



June 17, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to purchase "all risk" property insurance for City buildings, contents, and vehicles through the Alliant Insurance Service's Public Entity Property Insurance Program, for a total premium of \$556,703 for the period from July 1, 2008 through July 1, 2009. (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 through July 1, 2009.

Through its broker of record, Alliant Insurance Services, the City annually purchases "all risk" property insurance to cover perils such as fire, vandalism and wind 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; it does not include coverage for the peril of earthquake. Based on the City's current insured property valuation, the premium for the "all risk" renewal program is \$556,703. The property insurance for the Queen Mary makes up approximately 35% of the total premium. The portion for the Queen Mary is billed directly to the current lessee.

The City has not purchased earthquake coverage since 2002 due to exorbitant pricing. In prior years, the City has purchased \$10 million worth of earthquake coverage for specific properties that are financed by bonds. Under the terms of the bonds, earthquake insurance is required only if it is obtainable from financially secure markets at a reasonable cost. The City was able to obtain one quote for earthquake coverage, however, the purchase of this policy is cost prohibitive. The City will continue to monitor insurance markets, and in the meantime, rely upon FEMA's public assistance program should the need arise. If the insurance marketplace for earthquake coverage improves, staff will recommend the purchase of earthquake insurance at that time.

This matter was reviewed by Principal Deputy City Attorney Charles Parkin on May 29, 2008 and Budget Management Officer Victoria Bell on May 30, 2008.

TIMING CONSIDERATIONS

City Council action is requested on June 17, 2008, to allow the City to officially bind insurance coverage by the renewal date of July 1, 2008.

FISCAL IMPACT

The total premium cost is \$556,703, for the period from July 1, 2008 through July 1, 2009, which is a 1.8% increase over last year due to the City's total insured value under the policy growing by 7.68%. Policy terms and limits are the same as last fiscal year. Funding has been budgeted in the Insurance Fund (IS 390) and in the Department of Human Resources (HR) for "all risk" property insurance renewals. Premium costs associated with the Queen Mary will be reimbursed in full. The cost of the property insurance is allocated to all funds based upon total insured value of property, with approximately 16% of the premium allocated to the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


SUZANNE R. MASON
DIRECTOR OF HUMAN RESOURCES

APPROVED:

SRM:MVA


PATRICK H. WEST
CITY MANAGER