

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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DATE: FEBRUARY 10, 2004
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #4 – Authorization to Contract with the Special District Risk Management Authority for Property and Liability Insurance

RECOMMENDATION:

Authorize the Chairman and the Executive Officer to sign and process the documents necessary to:

1. Secure Property and Liability Insurance through the Special District Risk Management Authority;
2. Cancel the Commission's current insurance policies through Driver Alliant Insurance Services; and,
3. Adopt Resolution No. 2805 authorizing the receipt of Property and Liability Insurance coverage through Special District Risk Management Authority.

BACKGROUND:

The Commission has been notified that it is time to renew our Property and Liability Insurance coverage through our current insurance provider, Driver Alliant Insurance Services. Driver Alliant has indicated that the anticipated increase for the upcoming Fiscal Year will be 10%. Once this increase was identified, staff contacted the representatives of the Special District Risk Management Authority (SDRMA) to receive a quote on the provision of these insurance services through that JPA.

As the Commission will recall, when Property and Liability Insurance was originally obtained in April 2003, staff contacted a number of insurance

providers (not SDRMA) but received only one quote. Following escalating Workers' Compensation Insurance costs in September of 2003, the Commission reviewed its insurance options. At that time, the Commission decided to join the SDRMA to receive its Workers' Compensation Insurance at a substantial savings over the cost of our coverage through State Compensation Insurance Fund. The cost savings realized in our prior insurance transfer prompted staff to request a comparison quote at this time.

The annual costs for each of these types of insurance through Driver Alliant and SDRMA for the full year of 2003-04 are outlined as follows:

Through Driver Alliant Insurance Services, the policies are individually identified as: Commercial Crime (\$2,463), Special Liability (\$5,641.69), and Special Property (\$657.96) for a total annual cost of \$8,762.65. It is anticipated that a 10% increase for the upcoming year will be applied.

SDRMA has provided a quote for the same level of service, under a single policy identified as Property and Liability Insurance, for a cost of \$6,531.14. SDRMA also anticipates a 10% increase.

The difference between the providers for Fiscal Year 2003-04 is calculated at \$2,231.51. If the anticipated increases of 10% are applied for next year, the difference would be \$2,454.67. In evaluating these contracts, however, there is a contracting difference between the two insurance providers. SDRMA requires that participation be contracted for a minimum three (3) year obligation period. At the end of that period, the Commission would be able to change providers but not before. Driver Alliant is an annual renewal process and does not have the extended participation requirement.

The staff is recommending that the Commission authorize the Chairman and Executive Officer to sign the documents necessary to secure insurance coverage as outlined through the SDRMA to realize the identified cost savings, adopt the appropriate resolution, and authorize the cancellation our existing policies through Driver Alliant Insurance Services.

KRM/

Attachments:

- 1 -- December 18, 2003 Quote for Insurance Coverage
- 2 -- Draft Resolution 2805