



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** September 6, 2018

Approved

*D. D. S. L.*

Date

*9/7/18*

**SUBJECT: APPROVAL OF CITYWIDE INSURANCE RENEWALS**

## RECOMMENDATION

Adopt a resolution authorizing the Director of Finance to select and purchase City property and liability insurance policies for the period October 1, 2018 to October 1, 2019, at a total cost not to exceed \$1,850,000, including a 15% contingency for additional property or assets scheduled, with the following insurance carriers:

- (1) Factory Mutual Insurance Company for Property Insurance, including Boiler & Machinery
- (2) Old Republic Aerospace, Phoenix Aviation Managers, for Airport Owners and Operators Liability including War Risks & Extended Perils Coverage (including Excess Automobile and Employers' Liability) and Police Aircraft Hull & Liability including War Risks & Extended Perils Coverage.
- (3) The Travelers Indemnity Company of Connecticut for Automobile Liability (Airport fleet vehicles including Shuttle Buses, Regional Wastewater Facility fleet vehicles, and Airport Shuttle Bus physical damage).
- (4) QBE Specialty Insurance Company for Secondary Employment Law Enforcement Professional Liability.
- (5) National Union Fire Insurance Company of Pittsburg, PA for Accidental Death, Accidental Dismemberment, and Paralysis Policy for the Police Air Support Unit.
- (6) Berkley Regional Insurance Company for Government Fidelity/Crime Coverage.

## OUTCOME

Approval of these insurance policies will ensure the City maintains appropriate insurance coverage to provide financial protection from certain types of catastrophic or financial loss.

### **EXECUTIVE SUMMARY**

The recommended insurance policies will provide coverage to protect the City from loss or claims due to specified catastrophic events or financial losses. Annually, the Finance Department analyzes the City's insurance coverage with the City's Insurance Broker, Arthur J. Gallagher Insurance Services ("Gallagher").

Gallagher receives competitive quotes from the insurance market and presents the results to the City Administration for consideration. After reviewing the City's financial standing, the scope and cost of coverage, as well as the insurer's financial strength to pay claims and provide additional resources, the Finance Department determines the appropriate insurance coverage and recommends the most advantageous insurance policies.

The total cost of insurance premiums, broker costs, taxes, and fees is \$1,601,343. The annual premiums are subject to change during the term associated with changes to the City's insured property or assets.

### **BACKGROUND**

Every year, the City of San José ("City") purchases insurance to protect the City against a catastrophic event or specified loss perils; this decision is based on many factors including but not limited to: when the frequency of events cannot be predicted, the severity of potential loss could seriously hamper operations, and when the cost of the insurance policy is not prohibitive.

To secure policies through "best practices," the City utilizes its insurance broker to review and analyze the insurance market, regional claims' history and exposures, the City's insurance needs, and the City's historical approach to insuring for potential losses. For this year's renewals, the City had high risk or complex claims on one policy. During renewals, the City notified carriers of improvements and considerations to reduce exposures from future events and to reduce rates. The City also added a new Fiduciary Liability Policy, effective January 1, 2018 for the City's administration of a Voluntary Employees' Beneficiary Association (VEBA) Health Savings Trust.

In addition, staff reviewed, with Arthur J. Gallagher's input, and again considered the viability of additional policies including Excess Liability Insurance, Earthquake Insurance, Program-Specific Excess Liability for Law Enforcement Liability and the Regional Wastewater Facility, and both an excess and a fully insured Workers' Compensation Insurance Program. The market conditions remain consistent with last year's renewal decisions. The City does not recommend any of these additional coverages at this time, based on several considerations including but not limited to: the products being cost prohibitive, the scope of coverage being too narrow considering the City's risk exposure, or, that the coverage was unavailable, inadequate, or excessive in cost due to the nature of the risk.

## **ANALYSIS**

Annually, the Finance Department reviews the City's risk exposures with the City's insurance broker, Gallagher, and measures those exposures, recent City claims, insurance market trends, product availability, and the City's historical approach to insuring for losses. Gallagher's responsibilities include working with staff to analyze the City's exposures and presenting the City's risk portfolio to insurance carriers to obtain the best value insurance coverage.

Annually, Gallagher solicits competitive quotations from major insurance companies for all recommended products. The quotes are compared and evaluated with respect to scope of coverage, cost, the insurer's financial strength and reputation on paying claims, and the insurer's availability of resources to provide industry-related services such as property evaluations, safety training, risk-related engineering services, and loss control. Major claims related to the February 2017 flood event contributed to significant negative/unfavorable change to AIG's renewal terms.

Appendix A reflects the best value coverage, renewal premiums and insurance carriers presented for FY 2018-2019. The quoted renewal premiums may change with the addition or deletion of insurable property prior to binding coverage or during the policy term.

Appendix B provides a comparison of insurance premiums by fund and type of insurance. This comparison shows that the aggregate cost of insurance and brokers fees is \$1,601,343 which is \$13,849 less than last year's premium of \$1,615,192, a 0.87% decrease in total costs.

### **A. Insurance Coverage Recommended**

#### **1. All Risk Property including Boiler & Machinery Insurance**

Provides coverage for City owned and leased real and personal property (including buildings, contents, business interruption, boiler and machinery, electronic data processing equipment and media, fine arts, loss of rents, expediting expenses, off premises services interruption, unnamed locations, transit, tunnels/bridges/roadways, animals, accounts receivable, valuable papers, data, rebuild with green upgrades, and other coverage as detailed in the policy forms subject to sub-limits as defined in the policy). This includes property previously owned by the Redevelopment Agency of the City of San José, which, because of the dissolution of the Redevelopment Agency on February 1, 2012, is now owned by the Successor Agency to the Redevelopment Agency ("Successor Agency").

Due to significant claims from the 2017 Floods, the City's current (incumbent) Property insurer AIG ("AIG"/Lexington) decided not to offer renewal terms on the same "paper" or for the same limits or favorable rates. Property insurer Factory Mutual ("FM") proposed a new program for this term. A summary of each proposal is provided below.

- AIG/Lexington's program structure changed significantly for the renewal quote. AIG/Lexington is only able to provide a \$250M primary limit, and an additional \$750M excess will be necessary for Arthur J. Gallagher to procure from other insurance companies to make up (fill in) the program to match the prior year's \$1 billion property limit. The estimated program cost increase for AIG is: 25% with 75% reduction in the limits that AIG can offer (\$1 billion down to \$250 million).
- Factory Mutual's program structure offers attractive rates, an increased property limit and more favorable coverage terms without giving up loss control engineering services. FM can provide \$1.5 billion in primary property policy limits for a better total premium/rate. Cost decrease of 4.6% with a 50% increase to blanket policy limit from \$1 billion to \$1.5 billion. The net annual premium savings (versus *estimated* AIG/Lexington) is: \$372,275.

Due to the favorable property renewal terms offered by FM, City recommends changing carriers from AIG to FM.

The property insurance limit being quoted by Factory Mutual Insurance Company is \$1.5 billion each occurrence with a \$100,000 deductible per occurrence. The City has additional coverage for the special loss peril of flood with \$25,000,000 in limits and a \$100,000 deductible per occurrence for properties not in flood zones and a \$1,000,000 or 5% total insured value of all locations per occurrence deductible for those properties located in flood zones. *FM has also included a flat, reduced deductible on the Airport, McEnery Convention Center, and the Water Treatment Plant. What would have been \$50M, \$28M, and \$15M deductibles will be reduced to a flat \$10M, \$10M, and \$5M.*

In addition to the insurance products procured, the City successfully utilized risk engineering services to evaluate the risk engineering at seven City-owned properties. Risk engineering services help identify common risks resulting in damage or destruction of property such as vandalism, fire, theft, flood, or other operational risks and are geared to finding solutions aimed to reduce property loss or disruption of use. The City also used additional appraisal services provided through the City's broker agreement, to survey and determine the total replacement value of eleven properties.

Total program costs decreased by \$57,820 or 4.6% from the previous fiscal renewal year. Three factors could have resulted in higher premiums: 1) property value inflations for the Santa Clara index, property values increased by approximately 1.5%; 2), additional properties acquired during FY 2017-18 resulting in an increase in the schedule's total replacement value; 3) City sustained property damage to scheduled properties because of the February 2017 storm and flood event. \*NOTE: Due to recent reported losses, no carrier would offer a multiyear guaranteed rate.

Insurance Carrier: Factory Mutual Insurance Company

Annual Premium:	\$1,200,000 <sup>1</sup>
Broker Fees:	\$88,500
TRIA Coverage:	<u>Included</u>
Total Annual Premium:	\$1,288,500 (Net)

**2. Airport Owners and Operators Liability including War Risks & Extended Perils Coverage**

Provides coverage for those amounts that the City becomes legally obligated to pay as damages because of bodily injury, property damage and personal injury resulting from airport operations. Additionally, the program provides coverage for bodily injury or property damage caused by war and other perils.

In 2015, the airport liability insurance premium decreased by 47% as a result of aggressive product marketing, competitive industry market, and a favorable loss history. The City locked a three-year, guaranteed rate (which was again offered for the upcoming 2018-2019 policy period) which continues to be the best market rate as verified through a competitive process that was conducted this year.

Insurance Carrier: Old Republic Aerospace, Phoenix Aviation Managers

Annual Premium:	\$39,150
War/Extended Coverage:	\$ 3,915
TRIA Coverage:	<u>\$ 3,915</u>
Total Annual Premium:	\$46,980 (Net)

**3. Secondary Employment Law Enforcement Professional Liability**

Provides coverage for an actual or alleged error or omission, negligent act, neglect, or breach of duty that results in bodily injury, property damage, or personal injury by City police officers who have been approved to participate in the Secondary Employment program while conducting law enforcement activities on behalf of an approved third party secondary employer.

The City renewed at the same expiring rate of \$170.17 per Sworn Officer. Participating Sworn Officers all contribute \$128 per year to obtain coverage and the number of Sworn Officers decreased from 593 to 547 officers.

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<sup>1</sup> This is a firm premium (FM) and includes a cost of \$8,020 that will be directly invoiced to the Successor Agency, for the Successor Agency's scheduled properties.

Insurance Carrier: QBE Specialty Insurance Company

Annual Premium:	\$90,198
Surplus Lines Tax:	<u>\$2,886</u>
Total Annual Premium:	\$93,084 (Net)

Total City Cost:	\$23,271
Total Officer Cost:	\$69,813

**4. Automobile Liability for Airport Fleet & Shuttle Bus Fleet Physical Damage**

Automobile liability provides coverage for bodily injury, property damage, and personal injury for claims arising out of the operation at the Airport. Airport Shuttle Bus Physical Damage coverage provides comprehensive physical damage (i.e. fire, theft, vandalism, malicious mischief) and collision damage subject to a \$25,000 deductible.

Total premium increased by \$4,020 or 7.71% because of an industry-wide increase in premium rates.

Insurance Carrier: The Travelers Indemnity Company of CT  
Total Annual Premium: \$56,182 (Net)

**5. Automobile Liability for Water Pollution Control Plant Fleet**

Automobile liability provides coverage for bodily injury, property damage and personal injury for claims arising out of the operation at the Treatment Plant.

Total costs increased by \$8,842 or 29.93% because of an overall industry rate increase, seven newly acquired units and increased value of scheduled vehicles, and the large, complex claim filed against the policy in FY 2016-17.

Insurance Carrier: The Travelers Indemnity Company of CT  
Total Annual Premium: \$38,377 (Net)

**6. Police Aircraft Hull and Liability including War Risks & Extended Perils Coverage**

Police aircraft hull and liability insurance provides coverage for those amounts that the City becomes legally obligated to pay as damages because of bodily injury (including passengers), property damage and hull coverage for scheduled aircraft including a Cessna 182, American Eurocopter EC 120B and a newly purchased Airbus H125. Additionally, this program provides coverage for bodily injury or property damage caused by war and other perils resulting from aviation operations.

Three aircraft are now on the schedule, N408DC, N2705 and N408PD with current hull values of \$1.75 million, \$275,000 and \$5,700,000 and aggregate liability limit of \$50 million. The newly purchased Airbus was added effective 7/24/2018.

Premium increased by \$43,060 from \$17,998 to \$61,048 due to addition of the newly purchased helicopter with \$5.7 million (281%) in Hull values for the San Jose Police Department.

The police aircraft hull and liability insurance premium has a locked rate reflecting savings from the 44% decrease in premium during the previous three years. FY 2017-18 was the third year of the three-year rate guarantee and the carrier has again offered a new three-year program with respect to the 2018-2019 term. Staff verified through the competitive process the rate guarantee remains a best rate.

Insurance Carrier: Old Republic Aerospace, Phoenix Aviation Managers  
TRIA: Included  
Total Annual Premium: \$61,048 (Net)

#### **7. Government Crime Policy**

Provides coverage to the City for financial losses arising from employee theft, forgery or alteration, robbery or safe burglary, computer fraud, funds transfer fraud, or money orders and counterfeit money fraud. A Government Crime policy was first procured in compliance with Section 905 of the City Charter which requires a bond for all officers and employees having custody or control of public funds. A Government Crime policy affords equal or greater scope of coverage than a bond and has the added benefit of not having to continually remove and add employees as would be required by a bond.

The City obtained a fixed rate (annual premium) of \$14,450 for both the FY2017-18 and the FY2018-19 renewal terms.

Insurance Carrier: Berkley Regional Insurance Company  
Annual Premium: \$14,450 (Net)

#### **8. Life/Accidental Death and Dismemberment Policy for Police Air Surveillance Unit**

Provides an accidental death, accidental dismemberment, and paralysis benefit of \$250,000 per person for accident or injury of any member of the Police Air Support Unit as defined in Section 5.3.8 of the San José Police Officer's Association (POA) Memorandum of Agreement (MOA) subject to an aggregate limit of \$1,250,000 per accident. In 2016, the City added this insurance product to its annual renewal process with an 87% reduction in cost and a three-year policy product with total premium of \$8,165.25 and an annual rate guarantee of \$2,721.75 per year.

Insurance Carrier: National Union Fire Insurance Company of Pittsburgh, PA  
Annual Premium (third year of three-year policy)<sup>2</sup>: \$2,721.75 per year

**9. Terrorism Risk Insurance Act of 2002 (TRIA)**

Terrorism Risk Insurance Act (TRIA) coverage provides an insurance mechanism (shared by private carrier and federal government) for losses arising from acts of terrorism as certified by the Secretary of Treasury and defined by the Terrorism Risk Insurance Act (TRIA). Coverage is currently provided through a temporary federal program for 85% of total aggregate loss up to \$100 billion in aggregate losses with total losses being no less than \$5 million. The cost of purchasing TRIA coverage is fully incorporated into the product cost analysis above.

**B. Insurance Coverage Not Recommended**

The insurance coverages listed below were again reviewed by staff with the assistance of the City's broker. The market conditions remain consistent with last year's renewal decisions. The City does not recommend any of these additional coverages now. The recommendation is based on multiple factors including but not limited to: the products being cost prohibitive, the scope of coverage being too narrow considering the City's risk exposure, or that the coverage was unavailable, limits too low, or excessive in cost due to the nature of the risk. Staff, in consultation with Gallagher, will continue to review the market on a periodic basis and make the appropriate recommendations to Council should circumstances change.

**1. Workers' Compensation**

Workers' compensation claims coverage provides costs for medical and temporary and permanent impairment to an employee for work-related injuries. Risk Management has previously gone to market for excess liability workers' compensation only, where the carrier is responsible for liabilities above a defined dollar threshold. Considering the City's claim cost history, high frequency of claims, and the high self-insured retentions and annual premiums, staff believes that purchase of excess workers' compensation insurance is not cost effective.

**2. Excess Liability**

Excess liability coverage is insurance for losses and cost of defense against third-party claims alleging bodily injury, property damage, and personal injury arising from City premises, operations, and vehicles above a defined dollar threshold. Coverage excludes

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<sup>2</sup> The recommended policy is for three (3) years with an annual installment premium and the policy is subject to termination based on annual appropriation of funds and the City having the ongoing obligation to procure coverage per Section 5.3.8 of the San José Police Officer's Association (POA) Memorandum of Agreement (MOA).



losses the City has because of third parties' acts, grievances, appeals to City filed cases, regulatory matters, environmental liability claims, employment matters, professional liability matters, or contract disputes.

The City has historically been self-insured for liability claims, except for Airport Owners and Operators Liability Insurance and Aircraft Hull and Liability coverages. Effective January 1, 2018, the City added a new fiduciary liability policy to cover the VEBA plan.

NOTE: No third party carrier quoted for a policy with a self-insured retention below \$3 million dollars and, should the City elect to pursue a lower self-insured retention policy, the City would have to apply and join a public municipality pool of insurance.

For the ten years prior to FY2017-18, the City paid approximately \$2.7 million per year for costs associated with liability claims. However, in FY2017-18, the City paid over \$17 million in total claims, including some awards for attorneys' fees. The amount included a single large pending verdict which was settled for \$12 million. The City's 10-year average is now \$4.8 million. Statewide, areas of loss for public entities appear to mirror the City's exposures.

The largest compensable paid claim that an excess insurance policy may have partially covered was for \$12 million. Total claims value in FY2018-19, or the year thereafter, are budgeted for up to \$5 million. Overall, the City has been successful in mitigating costs associated with claims when compared to other public entities in California, but has seen increasing trends in claims values.

Considering the City's program, Risk Management currently recommends that the City continue to be self-insured and not purchase excess liability coverage. The self-insured retention would not include coverage for the most likely events and coverage would be capped for catastrophic events or losses.

The City evaluated the long-term cost of maintaining excess liability insurance compared to the City's current budget and reserves setting process. The City expects to review its current reserves and loss exposures in FY 2018-19 through a study to be completed by a consultant. The City recommends not purchasing this product now pending completion of the study. Funding to undertake this study was included in the FY 2017-18 Adopted Budget.

In the event the City experiences a catastrophic loss, options exist for payment of claim(s) which include the issuance of judgment bonds (no greater than 40-year term), as well as court-ordered installment payments (no greater than ten-year period). It should be noted that these options require either a successful validation action (for the first option) or court approval (for the second option).

### **3. Earthquake**

Earthquake coverage is provided through a separate product procurement. Coverage is limited to direct damages caused by earth movement, which is excluded on the All Risk Property coverage policy. Coverage for sprinkler damage resulting from an earthquake is covered by the All Risk Property policy.

In previous years, the City has inquired into the total cost of earthquake insurance for the entire property schedule and the City found coverage to be cost prohibitive. The City's broker confirmed rates and overall market conditions have not improved or changed for FY2018-2019.

The insurance markets that underwrite catastrophic coverage (flood, wind, and earthquake) have reduced available capacity along with increasing insurance rates. This pricing level, the minimum deductible of 5% of the values at risk, the relatively low limits of coverage available, and potential concerns about solvency (ability to pay) of the insurers make it uneconomical to purchase coverage citywide.

## **C. Future Considerations: Insurance Coverage**

### **1. Cyber Liability**

Staff intends to begin working with the City's broker to consider reviewing and completing applications for Cyber Liability coverage quotes. Depending on market conditions, exposures, insurer coverage product types, limits, costs/premiums, and budget considerations, this *may* be a future optional new coverage to evaluate to determine if the City wishes to pursue recommending for purchase.

## **EVALUATION AND FOLLOW-UP**

The City Council will be informed as to the status of these policies as part of the annual renewal process each September.

## **PUBLIC OUTREACH/INTEREST**

This item will be posted to the City's website for the September 18, 2018 Council Agenda.

**COORDINATION**

This memo has been coordinated with the Airport, Transportation, Police, Housing, and Environmental Services Departments, as well as the City Manager’s Budget Office and the City Attorney’s Office.

**COMMISSION RECOMMENDATION**

This item is scheduled to be heard at the September 13, 2018 Treatment Plant Advisory Committee meeting.

**COST SUMMARY/IMPLICATIONS**

The funding associated with the recommendations in this memo was appropriated as part of the 2018-19 Adopted Operating Budget, approved by the City Council on June 19, 2018.

In addition to the appropriations listed on page 12 of this Memorandum, costs associated with insuring the remaining Successor Agency assets are estimated to be \$8,020 in 2018-2019. The anticipated payment of these costs associated with asset management for the Successor Agency is reflected on line 85 of the Recognized Obligation Payment Schedule (ROPS) as an enforceable obligation to maintain and protect the assets of the Successor Agency allowed under the dissolution law.

**BUDGET REFERENCE**

The table below identifies the fund and appropriations recommended to fund the insurance premiums identified:

<b>Fund #</b>	<b>Appn #</b>	<b>Appn. Name</b>	<b>Total Appn.</b>	<b>Amount for Premium*</b>	<b>2018-2019 Proposed Budget Page**</b>	<b>Last Budget Action (Date, Ord. No.)</b>
001	2001	Insurance Premiums	\$704,000	\$569,164	IX-20	6/19/2018, Ord. No. 30124
001	2864	Police Officers’ Professional Liability Insurance	\$122,000	\$93,084	IX-18	6/19/2018, Ord. No. 30124
001	0502	Non-Personal (Police Department)	\$27,678,114	\$63,770	VIII-278	6/19/2018, Ord. No. 30124

Fund #	Appn #	Appn. Name	Total Appn.	Amount for Premium*	2018-2019 Proposed Budget Page**	Last Budget Action (Date, Ord. No.)
523	0802	Non-Personal (Airport)	\$41,215,297	\$439,115	X-3	6/19/2018, No. 30124
536	3405	Insurance Expenses (Convention Center)	\$245,000	\$236,335	X-28	6/19/2018, No. 30124
533	0512	Non-Personal (Department of Transportation)	\$7,946,496	\$47,271	X-44	6/19/2018, Ord. No. 30124
513	0762	Non-Personal (Environmental Services Department)	\$28,440,251	\$138,521	X-81	6/19/2018, Ord. No. 30124
515	0762	Non-Personal (Environmental Services Department)	\$36,202,244	\$5,720	X-94	6/19/2018, Ord. No. 30124
423	0762	Non-Personal (Environmental Services Department)	\$2,627,092	\$5,008	X-53	6/19/2018, Ord. No. 30124
346	0109	Loan Management (Housing Department)	\$225,000	\$3,355	X-55	6/19/2018, Ord No. 30124
<b>Totals</b>			<b>\$145,405,494</b>	<b>\$1,601,343</b>		

\* The amount for premium is subject to change up until the beginning date of the new insurance policy. Therefore, current estimates are lower than the recommended contract amount not to exceed \$1,850,000. SARA is billed separately for its share of broker fees and premium costs. Costs are budgeted in City general fund appropriation.

\*\* The 2018-2019 Adopted Operating Budget was approved by the City Council on June 19, 2018.

**CEQA**

Not a Project, File No. PP 10-066 (a) Agreements and Contracts for purchase of insurance.

/s/  
 JULIA H. COOPER  
 Director of Finance

If you have questions, please contact Lenore Reed, Risk Manager, at (408) 975-1438.

Appendix A  
 Appendix B

**APPENDIX A**

**1. ALL RISK PROPERTY AND BOILER & MACHINERY INSURANCE**

	<b>CURRENT PROGRAM 10/01/2017-10/01/2018</b>	<b>RENEWAL PROGRAM 10/01/2018-10/01/2019</b>	<b>RENEWAL PROGRAM 10/01/2018-10/01/2019</b>
Carrier	American Home Assurance Company <b>(AIG)</b>	Lexington Insurance Company <b>(AIG)</b>	Factory Mutual Insurance Company <b>(FM)</b>
Total Insurable Values	\$3,755,493,117	\$3,848,319,100	\$3,848,319,100
Limit of Liability	\$1,000,000,000 subject to a \$100,000 Deductible Per Occurrence	\$1,000,000,000 subject to a \$100,000 Deductible Per Occurrence	<b>\$1,500,000,000</b> subject to a \$100,000 Deductible Per Occurrence
Boiler & Machinery	Included	Included	Included
Earthquake	Excluded. Relatively low limits available (\$25,000,000 per occurrence), 5% deductible, high premium-not recommended.	Excluded. Relatively low limits available (\$25,000,000 per occurrence), 5% deductible, high premium-not recommended.	Excluded. Relatively low limits available (\$25,000,000 per occurrence), 5% deductible, high premium-not recommended.
Flood	\$100,000,000 but not to exceed \$25,000,000 in Flood Zones, In flood zones, deductible is \$1,000,000 per occurrence or 5% of TIV of locations of loss, whichever is greater. Locations are specified in the statement of values on file in Risk Management.	\$100,000,000 but not to exceed \$25,000,000 in Flood Zones, In flood zones, deductible is \$1,000,000 per occurrence or 5% of TIV of locations of loss, whichever is greater. Locations are specified in the statement of values on file in Risk Management.	\$100,000,000 but not to exceed \$25,000,000 in Flood Zones, In flood zones, deductible is \$1,000,000 per occurrence or 5% of TIV of locations of loss, whichever is greater. Locations are specified in the statement of values on file in Risk Management. <b>Airport, Convention Center, and Water Plant are given a better flat \$10M (Airport &amp; Convention Center) &amp; \$5M (Water Plant) Flood Deductible, rather than 5% (\$50M for Airport, \$28M for Convention Center, &amp; \$15M for Water Treatment Plant).</b>
Other Sub-limits	Other sub-limits as outlined in the insurance policy on file in Risk Management	Other sub-limits as outlined in the insurance policy on file in Risk Management	Other sub-limits as outlined in the insurance policy on file in Risk Management

**1. ALL RISK PROPERTY AND BOILER & MACHINERY INSURANCE (CONT.)**

	<b>Current Program 10/01/2017-10/01/2018</b>	<b>Renewal Program 10/01/2018-10/01/2019</b>	<b>Renewal Program 10/01/2018-10/01/2019</b>
Carrier	American Home Assurance Company <b>(AIG)</b>	Lexington Insurance Company <b>(AIG)</b>	Factory Mutual Insurance Company <b>(FM)</b>
Terrorism and Non Certified Act of Terrorism	\$22,204	\$25,414 (estimated)	Included
Average Rate per \$100 of Values	.0331 per \$100.00 of Insured Value	.0409 per \$100.00 of Insured Value	.0312 per \$100.00 of Insured Value
Annual Premium for City	\$1,235,616 Annual Premium \$ 22,204 Optional TRIA \$ 88,500 AJG Broker Fee <b>\$1,346,320 Total Annual</b>	\$1,544,028 <sup>3</sup> (estimated) Annual Premium \$ 28,247 Optional TRIA \$ 88,500 AJG Broker Fee <sup>5</sup> <b>\$1,660,775 Total Annual</b>	\$1,200,000 <sup>4</sup> Annual Premium TRIA Included \$ 88,500 AJG Broker Fee <sup>6</sup> <b>\$1,288,500 Total Annual</b>
Engineering Services	Included in coverage	Included in coverage	Included in coverage
Multiyear	Not Available	Not Available	Not Available

<sup>3</sup> This includes an estimated premium, \$10,319 of which will be directly invoiced to the City as SARA.

<sup>4</sup> This includes a firm premium, \$8,020 of which will be directly invoiced to the City as SARA.

<sup>5</sup> This broker's fee is an annual fixed fee listed as a separate line item, and not included with the total premium.

<sup>6</sup> This broker's fee is an annual fixed fee listed as a separate line item, and not included with the total premium.

## 2. AIRPORT OWNERS AND OPERATORS LIABILITY

	<b>CURRENT PROGRAM 10/01/2017-10/01/2018</b>	<b>RENEWAL PROGRAM 10/01/2018-10/01/2019</b>
Carrier	Old Republic Aerospace (Phoenix Aviation Managers) Kenesaw, Georgia	Old Republic Aerospace (Phoenix Aviation Managers) Kenesaw, Georgia
Coverage and Deductible	Airport Liability - \$200,000,000 each occurrence combined single limit for bodily injury and property damage with a \$50,000,000 each occurrence limit for personal injury, war risk liability at \$150,000,000 each occurrence and in the annual aggregate and \$50,000,000 Excess Automobile and Excess Employers Liability. Deductible: \$0 each occurrence 3-Year Price Guarantee (see endorsement)	Airport Liability - \$200,000,000 each occurrence combined single limit for bodily injury and property damage with a \$50,000,000 each occurrence limit for personal injury, war risk liability at \$150,000,000 each occurrence and in the annual aggregate and \$50,000,000 Excess Automobile and Excess Employers Liability. Deductible: \$0 each occurrence 3-Year Price Guarantee (see endorsement)
Annual Premium	\$41,800	\$ 43,065 (incl. war premium)
Optional TRIA premium (recommended for purchase)	\$3,800	\$3,915
Total (Including Taxes/Fees)	<b>\$45,600 (Net)</b> <sup>7</sup>	<b>\$46,980 (Net)</b> <sup>8</sup>

<sup>7</sup> Net cost does not include commission; whereas, gross cost includes commission. City is obligated for amounts designated as "net," where indicated, as Gallagher waives its proportionate share of fees per the terms and conditions of the City's brokerage agreement with Gallagher.

<sup>8</sup> Net cost does not include commission; whereas, gross cost includes commission. City is obligated for amounts designated as "net," where indicated, as Gallagher waives its proportionate share of fees per the terms and conditions of the City's brokerage agreement with Gallagher.

**3. SECONDARY EMPLOYMENT LAW ENFORCEMENT PROFESSIONAL LIABILITY**

	<b>CURRENT PROGRAM 10/01/2017-10/01/2018</b>	<b>RENEWAL PROGRAM 10/01/2018-10/01/2019</b>
Carrier	QBE Specialty Insurance Co. New York, New York	QBE Specialty Insurance Co. New York, New York
Limits of Insurance and Deductibles	\$2,000,000 Each Occurrence \$2,000,000 Annual Aggregate Subject to a \$100,000 Deductible including Loss Adjustment Expense (LAE) <sup>9</sup>	\$2,000,000 Each Occurrence \$2,000,000 Annual Aggregate Subject to a \$100,000 Deductible including Loss Adjustment Expense (LAE) <sup>10</sup>
Average Rate per Officer	\$170.17 (593 Sworn Officers at policy inception)	\$170.17 (547 Sworn Officers at policy inception)
Annual Premium	\$97,783(Net)	\$90,198 (Net)
Surplus Lines Taxes and Fees	\$3,129	\$2,886
Fees (if any)	None	None
Total (Including Taxes/Fees)	<b>\$100,912 (Gross)</b>	<b>\$93,084 (Gross)</b>

<sup>9</sup> LAE includes staffing and legal costs for processing claims.

<sup>10</sup> LAE includes staffing and legal costs for processing claims.



**4. AUTOMOBILE LIABILITY FOR THE AIRPORT FLEET & AIRPORT SHUTTLE  
BUS FLEET PHYSICAL DAMAGE**

	<b>CURRENT PROGRAM 10/01/2017-10/01/2018</b>	<b>RENEWAL PROGRAM 10/01/2018-10/01/2019</b>
Carrier	St. Paul/Travelers Hartford, CT	St. Paul/Travelers Hartford, CT
Coverage and Deductibles	Auto Liability-Fleet Only \$1,000,000 Combined Single Limit (Any Auto) \$1,000,000 UM/UIM (Owned Autos) Physical Damage-Buses Only Per Schedule Subject to \$10,000 Comp/\$25,000 Coll. Deductible \$500 Comp/Coll. Deductible for Hired Physical Damage	Auto Liability-Fleet Only \$1,000,000 Combined Single Limit (Any Auto) \$1,000,000 UM/UIM (Owned Autos) Physical Damage-Buses Only Per Schedule Subject to \$10,000 Comp/\$25,000 Coll. Deductible \$500 Comp/Coll. Deductible for Hired Physical Damage
Exposure	Number of Vehicles 83	Number of Vehicles 82
Average Rate Per Unit	\$628.46	\$685.15
Annual Premium	<b>\$52,162 (Net)</b>	<b>\$56,182 (Net)</b>

**5. AUTOMOBILE LIABILITY-WATER POLLUTION CONTROL PLANT FLEET**

	<b>CURRENT PROGRAM 10/01/2017-10/01/2018</b>	<b>RENEWAL PROGRAM 10/01/2018-10/01/2019</b>
Carrier	St. Paul Travelers Hartford, CT	St. Paul/Travelers Hartford, CT
Coverage	\$1,000,000 Combined Single Limit (Any Auto) \$1,000,000 UM/UIM (Owned Autos) \$5,000 Medical Payments (Any Auto) \$3,500 Property Damage UM	\$1,000,000 Combined Single Limit (Any Auto) \$1,000,000 UM/UIM (Owned Autos) \$5,000 Medical Payments (Any Auto) \$3,500 Property Damage UM
Exposure	Number of Units 40	Number of Units 46
Average Rate Per Unit	\$738.41	\$816.55
Total	<b>\$29,536 (Net)</b>	<b>\$38,377 (Net)</b>

## 6. POLICE AIRCRAFT HULL AND LIABILITY

	<b>CURRENT PROGRAM 10/01/2017-10/01/2018</b>	<b>RENEWAL PROGRAM 10/01/2018-10/01/2019</b>
Carrier	Old Republic Aerospace, Phoenix Aviation Managers	Old Republic Aerospace, Phoenix Aviation Managers
Coverage	Aircraft Hull and Liability- \$50,000,000 each occurrence for liability. Hull coverage: Cessna \$275,000 Eurocopter \$1,750,000  Deductibles: Liability – NIL Hull – NIL Extended Engine Physical Damage: \$10,000 per occurrence	Aircraft Hull and Liability- \$50,000,000 each occurrence for liability. Hull coverage: Cessna \$275,000 Eurocopter \$1,750,000 New: <b>Airbus H125 \$5,700,000</b>  Deductibles: Liability – NIL Hull - NIL Extended Engine Physical Damage: \$10,000 per occurrence
Annual Premium	\$17,998	\$61,048
Surplus Lines Taxes and Fees	NA	NA
War Liability & Hull--both aircraft	Included	Included
TRIA & War	Included on Both Hull & Liability	Included on Both Hull & Liability
Total	<b>\$17,998</b>	<b>\$61,048<sup>11</sup></b>

<sup>11</sup> Premium is up mainly due to the addition of a new Airbus Helicopter 125 aircraft, purchased by SJPD on 7/24/18 and effectively raising the Hull TIV by \$5.7 million or 281%.

**7. GOVERNMENT CRIME**

	<b>CURRENT PROGRAM 12/18/2017-10/01/2018</b>	<b>RENEWAL PROGRAM 10/01/2018-10/01/2019</b>
Carrier	Berkley Regional Insurance Company	Berkley Regional Insurance Company
Limits of Insurance and Deductibles	Employee Theft, Forgery, or Alteration and Inside the Premises- Theft of Money and Securities- \$5,000,000 per occurrence subject to a \$100,000 deductible per occurrence.	Employee Theft, Forgery, or Alteration and Inside the Premises- Theft of Money and Securities- \$5,000,000 per occurrence subject to a \$100,000 deductible per occurrence.
Sublimits of Insurance	Computer Fraud, Funds Transfer Fraud, and Money Orders and Counterfeit Money- \$1,000,000 per occurrence subject to a \$100,000 deductible per occurrence.	Computer Fraud, Funds Transfer Fraud, and Money Orders and Counterfeit Money- \$1,000,000 per occurrence subject to a \$100,000 deductible per occurrence.
Annual Premium	\$17,000	\$17,000
Surplus Lines Taxes and Fees	\$0	\$0
Total	\$14,450 (Net)	\$14,450 (Net)

**8. LIFE AND ACCIDENTAL DEATH AND DISMEMBERMENT**

	<b>CURRENT PROGRAM 10/01/2017-10/01/2018</b>	<b>RENEWAL PROGRAM 10/01/2018-10/01/2019</b>
Carrier	National Union Fire Insurance Company of Pittsburgh, PA	National Union Fire Insurance Company of Pittsburgh, PA
Limits of Insurance and Deductibles	Blanket Accident & Health Policy (Accident Only; Injury Only) Principal Sum (loss of Life): \$250,000; subject to an aggregate limit of \$1,250,000 per accident	Blanket Accident & Health Policy (Accident Only; Injury Only) Principal Sum (loss of Life): \$250,000; subject to an aggregate limit of \$1,250,000 per accident
Annual Premium	\$2,721.75	\$2,721.75
Surplus Lines Taxes and Fees	NA	NA
Total (Including Taxes/Fees)	<b>\$2,721.75 per year</b> (year 2 of three-year fixed rate)	<b>\$2,721.75 per year</b> (year 3 of three-year fixed rate)

**APPENDIX B**

Allocation of Insurance Premiums by Fund & Type of Insurance

	<u>FY 2017-18</u> <u>Premiums</u> <u>12 Month</u>	<u>FY2018-19</u> <u>Premiums (Est.)</u> <u>12 Month</u>	<u>Percentage</u> <u>Increase/</u> <u>Decrease</u>
<b>General Fund-Fund 001</b>			
Property Insurance <sup>12</sup>	\$ 566,072	\$ 546,694	(3.54)%
Government Crime Policy	14,450 <sup>13</sup>	14,450 <sup>14</sup>	0.00%
AD&D	2,722	2,722	0.00%
Police Secondary	100,912	93,084	(7.76)%
Police Air Support (Hull & Liability)	<u>17,998</u>	<u>61,048</u>	<u>239.19%</u>
<b>Subtotal</b>	<b>\$ 702,154</b>	<b>\$ 717,998</b>	<b>3.29%</b>
<b>Airport-Fund 523</b>			
Property Insurance	\$ 350,455	\$ 335,953	(4.31)%
Liability Insurance	45,600	46,980	2.94%
Auto Liability/Property Insurance	<u>52,162</u>	<u>56,182</u>	<u>7.16%</u>
<b>Subtotal</b>	<b>\$ 448,217</b>	<b>\$ 439,115</b>	<b>(2.07)%</b>
<b>ESD-Fund 513</b>			
Property Insurance	\$ 105,016	\$ 100,144	(4.86)%
Auto Liability Insurance	<u>\$ 35,028</u>	<u>38,377</u>	<u>8.73%</u>
<b>Subtotal</b>	<b>\$ 140,044</b>	<b>\$ 138,521</b>	<b>(1.10)%</b>
<b>ESD-Fund 515</b>			
Property Insurance	\$ 6,113	\$ 5,720	(6.87)%
<b>Subtotal</b>	<b>\$ 6,113</b>	<b>\$ 5,720</b>	<b>(6.87)%</b>
<b>ESD-Fund 423</b>			
Property Insurance	\$ 5,207	\$ 5,008	(3.97)%
<b>Subtotal</b>	<b>\$ 5,207</b>	<b>\$ 5,008</b>	<b>(3.97)%</b>
<b>Convention and Cultural Affairs-Fund 536</b>			
Property Insurance	\$ 245,345	\$ 236,335	(3.81)%
<b>Subtotal</b>	<b>\$ 245,345</b>	<b>\$ 236,335</b>	<b>(3.81)%</b>
<b>General Purpose Parking Fund 533</b>			
Property Insurance	\$ 56,359	\$ 47,271	(19.23)%
<b>Subtotal</b>	<b>\$ 56,359</b>	<b>\$ 47,271</b>	<b>(19.23)%</b>
<b>Successor Agency<sup>15</sup></b>			
Property Insurance	\$ 8,258	\$ 8,020	(2.89)%
<b>Subtotal</b>	<b>\$ 8,258</b>	<b>\$ 8,020</b>	<b>(2.89)%</b>
<b>Housing -Fund 346</b>			
Property Insurance	\$ 3,495	\$ 3,355	(4.00)%
<b>Subtotal</b>	<b>\$ 3,495</b>	<b>\$ 3,916</b>	<b>(4.00)%</b>
<b>TOTAL:</b>	<b><u>\$1,615,192</u></b>	<b><u>\$1,601,343</u></b>	<b><u>(0.87)%</u></b>

<sup>12</sup> Brokers' fees and TRIA costs are included in the total costs of this Appendix B.

<sup>13</sup> As the previous policy was secured on a short policy term, actual cost of the policy is \$14,450.

<sup>14</sup> Each Police Officer participating in the secondary employment program pays \$128 toward the premium cost. Renewal premium is based on 547 reported officers verses 593 officers enrolled at policy inception in 2017 to 2018.

<sup>15</sup> The City as Successor Agency to the Redevelopment Agency has assumed operations previously performed by the Redevelopment Agency. Allocated premium will be directly invoiced to the City as Successor Agency.