



## EL DORADO COUNTY

## Human Resources

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*Ted J. Cwiek, Director*

February 14, 2007

Memo to: Jose Henriquez, Lafco Executive Director  
From: Sherril Jodar, Risk Manager  
Subject: General Liability Insurance Coverage

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It has been nice working with you regarding the County's general liability, self-insurance program and your desire to find the best coverage for Lafco. As I mentioned to you, I am writing regarding my concerns over the various insurance options that Lafco will be evaluating as it considers its new budget year.

You have obtained various quotes for general liability insurance with limits from \$2.5 million to \$10 million in coverage with annual costs ranging from \$4,663 to \$6,338. The County program provides \$15 million in coverage limits at a cost to Lafco of \$17,264. Your average charge since 2000 has been \$7,524 per year as compared to actual payments over the same period of \$121,971. There is no deductible for this insurance.

My first concern is for coverage limits. After some consideration I do not believe that the 2.5 million would be an acceptable limit of insurance for Lafco operations. \$2.5 million sounds like a lot, but one catastrophic loss could pierce through that layer leaving the Lafco agency vulnerable to payment. Lafco, through its participation in the county's program, has \$15 million in excess coverage. \$10 million plus, is what CSAC EIA considers good standard coverage for public entities. Over my years of participation in the organization, I have seen claims approach these amounts.

My second concern regards coverage types. None of the other insurance programs provide the all-inclusive coverage that you receive through El Dorado County. The Commission needs to understand that insurance from any entity other than El Dorado County will NOT include land issue claims like the claim for failing to process and consider application for incorporation of El Dorado Hills, nor the challenge to Lafco's disapproval of the annexation of Specific Plan area by El Dorado Irrigation district. Those claims totaled \$32,456 and \$89,515 respectively. Lafco would have paid insurance premiums for coverage outside the County and then, in addition, paid the cost of the claims. The County coverage does include this kind of coverage. Lafco might easily save \$11,000 today and end up paying \$100,000 later.

Should Lafco choose to purchase insurance outside the County, and should those insurance limits prove insufficient in excess limits or non-covered claims, who pays for the losses beyond Lafco's insurance coverage? Lafco would be responsible. The County along with special districts and cities provide the funding for Lafco. While we have not researched the question of whether the constituent entities would be obligated to contribute sufficient funds to cover any judgment, and take no position on that presently, it is likely it would be an issue raised and is of concern to the County.

cc. Laura S. Gill, CAO  
Ted J Cwiek, HR Director  
Jack Sweeney, Board of Supervisors Lafco Commission Member  
Helen Baumann, Board of Supervisors Lafco Commission Alternate Member  
Ron Briggs, Board of Supervisors Lafco Commission Member