



Legislation Text

File #: 19-0577, **Version:** 1

Recommendation to authorize City Manager, or designee, to purchase “all risk” property insurance for City buildings, Queen Mary contents, and vehicles, through the Alliant Insurance Services’ Property Insurance Program (APIP), for a total premium not to exceed \$1,966,374, and Earthquake (Difference in Conditions Coverage), at a premium of \$160,336, with Insurance Company of The West, for the period of July 1, 2019 to July 1, 2020. (Citywide)

The Human Resources Department requests City Council authorization to renew “all risk” property insurance and earthquake insurance coverage.

Property Insurance

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 to City buildings, contents, and vehicles. This insurance provides coverage for all risks, subject to exclusions and limitations. The proposed property insurance policy provides replacement cost coverage with limits of up to \$1 billion, subject to a \$50,000 per occurrence deductible, and a limit of \$10 million in coverage for flood. The deductible will vary depending on the nature of the property insured. The policy also provides some limited cyber liability, boiler and machinery, and pollution coverage.

The property insurance premium includes coverage for the Queen Mary, which will be paid by Urban Commons, the lessee. The premium for the primary layer of coverage on the Queen Mary, as required by the master lease, is approximately \$125,000. In addition, the premium for several excess layers of coverage is estimated at \$669,402. The total property insurance premium for the Queen Mary is approximately \$794,402.

The City property insurance premium (excluding Queen Mary coverage) will not exceed \$1,171,972. The new premium represents an increase of approximately 36 percent from the prior premium, due to an increase in the value of City property, inflation, and two large storm-related losses in 2017. It is anticipated that City Hall will be transferred to the new owner of the property at the end of October 2019. At that time, City Hall will be removed from the list of properties insured and the City will receive a proportional premium rebate. The new Civic Center will be insured Plenary/JCI.

Earthquake Insurance

The City purchases earthquake coverage on a limited basis, for the Convention Center and

City Hall, as earthquake coverage is not provided under the primary property insurance policy. The proposed earthquake insurance policy will provide \$10 million in aggregate coverage, excess of a \$5,000,000 self-insured retention, at a premium of \$160,336, an increase of 10 percent from the prior premium. Also, at the end of October 2019, the current City Hall will be vacated and, at that time, earthquake coverage on will be cancelled, and a proportional premium refund issued.

This matter was reviewed by Deputy City Attorney Gary J. Anderson on May 30, 2019 and by Budget Manager Grace H. Yoon on June 3, 2019.

City Council action is requested on June 18, 2019, to allow the City to officially bind insurance coverage by the renewal date of July 1, 2019.

The total premiums for both policies will not exceed \$2,126,710, for the period of July 1, 2019 through July 1, 2020. The cost of property insurance is budgeted in the Insurance Fund Group in the Human Resources Department and is recouped from all funds through the Memorandum of Understanding (MOU) process, which is based upon the total insured value of property, with approximately 25 percent allocated to the General Fund Group. It is anticipated that this renewal will result in increased costs to various City funds, including the General Fund Group, and will be incorporated into future MOU allocations in a future budget development process. Premium costs of \$794,402 associated with the Queen Mary will be paid in full by the Queen Mary lessee. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

ALEJANDRINA BASQUEZ
DIRECTOR OF HUMAN RESOURCES

APPROVED:

PATRICK H. WEST
CITY MANAGER