



Legislation Text

File #: 10-0650, **Version:** 1

Recommendation to authorize 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 \$567,821 for the period from July 1, 2010 through July 1, 2011. (Citywide)

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, 2011.

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 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. This is consistent with coverage provided in the current year policies. Based on the City's current insured property valuation, the premium for the "all risk" renewal program is \$567,821, which is a decrease of 11 percent when compared to last year's premium. The property insurance for the Queen Mary makes up approximately 35 percent of the total premium. The premium 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, which include City Hall and the Convention Center. 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 would cost \$265,691 with a deductible of \$38 million (assuming both City Hall and Convention Center were damaged) and \$7.5 million in coverage. 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 Deputy City Attorney Amy R. Burton and Budget Management Officer Victoria Bell on June 2, 2010.

..TIMING CONSIDERATIONS

City Council action is requested on June 22, 2010, to allow the City to officially bind insurance coverage by the renewal date of July 1, 2010.

The total premium is \$567,821, for the period from July 1, 2010 through July 1, 2011, which is an 11 percent decrease. Funding has been budgeted in the Insurance Fund (IS 390) within 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 percent of the premium allocated to the General Fund. There is no local job impact associated with this request.

Approve recommendation.

DEBORAH R. MILLS
DIRECTOR OF HUMAN RESOURCES

APPROVED:

PATRICK H. WEST
CITY MANAGER