

Council Meeting of
June 16, 2009

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

Members of the Council

**SUBJECT: Human Resources - Recommendation to Purchase Excess
Workers' Compensation Insurance**

Expenditure: \$129,944 plus 5% contingency of \$6,498

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 \$129,944 along with a 5% (\$6,498) contingency for possible assessments, for the July 1, 2009 to June 30, 2010 policy period.

Funding

Funding is available in the FY 2009/10 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 usually 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. (ATTACHMENT A provides a coverage history since FY 2003/04)

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 \$129,944. The expiring policy from CSAC

provided coverage at a premium of \$128,636. The slight increase in premium \$1,308 (1%) is primarily due to the increase in the city payroll cost.

ANALYSIS

CSAC Excess Insurance Authority is offering unlimited coverage limits at a premium comparable to the expiring policy.

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.

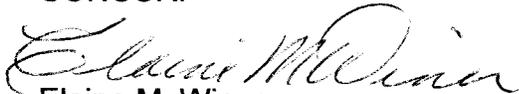
In summary, staff recommends the purchase of coverage from CSAC because it provides unlimited coverage limits at reasonable cost.

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

ATTACHMENT A

COVERAGE HISTORY

POLICY PERIOD	INSURER	RENTENTION	LIMITS	PREMIUM
2009/10	CSAC	\$2,000,000	Unlimited (statutory)	\$129,944
2008/09	CSAC	\$2,000,000	Unlimited (statutory)	\$128,636
2007/08	CSAC	\$2,000,000	\$298,000,000	\$144,162
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

The above premium amounts include assessments paid and credits received.