



CITY OF SACRAMENTO

35

DEPARTMENT OF GENERAL SERVICES

5730 - 24th ST. BLDG #4

SACRAMENTO, CA. 95822
TELEPHONE (916) 449-5548

FRANK MUGARTEGUI
DIRECTOR

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

APPROVED

August 26, 1981 BY THE CITY COUNCIL

SEP 1 1981

OFFICE OF THE
CITY CLERK

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: RENEWAL OF CITY'S COMPREHENSIVE AUTOMOBILE AND GENERAL LIABILITY
SELF-INSURED RETENTION PROGRAM (SIR) COVERAGE

SUMMARY

The second layer of the City's \$20 million of Excess and Umbrella Liability coverage above the \$1 million Self-Insured Retention (SIR) expires September 7, 1981. It is recommended that the City increase its present limits of coverage from \$20 million to \$50 million.

BACKGROUND

In order to combat rising costs of insurance under the traditional fully insured program, the City elected the alternative of self-insuring its public liability exposure for losses up to an assumed level of retention in 1976. This program has resulted in a savings of approximately \$2.7 million as compared to a fully-insured program. These are dollars which would have been paid to insurance companies (permanently lost had the City not self-insured this exposure).

In April 1981, the City's Risk Management Consultant completed its audit of the City's Risk Management and Insurance Program. One of the recommendations of the audit with regard to the subject program was that consideration be given to increasing the limits of liability from \$20 million to \$50 million and broadening the coverage provided under the current policies, due to the significant increase of settlements awarded to claimants.

Based on the above recommendation, the City's Insurance Broker obtained 6 alternative proposals above the \$1 million SIR (see Exhibit I) from various underwriters - 4 proposals at the \$20 million limit and 2 proposals at the \$50 million limit.

CONCLUSION

An analysis of the proposals indicates that the City can broaden its coverage and increase its limits from \$20 to \$50 million, yet reduce its premium cost

¹ Report to City Council, Annual Self-Insured Retention (SIR) Comprehensive Automobile and General Liability Program Status Report dated April 3, 1981

when compared to the current program \$5,400 or 9%, by accepting alternative 2A (see Exhibit I).

This will require that the 1st layer of coverage - \$1 million excess of SIR - underwritten by Transcontinental with an expiration date of July 1, 1982 will have to be cancelled and the City will have to pay a short term cancellation penalty of approximately \$3,100 from the portion of the unused premium to be returned as a result of our early cancellation. Yet, the net result is better coverage at less cost.

PREMIUM HISTORY

The City has benefited from the competitiveness of the public entity excess and umbrella markets. Below is a recap of our premium experience for the past 3 years for coverage of \$20 million excess of a \$1 million SIR —

<u>Policy Period</u>	<u>Annual Premium</u>	<u>Premium Reduction</u>
9/7/78 to 9/7/79	\$205,200	
9/7/79 to 9/7/80	\$114,900	\$90,300 or 44%
9/7/80 to 9/7/81	\$ 68,000	\$46,900 or 41%
Recommended Coverage \$50 million excess of SIR	\$ 62,600	\$ 5,400 or 9%

FINANCING

Funding has been provided in the FY 1981-82 Budget for the subject coverage.

RECOMMENDATION

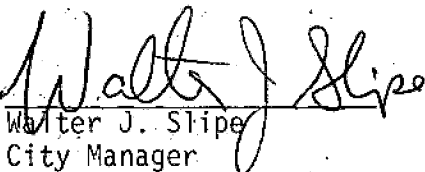
It is the recommendation of the City's Insurance Consultant and the Risk Management Committee (6-0) that the City Council approve coverage of \$50 million excess of \$1 million SIR and adopt the attached resolution.

Respectfully submitted,



William Redmond
Senior Management Analyst
Risk Management & Insurance

RECOMMENDATION APPROVED:

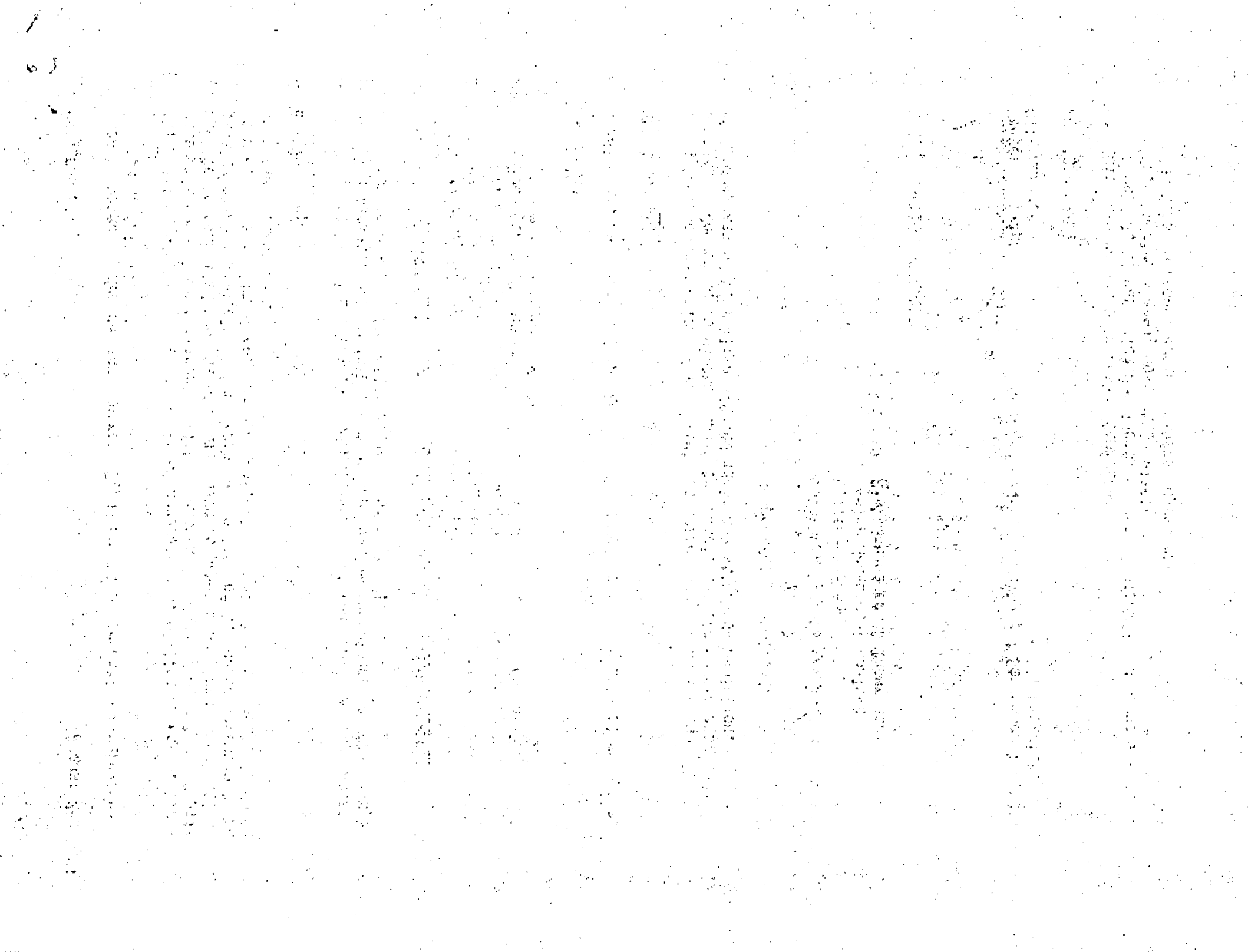


Walter J. Slipe
City Manager

September 1, 1981
All Districts

RM:81334:WR/ml

cc: Risk Management & Insurance Committee
Harold R. Wiener, Vice President, Corroon & Black/James Burpo Insurance
Erin Oberly, Warren, McVeigh & Griffin
Don Sams, Manager, Brown Brothers Adjusters



CITY OF SACRAMENTO
 PROPOSAL RECEIVED FOR COMPREHENSIVE
 AUTOMOBILE & GENERAL LIABILITY SELF-INSURED RETENTION PROGRAM (SIR)

EXHIBIT I

I. Current Limit of Liability Coverage \$20 Million in Excess of \$1 Million SIR

<u>Alternatives</u>	<u>Underwriter</u>	<u>Coverage</u>	<u>Premium / Layer</u>	<u>Total Annual Premium</u>	<u>Cost/\$1 Million of Coverage</u>	<u>Order of Ranking</u>
1	Transcontinental National Union	First \$ 1,000,000 Next 19,000,000	\$38,000 <u>27,500</u>	\$ 65,500	\$3,275	3
2	Intergrity Covenant Short term cancellation	First \$10,000,000 Next 10,000,000	\$40,000 6,000 <u>3,100</u>	49,100	\$2,455*	1
3	Guarantee National Guarantee National Short term cancellation	First \$ 1,000,000 Next 19,000,000	\$72,500 35,000 <u>3,100</u>	110,600	\$5,530*	4
4	Transcontinental Integrity Covenant	First \$ 1,000,000 Next 9,000,000 Next 10,000,000	\$38,000 14,000 <u>6,000</u>	58,000	\$2,900	2

II. Option for Increasing Liability Limit from \$20 Million to \$50 Million SIR

1A	Transcontinental National Union Lloyd's of London	First \$ 1,000,000 Next 9,000,000 Next 40,000,000	\$38,000 20,000 <u>12,500</u>	\$70,500	\$1,410	2A
2A	Integrity Covenant Old Republic American Centennial Universal Security Short term cancellation	First \$10,000,000 Next 10,000,000 Next 10,000,000 Next 10,000,000 Next 10,000,000	\$40,000 6,000 5,000 5,000 3,500 <u>3,100</u>	62,600	\$1,252*	1A**

* Includes cancellation one time short term cost for Transcontinental's \$1,000,000 coverage

** Recommended by Risk Management Insurance Committee and City's Insurance Consultant

96

75

RESOLUTION NO. 81-646

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION APPROVING EXCESS AND UMBRELLA LIABILITY
COVERAGE FOR THE CITY'S COMPREHENSIVE AUTOMOBILE
AND GENERAL LIABILITY PROGRAM

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

1. That the City Manager is hereby authorized and directed to -
 - a. Obtain through Corroon & Black/James Burpo Insurance Services Comprehensive Automobile and General Liability Excess and Umbrella Coverage providing coverage of \$50 million excess of City's \$1 million SIR for a 1 year term (September 7, 1981 to September 7, 1982) at an annual premium of \$59,500;
 - b. Have the \$1 million excess of \$1 million SIR provided by Transcontinental expiring July 1, 1982 cancelled September 7, 1981; and
 - c. Pay short term cancellation charge for b. above of approximately \$3,100.

2. That the Department of General Services - Risk Management & Insurance Division is authorized and directed to pay the premium for the said coverage and short term cancellation premium for the Risk Management and Insurance Program Budget 4-21-1451-0000-4291.

MAYOR

ATTEST:

CITY CLERK

APPROVED
BY THE CITY COUNCIL

SEP 1 1981

OFFICE OF THE
CITY CLERK