

# Canceled

## East Palo Alto loses its insurance

By Michael Shapiro  
Times Tribune staff

An insurance risk-sharing pool expelled the city of East Palo Alto this month, forcing the city to enroll with an insurance company and dramatically reducing its excess liability coverage.

On July 6, East Palo Alto learned it had been expelled from the California Municipal Insurance Authority, retroactive to July 1, said city insurance analyst Laurence Brooks.

CMIA, a statewide group of 22 small California cities that have banded together to reduce insurance costs, expelled East Palo Alto because CMIA found the city reluctant to disclose information regarding potential claims, said CMIA General Manager Catherine Clark-Ryll.

"When you can't get information, you can't devise premiums," she said.

Brooks said the city's financial instability led CMIA to expell it.

"If nothing's under control, they get nervous," he said Friday. "Welcome to the real world."

Under the CMIA policy, the city paid \$104,700 annually for \$5 million of excess liability coverage. The self-insurance deductible was \$100,000.

Under the new policy with Associated International Co., effective

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## INSURE

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July 1, the city pays \$80,000 annually for \$500,000 in excess liability coverage above a \$200,000 self-insurance deductible, Brooks said.

Asked what would happen if the city lost a \$2 million claim, Brooks said it would pay the non-insured portion over several years, but added that a claim of that size would be unusual.

East Palo Alto's troubles with the CMIA began last year after former City Manager James White was accused of giving himself illegal raises, Brooks said in a city report.

Budget shortfalls that led to po-

lice layoffs worsened the situation, he said, and media coverage of these issues has caused a "stir of concern within the CMIA membership," he said.

"Most of the coverage has given the impression, correctly or not, that the city is floundering in an environment that is completely without controls," diminishing "confidence and respect," for East Palo Alto, he said.

Clark-Ryll declined to disclose specific reasons for the expulsion, but said the city may have been able to remain in the pool had it sent a representative to the June 30 meeting when CMIA member cities voted to oust East Palo Alto.

No East Palo Alto representative attended this meeting.

Brooks said many cities do not

regularly send representatives to CMIA meetings, and that the true reason for the expulsion is the city's financial straits.

"Anytime CMIA is dissatisfied and wants to expel (a city), they will use anything," Brooks said.

Councilman Warnell Coats said the city should have sent a staff member to the meeting.

"We have 61 members on staff, and we couldn't get one person to attend," he said. "That's not acceptable to me."

East Palo Alto has never made a claim upon CMIA, Brooks said.

One reason the group ousted the city was to make CMIA more appealing to potential new members, he said.

"It's a marketing problem for CMIA," Brooks said, comparing the

risk-sharing pool to an "exclusive country club."

If East Palo Alto is covered, it would be harder for CMIA to attract new members, he said.

Clark-Ryll denied that argument and said that CMIA is essentially made up of outcast cities that "other pools didn't want," she said.

"We don't attract big-dollar cities," she said.

CMIA, headquartered in Fair Oaks near Sacramento, was founded in 1986 as a fully self-insured, joint-powers authority, Clark-Ryll said.

The self-insurance pool is now augmented by additional coverage from an insurance carrier, she said.

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