



CITY OF SACRAMENTO

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CITY MANAGER'S OFFICE

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AUG 25 1982

DEPARTMENT OF GENERAL SERVICES

Risk Management & Insurance Division

800 - 10th Street
Suite 4

Sacramento, California 95814
Telephone (916) 449-5556

August 31, 1982

City Council
Sacramento, California

APPROVED
BY THE CITY COUNCIL

Honorable Members in Session:

AUG 31 1982

SUBJECT: COMPREHENSIVE AUTOMOBILE AND GENERAL LIABILITY SELF-INSURED
RETENTION (SIR) PROGRAM COVERAGE

OFFICE OF THE
CITY CLERK

SUMMARY

The City's subject \$50 million of Excess and Umbrella coverage above the \$1 million SIR Program expires on September 7, 1982. It is recommended that the City remain at its current \$1 million level of retention and accept the proposal of Derek Ware Insurance Managers for replacement of this coverage.

BACKGROUND

In order to combat rising costs of insurance under the traditionally fully-insured program, the City of Sacramento 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 \$3.6 million as compared to a fully-insured program.¹ These are dollars which would have been paid to insurance companies (permanently lost) if the City had not self-insured.

The City's insurance broker approached three (3) surplus line brokers, obtaining quotations for replacement of the expiring coverage from only two (2) brokers, (see Exhibit I). The best offer being provided by the Derek Ware Insurance Brokers for \$50 million coverage excess of a \$1 million SIR at an annual premium of \$51,500 with an improved basic policy format.

The public entity excess and umbrella market continues to be competitive based on the following premium experience comparison of the City for \$20 million excess

¹Report to City Council, Annual Self-Insured Retention (SIR) Comprehensive Automobile and General Liability Program Status Report, dated February 16, 1982.

or \$1 million SIR coverage through 9/7/81, and the increase to \$50 million excess liability coverage after 9/7/81 —

<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%
9/7/81 to 9/7/82*	59,500	8,500 or 14%
Current Offer*	51,500	8,000 or 16%

*Increased from \$20 million to \$50 million excess of \$1 million SIR.

DISCUSSION

On the surface, considering the financial condition of the Risk Management Fund, the offer by Cravens, Dargan & Co. (ref. Exhibit I) of \$50 million excess of \$500,000 SIR at an annual premium of \$90,000, compared to the Derek Ware (2) (ref. Exhibit I) of \$50 million excess of a \$1 million SIR at an annual premium of \$51,500, seemingly has merit since it would reduce the City's exposure by \$500,000 from \$1 million to \$500,000 for an additional annual premium cost of \$38,500. However, the underwriting provisions of the policy are unacceptable, in that they provide less protection to the City when compared to the Derek Ware offer.

FUNDING

Funding has been provided in the FY 1982-83 Budget for the coverage.

RECOMMENDATION


It is the recommendation of the City's Insurance Consultant and the Risk Management and Insurance Committee that the City Council approve and adopt the attached Resolution authorizing and directing the City Manager to accept the offer of Derek Ware Insurance Brokers, for renewal of the City's \$50 million excess of \$1 million SIR Comprehensive Automobile and General Liability Excess coverage.

Respectfully submitted,



William Redmond, Risk Manager

RECOMMENDATION APPROVED:


Walter J. Slife, City Manager

August 31, 1982
All Districts

Attachments
RM:82099

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

CITY OF SACRAMENTO

EXHIBIT I

Proposals Received for SIR Program

Surplus Lines Brokers	Underwriters	Coverage	Annual Premium With a SIR			Cost Per \$1,000 Coverage
			\$250K	\$500K	\$1 Mil	
Derek Ware (1)	Protective National	\$1 million excess of SIR	\$189,250			\$3,729/M
	Integrity Insurance	\$10 million excess of \$1 mil				
	Covenant Mutual Ins.	\$10 million excess of \$10 mil				
	Turn City Fire Ins.	\$10 million excess of \$20 mil				
	Firemans Fund Ins.	\$10 million excess of \$30 mil				
S & H Insurance Co.	\$10 million excess of \$40 mil	\$129,400	\$2,562/M			
Derek Ware (2)	Integrity Insurance	\$10 million excess of SIR			\$51,500	\$1,030/M
	Covenant Mutual Ins.	\$10 million excess of \$10 mil				
	Turn City Fire Ins.	\$10 million excess of \$20 mil				
	Firemans Fund Ins.	\$10 million excess of \$30 mil				
	S & H Insurance Co.	\$10 million excess of \$40 mil				
Derek Ware (3)	Midland Insurance	\$500,000 excess of SIR			\$126,500	\$2,505/M
	Integrity Insurance	\$10 million excess of \$1 million				
	Covenant Mutual Ins.	\$10 million " "				
	Turn City Insurance	\$10 million " "				
	Firemans Fund Ins.	\$10 million " "				
S & H Insurance Co.	\$10 million " "					
Cravens, Dargan & Company	Century Indemnity	\$50 million excess of SIR			\$90,000	\$1,800/M
I West	NO QUOTE					

RESOLUTION NO. 82-624

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION APPROVING RENEWAL OF CURRENT EXCESS AND UMBRELLA LIABILITY COVERAGE

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

- 1. That the City Manager is hereby authorized and directed to obtain from Corroon & Black/James Burpo Insurance Services, through Derek Ware Insurance Brokers, Excess and Umbrella coverage with limits of \$50 million excess of \$1 million SIR, for the period 9/7/82 through 9/1/83, with the premium of \$51,500; and
- 2. That the Department of Finance is authorized and directed to pay the premium for said coverage from the Risk Management and Insurance Program Budget 4-21-1452-0000-4291.

MAYOR

ATTEST:

APPROVED
BY THE CITY COUNCIL

AUG 31 1982

OFFICE OF THE
CITY CLERK