

APPROVED
BY THE CITY COUNCIL

JUN 29 1999

OFFICE OF THE
CITY CLERK



1.92

DEPARTMENT OF
ADMINISTRATIVE SERVICES
RISK MANAGEMENT DIVISION

CITY OF SACRAMENTO
CALIFORNIA

June 22 1999

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SACRAMENTO, CA
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City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: RENEWAL OF EXCESS AUTO AND GENERAL LIABILITY
INSURANCE COVERAGE AT A PREMIUM OF \$285,000**

LOCATION AND COUNCIL DISTRICT:

City.

STAFF RECOMMENDATION:

It is recommended the City Council adopt the attached resolution authorizing and directing the City Manager to secure \$20 Million of excess liability insurance coverage from Robert F. Driver Insurance Services for an annual premium of \$ 285,000.

CONTACT PERSON:

Margaret Ann Allen, Risk Manager, 264-5823

FOR COUNCIL MEETING OF:

June 29, 1999

SUMMARY:

The City's policy is to maintain three distinct tiers, or layers, of automobile and general liability coverage as follows:

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Renewal of Excess Auto and General Liability Insurance Coverage
June 22, 1999

- Tier One First dollar of loss to \$1 Million, completely self insured.
- Tier Two \$10 Million excess of \$1 Million, coverage purchased from an insurance company (\$ 241,689).
- Tier Three \$10 Million excess of \$10 Million, additional excess coverage purchased from an insurance company (\$43,311).

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

Over the years public entities have typically protected themselves by purchasing insurance. However, the ability to do this changed drastically during the 1970's. This was due to legal, social, and economic developments, which affected the availability and cost of public entity insurance. The most dramatic impact was the elimination by the courts of the common law "Doctrine of Sovereign Immunity", which meant that citizens who considered themselves wronged by the actions of the Government could now sue the Government for damages.

During the mid -1970's, insurance for public entities became scarce, the premiums for those policies which were still available skyrocketed and many kinds of coverage disappeared. These events forced public entities to focus on alternatives to combat the problem of increasing premiums.

In January 1976, the City of Sacramento began its Self Insured Retention (SIR) program for Automobile and General Liability Coverage assuming a SIR of \$250,000 per occurrence, with a maximum liability limit of \$20 Million at a premium of \$266,900. In September 1981, this maximum limit was increased to \$50 Million with a SIR of \$1,000,000 and at a premium of \$59,500.

By the mid-1980's, a second very severe insurance crisis developed in the form of reduced availability of insurance. It struck all lines of coverage and all categories of insurance, especially the type used by public agencies. The City of Sacramento's excess liability coverage expired on November 20, 1985, and the City remained uninsured until July 1, City

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Renewal of Excess Auto and General Liability Insurance Coverage
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1988. At that time we purchased a \$10 Million excess policy, with a SIR of \$10 Million for a premium of \$100,000. From July 1990-92, we were able to reduce our SIR to \$5 Million for a \$15 Million policy at a premium of \$426,585.

The Robert F. Driver Company formed the California Municipal Excess Liability (CAMEL) Program in July 1992. This is a Joint Purchase Agreement comprised of numerous public agencies, and through this program we were able to purchase \$18 Million excess insurance with a SIR of \$2 Million at a premium of \$385,313. The City of Sacramento has utilized the Robert F. Driver Company as Broker of Record for Automobile and General Liability insurance since inception of the CAMEL Program. The market continues to soften, and over time we have expanded coverages, lowered our SIR to \$1,000,000, and reduced our premium.

In the Spring of 1998, Risk Management went out to bid for insurance brokerage services. Robert F. Driver was most responsive to the City's needs, and was selected for a three year contract. This report requests renewal of the second year of this agreement. This anniversary/renewal demonstrates the benefit of the group purchase program to the City of Sacramento through expansion of coverages and reduction of premiums. **EXHIBIT I** summarizes the policy as proposed.

FINANCIAL CONSIDERATIONS:

- This year's premium is the \$4,818 less than last year's, and will remain the same for the third program year.
- Funding to pay the subject \$285,000 is available in the 1999-2000 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

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the City against catastrophic losses.

ESBD CONSIDERATIONS:

Our insurance companies and brokers are multi-national companies owned by stockholders, and/or other insurance companies.

Respectfully submitted,



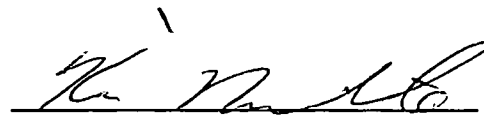
Margaret Ann Allen
Risk Manager

Recommendation Approved:



Robert P. Thomas
City Manager

Approved:



Ken Nishimoto
Director of Administrative Services

APPROVED
BY THE CITY COUNCIL

JUN 29 1999

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 99-367

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**RESOLUTION AUTHORIZING THE RENEWAL
OF CITY'S EXCESS LIABILITY INSURANCE**

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

1. That the City Manager is hereby authorized and directed to purchase an excess liability insurance policy of \$20 million excess of \$1 million Self Insured Retention coverage through Robert F. Driver Company for the period from 7/1/99 to 7/1/00.
2. That the Department of Administrative Services is authorized and directed to pay the premium of \$285,000 for said coverage from the Risk Management & Insurance Program Budget 421-150-1546-4291.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

**CALIFORNIA MUNICIPAL EXCESS LIABILITY PROGRAM (CAMEL)
1999-2000 PROGRAM RENEWAL**

CITY OF SACRAMENTO

	<u>PRESENT</u>	<u>PROPOSED</u>
INSURER:	American Re-Insurance Company (Am-Re) and Sable Insurance Company	American Re-Insurance Company (Am-Re) and Sable Insurance Company
	(American Re-Insurance is the lead underwriter and re-insures a majority of the Program. The Sable Insurance Company issues the policies and provides excess capacity)	(American Re-Insurance is the lead underwriter and re-insures a majority of the Program. The Sable Insurance Company issues the policies and provides excess capacity)
BEST'S GUIDE RATING:	American Re-Insurance Company: A++, Excellent; Financial Size Category 15; Greater than \$2,000,000,000	American Re-Insurance Company: A++, Excellent; Financial Size Category 15; Greater than \$2,000,000,000
	Sable Insurance Company: A, Excellent; Financial Size Category 12; \$1,000,000,000 to \$1,250,000,000	Sable Insurance Company: A, Excellent; Financial Size Category 12; \$1,000,000,000 to \$1,250,000,000
CALIFORNIA STATUS:	Admitted	Admitted
PROGRAM TERM:	July 1, 1998 to July 1, 2001* *Subject to annual installments	July 1, 1999 to July 1, 2002* *Subject to annual installments
POLICY TERM:	July 1, 1998 to July 1, 1999	July 1, 1999 to July 1, 2000

**1999-2000 CAMEL PROGRAM RENEWAL
CITY OF SACRAMENTO**

PRESENT
American Re-Insurance Company
and Sable Insurance Company

PROPOSED
American Re-Insurance Company
and Sable Insurance Company

COVERAGE:

Excess Municipal Liability on an Occurrence
Basis including:

Same as Present

- Bodily Injury
- Personal Injury
- Property Damage
- Public Officials Errors & Omissions
- Employment Practices Liability
- Employer's Liability included excess of
\$1,000,000 minimum underlying coverage
- Subsidence
- Inverse Condemnation

MAJOR EXCLUSIONS:
(Included but not limited to)

- Workers' Compensation
- Asbestos
- Pollution/Contamination except for:
Hostile Fire and Collision
Upset/Overturn of owned and non-owned
vehicles and Time Element Extension
- Eminent Domain
- Care, Custody and Control
- Airports
- Aircraft/Airfield exclusion (E) not absolute
- Medical Malpractice (except incidental)
- Nuclear Material
- ERISA
- Dams (only those owned or operated by the
insured)
- Watercraft

Same as Present

**1999-2000 CAMEL PROGRAM RENEWAL
CITY OF SACRAMENTO**

**PRESENT
American Re-Insurance Company
and Sable Insurance Company**

**PROPOSED
American Re-Insurance Company
and Sable Insurance Company**

LIMITS OF LIABILITY:

- | | |
|---|---|
| <p>I. BASIC PROGRAM</p> <p>\$10,000,000 per occurrence</p> <p>II. OPTIONAL PROGRAM</p> <p>\$10,000,000 per occurrence excess of Basic Program</p> <p>Annual Aggregate applies to <u>each entity</u> for Public Officials Errors & Omissions</p> | <p>I. BASIC PROGRAM</p> <p>\$10,000,000 per occurrence</p> <p>II. OPTIONAL PROGRAM</p> <p>\$10,000,000 per occurrence excess of Basic Program</p> <p>Annual Aggregate applies to <u>each entity</u> for Public Officials Errors & Omissions</p> |
|---|---|

**SELF-INSURED
RETENTION:**

\$1,000,000 applies per occurrence	\$1,000,000 applies per occurrence
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**DEFENSE COSTS AND
EXPENSES:**

Defense Costs and Expenses are included in the Self-Insured Retention and Limits of Liability	Defense Costs and Expenses are included in the Self-Insured Retention and <u>outside</u> Limits of Liability
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We are negotiating, by entity, to amend definition of Defense Cost to include the allocated claims expenses incurred by attorneys who are employees of the Named Insured.

Note: Must have additional underwriting information, i.e. resumes for city employed attorneys, hourly rate schedule, a copy of your system for tracking time by claim.

Based on underwriting information, an additional premium may apply.

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