

APPROVED
BY THE CITY COUNCIL

APR 27 1999

OFFICE OF THE
CITY CLERK



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DEPARTMENT OF
ADMINISTRATIVE SERVICES

RISK MANAGEMENT DIVISION

CITY OF SACRAMENTO
CALIFORNIA

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SACRAMENTO, CA
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April 16, 1999

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: RENEWAL OF EXCESS WORKERS' COMPENSATION AND
EMPLOYERS' LIABILITY INSURANCE COVERAGE WITH
AN ANNUAL PREMIUM OF \$67,576**

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 27, 1999

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.

City Council
Renewal of Excess Workers' Compensation and Employers' Liability
Insurance Coverage
April 16, 1999

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.

Our Broker, Robert F. Driver Associates has developed a meaningful joint purchase program that provides both decreased costs and the basis for long term stability. See **Exhibit II** for a description of the recommended policy.

FINANCIAL CONSIDERATIONS:

Robert F. Driver Associates initiated an aggressive, formal marketing survey in order to take full advantage of continuing favorable market place conditions. We are pleased with their efforts in being able to maintain reasonable rates on a three-year guaranteed basis through Reliance National Indemnity Company. This joint purchase program remains an effective vehicle in competitively accessing the marketplace and maintaining both coverage and rate stability on a long-term basis.

City Council
Renewal of Excess Workers' Compensation and Employers' liability
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Funding to pay the \$67,576 is 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 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:

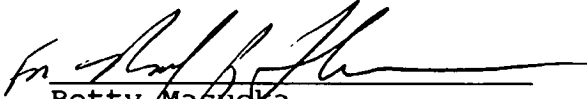
Our insurance companies and brokers are multi-national companies
owned by stockholders, and/or other insurance companies

Respectfully submitted,



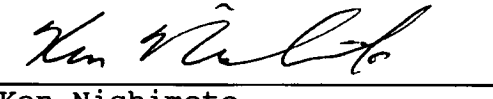
Margaret Ann Allen
Risk Manager

Recommendation Approved:



Betty Masucka
Deputy City Manager

Approved:



Ken Nishimoto
Director of Administrative Services

APPROVED
BY THE CITY COUNCIL

APR 27 1999

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 99-199

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 5/1/99 through 5/1/2000 with a premium of \$67,576; 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: _____

EXHIBIT I

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

CITY OF SACRAMENTO

CALIFORNIA MUNICIPAL EXCESS WORKERS' COMPENSATION PROGRAM (CAMEX)

WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY PROPOSAL

	<u>PRESENT</u>	<u>PROPOSED</u>
INSURANCE COMPANY:	Continental Casualty Company (CNA)	Reliance National Indemnity Company
BEST'S GUIDE RATING:	A (Pooled) Excellent; Financial Size Category 15; Greater than \$2,000,000,000	A- (Pooled) Excellent; Financial Size Category 13; \$1,250,000,000 to \$1,500,000,000
CALIFORNIA STATUS:	Admitted	Admitted
POLICY TERM:	May 1, 1998 to May 1, 1999	May 1, 1999 to May 1, 2002
COVERAGE:	<p>Excess Workers' Compensation and Employer's Liability including:</p> <ul style="list-style-type: none"> • Volunteers and Board Members • Jones Act • Aircraft (Requires reporting of any aircraft with 8 or more seats within 120 days of acquisition) • Other States - California Benefits • No Penalty for Late Claims Reporting 	<p>Excess Workers' Compensation and Employer's Liability including:</p> <ul style="list-style-type: none"> • Volunteers and Board Members • Jones Act • Aircraft (Requires reporting of any aircraft with 8 or more seats within 120 days of acquisition) • Other States - California Benefits • No Penalty for Late Claims Reporting

CITY OF SACRAMENTO
CALIFORNIA MUNICIPAL EXCESS WORKERS' COMPENSATION PROGRAM (CAMEX)
WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY PROPOSAL

	Present <u>Continental Casualty Company (CNA)</u>	Proposed <u>Reliance National Indemnity Company</u>
COVERAGE: (continued)	<ul style="list-style-type: none"> • Communicable Disease Endorsement • USL&H - Incidental Operation - California Benefits • Cash Flow Protection Endorsement - Not applicable to entities with less than a \$250,000 Self-Insured Retention Limit • Foreign Voluntary Compensation Endorsement 	<ul style="list-style-type: none"> • Communicable Disease Endorsement • USL&H – Incidental Operation - California Benefits • Cash Flow Protection Endorsement - Not applicable to entities with less than a \$250,000 Self-Insured Retention Limit • Foreign Voluntary Compensation Endorsement
LIMITS:	Statutory Workers' Compensation	Statutory Workers' Compensation
	\$ 5,000,000 Employer's Liability	\$ 5,000,000 Employer's Liability
	\$ 1,000,000 Jones Act	\$ 5,000,000 Jones Act
	Limits apply to Each Accident for Bodily Injury, and Each Employee for Specific Occupational Disease. Includes allocated claim expenses.	Limits apply to Each Accident for Bodily Injury, and Each Employee for Specific Occupational Disease. Includes allocated claim expenses.
SELF-INSURED RETENTION:	\$ 1,000,000 Each Accident for Bodily Injury, and Each Employee for Specific Occupational Disease. Includes allocated claims expense.	\$ 500,000 Each Accident for Bodily Injury, and Each Employee for Specific Occupational Disease. Includes allocated claims expense.

CITY OF SACRAMENTO

CALIFORNIA MUNICIPAL EXCESS WORKERS' COMPENSATION PROGRAM (CAMEX)

WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY PROPOSAL

	Present <u>Continental Casualty Company (CNA)</u>	Proposed <u>Reliance National Indemnity Company</u>
SELF-INSURED RETENTION: (continued)	Single SIR applies to a combined Workers' Compensation and Employer's Liability Claim.	Single SIR applies to a combined Workers' Compensation and Employer's Liability Claim.
PREMIUM BASED ON:	\$164,566,527 Estimated Annual Payroll	\$164,820,596 Estimated Annual Payroll
PREMIUM:	\$ 24,685 Annual Deposit - May 1, 1998 to May 1, 1999 [Note: Policy is auditable at a rate per \$100 of payroll, no premium adjustment will apply if overall program growth does not exceed 10%.]	\$ 67,576 Annual Premium - Non-auditable Three-Year Rate Guarantee, subject to annual review beginning May 1, 1999 to May 1, 2002.
NOTE:	Original SIR (shown above) was revised to \$500,000 effective June 30, 1998. Pro-rated additional premium for this revision was \$32,019	