



1.27

DEPARTMENT OF
ADMINISTRATIVE SERVICES

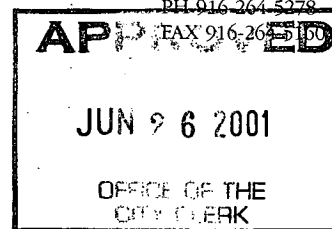
RISK MANAGEMENT DIVISION

CITY OF SACRAMENTO
CALIFORNIA

June 18, 2001

921 TENTH STREET
ROOM 700
SACRAMENTO, CA
95814-2713

City Council
Sacramento, California



Honorable Members in Session:

**SUBJECT: RENEWAL OF EXCESS WORKERS' COMPENSATION
AND EMPLOYERS' LIABILITY INSURANCE COVERAGE
WITH AN ANNUAL PREMIUM OF \$112,931**

LOCATION/COUNCIL DISTRICT: City.

STAFF RECOMMENDATION:

It is recommended that the City Council adopt the attached resolution authorizing and directing the City Manager to secure excess workers insurance through our broker Robert F. Driver Associates'.

CONTACT PERSON:

Margaret Ann Allen, Risk Manager, 264-5823

FOR COUNCIL MEETING OF:

June 26, 2001

SUMMARY:

Due to an excellent loss history this year, the City of Sacramento is most fortunate to be able to renew our workers' compensation coverage without a dramatic increase in premium. This report recommends that the City Council authorize the renewal of an Excess Workers' Compensation Insurance and Employers' Liability Policy with Statutory Limits and a Self-Insured Retention (SIR) of \$1,000,000.

COMMITTEE/COMMISSION ACTION: None.

BACKGROUND INFORMATION:

Prior to 1953 the City of Sacramento was uninsured for this exposure. From January 1953 through July 1971 the City was fully insured through the State Compensation Insurance Fund, the only underwriter authorized to provide public entities with Workers' Compensation coverage in California. Increasing costs of this insured program led the City into self-insuring this exposure in August of 1971. At that time our SIR was \$100,000 per occurrence, and we purchased excess insurance coverage with limits of \$5 million. We contracted with a third party administrator for comprehensive workers' compensation program services. In August of 1977, the City elected to become fully self-insured, discounting its excess coverage due to a premium renewal increase of approximately 114%.

Presumptive clauses in the Labor Code for safety personnel, increased medical costs, increased benefit rates, and liberal Workers' Compensation Appeals Board decisions in favor of employees, resulted in skyrocketing workers' compensation costs. These factors collectively created an increase in premiums and made the Excess Workers' Compensation Insurance market non-competitive.

During the period following August 1977 the City decided to self-insure its entire Workers' Compensation exposure, until November 1982 when the market softened, and the City was able to purchase affordable insurance. **Exhibit I** describes the coverage history of the City's Excess Workers' Compensation program from inception to date.

The excess workers' compensation insurance marketplace continues to undergo deterioration. Our current carrier, Employer's Reinsurance Corporation has agreed to renew without a significant rate increase, and with only minor changes in coverage. **Exhibit II** outlines our current and proposed coverages.

FINANCIAL CONSIDERATIONS:

Funding to pay the \$112,931 premium is in the 2001-02 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 that 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.

ESBD CONSIDERATIONS:

Robert F. Driver Associates has partnered with two companies who are certified by the City as "Small Bussinesses" in providing brokerage and loss control services to our account. Our insurance companies are multi-national companies owned by stockholders, and/or other insurance companies

Respectfully submitted,



Margaret Ann Allen
Risk Manager

Recommendation Approved:



Robert P. Thomas
City Manager

Approved:



Ken Nishimoto
Director of Administrative Services

APPROVED
JUN 26 2001
OFFICE OF THE
CITY CLERK

RESOLUTION NO. 2001-444

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION AUTHORIZING PURCHASE THROUGH ROBERT DRIVER INSURANCE COMPANY EXCESS WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY INSURANCE COVERAGE FOR THE CITY OF SACRAMENTO

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

1. That the City Manager is hereby authorized and directed to obtain from Robert F. Driver Associates, Excess Workers' Compensation and Employer's Liability coverage with Statutory limits excess of \$1,000,000 SIR, from Employer's Reinsurance Corporation, for the period 7/1/01 through 7/1/02 with a premium of \$112,931; and
2. That the Department of Administrative Services is authorized and directed to pay the premium for said coverage from the Risk Management & Insurance Program Budget 423-150-1546-4295.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____ 4

DATE ADOPTED: _____

EXHIBIT I

**CITY OF SACRAMENTO WORKERS' COMPENSATION
EXCESS COVERAGE AND PREMIUM HISTORY**

PERIOD	LIMITS \$	SIR \$	PREMIUMS \$	RATE/\$100 PAYROLL
08/01/71-72	5 Million	100 Thousand	12,120	.0376
08/01/72-73	5 Million	100 Thousand	13,039	.0376
08/01/73-74	5 Million	100 Thousand	16,859	.0376
08/01/74-75	10 Million	100 Thousand	22,299	.0511
08/31/75-76	10 Million	150 Thousand	31,240	.0710
08/31/76-77	5 Million	250 Thousand	56,240	.1121
08/31/77-11/04/82	0	0	0	0
11/04/82-83	10 Million	1 Million	11,150	.018
11/04/83-84	10 Million	1 Million	14,500	.019
11/04/84-85	10 Million	1 Million	15,750	.019
11/04/85-86	5 Million	1 Million	35,976	.038
11/04/86-87	5 Million	1 Million	49,476	.048
11/04/87-88	5 Million	1 Million	70,169	.066
11/04/88-07/01/89	5 Million	1 Million	50,474	.068
07/01/89-90	5 Million	1 Million	58,273	.0453
07/01/90-91	5 Million	1 Million	60,219	.0442
07/01/91-92	5 Million	1 Million	57,500	.0384
07/01/92-93	5 Million	1 Million	57,500	.0368
07/01/93-94 Cancelled 05-94	5 Million	1 Million	53,500	.0374
05/01/94-95	5 Million	1 Million	41,466	.0282
05/01/95-96	STATUTORY	1 MILLION	39,437	.0275
05/01/96-97	STATUTORY	1 Million	36,723	.0262
05/01/97-98	STATUTORY	1 Million	31,444	.0249
05/01/98-06/30/98	STATUTORY	1 Million	4,114	.0150
06/30/98-05/01/99	STATUTORY	500 Thousand	52,590	.0383
05/01/99-00	STATUTORY	500 Thousand	67,576	.0409

**CITY OF SACRAMENTO WORKERS' COMPENSATION
EXCESS COVERAGE AND PREMIUM HISTORY**

PERIOD	LIMITS \$	SIR \$	PREMIUMS \$	RATE/\$100 PAYROLL
05/01/00-09/05/00 Cancelled	STATUTORY	500 Thousand	90,575	.0512
09/06/00-07/01/01	STATUTORY	1 Million	117,000	.0661
07/01/01-02	STATUTORY	1 Million	112,931	.0617

EXHIBIT II

**CITY OF SACRAMENTO
EXCESS WORKERS' COMPENSATION AND
EMPLOYER'S LIABILITY PROPOSAL
JULY 1, 2001 TO JULY 1, 2002**

	<u>PRESENT</u>	<u>PROPOSAL</u>
INSURANCE COMPANY:	Employer's Reinsurance Corporation (ERC)	Employer's Reinsurance Corporation (ERC)
BEST'S GUIDE RATING:	A++, Superior; Financial Size Category 15; Greater than \$2,000,000,000	A++, Superior; Financial Size Category 15; Greater than \$2,000,000,000
CALIFORNIA STATUS:	Admitted	Admitted
POLICY TERM:	July 1, 2000 to July 1, 2001	July 1, 2001 to July 1, 2002
COVERAGE:	Excess Workers' Compensation and Employer's Liability including: <ul style="list-style-type: none">• Volunteers and Board Members• Jones Act and Incidental USL&H• Aircraft (Requires reporting of any aircraft with 8 or more seats within 120 days of acquisition)• Other States – California Benefits• No penalty for late claims reporting• Epidemic Disease Endorsement (Single SIR applies)• Cash Flow Protection Endorsement• Foreign Voluntary Compensation Endorsement	Excess Workers' Compensation and Employer's Liability including: <ul style="list-style-type: none">• Volunteers and Board Members• Jones Act and Incidental USL&H• Aircraft (Requires reporting of any aircraft with 8 or more seats within 120 days of acquisition)• Other States – California Benefits• No penalty for late claims reporting• Epidemic Disease Endorsement (Single SIR applies)• Cash Flow Protection Endorsement (See Attached)• Foreign Voluntary Compensation Endorsement

LIMITS:

Statutory – Workers' Compensation
\$5,000,000 Employer's Liability

Statutory – Workers' Compensation
\$5,000,000 Employer's Liability

\$5,000,000 Jones Act

\$5,000,000 Jones Act

Limits apply to each accident for bodily injury and each employee for disease.

Limits apply to each accident for bodily injury and each employee for disease.

Includes allocated claims expenses

Includes allocated claims expenses

SELF INSURED RETENTION:

\$1,000,000
Retention applies each accident for bodily injury and each employee for disease.

\$1,000,000
Retention applies each accident for bodily injury and each employee for disease.

Includes allocated claims expense.

Includes allocated claims expense.

Single SIR applies to a combined Workers' Compensation and Employer's Liability claim.

Single SIR applies to a combined Workers' Compensation and Employer's Liability claim.

Single SIR applies to Epidemic Disease

Single SIR applies to Epidemic Disease

PREMIUM BASED ON:

\$176,903,700
Estimated Annual Payroll

\$182,953,252
Estimated Annual Payroll
(See Conditions)

ANNUAL PREMIUM:

\$117,000 Annual Premium –
Flat, non-auditable

\$112,931 Deposit
\$101,635 Minimum

Adjustable at a rate of .0617
per \$100 of actual payroll
including Volunteer Labor
Payroll Charge