



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: September 5, 2019

Approved

Date

9-5-19

SUBJECT: APPROVAL OF CITYWIDE INSURANCE RENEWALS

RECOMMENDATION

Adopt a resolution authorizing the Director of Finance to:

- (a) Select and purchase City property and liability insurance policies for the period October 1, 2019 to October 1, 2020, at a total cost not to exceed \$2,250,000, as well as an 18.0% contingency for additional property or assets scheduled, subject to the appropriation of funds with the following insurance carriers:
 - (1) Factory Mutual Insurance Company for Property Insurance, including Boiler & Machinery and TRIA Coverage;
 - (2) Beazley Syndicate 2623/623 at Lloyd's for Terrorism Insurance;
 - (3) Old Republic Insurance Company, 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;
 - (4) QBE Specialty Insurance Company for Secondary Employment Law Enforcement Professional Liability;
 - (5) Hartford Life and Accident Insurance Company for Accidental Death, Accidental Dismemberment, and Paralysis Policy for the Police Air Support Unit; and
 - (6) Berkley Insurance Company for Government Fidelity/Crime Coverage.

- (b) Select and purchase additional insurance coverage not-to-exceed \$450,000 for the following products:
 - (1) Up to \$15 million in excess property coverage for the flood peril for locations in high and moderate hazard flood zones for the period October 1, 2019, to October 1, 2020, at a cost not to exceed \$150,000 subject to the appropriation of funds;
 - (2) Auto Liability insurance for Airport fleet vehicles including Shuttle Buses; Regional Wastewater Facility fleet vehicles; and Airport Shuttle Bus physical damage for the period October 1, 2019, to October 1, 2020, at a cost not to exceed \$120,000 for the Airport and \$100,000 for the Regional Wastewater Facility, subject to the appropriation of funds; and
 - (3) Up to \$25 million in Excess Auto Liability insurance for Airport fleet vehicles including Shuttle Buses for the period October 1, 2019, to October 1, 2020, at a cost not to exceed \$80,000, subject to the appropriation of funds.

OUTCOME

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

BACKGROUND

Every year, the City purchases insurance to protect the City against a catastrophic event or specified 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 Finance Department annually reviews the City's insurance coverage and needs with the City's insurance broker, Arthur J. Gallagher Insurance Services ("Gallagher"). This includes analyzing the City's risk exposures, insurance market trends, product availability, and the City's historical approach to insuring for losses. Gallagher presents the City's risk portfolio to insurance carriers to obtain the best value insurance coverage, solicits competitive quotations from major insurance companies for all recommended products and presents the results to the Finance Department for consideration.

Staff compares and evaluates the quotes based on 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. Based on the information and analysis, the Finance Department determines the appropriate insurance coverage and recommends the most advantageous insurance policies to the City Council.

ANALYSIS

The Finance Department completed the annual insurance renewal process for FY 2019 -2020 with Gallagher and recommends the insurance coverage described below.

In this annual insurance renewal cycle, changes in market conditions affecting all commercial policyholders, along with the City's natural catastrophe exposure (flood) and loss history in certain lines of coverage, contributed to negative/unfavorable changes to the renewal terms for property insurance as well as auto and airport liability insurance.

Appendix A reflects the best value coverage, renewal premiums and insurance carriers presented for FY 2019-2020. 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 broker fees is \$2,369,018 which is \$755,057 more than last year's premium of \$1,613,962, a 46.78% increase 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 Successor Agency to the Redevelopment Agency (“SARA”).

Property values increased by 3.1%, driven by inflation factors applied to determine the replacement cost of the City’s real and personal property.

The market for commercial property insurance has changed significantly since the City’s last annual renewal. Industry record catastrophe losses in 2017 and above average catastrophe losses in 2018 produced the worst back-to-back loss years on record. Policyholders with catastrophe exposure and losses are seeing rate increases excess of 15%¹.

Incumbent property insurer Factory Mutual (“FM”) proposed the most competitive program for this term. The property insurance limit quoted by FM is \$1.0 billion each occurrence with a \$100,000 deductible per occurrence. For locations not in high and moderate hazard flood zones, the City has additional coverage for the loss peril of flood with annual aggregate limits of \$100 million and a \$500,000 per location deductible. For locations in high and moderate hazard flood zones, the FM proposal includes annual aggregate limits of \$10 million.

A summary of key changes relative to the expiring program is provided below.

- Premium increase of \$346,445, or 28.87% from the previous fiscal year renewal, excluding coverage under the Terrorism Risk Insurance Act (“TRIA”)
- Reduction in policy limits from \$1.5 billion to \$1.0 billion per occurrence
- Reduction in limits applicable to the loss peril of flood for locations in high and moderate hazard flood zones (such as Mineta San José International Airport, the SAP Center, the Regional Wastewater Facility, and the San Jose McEnery Convention Center) from \$25,000,000 to \$10,000,000 per occurrence

¹ Willis Towers Watson Property Market Tracker (July 2019)

Due to changes in the program, staff is requesting authorization to select and purchase up to \$15 million in excess property coverage for the flood peril for locations in high and moderate hazard flood zones at a cost not to exceed \$150,000.

In addition to the insurance products procured last year, the City utilized risk engineering services to evaluate twenty-five (25) City-owned properties. Risk engineering services help identify common risks resulting in damage or destruction of property such as fire, flood, or other operational risks and are geared to finding solutions aimed to reduce property loss or disruption of use. Outstanding recommendations will be studied for implementation.

Insurance Carrier: Factory Mutual Insurance Company

Annual Premium (Net):	\$1,546,445
Broker Fees:	<u>88,500</u>
Total Annual Costs:	\$1,634,945

2. 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).

Escalating loss costs are driving rate increases in the commercial auto liability market². Additionally, the City's recent claim history resulted in the incumbent carrier Traveler Indemnity Company of CT electing not to renew the program. Insurers currently considering the Airport program have indicated a significant premium increase and application of a sizable deductible where the Airport previously had a zero deductible program.

Staff is requesting authorization to select and purchase an Automobile Liability and physical damage policy for the Airport at a cost not to exceed \$120,000, which is 74.42% higher than the premium paid last year.

Insurance Carrier: TBD

Requested Authorization: \$120,000 (Net)

3. Automobile Liability for Regional Wastewater Facility (RWF) Fleet

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

² Willis Towers Watson Insurance Marketplace Realities – Spring 2019 Update

RWF's Automobile Liability program is also affected by the same changes driving the Airport's program as described in the preceding section, including significant premium increases and the need for a sizable deductible. Staff is requesting authorization to select and purchase an Automobile Liability policy for the RWF at a cost not to exceed \$100,000, which is 160.57% higher than the premium paid last year.

Insurance Carrier: TBD
Total Annual Premium: \$100,000 (Net)

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

This program provides coverage for damages that the City becomes legally obligated to pay because of bodily injury, property damage and personal injury resulting from airport operations. The program provides coverage for bodily injury and property damage caused by war and other perils. Additionally, the policy provides excess auto liability insurance coverage beyond the Airport's primary auto liability insurance program.

The City locked a three-year, guaranteed rate beginning in the 2015-2016 policy period which was extended for the 2018-2019 policy period. The \$23,491 premium increase for the 2019-2020 policy period reflects changes in general market conditions over the four years where the City has maintained a guaranteed rate. The premium for the 2019-2020 policy period continues to be the best market rate as verified through a competitive process conducted this year.

The incumbent carrier Old Republic Insurance Company elected to reduce the excess auto liability limits from \$50 million to \$5 million. As such, staff is requesting authority to select and purchase up to \$25 million in excess auto liability coverage for the Airport at a cost not to exceed \$80,000.

Insurance Carrier: Old Republic Insurance Company

Annual Premium:	\$58,725
War/Extended Coverage:	5,873
TRIA Coverage:	<u>5,873</u>
Total Annual Premium:	\$70,471 (Net)

5. Secondary Employment Law Enforcement Professional Liability

This program 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 approved third party secondary employers.

The City renewal rate is \$170.49 per Sworn Officer. Participating Sworn Officers all contribute \$110 per year to obtain coverage and the number of Sworn Officers decreased slightly from 547 to 546 officers.

Insurance Carrier: QBE Specialty Insurance Company

Annual Premium:	\$90,201
Surplus Lines Tax:	<u>2,886</u>
Total Annual Premium:	\$93,087 (Net)

Total City Cost:	\$33,027
Total Officer Cost:	\$60,060

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 due to bodily injury (including passengers) or property damage, as well as physical damage, for scheduled aircraft.

City aircraft currently includes a Cessna 182 and an Airbus H125 purchased in 2018. The City sold an American Eurocopter EC 120B in December 2018. The two aircraft are on the schedule with current hull values of \$275,000 and \$5,700,000, respectively. The program provides up to \$50 million in aggregate liability coverage for bodily injury or property damage caused by war and other perils.

Despite a challenging pricing environment in the wider aviation market, the premium declined 24.01% primarily due to the sale. Staff verified through the competitive process that the existing rate remains a best rate for the City's existing aviation exposure.

<u>Insurance Carrier:</u>	Old Republic Insurance Company
TRIA:	Included
Total Annual Premium:	\$46,388 (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 maintained a fixed rate (annual premium) of \$14,450, a rate which has been in place since FY 2017-2018.

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

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

This program 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.

This period, pricing increased over the expiring policy, driven by incumbent carrier National Union Fire Insurance Company of Pittsburgh, PA (dba AIG), deciding not to provide renewal terms because the number of members in the Police Air Support Unit fell below its underwriting threshold. The City is placing the policy with Hartford Life & Accident Insurance Company with a three-year rate guarantee at an annual cost of \$9,263.

Insurance Carrier: Hartford Life & Accident Insurance Company
Annual Premium (first year of three-year rate guarantee)³: \$9,263.00 per year

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

Terrorism Risk Insurance Act (TRIA) coverage provides an insurance mechanism (shared by private insurance 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). It does not cover liability. Coverage is currently provided through

³ The recommended policy contains a three-year rate guarantee 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).

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, except for the All Risk Property Insurance program where FM has provided a quote for an incremental premium of \$33,406.

Staff also received options for a stand-alone terrorism insurance policy to complement the TRIA coverage. Stand-alone terrorism insurance provides a broader definition of terrorism than TRIA and includes third party liability coverage. Staff is recommending purchase of a \$10 million stand-alone terrorism policy for a premium of \$17,009.

Insurance Carrier: Factory Mutual Insurance Company (TRIA)
Annual Premium: \$33,406 (Net)

Insurance Carrier: Beazley Syndicate 2623/623 at Lloyd's
Annual Premium: \$17,009 (Net)

B. Insurance Coverage Not Recommended

The insurance coverage listed below was again reviewed by staff with the assistance of the City's broker. The market conditions remain consistent with last year's renewal decisions. Staff does not recommend purchasing additional coverage 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. 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 and fire resulting from an earthquake is covered by the All Risk Property policy. In previous years, Staff has inquired into the total cost of earthquake insurance for the entire property schedule and found coverage to be cost prohibitive.

The City's broker confirmed rates and overall market conditions have not improved or changed for FY 2019-2020. 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 present a recommendation for the purchase and selection of Cyber Liability insurance at the City Council meeting on October 8, 2019.

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

This item will be posted to the City's website for the September 17, 2019 Council Agenda.

COORDINATION

This memo has been coordinated with the Department of Aviation, the Department of Transportation, Police Department, Housing Department, Environmental Services Department, the City Manager's Office of Economic Development, 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 12, 2019 Treatment Plant Advisory Committee meeting.

COST SUMMARY/IMPLICATIONS

The estimated funding to pay for various insurance premiums in 2019-2020 was included in the 2019-2020 Adopted Operating Budget approved by the City Council on June 11, 2019. The recommend action includes authorization for an 18.0% contingency to schedule additional property or assets as required. Accordingly, the Administration will recommend any future minor budget adjustments, as necessary, across the City's various funding sources to ensure that the City is adequately protected.

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BUDGET REFERENCE

The table below identifies the fund and appropriations recommended to fund the insurance premiums identified. In addition, costs associated with insuring the remaining SARA assets are estimated to be \$651 in FY 2019-2020. The anticipated payment of these costs associated with asset management for the SARA is reflected on line 85 of the Recognized Obligation Payment Schedule (ROPS) as an enforceable obligation to maintain and protect the assets of the SARA allowed under the dissolution law.

Fund #	Appn #	Appn. Name	Total Appn.	Amount for Premium ^a	2019-2020 Proposed Budget Page ^b	Last Budget Action (Date, Ord. No.)
001	2001	Insurance Premiums	\$769,367	\$765,294	IX-7	06/18/2019 30286
001	2864	Police Officers' Professional Liability Insurance	\$126,000	\$93,087	IX-7	06/18/2019 30286
001	0502	Non-Personal/Equipment (Police Department)	\$27,813,779	\$55,651	IX-7	06/18/2019 30286
523	0802	Non-Personal/Equipment (Airport)	\$45,690,740	\$773,370	X-3	06/18/2019 30286
536	3405	Insurance Expenses ^c (Convention Center)	\$331,000	\$335,802	X-25	06/18/2019 30286
533	0512	Non-Personal/Equipment (Department of Transportation)	\$8,570,217	\$85,320	X -39	06/18/2019 30286
513	0762	Non-Personal/Equipment (Environmental Services Department)	\$30,134,600	\$239,956	X-77	06/18/2019 30286
515	0762	Non-Personal/Equipment (Environmental Services Department)	\$37,341,901	\$7,913	X-90	06/18/2019 30286
423	0762	Non-Personal/Equipment (Environmental Services Department)	\$5,464,853	\$8,247	X-48	06/18/2019 30286
346	0109	Loan Management (Housing Department)	\$225,000	\$3,727	X-52	06/18/2019 30286

^a 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. SARA is billed separately for its share of broker fees and premium costs. Premiums for the Airport (Fund 523) and Environmental Services Department (Fund 513) include Not to Exceed number for Auto Liability and Physical Damage (Airport only).

^b The 2019-2020 Adopted Operating Budget was approved by City Council on June 11, 2019.

^c Administration will recommend an increase to this appropriation as part of the 2018-2019 Annual Report scheduled for City Council review and approval on October 8, 2019. Insurance premiums are paid within 30 days of policy effective date.

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CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/
JULIA H. COOPER
Director of Finance

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

Appendix A
Appendix B

APPENDIX A

1. ALL RISK PROPERTY AND BOILER & MACHINERY INSURANCE

	CURRENT PROGRAM 10/01/2018-10/01/2019	RENEWAL PROGRAM 10/01/2019-10/01/2020
Carrier	Factory Mutual Insurance Company (FM)	Factory Mutual Insurance Company (FM)
Total Insurable Values	\$ 3,848,319,097	\$ 3,967,475,869
Limit of Liability	\$1,500,000,000 subject to a \$100,000 Deductible Per Occurrence	\$1,000,000,000 subject to a \$100,000 Deductible Per Occurrence
Boiler & Machinery	Included	Included
Earthquake	Excluded. Relatively low limits available 5% deductible, high premium-not recommended.	Excluded. Relatively low limits available 5% deductible, high premium-not recommended.
Flood	\$100,000,000 but not to exceed \$25,000,000 in high and moderate hazard 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. Airport, Convention Center, and RWF are given a flat \$10M (Airport & Convention Center) & \$5M (RWF) flood deductible.	\$100,000,000 but not to exceed \$10,000,000 in high and moderate hazard 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. Airport, Convention Center, and RWF are given a flat \$10M (Airport & Convention Center) & \$5M (RWF) flood deductible.
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

	Current Program	Renewal Program
	10/01/2018-10/01/2019	10/01/2019-10/01/2020
Carrier	Factory Mutual Insurance Company (FM)	Factory Mutual Insurance Company (FM)
Terrorism and Non Certified Act of Terrorism	Included	Included for additional premium
Annual Premium for City	\$1,200,000 Annual Premium	\$1,546,445 ¹ Estimated Annual Premium
	TRIA Included	\$33,406 Optional TRIA
	N/A	\$17,009 Optional Standalone Terrorism
	Excess Flood Included	\$150,000 Excess Flood
	\$88,500 AJG Broker Fee	\$88,500 AJG Broker Fee
	\$1,288,500 Total Annual Premium	\$1,835,360 Total Annual Premium
Engineering Services	Included in coverage	Included in coverage
Multiyear	Not Available	Not Available

¹ This includes a firm premium, \$651, which will be directly invoiced to the City as SARA.

2. AIRPORT OWNERS AND OPERATORS LIABILITY

	CURRENT PROGRAM 10/01/2018-10/01/2019	RENEWAL PROGRAM 10/01/2019-10/01/2020
Carrier	Old Republic Insurance Company	Old Republic Insurance Company
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 \$200,000,000 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 \$200,000,000 each occurrence and in the annual aggregate and \$5,000,000 Excess Automobile and Excess Employers Liability. Deductible: \$0 each occurrence 3-Year Price Guarantee (see endorsement)
Annual Premium	\$43,065 (incl. war premium)	\$58,725
Optional TRIA and war premium (recommended for purchase)	\$3,915	\$11,746
Total (Including Taxes/Fees)	\$46,980 (Net)²	\$70,471 (Net)

² 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

	CURRENT PROGRAM 10/01/2018-10/01/2019	RENEWAL PROGRAM 10/01/2019-10/01/2020
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)	\$2,000,000 Each Occurrence \$2,000,000 Annual Aggregate Subject to a \$100,000 Deductible including Loss Adjustment Expense (LAE) ³
Average Rate per Officer	\$170.17 (547 Sworn Officers at policy inception)	\$170.49 (546 Sworn Officers at policy inception)
Annual Premium	\$90,198 (Net)	\$90,201 (Net)
Surplus Lines Taxes and Fees	\$2,886	\$2,886
Fees (if any)	None	None
Total (Including Taxes/Fees)⁴	\$93,084	\$93,0874

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

	CURRENT PROGRAM 10/01/2018-10/01/2019	RENEWAL PROGRAM 10/01/2019-10/01/2020
Carrier	St. Paul/Travelers Hartford, CT	TBD
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	TBD
Exposure	Number of Vehicles 92	Number of Vehicles 88
Average Rate Per Unit	\$747.83	\$TBD
Total⁵	\$68,801 (Net)	\$TBD

³ LAE includes staffing and legal costs for processing claims.

⁴ Participating Sworn Officers all contribute \$110 per year to obtain coverage

⁵ Includes \$12,618 incremental net premium for adding coverage to 10 Zero Emissions Buses as of April 19, 2019

5. AUTOMOBILE LIABILITY-RWF FLEET

	CURRENT PROGRAM 10/01/2018-10/01/2019	RENEWAL PROGRAM 10/01/2019-10/01/2020
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	TBD
Exposure	Number of Units 46	Number of Units 57
Average Rate Per Unit	\$816.55	\$TBD
Total	\$38,378 (Net)	\$TBD

6. POLICE AIRCRAFT HULL AND LIABILITY

	CURRENT PROGRAM 10/01/2018-10/01/2019	RENEWAL PROGRAM 10/01/2019-10/01/2020
Carrier	Old Republic Insurance Company	Old Republic Insurance Company
Coverage	Aircraft Hull and Liability- \$50,000,000 each occurrence for liability. Hull coverage: Cessna \$275,000 Eurocopter \$1,750,000 Airbus H125 \$5,700,000 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 Airbus H125 \$5,700,000 Deductibles: Liability – NIL Hull - NIL Extended Engine Physical Damage: \$10,000 per occurrence
Annual Premium	\$61,048	\$46,388
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	\$61,048 (Net)	\$46,388 (Net)

7. GOVERNMENT CRIME

	CURRENT PROGRAM 10/01/2018-10/01/2019	RENEWAL PROGRAM 10/01/2019-10/01/2020
Carrier	Berkley Insurance Company	Berkley 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

	CURRENT PROGRAM 10/01/2018-10/01/2019	RENEWAL PROGRAM 10/01/2019-10/01/2020
Carrier	National Union Fire Insurance Company of Pittsburgh, PA	Hartford Life and Accident Insurance Company
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	\$2,722	\$9,263
Surplus Lines Taxes and Fees	NA	NA
Total (Including Taxes/Fees)	\$2,722 per year (year 3 of three-year fixed rate)	\$9,263 per year (year 1 of three-year fixed rate)

APPENDIX B
Allocation of Insurance Premiums by Fund & Type of Insurance

	2018-19 Premiums 12 Month	2019-20 Premiums Est. 12 Month	Percentage Increase / Decrease
<u>General Fund-Fund 001</u>			
Property Insurance ¹	\$546,694	\$750,844 *	37.34%
Government Crime	14,450	14,450	0.00%
AD&D	2,722	9,263	240.30%
Police Secondary ²	93,084	93,087	0.00%
Police Air Support (Hull & Liability)	61,048	46,388	-24.01%
Subtotal	\$717,998	\$914,032	27.30%
<u>Airport-Fund 523</u>			
Property Insurance	\$335,953	\$502,899 *	49.69%
Liability Insurance	46,980	70,471	50.00%
Auto Liability / Physical Damage	68,801	200,000 **	190.69%
Subtotal	\$451,734	\$773,370	71.20%
<u>ESD-Fund 513 (RWF)</u>			
Property Insurance	\$100,144	\$139,956 *	39.75%
Auto Liability Insurance	38,377	100,000 **	160.57%
Subtotal	\$138,521	\$239,956	73.23%
<u>ESD-Fund 515 (Municipal Water)</u>			
Property Insurance	\$5,720	\$7,913 *	38.34%
Subtotal	\$5,720	\$7,913	38.34%
<u>ESD-Fund 423</u>			
Property Insurance	\$5,008	\$8,247 *	64.68%
Subtotal	\$5,008	\$8,247	64.68%
<u>Convention & Cultural Affairs-Fund 536</u>			
Property Insurance	\$236,335	\$335,802 *	42.09%
Subtotal	\$236,335	\$335,802	42.09%
<u>General Purpose Parking-Fund 533</u>			
Property Insurance	\$47,271	\$85,320 *	80.49%
Subtotal	\$47,271	\$85,320	80.49%
<u>Successor Agency (SARA)</u>			
Property Insurance	\$8,020	\$651 *	-91.88%
Subtotal	\$8,020	\$651	-91.88%
<u>Housing-Fund 346</u>			
Property Insurance	\$3,355	\$3,727 *	11.09%
Subtotal	\$3,355	\$3,727	11.09%
Total	\$1,613,962	\$2,369,018	46.78%

¹ Broker fees and TRIA/Terrorism costs included in the total costs in Appendix B

² Each Police Officer participating in secondary employment program pays \$110 towards the premium cost

³ Allocated premium will be directly invoiced by the City to the Successor Agency (SARA)

* Includes not-to-exceed premium for excess property coverage for flood peril in high and moderate flood zones

** Not-to-Exceed Premium