



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: June 15, 2017

Staff Contact: Nancy Paulson, Chief Financial Officer

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 \$403,568, Travelers Indemnity Company for excess liability coverage at a total premium of \$375,220, 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 \$804,198 for FY 2018. (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 \$403,568, Travelers Indemnity Company for excess liability coverage at a total premium of \$375,220, 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 \$804,198 for FY 2018.

Board's Strategic Goal

Efficient Government

Previous Action

FY 2017 insurance agreements were approved by the Board of Supervisors on June 16, 2016.

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 8,500 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 \$430 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:

- \$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 \$25,000,000 aggregate limit.

Applicable Statute, Code, Policy, Rule or Regulation

Financial Information

Is there a fiscal impact? Yes No

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

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: \$888,955 is budgeted in this account for FY 18. Total insurance premiums for FY 18 will be approximately \$804,198. This is a .2% increase in overall insurance program costs from the prior fiscal year. The property program premium increased by 19% over the prior year as the result of a 6% increase in property values and significant flood damage claims. The City's broker, Wells Fargo Insurance Services, reached out to several other companies, but none were able to offer a lower quote. Our Broker is still working with PEPiP and they are hopeful that PEPiP will reduce the quoted premium by \$6,000 - \$9,000.

The increase in property coverage will be offset by a decrease of 15% in the casualty premium. When quotes were originally requested for FY 18, Argonaut came back with a much lower quote than Travelers, the City's current carrier. However, after negotiations with Travelers, they were able to offer the lowest premium.

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)

Coverage	Carriers	Coverage: Limit / Deductible or Retention	16/17 Premiums	Coverage	Carriers	Coverage: Limit / Deductible or Retention	17/18 Premiums
Property, Boiler & Machinery, Cyber Liability & Pollution Liability	APIP	Policy Limit \$210,000,000 / ded: \$25,000 Earth Movement : \$50,000,000/ 2%/\$100k Flood Limit: \$50,000,000/ ded: \$100,000 High Hazard Flood Limit: \$5,000,000/\$250k Cyber Liability: \$2,000,000 / \$50,000 Pollution Liability: \$2,000,000 / \$75,000	\$293,739	Property, Boiler & Machinery, Cyber Liability & Pollution Liability	APIP	Policy Limit \$210,000,000 / ded: \$25,000 Earth Movement : \$50,000,000/ 2%/\$100k Flood Limit: \$50,000,000/ ded: \$100,000 High Hazard Flood Limit: \$5,000,000/\$250k Cyber Liability: \$2,000,000 / \$50,000 Pollution Liability: \$2,000,000 / \$75,000	\$358,920
		Property Program Service Fee	\$7,035			Property Program Service FEE	\$8,596
		Surplus Lines Taxes & Fees	\$11,456			Surplus Lines Taxes & Fees	\$13,998
		Property Broker Fee	\$25,500			Property Broker Fee	\$22,054
		Total Property	\$337,730			Total Property	\$403,568
General Liability, Employment Practices Liability, Errors & Omissions, Law Enforcement Liability	Travelers	General Liability: \$1,000,000 / \$100,000 SIR Employment Practices: \$1,000,000 / \$100k Errors & Omissions: \$1,000,000 / \$100k Law Enforcement Liability: \$1,000,000 / \$100k	\$293,321	General Liability, Employment Practices Liability, Errors & Omissions, Law Enforcement Liability	Travelers	General Liability: \$1,000,000 / \$100,000 SIR Employment Practices: \$1,000,000 / \$100k Errors & Omissions: \$1,000,000 / \$100k Law Enforcement Liability: \$1,000,000 / \$100k	\$244,136
Automobile	Travelers	\$1,000,000 / \$100,000 SIR	\$71,208	Automobile	Travelers	\$1,000,000 / \$100,000 SIR	\$68,789
Umbrella	Travelers	\$10,000,000 Excess of Underlying Coverage	\$75,563	Umbrella	Travelers	\$10,000,000 Excess of Underlying Coverage	\$62,295
		Total Casualty	\$440,092			Total Casualty	\$375,220
Crime	Great American	\$1,000,000/\$50,000	\$12,278	Crime	Great American	\$1,000,000/\$50,000	\$12,892
Pollution (Landfill)	Illinois Union *Surplus Lines	\$2,000,000/\$25,000 SIR	\$12,518	Pollution (Landfill)	Illinois Union *Surplus Lines	\$2,000,000/\$25,000 SIR	\$12,518
		16/17 Totals	\$802,618.00			17/18 Totals	\$804,198.07

Variance \$1,580.07

0.20%

This proposal is merely a descriptive summary of coverage provided by the insurance companies being proposed and should be used for reference purposes only. This is a quotation of coverage only. It is not a binder. This proposal does not amend or alter the insurance contract.

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