



July 22, 2010

Sacramento Public Library Authority

Agenda Item 14.0: Service Contract: Worker's Compensation Insurance Provider

TO: Sacramento Public Library Authority Board Members

FROM: Rick Teichert, Deputy Director of Support Services

RE: Service Contract: Worker's Compensation Insurance Provider

RECOMMENDED ACTIONS:

1. **Approve** and ratify the selection of the Cypress Insurance Company, owned by Berkshire Hathaway Homestate Companies, as the Authority's Worker's Compensation Insurance provider and claims administrator in an amount not to exceed \$275,000 for the period July 1, 2010 through June 30, 2011.
2. **Authorize** the Library Director to sign all documents related to this contract within the approved terms.

REASON FOR RECOMMENDATION

Background

The Authority has contracted with State Compensation Insurance Fund (SCIF) to provide worker's compensation insurance and claims administration since the creation of the Library Authority in 1996. In recent years, costs related to worker's compensation insurance have risen dramatically due to claims history in the 2005 to 2007 period. The annual cost peaked in FY 2009-10 at over \$350,000.

As a result of the increased costs, in February 2010 staff began working with the Authority's insurance broker, Alliant Insurance, to obtain competitive quotes to compare to the quote from SCIF for FY 2010-11. A total of seven companies were invited to respond. Three quotes were received from private insurance providers in June 2010. Staff is recommending approval of the quote of \$271,949 received from the firm of Cypress Insurance Company, owned by Berkshire Hathaway Homestate Companies.

This compares to a quote of \$276,773 received from SCIF on June 2, 2010, for FY 2010-11. Staff is recommending the selection of Cypress Insurance Company to provide worker's compensation insurance and claims administration, saving the Authority \$4,800 for the year. In addition to the cost savings, the firm offers a significantly lower ratio of claims per administrator. Library staff believes that the increased attention to claims will provide better coordination and a more cost-effective approach that will reduce long-term costs. The new firm also provides excellent safety prevention program support, which will be important to prevent and reduce future claims experience.



July 22, 2010

Sacramento Public Library Authority

Agenda Item 14.0: Service Contract: Worker's Compensation Insurance Provider

Although staff began the competitive quote process in February 2010, the insurance providers, including SCIF, would not provide quotes until early June 2010. This timing created the need to quickly assess the quotes submitted and required a commitment prior to the expiration of the current SCIF insurance coverage, which expired on June 30, 2010.

In light of the timing of this business decision, the Library Director signed the documents to bind the insurance coverage through Cypress Insurance Company effective July 1, 2010, to ensure there was no gap in coverage. Staff is now requesting that the Board ratify this procurement, as an emergency purchase pursuant to Article II.I of the Authority's Contracts and Procurement Policy.

FISCAL IMPACT

Library staff is recommending an annual contract for Worker's Compensation insurance and claims administration at an annual cost of \$271,731. This cost compares to the budget amount for total FY 2010-11 worker's compensation insurance of \$357,504, reflecting a budget savings of over \$85,000. This budget savings will be reflected in the FY 2010-11 Final Budget scheduled for presentation to the Board on September 23, 2010.