

# CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

# R-23

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**ALEJANDRINA BASQUEZ**  
DIRECTOR

June 20, 2017

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager, or designee, to purchase "all risk" property insurance for City buildings, contents, and vehicles through the Alliant Insurance Services' Public Entity Property Insurance Program (PEPIP), for a total premium not to exceed \$1,341,143 for the period of July 1, 2017 to July 1, 2018, plus any additional cost to reduce the Queen Mary deductible from \$500,000. (Citywide)

## DISCUSSION

The Department of Human Resources requests City Council authorization to renew and extend "all risk" property insurance coverage for City buildings and contents with various insurers.

Through its property insurance broker, Alliant Insurance Services, the City annually purchases "all risk" property insurance to cover perils such as fire, vandalism and wind damage on all City buildings, contents, and vehicles. The proposed "all risk" property insurance policy provides replacement cost coverage with limits of up to \$1 billion, subject to a \$50,000 per occurrence deductible for named perils, and a limit of \$10 million in coverage for flood. The policy does not include coverage for the peril of earthquake, which is addressed in a separate transmittal. The policy also provides cyber liability coverage, boiler and machinery coverage and some limited pollution coverage. This is consistent with coverage provided in the current year policy. The property insurance premium will not exceed \$868,000, which is \$51,209 more than the cost of the expiring policy. The increase is due to an increase in the value of City property, as well as recent loss history.

The proposed property insurance policy includes coverage for the Queen Mary at full replacement value, but with the deductible for only the Queen Mary increasing from \$50,000 to \$500,000. The premium for the Queen Mary increased substantially from about \$236,000 to an estimated \$752,168, at least in part due to reports of its structural condition. The property insurance for the Queen Mary will be fully reimbursed by the lessee (Urban Commons). Urban Commons is contractually required to provide property

insurance coverage for the Queen Mary. The City is currently working with Urban Commons to determine if Urban Commons will opt to purchase property insurance coverage, which they are required to pay for, through the City's program or directly with an insurance company. We are also working to get the Queen Mary deductible decreased to \$100,000 (which will result in a higher premium cost, also reimbursed). Because of the increase in cost, Urban Commons may choose to obtain coverage on its own (which, by agreement, is allowed to do).

This matter was reviewed by Deputy City Attorney Amy R. Webber and by Revenue Management Officer Geraldine Alejo on June 7, 2017.

TIMING CONSIDERATIONS

City Council action is requested on June 20, 2017, to allow the City to officially bind insurance coverage by the renewal date of July 1, 2017.


FISCAL IMPACT

The total premium will not exceed \$868,000 for the period of July 1, 2017 through July 1, 2018. Funding has been budgeted in the Insurance Fund (IS 390) in the Human Resources Department (HR). The cost of the property insurance is recouped from all funds based upon the total insured value of property, with an estimated 16 percent to the General Fund. Premium costs associated with the Queen Mary will be reimbursed in full from Urban Commons. If additional coverage for the Queen Mary is purchased, the combined cost will increase by \$473,143 for a revised not to exceed amount of \$1,341,143. If needed, the Department will return to City Council to request an appropriation increase, offset by revenue from Urban Commons. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

  
ALEJANDRINA BASQUEZ  
DIRECTOR OF HUMAN RESOURCES

APPROVED:

  
PATRICK H. WEST  
CITY MANAGER