



APPROVED
BY THE CITY COUNCIL

OCT 27 1998

OFFICE OF THE
CITY CLERK

4.1

DEPARTMENT OF
ADMINISTRATIVE SERVICES

CITY OF SACRAMENTO
CALIFORNIA

921 TENTH STREET
ROOM 401
SACRAMENTO, CA
95814-2713

ADMINISTRATION
DIVISION

916-264-5270

October 20, 1998

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: EXCESS LIABILITY INSURANCE PLACEMENT

LOCATION & COUNCIL DISTRICT: City

STAFF RECOMMENDATION:

It is recommended that the City Council adopt the attached resolution authorizing and directing the City Manager to place the City's Excess Liability insurance coverage with the California Municipal Excess Liability (CAMEL) program through Robert F. Driver Associates in the amount of \$289,818.

CONTACT PERSON:

Greg Norton, Administrative Services Manager, 264-7728

FOR COUNCIL MEETING OF: October 27, 1998

SUMMARY:

This report back is in response to Council's direction to rebid the City's Excess Liability Insurance coverage. The City performed the rebid process with the assistance of a contracted consultant, Advanced Risk Management Techniques, Inc. (ARM Tech)

COMMITTEE/COMMISSION ACTION:

None

BACKGROUND INFORMATION:

On June 30, 1998, staff brought a report to Council recommending the placement of the City's insurance coverages for FY 99 along with information regarding the process utilized to select brokers, assign insurance markets and place the insurance lines. At that meeting, Council approved placement of the All Risk Property, Excess Workers' Compensation, Aircraft Hull & Liability and Crime & Public Officials Bonds coverages through Robert F. Driver Associates. Additionally, Council directed staff to rebid the City's Excess Liability Insurance coverage.

The rebid process was completed with all three of the Brokers utilized as finalists in the previous bid process. With the assistance of ARM Tech, the bid specifications and process were clarified to ensure fairness and avoid issues and/or conflicts in the bid process. The bid process was completed with submission of proposals from all three brokers received on or before September 16, 1998 as required in the bid specifications.

ARM Tech performed a comparison and evaluation of the three proposals received based on the Selection Criteria included in the Insurance and Services Specifications document. The Selection Criteria section of the document states that the City will evaluate proposals based on, but not limited to, the following:

| | <u>Evaluation Criteria</u> | <u>Maximum Criteria Weight</u> |
|----|---------------------------------|------------------------------------|
| 1) | Scope of coverage | 40% |
| 2) | Financial stability of insurers | 20% |
| 3) | Program cost | 40% |
| | Total | 100% |

ARM Tech evaluated each of the proposals, and assigned 40 points for scope of coverage, based on the Insurance and Services Specifications document's required minimum coverages, coverage limits and required insureds. Additionally, ARM Tech awarded each proposal 20 points based on the financial stability of the insurers included in the proposals. Finally, ARM Tech assigned the full 40 points to the lowest bid and reduced the points assigned to higher bids by the percentage that the higher bid exceeded the lowest bid. Upon completion of their evaluation and review, ARM Tech submitted their recommendation for placement of the Excess Liability Insurance coverage along with the evaluation criteria & points assigned, indication of the coverage enhancements proposed and a comparison of the proposals, see **ATTACHMENT A**.

Based on their evaluation, ARM Tech recommended placement of the Excess Liability coverage in the program offered by Robert F. Driver Associates.

FINANCIAL CONSIDERATIONS:

As a result of the rebid process, the City has received bids below those received in the previous process and below the premium paid for FY 98. A comparison of the actual FY 98 premium, previous recommended placement and current recommended placement is illustrated in the table

below.

| COVERAGE | FY 1998 ACTUAL PREMIUM | INITIAL PREMIUM RECOMMENDED | REBID PREMIUM RECOMMENDED |
|------------------|------------------------|-----------------------------|---------------------------|
| Excess Liability | \$307,785 | \$347,529 | \$289,819 |

Funding to pay the \$289,819 premium is included in the 1998-99 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.

The City is not required by state statute, as a public agency, to call for bids in the purchasing of insurance. Additionally, there are no requirements or steps for this process included in the City Charter or any City ordinances.


MBE/ WBE EFFORTS:

Robert F. Driver Associates is not an MBE/WBE Insurance Broker. However, the City has the opportunity to select Sable Insurance Company as the insurer to be utilized for the issuance of the policy and to provide excess capacity. Sable Insurance Company, is registered with the City and County of San Francisco as a minority business enterprise. Sable Insurance Company is also in the process of applying to be certified as a minority business enterprise by City staff.

Respectfully submitted,


Greg Norton
Administrative Services Manager

Recommendation Approved:


Betty Masuoka
Deputy City Manager

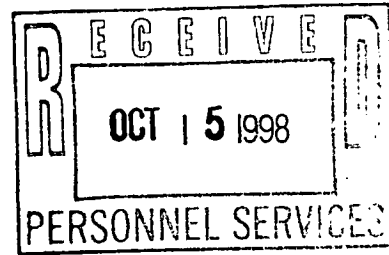
Approved:

 FOR
Ken Nishimoto
Director Administrative Services



ADVANCED RISK MANAGEMENT TECHNIQUES, INC.

October 14, 1998



710-001

Mr. Greg Norton
 Administrative Services Manager
 City of Sacramento
 921 10th Street, Room 401
 Sacramento, California 95814-2713

1998/99 EXCESS LIABILITY INSURANCE PROPOSALS

We have reviewed the proposals offered by Aon Risk Services (Aon), Robert F. Driver & Associates (Driver) and Alburger Basso DeGrosz (ABD). The criteria used to evaluate proposers are listed in the City's RFP.

Exhibit 1 shows the evaluation of all three proposals based on the proposed Scope of Coverage (40 points), Program Cost (40 points) and Insurer Stability (20 points) identified in the City's RFP (page 7, Item B, Selection Criteria). Based on this evaluation we recommend the program offered by Driver.

The 40 points available for Scope of Coverage has been assigned by awarding 2 points for each of the minimum criteria items listed in the RFP, 2 points for meeting the required limits and retention and 2 points for including all required insureds as specified in the City's RFP.

The 40 points for cost is awarded as follows:

1. 40 points is awarded to the least costly three-year premium.
2. Less than 40 points goes to all proposers offering a three-year premium which is greater than the most favorable cost. For example, Aon offered the lowest three-year cost at \$852,600. Driver offered a three-year premium of \$859,818. The difference between the Aon proposal and the Driver proposal is \$7,218 ($\$859,818 - \$852,600 = \$7,218$). Dividing the difference by the lowest proposal and multiplying by 40 points produces the number of points by which the Driver proposal is less than the Aon proposal. ($\$7,218 \div 852,600 = 0.846\%$. $0.846\% \times 40 = 0.339$ points. $40 - 0.339 = 39.661$).

3. ABD did not provide a three-year quote. Thus, ABD received 0 points for its cost proposal.

The A.M. Best rating of each of the proposers was judged to be equal for financial stability and each was awarded 20 points based on the combination of letter rating and size rating.

A.M. Best ratings are:

| Broker | Insurer | Letter Rating | Size |
|--------|---------------------------------|---------------|------|
| ABD | TIG Ins. | A | XII |
| Aon | Ins. Company of the West | A | VIII |
| Driver | Reliance Ins. or Sable Ins. Co. | A- | XIII |

The final ranking places Driver's proposal above the other two based on the scoring system in the RFP.

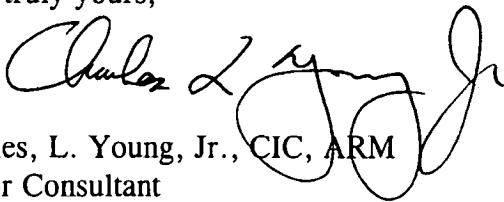
ABD is not competitive. Driver and Aon are each very close in the programs offered.

Driver and Aon each offered enhancements to their programs after submission of the original proposal. These enhancements were not used to judge the programs, but should be incorporated in the final program selected by the City. These enhancements are shown in Exhibit 2.

Exhibit 3 compares the cost and coverage of each of the proposers in detail.

If you have any questions on the above, please call us.

Very truly yours,



Charles, L. Young, Jr., CIC, ARM
Senior Consultant

CLY:pem
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Enc.

CITY OF SACRAMENTO
Evaluation Criteria

| Coverage | | Points Available | Aon | Driver | ABD |
|------------------------------|-------------------------------------|------------------|-------|--------|-------|
| 1. | Limits | 2 | 2 | 2 | 0 |
| 2. | Insureds | 2 | 1 | 2 | 2 |
| 3. | Commercial General Liability | 2 | 2 | 2 | 2 |
| 4. | Automobile Liability | 2 | 2 | 2 | 2 |
| 5. | Employee Benefits Liability | 2 | 2 | 2 | 2 |
| 6. | Personal Injury Coverage | 2 | 2 | 2 | 2 |
| 7. | Blanket Contractual Coverage | 2 | 2 | 2 | 2 |
| 8. | Products/Completed Operations | 2 | 2 | 2 | 2 |
| 9. | Public Officials Errors & Omissions | 2 | 2 | 2 | 2 |
| 10. | Failure to Supply Coverage | 2 | 2 | 2 | 2 |
| 11. | Athletic Participants Coverage | 2 | 2 | 2 | 2 |
| 12. | Employment Practices Liability | 2 | 2 | 2 | 0 |
| 13. | Subsidence | 2 | 2 | 2 | 0 |
| 14. | Firefighters Liability | 2 | 2 | 2 | 2 |
| 15. | Worldwide Territory | 2 | 2 | 2 | 0 |
| 16. | Garagekeepers Liability | 2 | 2 | 2 | 0 |
| 17. | Police Professional Liability | 2 | 2 | 2 | 2 |
| 18. | Miscellaneous Professional | 2 | 2 | 2 | 0 |
| 19. | Watercraft Over 50 Feet | 2 | 1 | 2 | 0 |
| 20. | Incidental Pollution | 2 | 2 | 2 | 0 |
| Total Coverage (Sum 1 to 20) | | 40 | 38 | 40 | 24 |
| Program Cost | | 40.00 | 40.00 | 39.66 | 0.00 |
| Stability | | 20 | 20 | 20 | 20 |
| Total (100 Available) | | 100.00 | 98.00 | 99.66 | 44.00 |

**CITY OF SACRAMENTO
Coverage Enhancements**

| Enhancement | Aon | | Driver | |
|---|----------------------|--|--------------|---|
| | Date Offered | Feature Offered | Date Offered | Feature Offered |
| 1. Inverse Condemnation | 9/16/98 | \$2 million inverse condemnation for property damage | 10/1/98 | Remove restriction on inverse condemnation in exclusion N (inverse condemnation to be covered to \$20 million as per original proposal) |
| 2. City Attorney Defense costs to exhaust SIR | 9/16/98 ¹ | Up to \$100,000 City Attorney costs can be used to exhaust SIR | 9/30/98 | City Attorney costs can be used to exhaust SIR allocated to specific claims |
| 3. Premiums for 1998/01 will be used as basis for awarding dividends in 2001/04 period (if coverage is continued) | Not applicable | | 10/1/98 | Yes ² |

Notes:

- 1 Included in original written proposal.
- 2 Applies to dividend program offered to all members for 2001/04 per broker.

CITY OF SACRAMENTO
Excess Liability
Cost and Coverage Comparison

| Broker | Alburger Basso De Grosz | Aon Risk Services | Robert F. Driver & Associates |
|---------------------------------|---|---|---|
| Insurer | TIG Insurance Company | Insurance Company of The West | (CAMEL) 1. Reliance National Insurance Company OR 2. Sable Insurance Company ¹ |
| A. M. Best's Rating | A XII | A VIII | A- XIII ² |
| Comparison Point | | | |
| Limit | \$18 million per occurrence (\$18 million aggregate for personal injury, products and completed operations and public officials liability) | \$20 million per occurrence (\$20 million aggregate for general liability and \$20 million aggregate for public officials liability) | \$20 million per occurrence (\$20 million aggregate for public officials liability) |
| Retention | \$2 million per occurrence | \$1 million per occurrence | \$1 million per occurrence |
| Premium | | | |
| Year 1 (1998/99) | \$250,000 | \$284,200 ³ | \$347,529 ⁴ (no dividend) \$289,818 (with dividend) |
| Year 2 (1999/00) | Not Quoted | \$284,200 | \$285,000 |
| Year 3 (2000/01) | Not Quoted | \$284,200 | \$285,000 |
| Total Three-Year Premium | Unknown | \$852,600 | \$859,818 |

| Broker | Alburger Basso De Grosz | Aon Risk Services | Robert F. Driver & Associates |
|--|--|--|--|
| Coverage Points | | | |
| General Liability | Yes | Yes | Yes |
| Employee Benefits Liability | Yes (Claims Made) (Retro Date - Inception) | Yes | Yes ⁵ |
| Employment Practices Liability | Yes | Yes | Yes |
| Public Officials Liability | Yes | Yes | Yes |
| Athletic Participates Liability | Yes | Yes | Yes |
| Subsidence Coverage | No | Yes | Yes |
| Firefighters Professional Liability | Yes | Yes | Yes |
| Law Enforcement Liability | Yes | Yes | Yes |
| Miscellaneous Professional Liability | Excludes medical malpractice, engineers & architects E&O and surveyors E&O and all other services not provided by City employees | Excludes hospital, clinic or medical malpractice | Excludes hospital, clinic, pharmacy or medical malpractice |
| Automobile Liability | Yes | Yes | Yes |
| Garagekeepers Liability | No | Yes | Yes |
| Incidental Pollution Liability | Yes | Yes | Yes |
| Defense Costs Are Included Within the Limit of Liability | Yes | No | Yes |

| Broker | Alburger Basso De Grosz | Aon Risk Services | Robert F. Driver & Associates |
|--|--|---|---|
| City Attorney Authorized May Act as Claims Administrator | Yes (per broker ⁶) | Yes (per broker ⁷) | Yes ⁸ |
| Insureds Include: | | | |
| City | Yes | Yes | Yes |
| Elected & Appointed Officials | Yes | Yes (past or present) | Yes |
| Committees, Trustees, Boards and Commissions | Yes | Yes | Yes |
| Employees | Yes (except employees are not insured for use of an auto owned by the employee) | Yes (past or present) (Employees are not insureds for auto while using City vehicles) | Yes (including past or present employees) |
| Volunteers | Yes (except for use of an auto owned by the volunteer) | Yes (past or present) (Insureds for auto while using City vehicles) | Yes |
| Governed Special Districts | Yes (excluding schools, airports, ports, public transportation, housing, hospitals or gas or electric utilities) | Yes | Yes |
| Entities Providing Mutual Aid | Yes (except for use of an auto owned by the entity) | Silent | Yes |
| Major Exclusions ("Yes" means the exclusion applies) | | | |
| Use, loading, unloading, ownership, maintenance or operation of an aircraft owned, | Yes | Yes | Yes |

| Broker | Alburger Basso De Grosz | Aon Risk Services | Robert F. Driver & Associates |
|--|---|--|---|
| Use, loading, unloading, ownership, maintenance or operation of watercraft owned, rented, operated by or loaned to the insured. | Yes (except watercraft under 75 feet) | Yes (except watercraft under 26 feet) | Yes (except owned watercraft under 51 feet or non-owned watercraft under 125 feet) |
| Pollution (except "incidental pollution" caused by fire, explosion, vandalism & malicious mischief (V&MM), lightning, windstorm, upset or overturn of a vehicle, chlorine leaks, pesticide or herbicide application, flood, earthquake, riot or civil commotion or collapse) | Yes (except "incidental pollution" if known within 7 days and reported to the insurer within 21 days. Coverage does not apply to pollution of a body of water, pollution from an underground storage tank, or pollution caused by explosion, V&MM, lightning, collapse, windstorm, chlorine leaks, herbicide or pesticide application.) | Yes (except "incidental pollution" if known to insured within 7 days and reported within 30 days. "Incidental pollution" coverage does not apply to fire unless a hostile fire, to chlorine leaks or water pollution caused by oil products. | Yes (except incidental pollution if known to the insured within 10 days and reported to insurer within 31 days. "Incidental pollution" coverage does not apply to collapse or use of mace.) |
| Contamination of water supplies or by handling of waste water. | Yes (except as provided in the sudden and accidental exception to the pollution exclusion) | No | No |
| Medical Malpractice | Yes (except for EMTs, paramedics, nurses or a medical practitioner performing emergency medical services) | Yes (except for EMTs, paramedics and nurses) | Yes (except for EMTs, paramedics and nurses) |
| Subsidence | Yes (excludes all earth movement) | No | No |

| Broker | Alburger Basso De Grosz | Aon Risk Services | Robert F. Driver & Associates |
|--|--|--|---|
| Employment Practices Liability (wrongful termination, failure to hire, discrimination and sexual harassment) | No (But excludes sexual misconduct. See sexual molestation exclusion) | No | No |
| Claims for past wages/salaries | Yes | No | No |
| Failure to supply gas, water, fuel or electricity | Yes (except does not apply to water if failure arises from sudden and accidental damage to property) | Yes (except does not apply to water if failure arises from sudden and accidental damage to property) | Yes (Except does not apply unless loss results from a City decision in obtaining or supplying utility services) |
| Dam failure, bursting, overflowing, accidental discharge or rupture | Yes (also excludes levee failure or failure of any artificial barrier designed to divert water) | Yes ("Dam" is not defined by the policy) | Yes (If over 25 feet in height or has an impound capacity over 50 acre feet) |
| Asbestos | Yes | Yes | Yes |
| Operation of any school district, port authority, or any gas or electric utility | Yes | No | No |
| Eminent domain, condemnation proceedings inverse condemnation | Yes | Yes (\$2 million limit for inverse condemnation) | Yes (except covers inverse condemnation caused by the insured's negligence) |
| Employers Liability | Yes | Excludes employee bodily injury | No |
| Insured Versus Insured Claims | Excluded under public officials liability only | No | No |

| Broker | Alburger Basso De Grosz | Aon Risk Services | Robert F. Driver & Associates |
|---------------------------------------|--|-------------------|-------------------------------|
| Sexual Molestation, Abuse, Misconduct | Yes (also excludes any negligent employment, supervision, investigation or reporting of anyone committing such acts) | No | No |
| Uninsured Motorists | Yes | No | No |
| Blue Skies or Security Sales | No | Yes | No |

Notes:

- 1 Sable is rated as a Reliance owned entity per the 1998 A. M. Best's manual. The Sable option uses American Re-Insurance Corp (rated A + + XV) to reinsure Sable under the CAMEL program.
- 2 Sable is rated as a Reliance owned entity per the 1998 A. M. Best's manual. The Sable option uses American Re-Insurance Corp (rated A + + XV) to reinsure Sable under the CAMEL program.
- 3 An added \$10 million limit is available for an added \$25,000 premium.
- 4 Dividend payable to the City based on 1995/96 premium and loss ratio. Dividend is only payable under the CAMEL program if the City renews with CAMEL in 1998/99.
- 5 Employee benefits liability is included in the public officials E&O coverage.
- 6 Insurer must first review claims handling procedures with City Attorney.
- 7 Policy requires a claims administration service, but broker advises insurer will allow City Attorney to serve in this capacity.
- 8 Insured must report losses reserved at 50% of the retention or with a verdict potential of 75% of the retention and must report all injuries resulting in: paraplegia, quadriplegia, brain damage, severe burns, fatalities, amputation of a major member, loss of sight, hearing or smell, disability over 6 months or significant psycho-neurotic involvement.

APPROVED
BY THE CITY COUNCIL

OCT 27 1998

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 98-536

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**RESOLUTION AUTHORIZING PURCHASE OF THE
CITY'S EXCESS LIABILITY INSURANCE COVERAGE**

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

1. That the City Manager is hereby authorized and directed to place the City's Excess Liability Insurance Coverage through Robert F. Driver Associates, Insurance Broker, as follows:
 - Excess Liability \$20 million, excess of \$1 million to the CAMEL program.

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 as follows:
 - Excess Liability Premium \$289,819 421-150-1546-4291

MAYOR

ATTEST:

City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION AUTHORIZING PURCHASE OF THE CITY'S EXCESS LIABILITY INSURANCE COVERAGE

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

4. That the City Manager is hereby authorized and directed to place the City's Excess Liability Insurance Coverage through Robert F. Driver Associates, Insurance Broker, as follows:

- Excess Liability \$20 million, excess of \$1 million to the CAMEL program.

5. That the Department of Administrative Services is authorized and directed to pay the premium for said coverage from the Risk Management & Insurance Program Budget as follows:

- Excess Liability Premium \$289,819 421-150-1546-4291

MAYOR

ATTEST:

City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____ 14