



# *The County of El Dorado*

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330 Fair Lane  
Placerville, CA 95667

**DATE: June 17, 2009**

**TO: LAFCO Board**

**FROM: Ronald Grassi, Assistant Chief Administrative Officer**

**SUBJECT: El Dorado County Self Insured General Liability Program**

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LAFCO has been a participant of the El Dorado County Self Insured General Liability Program since formation. El Dorado County maintains a \$1,000,000 self insured retention and then purchases excess insurance through the California State Association of Counties Excess Insurance Authority (CSAC EIA). In total the County maintains \$18,000,000 of coverage for General Liability. This coverage provides protection against Public Officials Errors and Omissions, Personal Injury, Bodily Injury, Employment Practices Liability, Auto liability and Property Damage with no aggregate limit. The County Self Insured General Liability program also covers \$10,000,000 for Crime Insurance. The County Self Insured General Liability program does not pass on its self insured retention or deductibles to the program participants. Therefore, LAFCO is covered from the first dollar with no deductible.

As a self insured entity El Dorado County maintains a very broad definition of coverage. Claims involving issues such as injunctive/declaratory relief are not normally covered by general liability insurance however; the County under the discretion of its self insured retention does cover this type of claim. Injunctive/declaratory relief is a situation in which a court grants an order, called an injunction, telling a party to refrain from doing something or in the case of a mandatory injunction, to carry out a particular action. Usually, injunctive relief is granted only after a hearing at which both sides have an opportunity to present testimony and legal arguments.

There have been two claims of this nature against LAFCO. Both cases were in the form of writs seeking specific performance or injunctive relief against the exercise of agency authority. Neither sought damages apart from perhaps a claim for petitioners' attorney fees. Neither would be covered under a basic general liability policy however both cases were defended and covered by the El Dorado County Self Insured General Liability Program.

Funding for the El Dorado County Self Insured General Liability Program is determined each year with an actuarial review of the general liability program. The purpose of the review is to determine reasonable funding levels for the program in accordance with Government Accounting Standards Board and the funding policy adopted by the Board of Supervisors. In addition, the State Controller's Office reviews the Countywide Cost Plan and provides guidance for the fair and equitable determination of the self-insurance costs to each participant. Based on the actuarial recommended funding requirements and the State Controllers Office recommended

allocation of costs, each participant is charged their portion of the actuarial determined general liability funding weighted 70 percent for a 10 year loss experience and 30 percent / year's loss exposure (Full Time Equivalents/Payroll).

The two most recent actuarial studies revealed that the County's Self Insured General Liability Program had a funding deficit. A funding deficit occurs when pool participants are charged too little and/or losses are greater than expected. To comply with the State Controllers Office recommendation a 10-year loss history replaced a 5-year loss history in FY 2008/2009. Thus, in FY 2008/2009 LAFCO's general liability costs increased due to two factors, the inclusion of the losses that incurred 5 to 10 years ago and an overall increase in the program's funding requirements. Similarly, LAFCO's rates increased again in FY 2009/2010 due to the incurred losses and an even more significant countywide rate increase.

Comparing the El Dorado County Self Insured to Special District Risk Management Authority (SDRMA) is like comparing apples to oranges. The basic coverage forms are similar however the SDRMA policy does not cover injunctive/declaratory relief cases, implements deductibles, and provides a limited amount of coverage of only \$2,500,000.

The following is a brief outline of the coverage proposed by SDRMA.

Coverage	Limit	Deductible
General Liability	\$2.5M	\$500
Auto Liability	\$2.5M	\$0 BI/\$1,000
Auto Property Damage	Not covered (no vehicles reported)	
Officials Personal Liability (outside of course and scope)	\$500K Agg	\$500
Employment Practice Liability	\$2.5M Agg	\$0
Crime Insurance	\$400K	\$0
Public Officials E&O	\$2.5M Agg	\$0
Property Damage	\$1M	\$2,000
Boiler and Machinery	\$100M	\$1,000

The El Dorado County Self Insured General Liability Program provides a much broader scope of coverage. Participants are not charged a deductible, provides \$18 Million of protection, and through the self insured retention injunctive /declaratory relief cases are covered.

The supplemental policy through Great American Insurance Group does not claim to cover injunctive/declaratory relief however it also does not exclude this event from coverage. It is suggested that written confirmation should be obtained from Great American Insurance Group that a claim involving injunctive/declaratory relief would be a covered loss. The other issue to consider is anytime you have more than one insurance carrier. You run the risk of dueling insurance companies where one carrier will not pay a claim prior to the other. In today's economy insurance carriers do not normally jump to quickly pay claims.

The El Dorado County Self Insured General Liability Program may be more expensive than the SDRMA program and supplemental Great American Insurance Group however, the vast difference in coverage limits, the fact that claims are paid locally can provide peace of mind which is priceless.