in 1976 was designed to effectively accommodate the limited risks of that era. Since then, significant changes have occurred which have reduced the effectiveness of that program. Erratic insurance cycles, legislative changes, municipal budget constraints, and a deepening involvement of the City with community enterprises of a nontraditional local government nature have greatly expanded our exposures to catastrophic losses. As a consequence, the financial resources and financial integrity of the City have been placed in greater jeopardy than our original self insurance program could anticipate or accommodate.

Staff has been actively pursuing alternatives to mitigate this situation since November of 1985. We have explored a number of alternatives which were more expensive and less stable than the BICEP program. On March 8, 1988, the City Council adopted a resolution authorizing the City of Sacramento to become a member of the BICEP-JPA contingent on its formation and finalization of the program as presented to City Council that date.

City Council

June 27, 1989

On July 12, 1988, the City Council rescinded their intention to join BICEP and approved a three tiered program authorizing the establishment of an annualized contribution of \$500,000 for the next 8.5 years to accumulate a total restricted reserve of an additional \$7.5 million and the purchase of an excess liability policy of \$10 million excess of \$10 million at a price not to exceed \$200,000 annual premium.

FINANCIAL

The proposed 1989-90 City budget includes \$750,000 to purchase excess liability insurance coverage. The proposed three tiered program estimated second year cost is \$700,000 as projected.

RECOMMENDATION

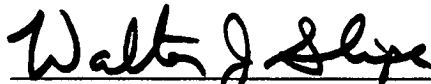
Sacramento's present and future requirements for risk financing, for proof of stability to bond rating agencies, and for coverage of the diverse non-government enterprises of its agencies will be effectively satisfied by our three tiered risk financing program. It is recommended that the City Council adopt the attached resolution authorizing the City of Sacramento to approve: (1) the second year annualized contribution of \$500,000 of the 8.5 years program to accumulate a total restricted reserve of \$7.5 million and (2) the purchase of an excess liability insurance policy of \$10 million excess of \$10 million at a price not to exceed \$200,000 annual premium.

Respectfully submitted,



William Redmond
Risk Manager

RECOMMENDATION APPROVED:



Walter J. Slipe
City Manager

June 27, 1989
All Districts

Attachments

47

RESOLUTION NO. 89-512

ADOPTED BY THE SACRAMENTO CITY COUNCIL

APPROVED
BY THE CITY COUNCIL

JUN 27 1989

ON DATE OF _____

OFFICE OF THE
CITY CLERK

RESOLUTION AUTHORIZING THE SECOND YEAR OF THE THREE TIERED FINANCING PROGRAM TO PROVIDE THE CITY WITH COMPREHENSIVE LIABILITY INSURANCE COVERAGE

WHEREAS, the intent of the City Council is to increase the present \$3,200,000 auto and general liability contingency fund to a \$10,000,000 restricted contingency reserve fund over the next 7.5 years by appropriating on an annual basis an estimated \$500,000 per annum in the place of the liability insurance.

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

1. Transfer \$500,000 FY 1989-90 budget line item for liability insurance premium to the restricted auto and general liability contingency reserve;
2. That the City Manager is hereby authorized and directed to purchase an excess liability insurance policy of \$10 million excess of \$10 million coverage through Robert Driver Insurance Company at a price not to exceed a \$200,000 annual premium.
3. The budget for the above appropriations is \$700,000 and will be expensed from line item number 4-21-110-1152-0000-4292.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____