

R-19

June 23, 2020

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to purchase property insurance for City buildings, contents, and vehicles through the Alliant Insurance Services' Property Insurance Program (APIP), for a total premium amount not to exceed \$1,922,935, and to approve the purchase of Earthquake insurance (Difference in Conditions Coverage) at a premium amount not to exceed \$160,000 with the Insurance Company of The West, for the period of July 1, 2020 to July 1, 2021. (Citywide)

DISCUSSION

City Council authorization is requested 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 \$100,000 per occurrence deductible, and a limit of \$10 million in coverage for flood damage. 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 for the Queen Mary, as required by the master lease, is approximately \$163,000. In addition, the premium for several excess layers of coverage for the Queen Mary is estimated at \$870,502. The total property insurance premium for the Queen Mary is approximately \$1,033,502.

The City property insurance premium (excluding Queen Mary coverage) will not exceed \$1,759,935. The new premium represents an increase of approximately 55 percent from the prior premium, due to an increase in the value of City property, inflation, and several large property losses from 2017 to present.

EARTHQUAKE INSURANCE

The City purchases earthquake coverage on a limited basis, for the Convention Center, 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 \$160,000. This is an increase of approximately 15 percent from the prior premium.

This matter was reviewed by Principal Deputy City Attorney Gary J. Anderson on June 8, 2020. No Financial Management review was able to be conducted due to the urgency and time sensitivity of this item.

TIMING CONSIDERATIONS

City Council action is requested on June 23, 2020, to allow the City to officially bind insurance coverage by the renewal date of July 1, 2020.

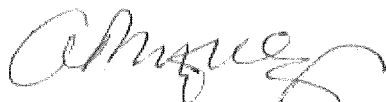
FISCAL IMPACT

The total premiums for both policies will not exceed \$2,082,935 for the period of July 1, 2020 through July 1, 2021. Sufficient appropriation has been budgeted in the Insurance Fund Group in the Human Resources Department. The cost of the property insurance is recouped from all funds based upon the total insured value of property, with an estimated 17.3 percent charged to the General Fund Group. Premium costs of approximately \$1,033,052, 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.

SUGGESTED ACTION

Approve recommendation.

Respectfully submitted,



ALEJANDRINA BASQUEZ
HUMAN RESOURCES DIRECTOR

APPROVED:



THOMAS B. MODICA
CITY MANAGER