



REPORT TO COUNCIL City of Sacramento

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STAFF
August 9, 2005

Honorable Mayor and
Members of the City Council

Subject: Authorization to Join CPEIA to Purchase Excess Worker's Compensation Insurance

Location/Council District: Citywide

Recommendation:

Adopt a Resolution authorizing the City Manager to execute the California Public Entity Insurance Authority (CPEIA) Joint Powers Agreement and Excess Workers' Compensation Program Memorandum of Understanding and City membership in the California Public Entity Insurance Authority (CPEIA) for the purpose of purchasing insurance.

Contact: Barbara Brenner, Loss Control Manager, 808-7785

Presenters: Geri Hamby, Director of Human Resources
Barbara Brenner, Loss Control Manager

Department: Human Resources

Division: Risk Management

Organization No: 1546

Summary:

The excess workers' compensation market is improving. As a result, the City obtained a quote for excess workers' compensation coverage from the CPEIA JPA that is in line with what the City has previously paid. Council authorization is requested to join this Joint Powers Authority for the purpose of purchasing workers' compensation insurance in excess of a \$2M self insured retention.

Committee/Commission Action: None

Background Information:

The City last purchased excess workers' compensation insurance, above a \$2M self insured retention, in FY03 with statutory limits at a cost of \$396,460. In FY 04 and 05, quotes for stand alone excess workers' compensation policies exceeded \$1M with coverage limits decreased to \$25M. Therefore, the City did not purchase insurance and was totally self insured for workers' compensation in FY 04 and 05. In FY 06, underwriters indicated that the cost of a non-pool, stand alone policy would continue to be in excess of \$1M.

The CPEIA JPA insurance pool quoted City of Sacramento excess workers' compensation insurance for FY 2006 at \$389,750. The coverage limit is \$145M above a \$2M self insured retention per occurrence. In addition, terrorism coverage is now included at a sub-limit of \$25M.

The California Public Entity Insurance Authority (CPEIA) was established by the California State Association of Counties (CSAC) in 2001. The CSAC/CPEIA excess workers' compensation insurance pool has grown to include 84 public agencies in addition to 50 California counties.

The recommended workers' compensation coverage will reduce the City's financial exposure due to a catastrophic or multiple employee illness or injury. Purchase of this insurance is recommended because the potential for catastrophic losses and the rising cost of medical care increase the risk of exceeding a \$2M self insured retention.

Financial Considerations:

The proposed workers' compensation premium of \$389,750 is within the approved FY 06 budget allocation for commercial insurance. Purchase of this insurance is recommended because the potential for catastrophic losses and the rising cost of medical care increase the risk of exceeding a \$2M self insured retention.

The City will be required to join the CPEIA JPA to purchase excess workers' compensation coverage. CPEIA is an insurance pool. When pool losses are less than actuarial estimates, dividends are returned to the members annually. If pool losses exceed actuarial estimates and the program becomes under funded, members can be assessed a retroactive premium surcharge for the years that they participated in the pool.

In the past 10 years of operation, the CPEIA workers' compensation insurance pool declared dividends in six years, an assessment in one year and neither assessment nor dividend in three years. In the one year that an assessment was issued, the assessment equaled 5.6% of the total premium paid by all members during a 10 year period.


Environmental Considerations: None

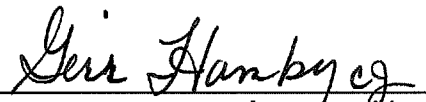
Policy Considerations:

Excess workers' compensation coverage benefits the City in situations involving severe injuries or illnesses, catastrophes such as multiple employees involved in one automobile accident, an attack on a City facility or attack on a facility to which City safety personnel must respond. The City Attorney's Office and Workers' Compensation Administrator have reviewed and approved the CPEIA Joint Powers Agreement and Memorandum of Understanding. The terms, limits and price of the excess workers' compensation coverage are desirable.

Emerging Small Business Development (ESBD):

The City's current insurance broker, Driver Alliant Insurance Services includes small business partners in providing services such as property appraisal and earthquake hazard assessment to the City of Sacramento. Risk Management staff are committed to compliance with the City's ESBD program requirements when insurance brokerage service proposals are solicited and reviewed.


Respectfully Submitted by:
Barbara Brenner
Loss Control Manager


Approved by:
Geri Hamby
Director of Human Resources

Recommendation Approved:

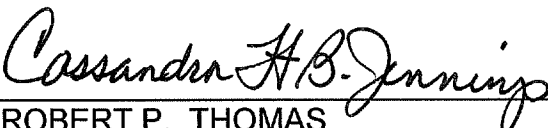

ROBERT P. THOMAS
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

AUTHORIZING MEMBERSHIP IN THE CALIFORNIA PUBLIC ENTITY INSURANCE AUTHORITY FOR THE PURPOSE OF PURCHASING INSURANCE FOR THE CITY OF SACRAMENTO

BACKGROUND

- A. The California Public Entity Insurance Authority (CPEIA) has quoted \$145,000,000 workers' compensation limits excess of a \$2,000,000 self insured retention for FY 2006 at \$389,750. Terrorism coverage is included with a sub-limit of \$25,000,000.
- B. Excess workers' compensation coverage benefits the City in situations involving severe injuries or illnesses, catastrophes such as multiple employees involved in one automobile accident or an attack on a City facility or attack on a facility to which City safety personnel must respond. The rising cost of medical care also creates an increased risk of exceeding a \$2,000,000 self insured retention for severe illnesses and injuries.
- C. The terms, limits and price of the excess workers' compensation coverage are desirable. There is sufficient insurance funding within the risk fund to purchase the coverage quoted by CPEIA.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

The City Manager is authorized to execute the California Public Entity Insurance Authority Joint Powers Agreement and Excess Workers' Compensation Program Memorandum of Understanding.