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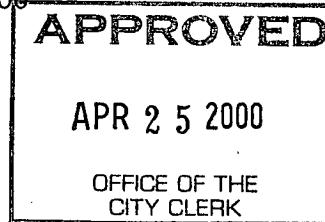
DEPARTMENT OF  
ADMINISTRATIVE SERVICES  
RISK MANAGEMENT DIVISION

CITY OF SACRAMENTO  
CALIFORNIA

921 TENTH STREET  
ROOM 700  
SACRAMENTO, CA  
95814-2713

April 19, 2000

City Council  
Sacramento, California



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Honorable Members in Session:

**SUBJECT: RENEWAL OF EXCESS WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY INSURANCE COVERAGE WITH AN ANNUAL PREMIUM OF \$90,575**

**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' California Municipal Excess Workers' Compensation Program (CAMEX).

**CONTACT PERSON:**

Margaret Ann Allen, Risk Manager, 264-5823

**FOR COUNCIL MEETING OF:**

April 25, 2000

**SUMMARY:**

This report recommends that the City Council authorize the purchase of an Excess Workers' Compensation Insurance and Employers' Liability Policy with Statutory Limits and a Self-Insured Retention (SIR) of \$500,000.

**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 with and SIR of \$1,000,000. On June 30, 1998, after an evaluation of our loss history, the decision was made to reduce the SIR to \$500,000. **Exhibit I** describes the coverage history of the City's Excess Workers' Compensation program from inception to date.

The excess workers' compensation insurance marketplace is undergoing an unexpected deterioration. Although our current carrier, Reliance had agreed to a three-year rate guarantee, that commitment was subject to their placement of affordable facultative reinsurance. Apparently, there is little to no reinsurance support in the excess workers' compensation marketplace at any price level in this sudden marketplace restriction which only began to manifest itself in the past two weeks.

## **FINANCIAL CONSIDERATIONS:**

The premium increase of \$22,999 represents a 25% increase over the \$67,576 premium last year. Funding to pay the \$90,575 premium is in the 2000-01 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:**

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

Respectfully submitted,

 FOR:

Margaret Ann Allen  
Risk Manager

Recommendation Approved:



Betty Masuoka  
Deputy City Manager

Approved:



Ken Nishimoto  
Director of Administrative Services

**RESOLUTION NO. 2000-178**

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 \$500,000 SIR, from Reliance National Indemnity Company, for the period 5/1/00 through 5/1/01 with a premium of \$90,575; 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: \_\_\_\_\_

**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
05/01/00-01	STATUTORY	500 Thousand	90,575	.0512