

CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

C-31

333 West Ocean Boulevard 13th Floor • Long Beach, CA 90802

JUNE 20, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to purchase excess workers' compensation insurance for the period of July 1, 2006 through July 1, 2007, from the California State Association of Counties and California Public Entities Excess Insurance Authority (CSAC-CPEIA), through Driver-Alliant Insurance Services, for a total premium of \$374,221. (Citywide)

Authorize the City Manager to execute the Memorandum of Understanding (MOU) between the City of Long Beach and the California State Association of Counties Excess Insurance Authority to join the Joint Power Authority (JPA) for excess workers' compensation insurance placement.

DISCUSSION

Maintenance of excess workers' compensation insurance is important to protect the City from the negative financial consequences of potential catastrophes involving multiple employee injuries or deaths from occurrences such as major fires, police activities, terrorist attacks and earthquakes during work hours.

In 2002, in order to receive the lowest rates available, the City entered into a Joint Powers Agreement with California Public Entity Excess Insurance Authority (CPEIA-JPA) to purchase excess workers' compensation insurance under the California State Association of Counties' (CSAC's) insurance program for California public entities. The California Association of Counties will be absorbing the CPEIA. This will allow all cities, school districts, and special districts to join the CSAC-EIA. The restructure is occurring because of the large growth in the CPEIA requiring CSAC to manage two JPAs and to give CPEIA members a greater voice in the governance of the organization. There are no disadvantages to the City of Long Beach in joining the CSAC-EIA as the City does not pool risk with the organization. There are significant advantages to the City of Long Beach to join the CSAC-EIA including voting rights and the opportunity to sit on EIA committees, which were rights the City of Long Beach did not have in the CPEIA.

This year, CSAC-CPEIA has submitted a premium renewal estimation of \$374,221, with a \$4 million self-insured retention. This represents a 13 percent increase over last year's premium with a \$1 million decrease in the City's self-insured retention. Despite major workers' compensation reform, underwriters are still reluctant to make significant reductions in excess premiums for public entities

HONORABLE MAYOR AND CITY COUNCIL

JUNE 20, 2006

Page 2

because of the large police/fire and earthquake exposure. Our broker, Driver-Alliant Insurance Services, marketed the City's line of insurance to several insurers and all have declined to submit quotes because of current concentration of insurance policies in the Los Angeles/Long Beach area and the significant earthquake exposure.

This matter was reviewed by Principal Deputy City Attorney Barbara De Jong and Budget Management Officer David Wodynski on June 12, 2006.

TIMING CONSIDERATIONS

City Council action is requested on June 20, 2006, to allow the City to officially bind insurance coverage by the renewal date of July 1, 2006 and to allow the City to enter into an MOU with the CSAC-EIA.

FISCAL IMPACT

The total premium cost is \$374,221 for the period of July 1, 2006 through July 1, 2007. Funding has been budgeted in the Insurance Fund (IS 390) and in the Department of Human Resources (HR). There is no cost to enter into the MOU with the CSAC-EIA. The costs of workers' compensation insurance are allocated to all funds based upon department staffing and experience, with approximately 70 percent allocated to the General Fund.

SUGGESTED ACTION:

Approve recommendation.

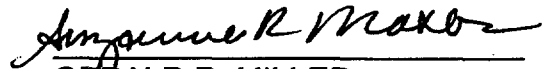
Respectfully submitted,



KEVIN BOYLAN
DIRECTOR OF HUMAN RESOURCES

KB:MVA

APPROVED:



GERALD R. MILLER
CITY MANAGER

