

REPORT

51A-1

To the Honorable Mayor and City Council
From the City Manager

June 13, 2005

Subject

Agreement with the California Public Entity Insurance Authority for the purchase of Workers' Compensation Excess Insurance.

Recommendation

Approve, by motion, the agreement to join the California Public Entity Insurance Authority (CPEIA) for its workers' compensation excess insurance coverage effective July 1, 2005 and ending June 30, 2006.

Background

The City of Redwood City has been a self-insured employer for the Workers' Compensation program since 1976. As a self-insured employer, whenever there is a workers' compensation injury, the City covers the amount up to the designated self-insurance retention cap.

When the costs of an injury exceed the self-insurance retention (SIR) cap, the City is insured through its excess workers' compensation insurance policy for expenses up to a maximum of one hundred million (\$100,000,000) per incident.

Historically, the City has purchased excess insurance with a self-insurance retention limit at the first three hundred fifty thousand dollars (\$350,000) of expenses relating to the injury. In the wake of September 11, the insurance industry experienced huge losses with many insurance companies unwilling to underwrite agencies having Police and Fire services. As a result, the market has produced higher premiums and increased self-insurance retention levels.

Over the last several years the City has experienced increases in both self insurance retention levels and premiums. In July 2003 and 2004, the City Council approved staff's recommendation to purchase excess insurance coverage through Bay Cities Joint Powers Insurance Authority (BCJPIA) thereby minimizing significant premium and SIR increases. However, recent Worker's Compensation reform has opened the door for improved premium savings and lower SIR's. Staff has explored various alternatives for purchasing excess insurance. These alternatives were presented to Council at the April 11, 2005 Council Meeting. At this meeting Council approved the City's termination of membership with Bay Cities Joint Powers Insurance Authority and conceptual approval of membership with CPEIA for the purchase of the City's Workers' Compensation Excess Insurance pending the CPEIA Board approval.

The City submitted its application for membership with the CPEIA Board and Redwood City was accepted as a member at the April Board meeting. Board minutes and agenda are attached.

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The following is a summary of the coverage provided through CPEIA:

COVERAGE PROVIDED

BY: CSAC Excess Insurance Authority, reinsured by Renaissance Reinsurance Limited, and DaVinci Reinsurance Limited (may change upon renewal)

COVERAGE TERM: July 1, 2005 to July 1, 2006

LIMITS OF LIABILITY: CPEIA Pool layer
\$5,000,000 Workers' Compensation and Employers Liability each occurrence, inclusive of SIR

\$95,000,000 Reinsured Layer
Workers' Compensation each occurrence excess of \$5,000,000 Pooled Retention.

These limits apply per occurrence for all program members combined. There is a \$10,000,000 sublimit for terrorism. Limits are eroded by allocated claims expense.

SELF INSURED RETENTION: \$350,000 per occurrence

Aside from the economic benefits of joining CPEIA, this firm has a long standing relationship with hundreds of agencies and brings plenty of experience working with municipalities such as Redwood City. Additionally, CPEIA offers economic incentives not provided by other vendors; including reimbursements for costs and charges associated with annual claims audits, cost sharing to a maximum of \$2,000 for periodic actuarial reports and safety and prevention classroom training offered at no cost or at \$25.00 per class.

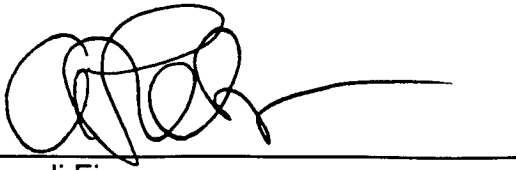
Staff recommends entering into an agreement with CPEIA effective July 1, 2005 such that there is no lapse in coverage and we maintain the current SIR of 350K. The Board of Directors of CPEIA will be meeting this month to approve a Memorandum of Coverage for 2005-2006 which will be applicable to all workers' compensation excess insurance program participants. At such time as a copy of said approved Memorandum of Coverage is received, a copy will be filed with the City Clerk. A copy of the 2004-2005 Memorandum of Coverage has been filed with the City Clerk for reference purposes only. No changes to the Memorandum of Coverage are anticipated.

Alternatives

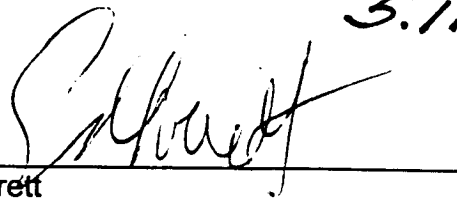
Alternatives were reviewed at the April 11, 2005 Council meeting. Staff will re-evaluate the program at the completion of the one-year minimum commitment period.

Fiscal impact

The California Public Entity Insurance Authority Excess Insurance Deposit premium is estimated not to exceed \$300,000 this amount has been budgeted in the FY 04-06 budget.



Araceli Fierro
Management Analyst

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Ed Everett
City Manager

The following documents are available at City Clerks office for review:
Joint Powers Agreement Creating the California Public Entity Insurance Authority
Memorandum of Coverage 2004-2005 (workers' compensation)

**CALIFORNIA PUBLIC ENTITY INSURANCE AUTHORITY
BOARD OF DIRECTORS
FINAL AGENDA**

CSAC Excess Insurance Authority
Telephonic Meeting
800-867-2581 Passcode: 6092586#

Thursday, April 28, 2005
10:00 a.m.
Fourth Meeting - 2005

The agenda is divided into two sections: **Consent Agenda:** These matters include routine financial and administrative actions and are usually approved by a single majority vote. **Regular Agenda:** These items include significant financial and administrative actions of special interest and are usually "set matters" which are: General Business. Any member of the Board may request and receive a continuance of any item appearing for the first time.

ROLL CALL

1.A. Establishment of Quorum/Attendance

CONSENT AGENDA

The following Consent Agenda items are expected to be routine and non-controversial. They will be acted upon by the Board at one time without discussion. Any Board member, Staff member, or interested party may request that any item be removed from the Consent Agenda for later discussion.

- 2.A. Approval of Minutes, February 22, 2005 3
An action to approve the minutes of the above meeting.
- 2.B. Approval of Minutes, March 10, 2005 6
An action to approve the minutes of the above meeting.

GENERAL BUSINESS

- 3.A. New Member Application (Anna Marie) 9
An action to approve the entity below for membership in the CPEIA.
 - Bay Area Housing Risk Management Authority
 - Chaffey Joint Union High School District
 - City of Fontana
 - City of Hayward
 - City of Redwood City
 - Exclusive Risk Management Authority (ERMAC)
 - Mayers Memorial Hospital District
 - Monterey County Schools Worker's Compensation JPA
 - Sacramento Area Flood Control Agency (SAFCA)

- Sonoma Valley Healthcare District
- Transportation Corridor Agencies

PUBLIC COMMENT

This portion of the agenda is reserved for members of the general public wanting to address the Board on any matter not on this agenda that is under the jurisdiction of the Board.

CONSIDERATION OF OFF AGENDA ITEMS

Off Agenda Items. Pursuant to Government Code Section 54954.2 (b)(1) [off agenda items], except as provided in this paragraph, no action or discussion shall be taken at a regular meeting on any item which does not appear on the posted Final Agenda. An item may be added to the Final Agenda after the Final Agenda has been posted upon a determination by a two-thirds vote of the Board (or an unanimous vote if less than two-thirds of the Board is present); the vote shall be on a motion stating that there is a need to take immediate action and that the need for action came to the attention of the Board subsequent to the Final Agenda being posted. Any such motion shall be accompanied by distribution of a written statement on a form provided by the office of the Chief Executive Officer, to be included in the record, stating the facts upon which it can be determined that the need to take action arose after the Final Agenda was posted. In addition, action may be taken on an item not on the posted Final Agenda under the circumstances stated in Government Code Section 54954.2 (b)(1) [emergency] and 54954.2 (b)(3) [continued regular meetings].

FUTURE MEETINGS

ADJOURNMENT

Disability Access: All posted locations for this telephonic meeting are accessible to the public, wheelchair accessible, and disabled parking is available. If you are a person with a disability and you need disability-related modifications or accommodations to participate in this meeting, please contact the Executive Secretary/Meeting Planner at (916) 631-7363 or (916) 631-7112 (fax). Requests for such modifications or accommodations must be made at least two full business days before the start of the meeting.

**CSAC EXCESS INSURANCE AUTHORITY
CPEIA BOARD OF DIRECTORS
MEETING SUMMARY**

CSAC Excess Insurance Authority
Telephonic Meeting
800-867-2581

Thursday, April 28, 2005
10:00 a.m.
Fourth Meeting – 2005

Members Present

Tom Phillips, ACCEL
Jeff Stevens, BICEP
Peggy Scroggins, Colusa County
Larry Moss, EBRPD
Scott Schimke, GSRMA
Jake O'Malley, MPA
Ashley Fenton, City of San Diego
David L. Dolinar, Stanislaus County

Members Absent

Gail Braun, City of Napa
Mary Dilley, Riverside Housing Authority
Lori Ordway-Peck, SIRMA

CPEIA – New Member Applications

The Board approved membership in the CPEIA JPA for the following entities:

- Bay Area Housing Risk Management Authority
- Chaffey Joint Union High School District
- City of Fontana
- City of Hayward
- City of Redwood City
- Exclusive Risk Management Authority (ERMAC)
- Mayers Memorial Hospital District
- Monterey County Schools Worker's Compensation JPA
- Sacramento Area Flood Control Agency (SAFCA)
- Sonoma Valley Healthcare District
- Transportation Corridor Agencies