

Council Meeting of
June 26, 2007

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council

**SUBJECT: Recommendation to Purchase Excess Workers'
Compensation Insurance**

Expenditure: \$148,965

RECOMMENDATION

The Human Resources Director recommends that the City Council approve the purchase of excess workers' compensation insurance from CSAC Excess Insurance Authority through Alliant Insurance Services, the City's insurance broker, at a premium not to exceed \$148,965. The policy period will be July 1, 2007 to July 1, 2008.

Funding

Funding is available in the FY 2007/08 Self-Insurance Fund Budget.

BACKGROUND

State law requires that employers provide workers' compensation benefits to all employees. Many public agencies and large corporations are largely self-insured due in part to the high cost and limited availability of coverage. However excess insurance is often purchased as protection against high exposure losses.

The City recently obtained proposals for the renewal of the excess workers' compensation insurance. Several markets were contacted. The best proposal was again offered by CSAC Excess Insurance Authority, the current insurer. CSAC is offering coverage of \$298,000,000, excess of a \$2,000,000 self-insured retention, at a premium of \$148,965. The expiring policy by CSAC provided coverage limits of \$198,000,000 excess of a \$2,000,000 self-insured retention, at a premium of \$143,014. Therefore the coverage offered for this renewal provides much higher policy limits, at a comparable premium. The higher limits are of benefit in the event of catastrophic loss. ATTACHMENT A provides coverage history since FY 2001/02.

ANALYSIS

The lowest proposal was offered by CSAC Excess Insurance Authority. CSAC is offering insurance, with significantly increased coverage limits (of \$100,000,000), at a comparable premium to last year. ATTACHMENT B provides CSAC's proposal. This year's premium of \$148,965 is \$5,951 (4%) higher than last year's premium. One of the main factors in determining premium is the size of payroll. The premium increase corresponds to an approximate 4% increase in City payroll.

CSAC is an insurance pool insuring many counties, cities and special districts within California. The pool self-insures losses up to \$5,000,000 per occurrence, and insures losses above \$5,000,000 through several large re-insurers. As CSAC is an insurance pool, pool members can be assessed additional premiums should the pool suffer heavy losses. Pool members can receive rebates if pool losses are low.

In summary, staff recommends the purchase of coverage from CSAC because it provides high coverage limits at a relatively reasonable cost.

Respectfully Submitted,

ELAINE M. WINER
HUMAN RESOURCES DIRECTOR



By Randall Sellers
Risk Manager

CONCUR:



Elaine M. Winer
Human Resources Director



LeRoy J. Jackson
City Manager

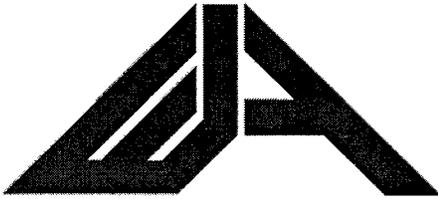
ATTACHMENT A: Coverage History
ATTACHMENT B: Renewal Proposal

ATTACHMENT A

COVERAGE HISTORY

POLICY PERIOD	INSURER	RETENTION	LIMITS	PREMIUM
2007/08	CSAC	\$2,000,000	\$298,000,000	\$148,965
2006/07	CSAC	\$2,000,000	\$198,000,000	\$143,014
2005/06	CSAC	\$2,000,000	\$148,000,000	\$150,738
2004/05	CSAC	\$2,000,000	\$ 98,000,000	\$154,920*
2003/04	CSAC	\$2,000,000	\$ 50,000,000	\$143,353
2002/03	CSAC	\$2,000,000	\$ 48,000,000	\$ 63,037
2001/02	CNA	\$ 750,000	Statutory	\$ 84,770

* Includes \$4,244 for member assessment



******* ESTIMATED DEPOSIT PREMIUM *******

**CSAC Excess Insurance Authority
Excess Workers' Compensation Program
2007/08**

Member: City of Torrance

Date: June 1, 2007

	Est. Premium	Payroll	SIR
2007/08	\$148,965	\$105,211,296	\$2,000,000
2006/07	\$143,014		
2005/06	\$150,738		

2007/08 Estimated Deposit Premium	
Pool Deposit Premium	\$27,355
Excess Deposit Premium	\$105,800
EIA Admin Charges	\$15,144
Public Entity Fee	\$ 666
Broker Fee	\$
2007/08 Deposit Premium	\$15,810
Premium Adjustments (where applicable)	
2005/06 Premium Adjustment (Per Payroll Audit)	\$
Total Estimated Collection	\$148,965

