

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

**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MAY 14 1996

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*Dawn Chui*  
for EXECUTIVE SECRETARY

April 23, 1996

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

**From:** General Manager

*JR Woodvaska*  
*Lambertus H. Becker*

**Submitted by:** Lambertus H. Becker

**Subject:** Excess Liability Insurance for Fiscal Year 1996-97

## 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-insured retention, with the American Home Insurance Company (member of American International Group-AIG) at a net premium of \$466,000 for fiscal year 1996-97.

## EXECUTIVE SUMMARY

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The District currently carries liability insurance of \$75 million in excess of a \$25 million self-insured retention (SIR) with American Excess. It is proposed to change providers to American Home Insurance Company for fiscal year 1996-97. The annual cost of the premium will be \$466,000 which is \$132,000 less than the current year premium.

Because of a highly competitive liability market, the District's past low severity claims experience, and strong environmental and water quality programs, the District was able to negotiate broader coverage at a lower premium. American Home Insurance Company will provide the District with a loss sensitive SIR feature (drop down from \$25 million to \$5 million after the first loss), broader coverage for pollutions, contaminants and product tampering, and an independent claims audit for a lower premium cost.

## DETAILED REPORT

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The current liability insurance program with American Excess is \$75 million in excess of \$25 million self-insured retention. It is proposed to change providers to American Home Insurance Company (AHIC) for fiscal year 1996-97. AHIC will provide the District with broader coverage which includes a loss sensitive SIR feature (\$75 million in excess of \$25

million for first loss and \$75 million in excess of \$5 million for each loss thereafter), broader coverage for pollutions, contaminants and product tampering, and an independent claims audit. The cost to the District will be \$466,000, a savings of \$132,000 from the current year. The District's current claims adjusting firm, Carl Warren is acceptable to AHIC for the adjustment of all claims.

The recommended insurance program, together with working capital balances on hand, provides capability to address any short-term effects of a catastrophic event. It is considered prudent to continue the current level of \$75 million in excess of the \$25 million SIR.

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.

BA:mb

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