

JUN 14 1994



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

EXECUTIVE SECRETARY

*Karen E. DeWitt* 7-5

May 25, 1994

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

From: General Manager

Subject: Excess Liability Insurance for Fiscal Year 1994-95

Report

Current Board policy fixes the base liability insurance program at \$75 million in excess of a \$25 million self-insured retention (SIR). This base is subject to reexamination based upon the increases in the Construction Cost Index and the risk financing needs and major financial commitments of the District.

The increases in the Construction Cost Index have not been significant over the past three years (less than 3%). The insurance program, coupled with working capital balances on hand, provides capability to address any short-term emergency and gives the District time to implement funding mechanisms to accommodate the long-term effect of a catastrophic event. It is prudent to maintain the liability insurance program at the current level of \$75 million in excess of the \$25 million self-insured retention. The net premium for the coverage ending June 30, 1994 was \$760,500.

The renewal date for this insurance falls between Board meetings. At a Board member's suggestion, it has been customary to authorize the General Manager to renew the coverage if the premium falls within certain parameters.

Underwriting data has been submitted to the insurance carrier and a premium quotation should be forthcoming at any time. The General Manager recommends that he be authorized to renew the coverage, effective July 1, 1994, at the prior year's premium level (\$760,500) at an amount or within ten percent (10%) of that figure. In the event that the premium quotation exceeds the prior year's premium by more than ten percent (10%), the Chairs of the Finance and Insurance Committee, and of the Legal and Claims Committee will be consulted prior to binding the coverage and may authorize payment of the higher premium. In the alternative, the General Manager may reduce coverage to a

point where the premium amount equals that of the past year.

The proposed action is exempt from the provisions of the California Environmental Quality Act because there is no possibility that it would have a significant effect on the environment.

#### Board Committee Assignments

This letter is referred for action to:

The Finance and Insurance Committee because of its duty to advise on questions pertaining to insurance, pursuant to Administrative Code Section 2441(h); and

The Legal and Claims Committee because of its duty to advise on matters related to liability insurance, pursuant to Administrative Code Section 2461(c).

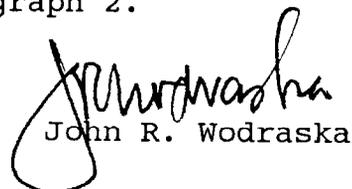
#### Recommendations

#### **FINANCE AND INSURANCE AND LEGAL AND CLAIMS COMMITTEES FOR ACTION.**

1. That the General Manager be authorized to bind \$75 million of liability insurance in excess of a \$25 million self-insured retention with the American Excess Insurance Association at a net annual premium of \$760,500 for fiscal year 1994-95, or at a premium amount within ten percent (10%) of that figure.

2. That the General Manager consult with the Chairs of the Finance and Insurance Committee and the Legal and Claims Committee if the premium quotation exceeds the prior year's premium (\$760,500) by more than ten percent (10%) prior to binding the coverage and, after such consultation, be authorized to approve or reject payment of the premium.

3. That if the General Manager rejects payment of the premium, he be authorized to reduce the amount of liability insurance to an acceptable premium quotation level, after the consultation provided for in Paragraph 2.

  
John R. Wodraska