

CITY OF CARLSBAD COUNCIL POLICY STATEMENT	Policy No.	70
	Date Issued	12/13/2005
	Effective Date	12/13/2005
	Cancellation Date	_____
	Supersedes No.	_____

General Subject: Administration

Specific Subject: Insurance Requirements

Copies to: City Council, City Manager, City Attorney, Department Heads and Division Heads, Employee Bulletin Boards, Press, File

BACKGROUND: Insurance is the principal financial means to implement the hold harmless agreement required of most businesses with which the City does business. It is an invaluable tool to protect the City from liability costs. It is also a complex tool. Insurance does not lend itself to one size fits all requirements easily, and the cost and terms vary significantly depending on the type of coverage and the state of the industry.

The last time the City’s insurance standards were modified was by resolution in 1991. Since that time, the insurance market has hardened; insurance is more expensive, and some coverage terms have become more restrictive. The evaluation of insurance needs, review of insurance documents, and steps necessary to ensure appropriate coverage is in place has become a complex and lengthy process. Staff has seen an increase in requests for flexibility in requirements, the need for additional resources to help staff tailor requirements to loss exposures, evaluate risk and coverage issues, review insurance documents for compliance with requirements, and the need for greater efficiency in the administration and management of these issues.

PURPOSE: This Council policy establishes standards for insurance companies providing coverage required of those with which the City does business, and will be supplemented by additional insurance requirements, specifications and guidelines adopted by the City Manager to implement this policy and improve the processing of insurance matters. These supplementary insurance provisions are to help staff (1) review loss exposures, (2) identify the need for specialized coverage in unique situations, (3) apply certain requirements specific to individual coverages, (4) review insurance documents for adequacy of coverage, and (5) implement the Council policy and the supplementary provisions efficiently.

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<p>POLICY: It is the policy of the City Council that contractors, builders, subdividers and other persons doing business with the City are required to obtain various types and amounts of insurance or bonds, and the insurance and surety companies must meet certain standards.</p> <p>The City Manager shall adopt written insurance requirements, specifications and guidelines to implement the following parameters of this Council policy and improve the insurance review and approval process:</p> <ol style="list-style-type: none"> 1. Except as expressly provided by law or bid specifications to the contrary, insurance or surety companies securing or insuring any obligation or risk under an insurance policy or surety bond of which the City is a beneficiary or an additional insured shall meet the following minimum standards: <ol style="list-style-type: none"> a. The company shall be admitted to conduct the business of insurance in the State of California. The City may accept a surplus line carrier on the California List of Eligible Surplus Line Insurers (LESLI). Any surplus line carrier must meet the rating requirements for a surplus line carrier included in Paragraph b below. b. The admitted company shall have a rating in the latest "Best's Rating Guide" of "A-" or better and a financial size of \$50-100 million (currently class VII) or better. The surplus line company shall have a rating of "A:X" or better. 2. The Risk Manager may allow a carrier not meeting the criteria above if circumstances and risk factors justify a lower standard. 3. Contractors, builders, subdividers and other persons doing business with the City who are required to provide insurance shall provide coverage in a form and in an amount acceptable to the Risk Manager. 3. Administration of this policy will be as directed in a written Administrative Order by the City Manager. 	