

Carson City Agenda Report

Date Submitted: June 10, 2014

Agenda Date Requested: June 19, 2014

Time Requested: 20 minutes

To: Mayor and Supervisors

From: Nick Providenti, Director of Finance

Subject Title: For Possible Action: Action to enter into insurance agreements with Public Entity Property Insurance Program (PEPIP) for property insurance (including automobile physical damage) at a total premium of \$ 337,420, Travelers Insurance Company for excess liability coverage at a total premium of \$384,522, Great American for government crime insurance at a total premium of \$11,694, and with Illinois Union for Landfill Pollution Legal Liability insurance at a total premium of 12,518 for a grand total of \$746,154 for FY 2014-2015.

Staff Summary: We are planning on renewing Excess Liability, Crime Insurance and Pollution Liability with the same insurance companies as last year. All of the insurance companies are A rated by AM Best Services and have a financial rating of at least \$1,250,000,000.

We are also proposing renewing the property coverage with the Public Entity Property Insurance Program (PEPIP).

The total dollar amount of the increase is \$28,445 which is less than the \$81,000 increase we budgeted for FY 2014/2015.

Type of Action Requested: (check one)

Resolution Ordinance
 Formal Action/Motion Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

Recommended Board Action: I move to enter into insurance agreements with Public Entity Property Insurance Program (PEPIP) for property insurance (including automobile physical damage) at a total premium of \$ 337,420, Travelers Insurance Company for excess liability coverage at a total premium of \$384,522, Great American for government crime insurance at a total premium of \$11,694, and with Illinois Union for Landfill Pollution Legal Liability insurance at a total premium of 12,518 for a grand total of \$746,154 for FY 14-15.

Explanation for Recommended Board Action: The current Property Insurance Program and Vehicle Physical Damage Program are purchased on a year to year basis.

Currently, PEPIP provides property coverage for the City's buildings, contents, vehicles and mobile equipment with coverage including terrorism.

PEPIP is a property insurance program which has more than 6,000 insured's in 45 states. The Program was started in 1993 and includes Cities, Schools, Universities, Airports, Seaports, States, Districts and Hospitals. This Program is the largest property placement in the world with approximately \$320 Billion in insured values. The Program is administered by Alliant Insurance Services, Inc.

The program is designed to provide flexibility for each of the separate Entities to be able to elect various coverage's and various deductibles. The placement of this coverage is provided by a combination of layering and quota sharing with various Domestic, Bermuda, and London insurance companies.

The program is divided into towers which includes various other public entities. Carson City will be in a tower with other entities from other states. The insured's in a given tower share a \$1 billion each occurrence limit for the all-risk coverage (i.e. fire). The Earthquake and Flood limits are dedicated specifically to Carson City.

The Program provides a broad manuscript form which includes All Risk coverage, Boiler and Machinery coverage, Terrorism coverage and Vehicle coverage. Earthquake and Flood coverage is included with dedicated limits to the City. Cyber Liability has been included for a nominal charge as a recommended coverage. All buildings over \$5,000,000 in replacement value will be appraised once every 5 years with no additional cost to the City. Claims are paid by Alliant Insurance Services, Inc. in San Francisco, California.

The following are the limits and deductibles that the Staff is suggesting the City purchase:

- \$210,000,000 for All Risk coverage subject to a deductible of \$25,000 and Vehicle Physical Damage subject to a \$25,000 deductible
- \$100,000,000 for Boiler and Machinery coverage subject to various deductibles depending on size of Equipment
- \$50,000,000 Aggregate for Earthquake coverage subject to 2% of Replacement values per unit
- \$50,000,000 Aggregate for Flood coverage subject to \$100,000 per occurrence deductible except for High Hazard Flood Zones.
- \$5,000,000 Aggregate for High Hazard Flood locations in A and V Zones subject to a \$250,000 per occurrence deductible.
- \$2,000,000 Aggregate limit of Cyber Liability for the City and a \$20,000,000 aggregate limit

As stated in the staff summary, we are planning on renewing Excess Liability, Crime Insurance and Pollution Liability with the same insurance companies as last year. All of the insurance

companies are A rated by AM Best Services and have a financial rating of at least \$1,250,000,000.

Applicable Statute, Code, Policy, Rule or Regulation: n/a

Fiscal Impact: \$746,154.

Explanation of Impact: n/a

Funding Source: Insurance Fund - \$746,154.

Alternatives: Elect not to bind coverage with above and seek insurance elsewhere.

Supporting Material: A copy of the quotes from the above recommended insurance companies.

Prepared By: Nick Providenti

Reviewed By:

(Department Head)

Nichol Shultz

Nichol Shultz

(City Manager)

Nichol Shultz

(District Attorney)

Nichol Shultz

(Finance Director)

Date: 6/10/14

Date: 6/10/14

Date: 6/10/14

Date: 6/10/14

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Expiring Program 2013/2014					Renewal Program 2014/2015			
Coverage	Carrier A.M. Best Rating	Limits of Insurance	Deductible/SIR	Annual Premium	Carrier A.M. Best Rating	Limits of Insurance	Deductible/SIR	Annual Premium
<u>Property</u>	Public Entity Property Insurance Program (Various Carriers)	\$210,000,000 \$50M EQ \$50M Flood \$5M Flood A/V	\$25,000 2%/\$100,000 \$100,000 \$250,000	\$333,824	Public Entity Property Insurance Program (Various Carriers)	\$210,000,000 \$50M EQ \$50M Flood \$5M Flood A/V	\$25,000 2%/\$100,000 \$100,000 \$250,000	\$337,420
<u>Automobile Physical Damage</u>	Public Entity Property Insurance Program	Included	\$25,000	Included Above	Public Entity Property Insurance Program	Included	\$25,000	Included Above
<u>Government Crime</u>	Great American A XIV	\$1,000,000	\$50,000	\$9,745	Great American A XIV	\$1,000,000	\$50,000	\$11,694
<u>Public Entity Liability</u>	Travelers A+ XV	\$11,000,000	\$100,000 SIR	\$361,622	Travelers A+ XV	\$11,000,000	\$100,000 SIR	\$384,522
<u>Pollution Liability</u>	Illinois Union A+ XV	\$2,000,000	\$25,000	\$12,518	Illinois Union A+ XV	\$2,000,000	\$25,000	\$12,518
Total					Total			\$746,154

- Property and Pollution Liability premiums include surplus lines taxes and fees.
- Property premiums include a combination of broker commission and fees.

This summary neither amends nor alters the insurance contract. Specific questions on all policy terms and conditions should be referred to your Wells Fargo Insurance Services representative and the policy itself should be reviewed.