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CITY MANAGER'S OFFICE
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DEPARTMENT OF
FINANCE

RISK MANAGEMENT &
INSURANCE DIVISION

CITY OF SACRAMENTO

CALIFORNIA

March 27, 1990

BY THE CITY COUNCIL

RM: 90023WP: WR/eb

MAR 27 1990

OFFICE OF THE
CITY CLERK

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SACRAMENTO, CA
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WILLIAM REDMOND
MANAGER

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: APPROVAL OF EXCESS AUTO AND GENERAL LIABILITY INSURANCE
SECOND LAYER OF COVERAGE**

SUMMARY

As part of the City's overall management of its exposure to risks and potential liability, the Risk Management Committee has regularly reviewed and analyzed various alternatives to liability insurance available to public agencies. The availability of excess public liability insurance in the market has improved in the past 12 months. Two years ago the City Council approved a long range solution to the excess liability problem by providing an 8.5 year three tier plan. This is the third year in the plan to provide the necessary excess liability coverage for the City. On July 12, 1988, the City purchased an excess liability policy of \$10 million excess of \$10 million. This report recommends a purchase of an additional layer of coverage of \$5 million excess of \$5 million.

BACKGROUND

Since the City's excess liability insurance coverage expired on November 20, 1985, the City had been fully self insured (uninsured) for its liability exposure. The City had been unsuccessful in finding an underwriter willing to provide excess liability insurance coverage until May 9, 1988.

Sacramento's original self insurance program, approved by Council in 1976 was designed to effectively accommodate the limited risks of that era. Since then, significant changes have occurred which have reduced the effectiveness of that program. Erratic insurance cycles, legislative changes, municipal budget constraints, and a deepening involvement of the City with community enterprises of a nontraditional local government nature have greatly expanded our exposures to catastrophic losses. As a consequence, the financial

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This ensures transparency and allows for easy verification of the data.

Additionally, it is noted that regular audits are essential to identify any discrepancies or errors early on. This proactive approach helps in maintaining the integrity of the financial statements and prevents any potential issues from escalating.

The second section focuses on the role of technology in modern accounting. It highlights how software solutions have streamlined various processes, from data entry to report generation. This not only saves time but also reduces the risk of human error.

However, it is also mentioned that while technology is a powerful tool, it should not replace the expertise of a professional accountant. The human element is still crucial for interpreting the data and providing strategic advice.

In the third part, the document explores the impact of tax regulations on business operations. It explains how changes in tax laws can significantly affect a company's bottom line. Therefore, staying updated on the latest tax developments is a critical responsibility for any business owner.

It is also discussed how proper tax planning can help in minimizing the tax burden and maximizing the company's profitability. This involves a combination of legal strategies and a deep understanding of the company's financial situation.

The fourth section addresses the importance of financial forecasting. It describes how businesses can use historical data and market trends to predict future performance. This helps in making informed decisions about investments, budgeting, and resource allocation.

Furthermore, it is pointed out that accurate forecasting is essential for securing financing from banks or investors. A clear and realistic financial outlook is a key factor in their decision-making process.

Finally, the document concludes by reiterating the need for a strong financial foundation. It encourages businesses to adopt a disciplined approach to their accounting and financial management. By doing so, they can ensure long-term stability and growth in a competitive market.

The overall message is that effective financial management is not just about keeping the books; it's about using that information to drive the business forward successfully.

resources and financial integrity of the City have been placed in greater jeopardy than our original self insurance program could anticipate or accommodate.

Staff has been actively pursuing alternatives to mitigate this situation since November of 1985. We have explored a number of alternatives which were more expensive and less stable than the Big Independent Cities Excess Pool (BICEP) program. On March 8, 1988, the City Council adopted a resolution authorizing the City of Sacramento to become a member of the BICEP-JPA (Joint Powers Authority) contingent on its formation and finalization of the program as presented to City Council that date.

On July 12, 1988, the City Council rescinded their intention to join BICEP and approved a three tiered program authorizing the establishment of an annualized contribution of \$500,000 for the next 8.5 years to accumulate a total restricted reserve of an additional \$7.5 million and the purchase of an excess liability policy of \$10 million excess of \$10 million at a price not to exceed \$200,000 annual premium. By June 30, 1990, the restricted reserve will be at \$3,785,000 level.

On March 1, 1990, the Robert Driver Company found a top rated insurance company General Star who will provide the City with an excess liability policy to cover an additional layer of coverage \$5 million excess of \$5 million self-insured retention. This coverage would significantly reduce the risk the City faces in a catastrophic incident. There is still significant exposure to the City should a catastrophic loss exceed \$20 million.

The policy form for the subject quoted coverage offers some umbrella coverage for flood related claims as well as very good overall general liability catastrophic protection for the City.

FINANCIAL

The quote for the subject coverage has been structured by the Robert Driver Company, Inc. to fit within the City of Sacramento's fiscal budget year as follows.

Quoted price for period 4/1/90 to 7/1/90	\$64,129.95 and
Quoted price for period 7/1/90 to 7/1/91	\$257,550.00

Sufficient funding is available to secure this coverage for the period ending July 1, 1990. No additional funds need be appropriated this year.

Funding for next year will be recommended as part of the proposed budget.

POLICY

With the approval of the subject \$5 million excess of \$5 million liability insurance coverage the City will be reducing the overall risk that it faces under possible catastrophic circumstances. The intent of Council on July 12, 1988, when they approved the 8.5 year planned accumulation of \$10 million restricted excess liability reserve was to provide for the possibility of one catastrophic occurrence as a policy decision.

By June 30, 1992, this restricted excess liability reserve is projected to be \$5 million. At that time the City Council can assess the cost of excess liability insurance coverage and the market availability of the \$5 million excess of \$5 million layer of coverage to see if it's still available at a reasonable price.

Assuming the above scenario the City Council may choose one of the following options.

- 1) If the market for excess liability insurance coverage does not change or improves, the Council may choose to freeze the restricted reserve at \$5 million and discontinue the annual budgeting of \$500,000.
- 2) If the market for excess liability insurance coverage deteriorates and becomes more costly then the continuing budget up to the \$10 million restricted reserve level can be maintained without change in policy.

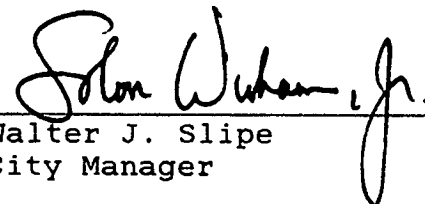
RECOMMENDATION

It is recommended the City Council adopt the attached resolution authorizing the City Manager to secure the subject \$5 million excess of \$5 million liability coverage from Robert Driver Company.

Respectfully submitted,


William Redmond
Risk Manager

RECOMMENDATION APPROVED:


Walter J. Slipes
City Manager

March 27, 1990
All Districts

RESOLUTION NO. 90-236

APPROVED
BY THE CITY COUNCIL

ADOPTED BY THE SACRAMENTO CITY COUNCIL

MAR 27 1990

ON DATE OF _____

OFFICE OF THE
CITY CLERK

**RESOLUTION AUTHORIZING THE APPROVAL OF
ADDITIONAL 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 \$5 million excess of \$5 million coverage through Robert Driver Insurance Company at a price not to exceed \$64,130 for the period from 4/1/90 to 7/1/90.
2. The budget for the above appropriations is \$64,130 and will be expended from line item number:
 - 4-21-110-1152-0000-4291 -- \$57,536.
 - 4-21-110-1152-0000-4295 -- \$6,594.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____