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CITY OF SACRAMENTO

DEPARTMENT OF GENERAL SERVICES

OFFICE OF THE DIRECTOR

FACILITY MAINTENANCE DIVISION
FLEET MANAGEMENT DIVISION
RISK MANAGEMENT & INS. DIVISION
SUPPORT SERVICES DIVISION

August 28, 1985
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CITY MANAGER'S OFFICE
RECEIVED
AUG 28 1985

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: PLACEMENT OF CITY'S COMPREHENSIVE AUTO AND
GENERAL LIABILITY PROGRAM INSURANCE COVERAGE**

APPROVED
BY THE CITY COUNCIL

SEP - 3 1985

OFFICE OF THE
CITY CLERK

SUMMARY

This report recommends the City Council approve the purchase of the subject coverage and the amendment of the FY 1985-86 Operating Budget by an increase of \$140,000.

BACKGROUND

The City's present coverage, providing \$50 million limits in excess of a \$1.0 million Self-Insured Retention (SIR), expires October 7, 1985.

Below is provided a history of the past six (6) fiscal years coverage limits, SIR, and premium costs:

<u>Effective Date</u>	<u>Level of Retention Per Occurrence</u>	<u>Limits of Coverage</u>	<u>Premium Cost</u>
09/07/79	\$1 million SIR	\$20 million	\$205,200
09/07/80	\$1 million SIR	\$50 million	\$114,900
09/07/81	\$1 million SIR	\$50 million	\$ 59,500
09/07/82	\$1 million SIR	\$50 million	\$ 51,500
09/07/83	\$1 million SIR	\$50 million	\$ 51,500
10/07/84	\$1 million SIR	\$50 million	\$148,800

The current market conditions for obtaining public entity liability coverage is extremely limited. We are caught in a vise which is squeezing the treasuries of local and county governments and special districts throughout the State and

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across the country. Many of the nation's insurance companies are flat out unwilling to write policies for public agencies and the relatively few that are willing, have upped their rates dramatically. This condition continues to worsen day by day, with no relief in sight.

The City's broker has contacted all known available markets for public entity coverage, receiving only one (1) offer, which is not a binding commitment.

The offer received provides \$20 million limits with a \$1.9 million SIR for an annual premium of \$640,000, as layered below:

	<u>Premium</u>
\$ 3.1 million limits in excess of \$1.9 million SIR	\$415,000
\$ 5.0 million limits in excess of underlying \$5 million	125,000
\$10.0 million limits in excess of underlying \$10 million	<u>100,000</u>
Total Annual Premium	<u>\$640,000</u>

The offer differs from our present coverage (see Exhibit I) as follows:

- Proposed policy form excludes accidental and sudden pollution;
- Reduces the limits of coverage by \$30 million from \$50 million to \$20 million;
- Increases the City's SIR by \$900,000 from \$1.0 million to \$1.9 million;
- Premium increase of 330% from \$148,800 to \$640,000.

CONCLUSION

Based on the overall condition of the public entity market and with the problems being encountered by other public entities, it is our considered opinion that the offer outlined above is the best possible offer the City will receive. Any delays in our acceptance of the offer would undoubtedly result in higher premiums and reduced coverage.

There is still no acceptable alternative to buying insurance. How would we pay for a huge claim if we went bare? It's a lose-lose proposition.

CONCERNS

The Risk Management Committee has several concerns in accepting the offered coverage, but find no other available alternatives. Upon placement of the said coverage, the following two (2) issues must be addressed:

1. Funding the increased SIR OF \$900,000. This contingent liability and risk reserve provides \$1 million which leaves \$900,000 unfunded; and

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- 2) The reduced limits of coverage from \$50 million to \$20 million leaving the City an exposure of \$30 million compared to the current coverage.

On the latter concern, staff will direct the broker, following placement of the offered coverage, to enter the market place and attempt to obtain additional coverage above the \$20 million of \$5 million or \$10 million.

FINANCIAL IMPACT

The FY 1985-86 Operating Budget provides \$500,000 for the purchase of the subject coverage. An augmentation of \$140,000 from Unappropriated Fund Balance will be required.

RECOMMENDATION

It is the recommendation of the City's Risk Management Committee that the City Council adopt the attached resolution authorizing:

- 1. Amendment of the City Budget for FY 1985-86 by appropriating \$140,000; and
- 2. City Manager to purchase the subject insurance coverage.

Respectfully submitted,

Solon Wilson, Jr.

For: Frank Mugartegui
Director of General Services

RECOMMENDATION APPROVED:

September 3, 1985
All Districts

Walter J. Slips
Walter J. Slips
City Manager

Attachment

cc: Risk Management Committee
Harold Weiner

CITY OF SACRAMENTO
COMPREHENSIVE AUTO & GENERAL
LIABILITY COVERAGE COMPARISON

Current Coverage

Policy Period: 10/7/84 thru 10/7/85

Coverage: \$50 million excess
 \$1.0 million SIR

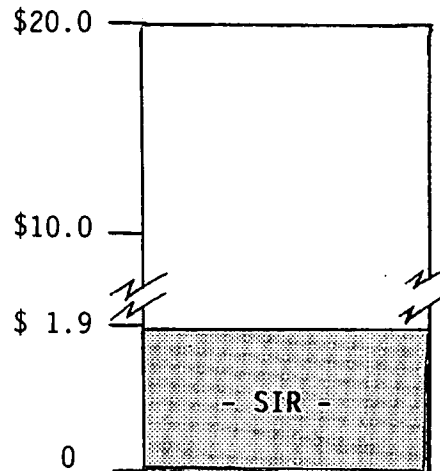
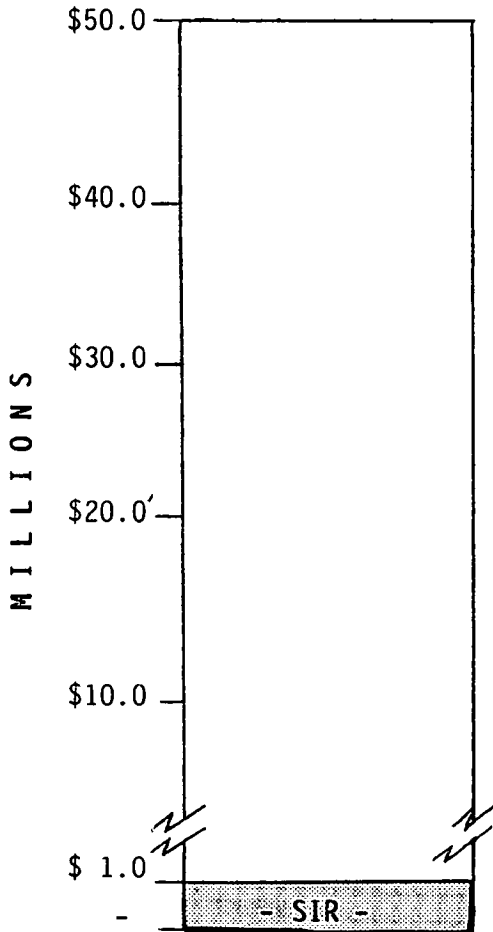
Annual Premium: \$148,800

Proposed Coverage

10/7/85 thru 10/7/86

\$20 million excess
 \$1.9 million SIR

\$640,000



PROGRAM DIFFERENCES:

- ° Limits of liability reduced by \$30 million - \$50 million to \$20 million.
- ° Self-Insured Retention increased by \$.9 million - \$1 million to \$1.9 million.
- ° Annual premium increased by \$491,200 - \$148,100 to \$640,000, or 330%.

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RESOLUTION NO. 85-680

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION AMENDING THE CITY OPERATING BUDGET
FOR FY 1985-86 AND PURCHASE OF COMPREHENSIVE AUTO AND
GENERAL LIABILITY INSURANCE COVERAGE

APPROVED
BY THE CITY COUNCIL
SEP - 3 1985
OFFICE OF THE
CITY CLERK

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

1. That the FY 1985-86 City Operating Budget is hereby amended by the appropriation of \$140,000 from the Unappropriated Fund Balances of the activities indicated below:

<u>FUND</u>	<u>ORGANIZATION #</u>	<u>AMOUNT</u>
General	1-01-7030-0000-4291	\$110,800
Parking	4-12-3123-0000-4291	2,400
Water	4-13-3151-0000-4291	5,600
Sewer	4-14-3151-0000-4291	4,500
Waste Removal	4-15-3141-0000-4291	9,500
Boat Harbor	4-17-4570-0000-4291	100
Golf	4-18-4610-0000-4290	1,400
Community Center	4-19-4310-0000-4291	2,000
Fleet Management	4-20-1949-0000-4291	3,100
Risk Management	4-21-1961-0000-4291	500
Camp Sacramento	4-24-4560-0000-4291	100
		<u>\$140,000</u>

2. That the City Manager is authorized and directed to purchase a Comprehensive Auto and General Liability coverage providing \$20 million limits in excess of \$1.9 million SIR through the City's insurance broker, Coroon/Black James Burpo Insurance Services, for an annual premium of \$640,000.

MAYOR

ATTEST:

City Clerk