



CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

C-29

333 West Ocean Boulevard 13th Floor • Long Beach, CA 90802

JUNE 20, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

1. Authorize the City Manager to purchase "all risk" property insurance for City buildings and contents through the Driver-Alliant Insurance Services, for a total premium of \$584,588 for the period from July 1, 2006 through July 1, 2007. (Citywide)
2. Authorize the City Manager to pay additional premiums to Driver-Alliant Insurance Services, equal to the proposed "all risk" premium rate of \$.0429 per \$100 applied to the value of any new buildings purchased or constructed by the City or the increased value of any buildings reappraised during the term of this insurance policy. (Citywide)

DISCUSSION

The Department of Human Resources requests City Council authorization to renew and extend property insurance coverage for City buildings and contents through July 1, 2007.

Through its broker of record, Driver-Alliant Insurance Services, the City annually purchases "all risk" property insurance to cover perils such as fire, vandalism and wind on all City buildings and contents. The proposed "all risk" property insurance policy provides replacement cost coverage with limits of up to \$750 million, 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 \$584,588. This represents an increase of 12 percent over last year's premium. This was expected because of the losses incurred by insurers from Hurricanes Katrina and Rita. Property insurance coverage for the Queen Mary, which is included in this total, is approximately \$196,606. The RMS Foundation will reimburse the City for the actual insurance purchase amount associated with this coverage.

Additional premiums at a rate of \$.0429 per \$100 replacement value would be applied to the value of any new buildings purchased or constructed by the City or the increased value of any buildings reappraised in excess of the current insured property values of \$1.359 billion during the term of this insurance policy.

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 reasonable cost. Our broker was unable to procure any quotes for earthquake coverage because of the large catastrophic losses insurers had from Hurricanes Katrina and Rita. 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 softens sufficiently, staff will recommend the purchase of earthquake insurance at that time.

This matter was reviewed by Assistant City Attorney Michael Mais and Budget Management Officer David Wodynski on June 9, 2006.

TIMING CONSIDERATIONS

City Council action is requested on June 20, 2006, to allow the City to officially bind insurance coverage by the renewal date of July 1, 2006.

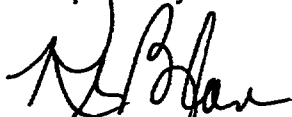
FISCAL IMPACT

The total premium cost is \$ 584,588. Funding has been budgeted in the Insurance Fund (IS 390) and in the Department of Human Resources (HR) for 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 20 percent of the premium allocated to the General Fund.

SUGGESTED ACTION:

Approve recommendation.


Respectfully submitted,



KEVIN BOYLAN
DIRECTOR OF HUMAN RESOURCES

APPROVED:

KB:MVA



GERALD R. MILLER
CITY MANAGER