

Public Agency Risk Sharing Authority of California
PARSAC

Minimum Premium

Section: 500 – Membership, New Members
Effective Date: December 3, 2009

A minimum premium of \$7,500 was originally established in 1995 to ensure sufficient funds are collected to cover the exposures of new members that do not have sufficient payroll or experience for rating purposes. A two-tier approach was then adopted in 2003, which stated the minimum of \$7,500 applied to established cities only and \$20,000 would be charged to newly incorporated cities.

In December 2009, the policy was further revised to eliminate the \$7,500 tier. This nominal premium amount is no longer sufficient for PARSAC to provide comprehensive general liability and EPL coverage considering the cost to defend one claim or lawsuit far exceeds this amount, regardless of the size of the entity.

POLICY:

Per Resolution 2009-02, duly adopted by the Board of Directors, deposit premiums shall be charged to members as follows:

1. Members shall be charged an annual deposit premium based on the Liability Program's funding allocation method, which shall not be less than \$20,000 (Minimum Premium).
2. Minimum Premium is applicable to the Liability Program primary funding layer only. Excess coverage, employment practices liability coverage, and any other coverage beyond that which is provided by the Memorandum of Coverage shall be charged in addition to the Minimum Premium.
3. Existing Members paying a Minimum Premium under the prior, two-tiered policy will not be affected by this policy change.