



CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

R-32

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June 22, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Renewal of Property Insurance for City Buildings and Contents (Citywide)

DISCUSSION

The Department of Human Resources requests City Council authorization to renew and extend property insurance coverage for City buildings and contents through June 30, 2005.

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, a limit of \$10 million in coverage for flood and does not include coverage for the peril of earthquake. Other policy changes include an increase from \$7.5 million to \$10 million in shared terrorism coverage. Based on the City's current insured property valuation, the premium for the "all risk" renewal program is \$621,554. This represents an increase of 2.2 percent over last year's premium that can be attributed in its entirety to the increase in property values. Property insurance coverage for the Queen Mary, which is included in this total, is approximately \$170,000. The RMS Foundation will reimburse the City for the actual insurance purchase amount associated with this property.

Additional premiums at a rate of \$0.054 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 \$1.185 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. Due to continued excessive pricing, it is recommended that the City not purchase earthquake coverage with this year's renewal. We will continue to monitor insurance markets, and in the meantime rely upon FEMA's public assistance program. 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 Deputy City Attorney Everett Glenn and Budget Management Officer David Wodynski on June 10, 2004.

TIMING CONSIDERATIONS

City Council action is requested on June 22, 2004 to allow the City to bind insurance coverage by the July 1, 2004 policy renewal date.

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FISCAL IMPACT

The total premium cost will not exceed \$621,554, which represents an increase of approximately \$6,000 over the prior year, for the period from July 1, 2004 through July 1, 2005. Adequate 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. The cost of the property insurance is allocated to all funds based upon total insured value of property, with approximately 20% of the premium allocated to the General Fund.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

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 not to exceed \$621,554.
2. Authorize the City Manager to pay additional premiums to Driver-Alliant Insurance Services, equal to the proposed "all risk" premium rate of \$0.054 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.

Respectfully submitted,

Kevin P. Boylan
for
KEVIN P. BOYLAN

DIRECTOR OF HUMAN RESOURCES

APPROVED:

Christine J. Shupp
for
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CITY MANAGER

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