

# REPORT

To the Honorable Mayor and City Council  
From the City Manager

May 22, 2006

## Subject

Renew agreement with the County Supervisors Association of California (CSAC) Excess Insurance Authority (EIA) for the purchase of Workers' Compensation Excess Insurance.

## Recommendation

Approve, by resolution the Joint Powers Agreement creating the CSAC Excess Insurance Authority and approve by motion, to renew the agreement with CSAC Excess Insurance Authority (formerly California Public Entity Insurance Authority (CPEIA) for its workers' compensation excess insurance coverage effective July 1, 2006 and ending June 30, 2007.

## Background

The Council authorized the City to become a member of CPEIA in April 2005. The CPEIA amended its joint powers authority agreement back in February 2006 and has joined CSAC EIA. Beyond the new voting rights the new structure will have no impact on other operational aspects of the programs offered to participating entities.

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 \$150,000,000.

Historically, the City has purchased excess insurance with a self-insurance retention limit of \$350,000 per injury. The City was provided a quote for excess insurance (see Attachment A) of \$.64 per \$100 of payroll with a SIR of \$350,000. We also received a lower premium quote but the SIR limit was significantly higher at \$1,000,000 per injury. Based on the City's experience and a recommendation by the City's independent workers' compensation actuarial, the \$350,000 SIR is being pursued.

The City has been a member of CSAC Excess Insurance Authority for a 1 year period and is satisfied with its services. The program provides two-layers of insurance; \$5,000,000 of coverage through the pooled program, and another insured level of \$145,000,000 for claims that exceed the \$5,000,000 pool retention.

The following is a summary of the coverage provided through CSAC (EIA):

**COVERAGE PROVIDED**

**BY:** CSAC Excess Insurance Authority

**COVERAGE TERM:** July 1, 2006 to July 1, 2007

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

\$145,000,000 Reinsured Layer  
Workers' Compensation each occurrence in excess of \$5,000,000 Pooled Layer.

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

CSAC Excess Insurance Authority offers economic incentives not provided by other vendors; including reimbursements for cost and charges associated with annual workers' compensation claims audits, actuarial subsidies are provided up to a maximum of \$2000 per year, per member, and safety and prevention classroom trainings are offered at no cost or at \$25 per class. Staff will be utilizing these incentives throughout fiscal year 06-07. Staff recommends renewing the agreement with CSAC Excess Insurance Authority effective July 1, 2006 such that there is no lapse in coverage and we maintain the current SIR of 350K.

**Alternatives**

Council could instruct staff to look at other alternatives for purchasing excess insurance. Staff did get other quotes none of which offered a \$350,000 SIR. Staff will re-evaluate the program at the completion of the one-year minimum commitment period.

**Fiscal impact**

The California Supervisors Association of California Excess Insurance Authority premium is estimated not to exceed \$340,000. This amount has been budgeted in the FY 06-07 budget.



Bob Bell  
Human Resources Director



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

ATTACHMENT A

WORKERS' COMPENSATION EXCESS INSURANCE OPTIONS

Company: Continental Casualty Corporation	Redwood City Retention	Estimated Payroll	Rate per \$100 of payroll	Estimated Premium
Limit \$25,000,000 WC and \$2,000,000 EL, each accident	\$1,000,000 each accident	\$53,098,780	\$.5525	\$293,270
Limit \$50,000,000 and \$2,000,000 EL, each accident	\$1,000,000 each accident	\$53,098,780	\$.5771	\$306,433
Statutory Coverage and \$2,000,000 EL, each accident	\$1,000,000 each accident	\$53,098,780	\$.6139	\$325,973
<b>Company:</b> <b>CPEIA</b>				
Shared Limit \$150,000,000 WC and \$5,000,000 EL, each accident	\$350,000 each accident	\$53,098,780	\$.64	\$340,000

Driver Alliant Insurance Services 05-10-06

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION APPROVING JOINT POWERS AGREEMENT  
CREATING THE CSAC EXCESS INSURANCE AUTHORITY AS  
AMENDED FEBRUARY 28, 2006-03-23**

**BE IT RESOLVED**, by the City Council of the City of Redwood City that the Joint Powers Agreement creating the CSAC Excess Insurance Authority is hereby approved on the terms and conditions contained therein; and

**BE IT FURTHER RESOLVED**, that the City Manager be and hereby is authorized to sign and execute said Joint Powers Agreement on behalf of the City of Redwood City.

The forgoing resolution was duly passed and adopted by the City Council of the City of Redwood City at the regular meeting thereof, held on the \_\_\_ day of \_\_\_\_\_, 2006 by the following vote:

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSENT: \_\_\_\_\_

\_\_\_\_\_  
Title

ATTEST:

\_\_\_\_\_  
Title

\* \* \*