



Item No. 10 Town of Atherton

CITY COUNCIL STAFF REPORT – CONSENT AGENDA

TO: HONORABLE MAYOR AND CITY COUNCIL

**FROM: GEORGE RODERICKS, CITY MANAGER
THERESA DELLASANTA, ASSISTANT TO THE CITY
MANAGER/CITY CLERK**

DATE: JANUARY 21, 2015

SUBJECT: REVIEW OF THE TOWN'S INSURANCE OPTIONS

RECOMMENDATION

Receive and File.

BACKGROUND

General Liability Coverage

The Town uses the Association of Bay Area Governments (ABAG) Risk Management and Insurance Plan (PLAN) for general liability coverage. The PLAN began in 1986 with the formation of the ABAG Pooled Liability Assurance Network Corporation. The PLAN is a non-profit corporation whose purpose is establishing a stable, cost-effective self-insurance, risk sharing and risk management program for each member. The PLAN is run by and through ABAG under the direction of its member communities. There are 29 members of the pool across which liability is pooled.

The PLAN was initially established to meet the needs of member communities as a result of their inability to obtain liability insurance in the mid 1980's. The Liability Pool provides Comprehensive General and Auto Liability coverage for Bodily Injury, Property Damage, Personal Injury, and Public Officials Errors & Omissions. Members may select a deductible and premium level that best suits their needs for cost and financial stability. The PLAN added property coverage in 1988 through a self-insured Property Pool and traditional insurance.

The Property Pool pays the first \$100,000 of any insured loss, less the member's deductible, and a comprehensive insurance policy pays for any covered losses exceeding that amount. The Property Pool includes Flood, Boiler & Machinery and Auto Physical Damage coverage for member vehicles, including high-value specialty vehicles such as fire trucks and street sweepers.

Member agency staff serve on the Board of Directors.

Workers Compensation Coverage

The Town uses the Cities Group for its Workers' Compensation coverage. The Group is a Joint Powers Authority established in 1978 pursuant to California Government Code. Equity members are the Cities of Atherton, Dublin, Foster City, Half Moon Bay, Hillsborough, and San Carlos. Associated special districts include Central County Fire Authority, Estero Municipal Improvement District and the San Carlos Fire Department. San Mateo County Transit District, San Mateo County Transportation Authority and the Peninsula Corridor Joint Powers Board are associated by contract.

The Group operates self-insured Workers' Compensation, Long Term Disability, Dental and Vision programs including claims administration, compliance and loss control programs. The Group also administers fully insured Life, ADD and Short Term Disability plans. All program obligations and necessary resources of the members are ceded to the JPA. The JPA administers the program independently with the guidance of each member Group's designated staff who are appointed to the Board of Directors.

The Town has had its share of claims over the last few years and with a police department, there are particular liabilities and risks involved that affect our insurance rates. There are limited options for municipal agencies for liability and workers' compensation coverage. While the ABAG Plan and Cities Group provide the Town with adequate coverage and service, it is always prudent to evaluate alternatives that may provide better service, programs, or cost.

California Joint Powers Insurance Authority (CJPIA)

Staff contacted the California Joint Powers Insurance Authority (CJPIA) for an analysis of our current risk, claim trends, and liabilities to provide the Town with a second source option. When the insurance became unobtainable for cities in the mid-1970s, a group of 33 progressive cities joined together to form the CJPIA for the purpose of providing liability protection for its members. Today the CJPIA is one of the largest municipal self-insurance pools in the state, with over 120 members. The members take an active role in determining the programs and services that will be provided. Councilmembers, city managers, finance officers and risk managers all participate in setting the direction for the organization to ensure that it continues to be on the cutting edge in serving the members.

The CJPIA offers much of the same mixture of programs we currently receive through ABAG and Cities Group including a workers' compensation self-insurance pool, and the following commercially insured programs: pollution and remediation legal liability insurance; property insurance (including earthquake and flood) which has a very low cost because of the purchasing power; crime insurance; special events insurance; and vendors and contractors insurance.

The CJPIA, like ABAG conducts regular Risk Management Evaluations for each of the members to assist them in identifying potential exposures. They emphasize training and offer workshops in driver's awareness, ergonomics, confined space entry, and other specialized areas found to

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present large exposures to members. The CJPIA handles all claims from their inception to closing.

ANALYSIS

Staff requested the CJPIA to review our claim trends, loss history, and programs. CJPIA staff provided the Town with an estimated cost of coverage for each program. Below is a comparison of CJPIA and the Town's current carriers (ABAG and Cities Group). Also included is a comparison of the State Fund Workers Compensation Premium (the only other workers' compensation alternative for local governments).

	Program	Cost
CJPIA	Liability*	\$345,742
	Workers Compensation	\$186,022
Total		\$531,764

	Program	Cost
ABAG	Liability*	\$320,640
Cities Group	Workers Compensation	\$218,082**
Total		\$538,722

	Program	Cost
CA State Fund Base Premium	Workers Compensation	\$359,447

*Liability coverage includes general and automobile, risk property, vehicles, machinery, earthquake and flood, pollution and remediation legal liability, crime coverage and special events.

**The \$218,082 figure includes an assessment calculated by Cities Group to cover for past actual losses incurred for which there was not adequate reserve captured.

The comparison demonstrates that the Town is receiving the best possible rates for both liability and workers compensation coverage at this time. Excluding the assessment, the actual workers compensation premium to the Town for the current FY is \$111,082.

Staff will revisit the rates and conduct further comparisons approximately two to three years from now.

POLICY ISSUES

Local government agencies have limited options for general liability and workers' compensation insurance. Agencies will often form Joint Powers Authorities to share the burden of administrative services and pool risk – in essence, they “self insure.” The Town is no exception. As members of ABAG and the Cities Group, the Town has a self-insured retention amount that represents our out-of-pocket costs in the event of a claim. Costs beyond this are shared amongst

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the membership (the Town included). The Town's "self-insured retention" for General Liability is \$25,000 per occurrence. For Workers' Compensation, the individual agencies claims are transferred from the Member to the Group. The Group then pays all expenses/claims up to its self-insured retention. At the moment there is a split self-insured retention of \$1 million for miscellaneous employees and \$1.5 million for safety employees. Cities Group recovers the costs from each member agency through assessments spread over a period of five years.

Staff regularly evaluates (in conjunction with our risk providers) internal risk, risk management programs, training, and education. A regular "risk audit" is conducted in concert with the agencies.

FISCAL IMPACT

None at this time.

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town's electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town's electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power, and sewer), and regional elected officials.