

AGENDA ITEM NO.

COUNCIL MEETING 5/8/07

APPROVED BY _____

DEPARTMENT DIRECTOR _____

CITY MANAGER _____

May 3, 2007

FROM: TERRY BOND, Personnel Services Director
Personnel Services

BY: DANIEL G. TURNER, Risk/Safety Manager
Risk Management

SUBJECT: APPROVAL OF A JOINT POWERS AGREEMENT BETWEEN THE CITY
OF FRESNO AND COUNTY SUPERVISORS OF CALIFORNIA (CSAC)
REGARDING EXCESS WORKERS' COMPENSATION INSURANCE

KEY RESULT AREA

Financial Management

RECOMMENDATIONS

It is recommended City Council approve the attached Agreement between the City of Fresno and the CSAC Excess Insurance Authority which will allow the City to continue its participation in this program and obtain excess Workers' Compensation coverage at a competitive cost.

EXECUTIVE SUMMARY

Last year, cities in California were allowed for the first time to participate in the County Supervisors Association of California (CSAC) excess insurance program. Participation in this program allowed the City of Fresno to obtain excess Workers' Compensation coverage through our broker at a fee considered the most competitive in the industry.

This year CSAC representatives have advised that all participating municipalities must now become members of the CSAC organization prior to July 1, 2007 as part of a restructuring plan.

Representatives of the Risk Management Division and the City Attorney's Office have reviewed the proposed Joint Powers Agreement between CSAC and the City which would allow the City to become a member in this organization and recommend it to be executed in order for the City to realize continued savings.

KEY OBJECTIVE BALANCE

Approval of the recommendation supports the key objective of Financial Management by ensuring payment of any Workers' Compensation loss in excess of the City's current Self Insured Retention level of \$2 Million for any job related injury up to a maximum loss of \$200 Million.

BACKGROUND

The City of Fresno currently maintains a Self Insured Retention (SIR) level of \$2 Million for each Workers' Compensation claim. Claims exceeding this amount are covered by the next layer of insurance which is identified as "Excess Insurance". While this SIR level has never been exceeded by any claim since the City became self insured in 1973, prudent risk management practices dictate that this contingency be covered to ensure the continued provision of benefits to an injured worker and the solvency of the City's program.

Each year, the City's insurance broker investigates the most competitive pricing for this coverage taking into consideration the policy limits and the stability of the provider. Last year, the City elected to obtain this coverage through CSAC which had just opened their excess insurance line to include municipal agencies.

Currently, the CSAC program consists of over 50 participating counties who have successfully pooled their resources since 1979 in order to create joint excess insurance pools, purchase additional reinsurance, and provide the necessary administrative services for these programs. Over the years, CSAC has gained a reputation of providing reliable insurance services at a competitive fee.

In the past, membership in CSAC was limited to counties. However, last year CSAC permitted municipalities to participate in this program without becoming official members. CSAC has now advised that it is in the process of restructuring its program and will require all participating agencies to join their Joint Powers Agreement. By becoming a Member Public Agency, the City of Fresno will be able to continue participating in this program and realize further savings.

FISCAL IMPACT

There is no cost related to joining the CSAC Joint Powers Agreement. Operating expenses are paid through the collection of premiums from each participating agency for this coverage. The City's premium cost for this program is estimated to be in the range of \$310,000-\$325,000 for the coming fiscal year and is included as part of the Workers' Compensation 2007-08 budget that will be presented later to Council.

May 3, 2007

Attachment:
Joint Powers Agreement, "Creating the CSAC Excess Insurance Authority"