

Capitola faces soaring costs for insurance

By BOB SMITH
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Capitola, among other cities, is trying to cope with crippling increases in its liability insurance premiums in the next year.

Capitola's policy comes up for renewal in September, Capitola City Manager Steve Burrell told members of the city council Thursday, and he's worried that the multi-million dollar liability insurance that the city needs might not be available at any price.

"Basically, the market is closed now," Burrell said. "It is extremely likely that those with July 1 renewal dates can buy insurance for another year, but those with later (renewal) dates cannot.

"We have a Sept. 1 renewal date and liability coverage may not exist then," Burrell told the council.

Capitola paid \$27,000 this last budget year for \$10 million in liability insurance coverage. Burrell had doubled the amount — up to \$54,000 in the 1985-86 budget. But based on the experience of Seaside (where liability rates jumped in the past year from \$78,000 to \$800,000), which uses the same insurance broker as Capitola, he thinks the city's premium might go up to more than a quarter million dollars in September. To pay that kind of premium, if alternatives are not found, would mean the city would have to take the money from other programs and projects already planned, Burrell said.

The problem for cities like Capitola is a legal axiom called the "deep pocket" in which governmental agencies frequently wind up paying very large court settlements even through their negligence is very small.

"In an accident, even if we had only one percent of the liability, we might have to pay everything if the other party had no money," Burrell said.

There have been several attempts in the last few years to pass state legislation that would limit a public agency's financial liability to its portion of the legal liability (i.e. 10 percent liability means that the agency would only have to pay 10 percent of the judgement.)

Until now, those attempts have been defeated by the California Trial Lawyers Association — the attorneys who represent individuals in personal injury and liability suits and frequently a large percentage of the judgements for their fee. A new attempt, SB 75 by State Sen. John Foran, has cleared the Senate but faces a tough challenge in the Assembly.

Capitola and Seaside are members of a nine-city workman's compensation self-insurance pool. Seven of the nine cities involved in the present pool are interested in forming a similar group that would provide liability coverage. Burrell told the council Thursday that that plan might be operating by

Sept. 1, when Capitola's policies come up for renewal.

Other public agencies, such as fire, water and school districts aren't being threatened with a loss of their insurance yet, but they are paying substantially higher premiums.

Central County Fire Fire Chief Harry Rowe said the premiums for his agency's liability insurance rose from \$17,000 last year to \$29,000 this year.

"We were really concerned," Rowe said this morning. "There seem to be no limits on our liability and a public entity is fair game.

The situation is very serious and I don't know what will happen in the future," Rowe added.

Aptos-La Selva Fire Chief Al Forbes said the insurance policy for the new consolidated department will be up for renewal Aug. 1, and while he's been assured by the insurance broker that the insurance will be available, he's anticipating

that the bill will increase from \$17,000 (for the separate Aptos and La Selva districts) to \$23,000 for the combined department.

Premiums for the Soquel Creek Water District's insurance rose 30 percent in the last year, District general manager Bob Johnson said.

The county's school districts buy their insurance in a "group buy," Jim Maxwell, business manager for the Santa Cruz County Office of Education said. "We're not having any problems getting it," Maxwell said. "But our premiums have increased 50 percent over the past year. "I recently took a survey of Northern California school superintendents and that is low," he added.