



# COUNTY OF SANTA CRUZ<sup>0061</sup>

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PERSONNEL DEPARTMENT  
RISK MANAGEMENT

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JANET MCKINLEY, RISK MANAGER

June 7, 2001

Agenda: June 19, 2001

Board of Supervisors  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, CA 95060

## VARIOUS INSURANCE POLICY RENEWALS

Dear Members of the Board:

Each June we present an item to your Board regarding the annual renewals of various insurance policies. As noted in earlier correspondence to your Board, the insurance industry is currently in what is termed a 'hard' insurance market. In prior years, or 'soft' markets, we were able to realize dividends and lower premiums, that is not what we are experiencing this renewal period. It is anticipated that this 'hard' insurance market will continue for at a minimum one to two additional renewal periods.

Below are the premium renewal costs for the 2001-02 policy year for your Board's consideration:

Property Insurance – The property insurance policy renewed in March 2001 and the renewal premium was anticipated to be \$185,472. The actual final premium is \$192,419. The increase is the result of an increase in values and a difficult insurance market. Earthquake limits have been lowered as a result of less capacity or ability to purchase this specific type of insurance.

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Excess Workers' Compensation Insurance – The excess workers' compensation insurance renewal premium is \$127,035. In prior years we were able to realize substantial savings in dividends, unfortunately there are no program dividends for this renewal period.

Excess Liability Insurance – In 1996-97, the County purchased excess liability insurance for the first time since 1987 with a \$1 million self-insured retention (deductible). In 1997-98, limits of liability were increased from \$10 million to \$20 million. In 1998-99 the self-insured retention was lowered to \$500,000 and in 1999-00 the upper limits were increased to \$30 million.

For the 2001-02 policy year the excess liability insurance premium is anticipated to be \$150,587. This premium maintains the self-insured retention at \$500,000 and the upper limits at \$30 million.

This year a new pollution insurance program is being offered through the CSAC-Excess Insurance Authority. The pollution policy would provide third party bodily injury, property damage and off-site cleanup coverage, plus on-site cleanup coverage as a result of pollution conditions at, on or emanating from scheduled sites and from County operations. The policy will cover the clean up' of mold if found in County buildings at an annual premium of \$7,200 with a \$25,000 deductible.

There is also an optional policy which covers sewer trunk lines and the clean-up of spills. The premium for this coverage is \$2,000 and the deductible is \$100,000 per incident. This coverage would provide for the clean up of property owned by others as well as County owned property in the event of a sewer spill.

Boiler and Machinery - The 2001-02 renewal premium is \$6,894. We've filed 3 claims and expect to receive \$58,897 in insurance reimbursements just for the 2000-01 policy period.

Crime/Bond – This coverage was renewed last year for a three year period. Premiums were paid for the entire three year period. The deductible buy-down program allows the County to lower the deductible from \$25,000 to \$5,000 per incident for an additional \$2,520 in premium.

Fine Arts – This policy covers the art work displayed in various County buildings. The renewal premium is \$600.

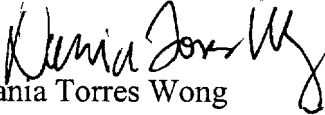
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It is RECOMMENDED that your Board authorize the Personnel Director, subject to approval of the 2001-02 Liability/Property Budget (Index Code 5 15200) and Workers' Compensation Budget (Index Code 5 15300) to purchase the insurance policies listed below:

- a. Property insurance at the premium of \$192,419;
- b. Excess workers' compensation insurance at the premium of \$127,035;
- c. Excess liability insurance at a premium of \$150,587, with optional pollution insurance at a premium of \$7,200 and sewer trunk line coverage at a premium of \$2,000;
- d. Boiler and Machinery insurance at the premium of \$6,894;
- e. Crime/Bond insurance at the lowered deductible premium of \$2,520;
- f. Fine Arts insurance at the premium of \$600..


Very truly yours,

  
Dania Torres Wong  
Personnel Director

DTW:JM/jm

Cc: Auditor-Controller  
County Counsel

RECOMMENDED:

  
SUSAN A. MAURIELLO  
County Administrative Officer