



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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CONSENT
April 10, 2007

Honorable Mayor and
Members of the City Council

Title: Agreements: California State Association of Counties Excess Insurance Authority (EIA) Joint Powers Agreement and Excess Workers' Compensation Program Memorandum of Understanding

Location/Council District: Citywide

Recommendation: Adopt a **Resolution** authorizing the City Manager to execute the EIA Agreement and amended Excess Workers' Compensation Program Memorandum of Understanding for the purpose of purchasing excess workers' compensation insurance.

Contact: Patrick Flaherty, Risk Manager, 808-8587.

Presenters: NA

Department: Human Resources

Division: Risk Management

Organization No: 1546

Description/Analysis:

Issue: The city self insures workers' compensation losses to \$2,000,000. Council authorized membership in California Public Entity Insurance Authority (CPEIA) for purchase of excess workers' compensation insurance for losses greater than \$2,000,000 in FY 2006. CPEIA was created as a "sister" Joint Powers Authority to allow non-county California public entities access to California State Association of Counties Excess Insurance Authority (EIA) programs. The EIA is being restructured to allow non-county public entities direct access to EIA programs. CPEIA is being terminated as an entity and public entities must execute the EIA Joint Powers Agreement to continue participation in EIA programs. Additionally, the Excess Workers' Compensation Memorandum of Understanding has been amended to reflect the EIA restructure and must be executed to maintain program participation.

Policy Considerations: The City will be required to join the EIA Joint Powers Authority to continue the purchase of excess workers' compensation coverage through the EIA for FY 2008. EIA is an insurance pool. If the pool losses exceed actuarial estimates and the program becomes under funded, members can be assessed a retroactive premium surcharge for the years that they participated in the pool. However, insurance market indications are the EIA excess workers' compensation program will be the best option for purchasing excess workers' compensation coverage for FY2008.

Environmental Considerations: None

Committee/Commission Action: None

Rational for Recommendation: Excess workers' compensation coverage benefits the City in situations involving severe injuries or illnesses, catastrophes such as multiple employees involved in one automobile accident, an attack on a City facility, or attack on a facility to which City safety personnel must respond. The EIA Excess workers' Compensation Program currently provides the best coverage and value for excess workers' compensation insurance in the marketplace. The City Attorney's Office, City's insurance broker Alliant Insurances Services, and Workers' Compensation Manager have reviewed and approve of the EIA Joint Powers Agreement and Excess Workers' Compensation Memorandum of Understanding.

Financial Considerations: There are no financial consequences of the restructure. The restructure simply changes the governance of the organization, and more specifically, it changes how non-county members access the EIA programs – instead of through CPEIA, access is provided directly through the EIA. All the restructure changes have to do with governance.

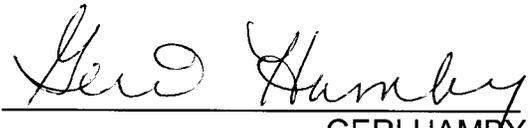
Emerging Small Business Development (ESBD): The City's current insurance broker, Alliant Insurance Services, Inc. includes small business partners in providing services such as property appraisal and earthquake hazard assessment to the City of Sacramento. Risk Management staff are committed to compliance with the City's ESBD program requirements when insurance brokerage service proposals are solicited and reviewed.

Respectfully Submitted by:



PATRICK FLAHERTY
Risk Manager

Approved by:



GERI HAMBY
Director of Human Resources

Recommendation Approved:


RAY KERRIDGE
City Manager

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Background

The California State Association of Counties Excess Insurance Authority (EIA) is a member run insurance pool. It has been in operation for 26 years and is the largest property and casualty joint powers authority in the nation. Since establishment of the California Public Entity Insurance Authority (CPEIA) in 2001, the CSAC/CPEIA excess workers' compensation program has grown to include 84 public agencies in addition to 50 California counties. CPEIA has quickly become a significant part of the EIA insurance program. The CPEIA Board of Directors petitioned the EIA to consider ways to give CPEIA members a greater voice in the governance of the organization. Initially, in 2003, the CPEIA members were given designated seats on all program committees. This restructure of the EIA is the final step in the process toward providing non-county members a greater voice in the organization. The restructure concept was conceived by the EIA Executive Committee and unanimously supported by the CPEIA Board of Directors.

As the CPEIA is being terminated as an entity, the City must execute the EIA agreement and amended Excess Workers' Compensation Memorandum of Understanding to purchase excess workers' compensation insurance through the EIA in fiscal year 2008. Insurance market indications are the EIA excess workers' compensation program will be the best option for purchasing excess workers' compensation coverage for fiscal year 2008.

**RESOLUTION NO.
2007-**

Adopted by the Sacramento City Council

**AUTHORIZING OF THE CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXCESS INSURANCE AUTHORITY JOINT POWERS AGREEMENT AND THE
EXCESS WORKERS' COMPENSATION INSURANCE PROGRAM MEMORANDUM
OF UNDERSTANDING**

BACKGROUND

- A. Excess workers' compensation coverage benefits the City in situations involving severe injuries or illnesses, catastrophes such as multiple employees involved in one automobile accident, or an attack on a facility to which City safety personnel must respond. The rising cost of medical care also creates an increased risk of exceeding the City's \$2,000,000 self insured retention for workers' compensation injuries.
- B. The City purchased excess workers' compensation insurance through California Public Entity Insurance Authority (CPEIA) in FY 2006. By joining CPEIA, the City was able to access the CSAC Excess Insurance Authority (EIA) excess workers' compensation program. CPEIA is being terminated as an entity requiring the City to join EIA directly to enable the City to continue purchasing excess workers' compensation insurance through the JPA.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

- Section 1: The City Manager is authorized to execute the CSAC Excess Insurance Authority Joint Powers Agreement and amended Excess Workers' Compensation Insurance Program Memorandum of Understanding.

