

APPROVED  
by the Board of Directors of  
The Metropolitan Water District  
of Southern California  
at its meeting held

JUN 13 1995



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*Barry E. Wolf*  
EXECUTIVE SECRETARY

May 21, 1995

**To:** Board of Directors (Finance & Insurance Committee - Action)

**From:** General Manager

**Subject:** Excess Liability Insurance for Fiscal Year 1995-96

**RECOMMENDATION:**

That the Board of Directors authorize the General Manager 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 \$665,000 for fiscal year 1995-96.

John R. Wodraska  
General Manager

Submitted by:

*Lambertus H. Becker*  
Lambertus H. Becker  
Chief Financial Officer

Concur:

*John R. Wodraska*  
John R. Wodraska  
General Manager

**EXECUTIVE SUMMARY:**

The District currently carries liability insurance of \$75 million in excess of a \$25 million self insured retention. The insurance premium for the current year is \$665,000.

Staff analysis indicates that the current level remains sufficient to cover financial exposure to emergency repairs and claims against the District.

The District's insurance broker has estimated that the premium for continued coverage will not exceed the current year premium.

**DETAILED REPORT:**

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

The Construction Cost Index serves as a measure of changes in replacement costs of equipment and facilities that could be damaged or destroyed during a disaster. Increases in the Construction Cost Index have not been significant over the past three years (approximately 3 percent). The District has not entered in to any major financial commitments, other than the Domenigoni Valley Reservoir Project which is separately insured, or assumed any significant risk financing needs during 1994-95. The recommended insurance program, together with working capital balances on hand, provides capability to address any short-term emergency and will give the District time to implement funding mechanisms to accommodate the long-term effects of a catastrophic event. This year's review shows that 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, 1995 was \$665,000. Underwriting data has been submitted to the insurance carrier and it is expected that a premium quotation for 1995-96 will be received before the June Board meeting. The District's insurance broker has estimated that the premium quote will not be higher than the current year premium. Therefore, it is recommended that the General Manager be authorized to renew the coverage for 1995-96 at a premium not to exceed \$665,000.

The recommended action is exempt from provisions of the California Environmental Quality Act because it can be seen with certainty that it can have no significant effect on the environment.