

Council Meeting of
June 24, 2008

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

Members of the Council

**SUBJECT: Human Resources – Approve the purchase of Excess Workers’
Compensation Insurance**

Expenditure: \$133,000 plus 5% contingency of \$6,650

RECOMMENDATION

Recommendation of the Human Resources Director that the City Council approve the renewal purchase of excess workers’ compensation insurance, from CSAC Excess Insurance Authority, at a premium of \$133,000 plus a 5% (\$6,650) contingency for possible assessments, for the July 1, 2008 to June 30, 2009 policy period.

Funding

Funding is available in the FY 2008/09 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.

Since July 1, 2002 the City has been a member of the CSAC Excess Insurance Authority. Prior to that date the City purchased insurance from private sector insurance companies. However, at that time due to turmoil that existed in the California commercial insurance market the City switched to the insurance pool and has enjoyed stable & comparatively low premiums.

The City recently received a renewal proposal from CSAC Excess Insurance Authority and price indications from commercial insurers. The best proposal was again offered by CSAC offering unlimited coverage limits, excess of a \$2,000,000 self-insured retention, at a premium of \$133,000. The expiring policy by CSAC provided coverage limits of \$298,000,000 excess of a \$2,000,000 self-insured

retention, at a premium of \$147,456. Therefore the coverage offered this year provides higher (unlimited) policy limits at a lower premium. ATTACHMENT A provides coverage history since FY 2003/04.

ANALYSIS

CSAC Excess Insurance Authority is offering unlimited coverage limits at a lower premium than the expiring policy. The City has asked for a cost proposal to reduce the self-insured retention to \$1,000,000, and will return to City Council at a later date after receipt of a reasonable proposal.

CSAC insures 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 unlimited coverage limits at reasonable cost.

Respectfully Submitted,

ELAINE M. WINER
HUMAN RESOURCES DIRECTOR

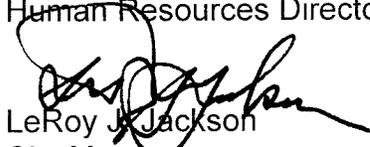


By Randall Sellers
Risk Manager

CONCUR:



Elaine M. Winer
Human Resources Director



LeRoy J. Jackson
City Manager

ATTACHMENT A: Coverage History

COVERAGE HISTORY

POLICY PERIOD	INSURER	RETENTION	LIMITS	PREMIUM
2008/09	CSAC	\$2,000,000	Unlimited (statutory)	\$133,000
2007/08	CSAC	\$2,000,000	\$298,000,000	\$147,456
2006/07	CSAC	\$2,000,000	\$198,000,000	\$144,286*
2005/06	CSAC	\$2,000,000	\$148,000,000	\$150,738
2004/05	CSAC	\$2,000,000	\$ 98,000,000	\$153,320**
2003/04	CSAC	\$2,000,000	\$ 50,000,000	\$142,711***

*Includes \$1,272 assessment

**Includes \$4,244 assessment and \$5,844 credit

***Includes \$642 credit