

# Agenda Report

**TO:** CITY COUNCIL **DATE:** October 27, 2008

**THROUGH:** FINANCE COMMITTEE

**FROM:** CITY ATTORNEY

**SUBJECT:** PURCHASE OF EXCESS LIABILITY INSURANCE FROM EVEREST NATIONAL INSURANCE COMPANY AND ALLIED WORLD NATIONAL ASSURANCE COMPANY NOT TO EXCEED \$340,000.

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Authorize the binding of coverage for the purchase of excess liability insurance with limits of (a) \$10,000,000 excess of a \$5,000,000 self-insured retention from Everest National Insurance Company and (b) \$10,000,000 excess of \$15,000,000 from Allied World National Assurance Company, at a total annual premium not to exceed \$340,000. Competitive bidding is not required pursuant to City Charter Section 1002 (F) Contracts for Professional or Unique Services.
2. Authorize up to four subsequent annual renewals, without further City Council action, to bind coverage for the purchase of excess liability coverage provided the annual premium does not exceed \$400,000 for the same policy limits.
3. Grant the proposed contract an exemption from the competitive selection process of the Competitive Bidding and Purchasing Ordinance pursuant to Pasadena Municipal Code Section 4.08.049 (B), contracts for which the City's best interest are served.

## **BACKGROUND:**

The City has been without excess liability insurance since July 2003 when the cost of such coverage rose rapidly and the reinsurance company funding the purchasing group, to which City belonged, California Municipal Excess Liability Program ("CAMEL"), opted to not underwrite municipalities. Without excess liability insurance the City is solely responsible for paying claims.

In recent years the value of tort settlements involving municipalities has risen significantly. Consequently, staff believes it would be prudent for the City to purchase excess liability coverage. Staff recommends purchasing two policies which in combination would provide the City \$20 million in excess liability coverage on top of a \$5 million self-insured retention. In other words, the City would be responsible for the first \$5 million of any single claim and the insurance would cover up to an additional \$20 million. The City would be responsible for any amount beyond the policy limits.

The proposed purchases would be made through the CAMEL purchasing group and consist of a policy with limits of \$10 million in excess of a \$5 million self-insured retention from Everest National Insurance Company and \$10 million in excess of \$15 million from Allied World National Assurance Company. The combined total annual premium will not to exceed \$340,000. Although the proposed purchase would be made through a purchasing group, it is important to note that the City would not be sharing risk with any other members.

The proposed excess liability coverage would be provided by Everest National Insurance Company and Allied World National Assurance Company. Everest National has a Best's rating of A+ (Superior), a Financial Size Category of XV, and assets greater than \$2 billion. It is an admitted insurer in California. Allied World National Assurance Company is a non-admitted insurer with a Best's rating of A (Excellent), Financial Size XV, also with assets greater than \$2 billion.

**FISCAL IMPACT:**

Sufficient funds are available in the City's General Liability Fund.

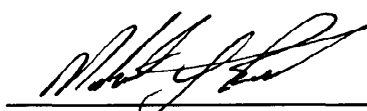
Respectfully submitted,

  
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