



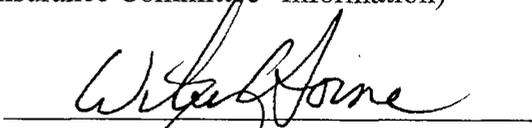
**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

**9-11**

August 19, 1996

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

**From:** General Manager 

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

**Subject:** Casualty Insurance Program for 1996-97

**RECOMMENDATION(S)**

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For information only.

**EXECUTIVE SUMMARY**

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Casualty insurance renewals for July 1, 1996 through June 30, 1997 have been completed and reflect a net decrease in overall premiums from the previous year. With adjustments to limits, coverages and terms, the premium decrease is approximately **\$169,333**.

The following is a comparative summary of the renewed policies:

<u>Type of Coverage</u>	<u>95-96 Premiums</u>	<u>96-97 Premiums</u>	<u>Change</u>
<b>Excess Liability*</b>	\$598,000	\$450,000	(\$148,000)
<b>Excess Workers' Comp.**</b>	\$ 71,000	\$ 44,890	(\$ 26,110)
<b>Aircraft Liability with hull coverage added</b>	\$ 13,000	\$ 17,803	\$ 4,803
<b>Crime Insurance</b>	\$ 11,150	\$ 11,124	(\$ 26)
<u>Other Costs</u>			
Existing Three-year policy for Travel Accident '94-'97	\$ 13,552	\$ 13,552	-0-
Brokerage Contract Fee	\$ 50,000	\$ 50,000	-0-
Totals:	\$ 756,702	\$ 587,369	(\$169,333)

- \* Policy offers a premium return potential of \$32,475 based upon good claims experience.
- \*\* Two-year policy term with a \$3,545 reduction of premium in second year based upon good claims experience.

The decrease is mainly attributable to the following factors:

1. Favorable insurance market conditions including new markets and reductions in premiums;
2. District's excellent claims record;
3. Changes in policy conditions and terms; and
4. Aggressive negotiations with five insurance markets.

## **DETAILED REPORT**

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One of the first responsibilities of the new Risk Manager was to review the existing insurance program and renew coverages for July 1, 1996-June 30, 1997 period. Through an existing insurance brokerage contract with Sedgwick, the District expanded its coverages and terms recognizing the excellent claims history and accessibility to highly competitive insurance markets. As part of this renewal process, insurance carriers offered better terms, conditions and premiums. Description of each line of coverage is provided below. Bold print indicates key changes in carriers, coverages and costs.

### **Excess Liability**

Insurance Company: **Changed from American Home to Starr Excess Bermuda (No. 200826)**, a non-admitted insurance company based upon American Home's failure to match District's coverage and terms as presented in May, 1996. Starr Excess offered the broader coverages in recognition of the District's excellent loss record. The appropriate notification to the California Insurance Commissioner has been made and no objection has been received. Other public agencies and private businesses insured through Starr Excess include:

Pacific Gas and Electric, Contra Costa Water District, Bay Area Rapid Transit (BART), Detroit Edison, United Water Resources, Utility Ontario Hydro, General Electric, Dow Chemical, Amtrak and Ford Motor Company.

Premium: **\$450,320\***, previous premium: \$598,000

Limits of Liability: \$75 million per third-party liability occurrence excess of District's \$25 million self-insured retention (SIR) and primary aircraft limits of \$25 million. **After the first \$25 million event, coverage will drop down to a \$5 million SIR.** Legal expenses are included in building the SIR.

\* For good claims experience during policy period, policy has a feature to return 7.5% of the base premium.

### **Excess Workers' Compensation**

Insurance Company: **National Union Fire Insurance Company of Pittsburgh, PA (No. 415-7390)**, previous company: General Reinsurance

Premium: **\$44,890, rate 0.0380 /\$100 payroll, first year**  
**\$41,345\*, rate 0.03545/\$100 payroll, second year**

Limits of Liability: **Statutory coverage (no limit). Employers' Liability: \$2,000,000;** previous coverage set a limit of \$10 million per occurrence/Employers' Liability \$ 1 million for a premium of \$71,000; rate of 0.059.

Description of Coverage: California Statutory Workers' Compensation Act, subject to each occurrence as respects liability imposed by law for damages in excess of the District's \$400,000 self-insured retention.

\* Reduction to second year premium will be based upon claims experience for this policy year.

### **Aircraft Liability**

Insurance Company: **U.S. Aviation Underwriters, Inc. (360AC-268489)**, previous company: **AIG National Union**

Premium: **\$17,803** previous premium : \$13,000

Limits of Liability: **\$25 million combined single limit bodily injury, hull coverage, and property damage with \$25 million combined single limit for passenger coverage limitation.** Previous coverage was for \$50 million/\$1 million per passenger seat. Excess liability is over this primary coverage up to \$75 million per occurrence.

Description of Coverage: Provides for payment of claims presented as a result of the Insured's use of the 1981 Cessna 210 and the 1991 Beech Baron 58. Non-owned aircraft liability coverage is included. Also includes \$2,000 baggage, liability for any one passenger with a \$150 deductible per loss, per passenger.

**Additional coverages: \$450,000/\$125,000 Hull Coverage on Beech Baron/Cessna, \$25 million of airport premises liability, \$10 million for ground hangerkeeper's liability.**

### **Crime Insurance**

Insurance Company: **Aetna Casualty and Surety**; previous company, Chubb

Premium: **\$11,124**, previous premium: \$11,150

Limits of Liability: \$5 million per employee dishonesty

\$1 million for transit coverage, depositors forgery/alteration, **computer theft and funds transfer fraud**. Previous coverage limits were \$100,000 for these areas of coverage.

Description of Coverage: The policy provides coverage in excess of a \$25,000 deductible loss resulting from dishonest acts of employees. The policy includes coverage for loss of money or securities on and off premises and for loss by third party forgers.

### **Travel Accident**

Insurance Company: Provident Life & Accident Insurance Company (No.GTA 1039)

Premium: Three year policy term and premium total: \$40,655; \$13,551 annual premium

Limit of Liability: \$250,000 for Directors, full-time management, confidential employees and employees represented by the Supervisors Association, pilots; \$100,000 for all other full-time employees not included in Class I or Class II and guests invited and at the expense of the District to participate in sponsored tours.

Description of Coverage: This policy provides additional coverage to Directors, employees and guests, who are asked to travel on business, offers a way to support organizational objectives (e.g. van pooling, aircraft usage) and a low-cost insurance vehicle to provide high dollar benefits in the event of a catastrophic accident.

The risk management workplan for fiscal year 1996-97 includes a broker selection process, new policies and procedures, an actuarial update of the District's claim reserves, a request for proposal for third-party claims administration and new risk management reports.

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