

**Carson City
Agenda Report**

Date Submitted: June 11, 2013

Agenda Date Requested: June 20, 2013

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 \$ 345,470, Travelers Insurance Company for excess liability coverage at a total premium of \$361,622, Great American for government crime insurance at a total premium of \$9,745, and with Illinois Union for Landfill Pollution Legal Liability insurance at a total premium of 12,518 for a grand total of \$729,355 for FY 13-14.

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 proposing changing the property coverage from Affiliated FM Insurance Company to the Public Entity Property Insurance Program (PEPIP).

The total dollar amount of the increase is \$54,256 which is less than the \$100,000 increase we budgeted for FY 2013/14.

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 \$ 345,470, Travelers Insurance Company for excess liability coverage at a total premium of \$361,622, Great American for government crime insurance at a total premium of \$9,745, and with Illinois Union for Landfill Pollution Legal Liability insurance at a total premium of 12,518 for a grand total of \$729,355 for FY 13-14.

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

Currently, Affiliated FM Insurance Company provides property coverage for the City's buildings, contents and mobile equipment with coverage including terrorism and Travelers insures the vehicles for physical damage.

Affiliated FM has recently changed their guidelines regarding Earthquake insurance in the Northern Nevada Area. Affiliated FM has changed the amount of Earthquake coverage they will offer the City from \$50,000,000 (currently) to \$10,000,000 for the 2013-2014 policy year. Affiliated FM has also increased the deductible significantly and increased the premium approximately 25%. Excess earthquake insurance is available from specialty insurance markets but the cost to purchase excess limits is extremely expensive.

In March, the City was informed that Affiliated FM was going to make the above changes regarding Earthquake coverage. Wells Fargo Insurance and Staff have been considering other alternatives which would provide the City with adequate coverage that is affordable for the City.

Based on market research of available property insurance markets for public entities, Wells Fargo worked with the Public Entity Property Insurance Program (PEPIP) to provide two quotes with alternative limits for Earthquake and Flood.

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 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 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: \$729,355.

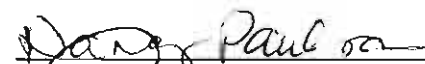
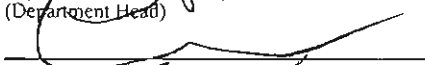

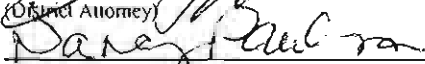
Explanation of Impact: n/a

Funding Source: Insurance Fund - \$716,837, General fund (landfill) - \$12,518

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: <u></u>	Date: <u>6/11/13</u>
(Department Head)	
<u></u>	Date: <u>6/11/13</u>
(City Manager)	
<u></u>	Date: <u>6/11/13</u>
(District Attorney)	
<u></u>	Date: <u>6/11/13</u>
(Finance Director)	

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

Carson City – Property Insurance Program Quote Options – Revised June 7, 2013

Annual Premiums 7/1/2013 to 7/1/2014	Affiliated FM/ Travelers Expiring	Affiliated FM/ Travelers Renewal	PEPIP Option #1	PEPIP Option #2
Property	\$272,038	\$341,819	\$292,887 ¹	\$272,712
Boiler & Machinery	Included	Included	Included	Included
Terrorism	Included	Included	Included	Included
Auto Physical Damage	\$37,137	\$35,791	Included	Included
Pollution Liability	N/A	N/A	Included	Included
Cyber Liability	N/A	N/A	\$1,128	\$1,128
Excess Earthquake	N/A	TBD	N/A	N/A
Surplus Lines Taxes & Fees	N/A	TBD	\$11,240	\$10,453
Total Premium	\$309,175	\$377,610	\$304,127	\$283,165
WFIS Commission (incl)	14% (\$40,710.71)	14% (\$51,612.77)	4% (\$11,715)	4% (\$10,908)
Proposed Broker Fee	N/A	N/A	\$28,500	\$29,500
Total Estimated Cost	\$309,175	\$429,223	\$345,470	\$324,701

Limits of Insurance	Expiring	Incumbent Renewal	PEPIP Option #1	PEPIP Option #2
Policy Limit	\$195,000,000	\$195,000,000	\$210,000,000	\$210,000,000
Boiler & Machinery	Included	Included	\$100,000,000	\$100,000,000
Terrorism	Included	Included	Included	Included
Business Interruption	Excluded	Excluded	\$100,000,000	\$100,000,000
Extra Expense	\$1,000,000	\$1,000,000	\$50,000,000	\$50,000,000
Earthquake	\$50,000,000	\$10,000,000	\$50,000,000	\$25,000,000
Flood Zones, except:	\$100,000,000	\$100,000,000	\$50,000,000	\$25,000,000
Flood Zones A/V:	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Pollution Liability	N/A	N/A	\$1,000,000	\$1,000,000
Cyber Liability	N/A	N/A	\$2,000,000	\$2,000,000

Deductibles	Expiring	Incumbent Renewal	PEPIP Option #1	PEPIP Option #2
General Deductible	\$25,000	\$25,000	\$25,000	\$25,000
Vehicles ²	\$25,000	\$25,000	\$25,000	\$25,000
Mobile Equipment	\$25,000	\$25,000	\$25,000	\$25,000
Boiler & Machinery	\$25,000	\$25,000	Various ³	Various
Earthquake	\$100,000	3%/\$100,000 ⁴	2%/\$100,000 ⁵	2%/\$100,000
Flood (except below)	\$100,000	\$100,000	\$100,000 ⁶	\$100,000
High Hazard Flood	\$500,000	\$500,000	\$250,000	\$500,000

¹ PEPIP premiums are 25% minimum earned except 100% for pollution and cyber liability.

² PEPIP higher earthquake and flood deductibles would apply for these perils instead of the standard vehicle deductible.

³ PEPIP boiler & machinery deductibles range from \$25,000 to \$350,000 depending on the equipment specifications.

⁴ Affiliated earthquake deductible is 3% of the combined value of property at the location where the loss or damage occurs, subject to a minimum deductible amount of \$100,000 per location.

⁵ PEPIP earthquake deductible is 2% per unit of insurance, subject to a \$100,000 minimum.

⁶ PEPIP flood deductibles are on a per occurrence basis.

Expiring Program					Renewal Program			
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>	Affiliated FM A+ XV	\$195,000,000 \$50M EQ \$100M Flood \$5M Flood AV	\$25,000 \$100,000 \$100,000 \$500,000	\$272,038	Public Entity Property Insurance Program (Various Carriers)	\$210,000,000 \$50M EQ \$50M Flood \$5M Flood AV	\$25,000 2%/\$100,000 \$100,000 \$250,000	\$345,470
<u>Automobile Physical Damage</u>	Travelers A+ XV	\$5,000,000	\$25,000	\$37,137	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	\$9,745
<u>Excess Liability</u>	Travelers A+ XV	\$11,000,000	\$100,000 SIR	\$343,661	Travelers A+ XV	\$11,000,000	\$100,000 SIR	\$361,622
<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				\$675,099	Total			\$729,355

* Property and Pollution Liability premiums include surplus lines taxes 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.