



COUNTY OF SANTA CRUZ

0069

Personnel Department Risk Management

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Agenda: October 24, 2000

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

Dear Members of the Board:

MEDICAL MALPRACTICE/GENERAL LIABILITY INSURANCE FOR THE SANTA CRUZ COUNTY HEALTH SERVICES AGENCY

As your Board is aware, the County has historically purchased medical malpractice/general liability insurance for the Santa Cruz County Health Services Agency (HSA). The current insurer, Southern California Physicians Insurance Exchange (SCPIE), has had a change in management and in re-thinking their business opportunities has declined to renew policies for several of their clients. The reason given for non-renewal of the Santa Cruz County HSA policy is that SCPIE is no longer writing insurance for counties and public entities.

For the past ten years we have experienced a favorable insurance market, coverage was widely available for very low cost. For the past five years premiums have decreased from \$222,178 to \$192,354. Unfortunately, beginning in January 2000, the market has increasingly become more difficult for the purchase of insurance. Average premium increases are 25%-40% in the medical malpractice markets. Coupled with the difficult market and the County's loss experience, premiums will increase over the next five year period.

Our broker, Keenan & Associates has been actively pursuing insurance carriers since June when we received the notice of cancellation. Thirteen carriers were approached, eight companies declined to provide quotes for insurance or provided quotes that were unacceptable. Attachment A shows six quotes from three different companies. We requested that the insurance companies provide policy quotes with terms and conditions similar to our current policy.

Unfortunately, because of trends in the insurance markets and our claims history we were unable to mirror the current policy. The policy most like our current policy is the Farmers Insurance Group,

Option A policy - \$1,000 shared deductible for a first year premium of \$109,303, which is \$83,051 less than the expiring policy premium.

The current policy provides a blanket physician endorsement. Insurance companies are concerned about who they are insuring and are no longer issuing blanket endorsements without additional information. As such the proposed Farmer's Insurance policy requires additions and deletions to be reported for physicians and allied healthcare providers. Specific policy exclusions include pollution coverage; intentional acts; employment practices liability; insured vs. insured; all coverage for sexual acts; all punitive damages.

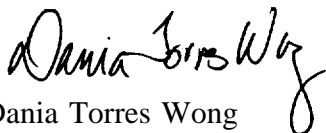
The policy offered by Farmer's is a "claims made" policy form which provides for lower premiums in the first year with increasingly higher premiums in the next five policy years. Claims made policies are written with 'step increases' for each of the first five years of the policy. At this time the estimated mature premium, the premium for the fifth year of the policy is \$3 12,294. This means that over the next five years the premium will increase from \$109,303 to \$3 12,303. Additionally, base rate increases or decreases can also occur on an annual basis.

Our current policy includes a seven year pre-paid tail policy. This means that the SCPIE policy will respond to claims that occurred during their policy period (10-1-97/10-31-00) for the next seven years for no additional premiums. If a change is made from the Farmer's policy, care will need to be given to address the tail coverage issues.

Although the Farmer's policy does not offer the same features that we have been fortunate to have in the past, Risk Management and Health Services Agency staff believe based on the insurance company responses to the County's request for coverage quotes this policy will best meet the Agency's needs.

It is, therefore, RECOMMENDED that your Board authorize Risk Management to purchase Medical Malpractice/General Liability insurance coverage on behalf of the Santa Cruz County Health Services Agency from Farmers Insurance Group, with a \$1,000 shared deductible at a first year premium of \$109,303 as recommended by the Health Services Agency Administrator and the Personnel Director.

Very truly yours,



Dania Torres Wong
Personnel Director



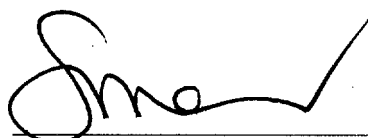
Rama Khalsa
Health Services Agency Administrator

DTW:JM/jm

Attachment

cc: County Counsel
Auditor

RECOMMENDED:



SUSAN A. MAURIELLO
County Administrative Officer

ATTACHMENT A

Company	Limits	Policy Form	Blanket Physician Endorsement	Deductible	Premium
Farmers Insurance Group	\$20,000,000 per occurrence No Annual Maximum Professional Liability & General Liability	Claims Made* Claims Made	Yes for both contracted and employed. Must provide a roster and notify carrier of additions and deletions of physicians.	Option A - \$1,000 Shared (indemnity only) Option B - \$2,500 Combined (indemnity and expense costs) Option C - \$5,000 C o m b i n e d (indemnity and expense costs)	\$109,303 \$108,012 \$106,722
Lexington AIG	\$20,000,000 per occurrence \$20,000,000 Annual Maximum Professional Liability \$1 ,000,000 per occurrence \$3,000,000 Annual Maximum General Liability	Claims Made Occurrence**	Yes for contracted. No for employed. Must add and delete with an application	\$5,000 each claim Professional Liability No deductible General Liability	\$103,350
St. Paul Fire & Marine Insurance Group	\$20,000,000 per occurrence \$20,000,000 Annual Maximum Professional Liability & General Liability	Claims Made Occurrence	No. Coverage for each physician is subject to receipt, review and approval of an application.	Option A - \$5,000 each claim Professional Liability Option B - \$10,000 each claim Professional Liability No deductible General Liability	\$159,627 \$158,193

*Claims made policies provide coverage for claims that arise from events which occur subsequent to the retroactive date and are filed during the policy period.

**Occurrence made policies provide coverage for claims that occur during the policy period regardless of when the claim is filed.