



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: June 21, 2018

Staff Contact: Nancy Paulson, City Manager

Agenda Title: For Possible 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 approximately \$531,789, Travelers Indemnity Company for excess liability coverage at a total premium of \$393,780, Great American for government crime insurance at a total premium of \$12,892, and with Illinois Union for Landfill Pollution Legal Liability insurance at a total premium of \$12,518 for a grand total of approximately \$950,979 for FY 2019. (Nancy Paulson, npaulson@carson.org)

Staff Summary: We are planning on renewing Property Insurance, Excess Liability including General Liability, Automobile and Umbrella coverages, Crime Insurance and Pollution Liability with the same insurance companies as last year. All of the insurance companies have at least an A- rating by AM Best Services and have adjusted policyholder reserves of at least \$100,000,000.

Agenda Action: Formal Action/Motion

Time Requested: 15 Minutes

Proposed Motion

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 approximately \$531,789, Travelers Indemnity Company for excess liability coverage at a total premium of \$393,780, Great American for government crime insurance at a total premium of \$12,892, and with Illinois Union for Landfill Pollution Legal Liability insurance at a total premium of \$12,518 for a grand total of approximately \$950,979 for FY 2019.

Board's Strategic Goal

Efficient Government

Previous Action

FY 2018 insurance agreements were approved by the Board of Supervisors on June 15, 2017.

Background/Issues & Analysis

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 8,700 members 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 \$350 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 coverages 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 insureds 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 property coverage, Boiler and Machinery coverage, Terrorism coverage and Vehicle physical damage coverage. Earthquake and Flood coverage is included with dedicated limits to the City. Cyber Liability and Pollution Liability have also been included as 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 Staff is suggesting the City purchase:

- \$350,000,000 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 and minimum deductible of \$100,000 per occurrence.
- \$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 per event and aggregate limit of Cyber Liability for the City subject to a \$50,000 deductible.
- \$2,000,000 per condition and aggregate limit for Pollution Liability (excluding Landfill), subject to deductibles of \$100,000 per pollution condition and \$250,000 for mold or sewage backup.

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number: Insurance Fund / Insurance Premiums - 590- 0745-415-05-12.

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: \$913,900 is budgeted in this account for FY 19. Total insurance premiums for FY 19 will be approximately \$950,979. This is a 18.25% increase in overall insurance program costs from the prior fiscal year. The property program premium increased by 31.8% over the prior year as the result of a 29% increase in property values and a 4% rate increase. This includes raising the property policy limit from \$210 million to \$350 million to accommodate the increased property values. The City's current property values total

\$313,558,255. The City's broker, USI Insurance Services, reached out to several other companies, but none were able to offer a lower quote.

The casualty premium reflects a 4.9% increase over the prior year.

The insurance premium account will need to be augmented by \$37,079 in Fy 19 from available working capital in the fund.

Alternatives

Elect not to enter into the agreements noted above and pursue other options for insurance.

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

