



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

8-3

April 20, 1998

**To:** Board of Directors (Legal and Claims Committee--Action)  
(Budget and Finance Committee--Action)

**From:** *for* General Manager

*Edward J. Mearty*

**Submitted by:** Lambertus H. Becker  
*for* Chief Financial Officer

*Antoinette Christensen*

**Subject:** Excess Liability Insurance for Fiscal Year 1998-1999

**RECOMMENDATION(S)**

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That the Board of Directors authorize the General Manager to bind \$75 million of liability insurance, in excess of a \$25 million self-insurance retention, with American Home Assurance Company at a net premium of \$328,000 for fiscal year 1998-1999.

**DÉTAILED REPORT**

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Metropolitan currently carries liability insurance of \$75 million in excess of its \$25 million self-insured retention (SIR) with American Home Assurance Company, a California admitted carrier which is a subsidiary of American International Group (AIG).

The current policy contains a drop down feature which provides that after the first \$25 million loss, the self-insured retention level is reduced to \$2 million for subsequent losses. It is proposed that Metropolitan renew its excess liability insurance with American Home Assurance Company at a net premium of \$328,000. As a result of a highly competitive insurance market, Metropolitan's excellent claims experience, and strong environmental and water quality programs; our broker, Sedgwick of California, was able to negotiate an excess liability premium reduction of \$23,000 (6.71%) from fiscal year 1997-1998.

Attached as Exhibit A is a graph prepared by our broker which details Metropolitan's excess liability insurance premiums as compared to gross receipts from fiscal year 1986-1987 to fiscal year 1997-1998. (For the purposes of this exhibit, "gross receipts" were based upon budgeted water sales.)

It should be noted that Metropolitan is currently conducting a Probable Maximum Loss (PML) study which will provide exposure analysis (including property damage, liability exposure and business interruption) utilizing ten major earthquake scenarios affecting Metropolitan systems.

Any recommendations regarding the purchase of additional insurance coverages (e.g. property insurance) as a result of this study will be brought to the Board at a later date.

BYA/ner

Attachment

Attachment to 8-3

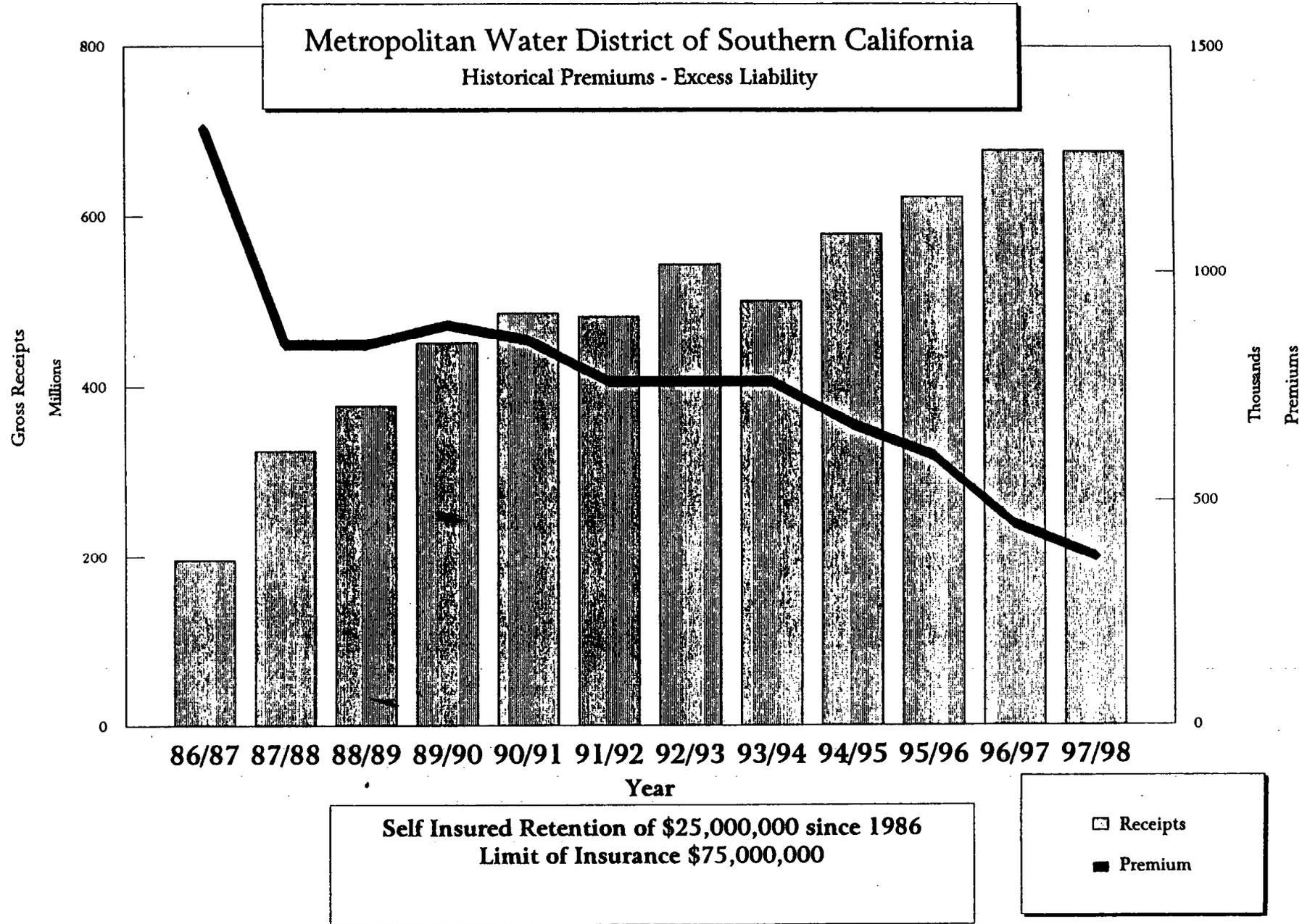


Exhibit A