



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: August 28, 2017

Approved

D. D. S. L.

Date

9/6/17

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, 2017 to October 1, 2018, at a total cost not to exceed \$1,850,000, including a 12.6% contingency for additional property or assets scheduled, with the following insurance carriers:
 - (1) American Home Assurance Company for Property & Casualty Insurance, including Boiler & Machinery.
 - (2) Old Republic Aerospace, Phoenix Aviation Managers, for Airport Owners and Operators Liability including War Risks & Extended Perils Coverage (Primary and Excess) and Police Aircraft Hull & Liability including War Risks & Extended Perils.
 - (3) The Travelers Indemnity Company of CT for Automobile Liability, or other insurance carriers that the City is currently in negotiations with, (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 Life/Accidental Death and Dismemberment Policy for the Police Air Support Unit.
 - (6) Berkley Regional Insurance Company for Government Fidelity/Crime Coverage.
 - (7) Hudson Insurance Company, for Fiduciary Liability Coverage for the VEBA Health Savings Trust.

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 \$1,643,049. 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, when the frequency of events cannot be predicted, the severity of potential loss could seriously hamper operations, and 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 two policies. 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 Fiduciary Liability Policy for the City's administration of a soon to be implemented Voluntary Employees' Beneficiary Association (VEBA) Health Savings Trust.

In addition, staff reviewed and 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 City does not recommend any of these additional coverages at this time due to the products being cost prohibitive, scope of coverage

being too narrow considering the City's risk exposure, or, that coverage was unavailable 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 an 8.20% increase in total costs.

Appendix A reflects the best value coverage, renewal premiums and insurance carriers presented for FY 2017-2018. 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 \$1,643,049, which is \$124,490 more than last year's premium of \$1,518,559, an 8.20 % increase in total costs.

A. Insurance Coverage Recommended

1. All Risk Property & Casualty including Boiler & Machinery Property 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, as a result of the dissolution of the Redevelopment Agency on February 1, 2012, is now owned by the Successor Agency to the Redevelopment Agency ("Successor Agency").

The property insurance limit is \$1 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.

In addition to the insurance products procured, the City successfully utilized risk engineering services to evaluate the risk engineering at eight, 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 value the total replacement value of twelve properties.

Total program costs increased by \$116,979 or 9.51% from the previous fiscal renewal year. Three factors resulted in higher premiums: 1) property value inflations for the Santa Clara index, property values increased by approximately 1%; 2), additional properties acquired during FY 2016-17 resulting in a 3.5% increase in the schedule's total replacement value; 3) City sustained property damage to scheduled properties as a result of the February 2017 storm and flood event that superseded the policy's loss ratio factor and voided the policy rate guarantee. Due to recent reported losses, no carrier would offer a multiyear guaranteed rate.

Insurance Carrier: American Home Assurance Company

<u>Annual Premium:</u>	\$1,235,616 ¹
<u>Broker Fees:</u>	88,500
<u>TRIA Coverage:</u>	22,204
<u>Total Annual Premium:</u>	\$1,346,320

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 continues to be the best market rate as verified through a competitive process that was conducted this year.

¹ This includes an estimated premiums and costs of \$8,258 that will be directly invoiced to the Successor Agency, for the Successor Agency's scheduled properties.

Insurance Carrier: Old Republic Aerospace, Phoenix Aviation Managers

Annual Premium: \$41,800
TRIA Coverage: 3,800
Total Annual Premium: \$45,600

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.

In 2016, the City changed carriers to QBLE as the City's incumbent carrier Indian Harbor Insurance Company no longer offered this line of coverage. The City secured a rate of \$142.33 per officer premium equal to the previous year's rate at \$140.00 per officer (surplus tax not included) or, a 1.4% increase in the rate per participant resulting primarily from the shift of reserve to active officers. Participating officers all contribute \$110 per year to obtain coverage and the number of participating officers decreased from 777 officers to 687 officers.

Insurance Carrier: QBLE Specialty Insurance Company

Annual Premium: \$97,783
Surplus Lines Tax: 3,129
Total Annual Premium: \$100,912 (Gross)

Total City Cost: \$25,342
Total Officer Cost: \$75,570

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 \$1,968 or 3.5% because of an industry-wide increase in premium rates and the carrier's outstanding risk recommendation to implement a centralized fleet safety program.

Insurance Carrier: The Travelers Indemnity Company of CT
Total Annual Premium: \$58,164

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 \$6,013 or 20.72% because of an overall industry rate increase, the total replacement value of scheduled vehicles, and, more importantly, a large, complex claim filed against the policy in FY 2016-17.

Insurance Carrier: The Travelers Indemnity Company of CT
Total Annual Premium: \$35,028

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 and American Eurocopter EC 120B. Additionally, this program provides coverage for bodily injury or property damage caused by war and other perils resulting from aviation operations.

Two aircraft are on the schedule, N408DC and N2705 with current hull values of \$1.75 million and \$275,000 respectively, and aggregate liability limit of \$50 million. The City may schedule a third aircraft (helicopter) or an unmanned aerial vehicle (UAV or "drone") if funding is secured. Additional estimated premiums of \$29,000 are included in the recommended, not-to-exceed costs.

The police aircraft hull and liability insurance premium has a locked rate reflecting savings from the 44% decrease in premium during the previous two years. FY 2017-18 is the third year of the three-year rate guarantee. Staff verified through the competitive process the rate guarantee remains a best rate.

Insurance Carrier: Old Republic Aerospace, Phoenix Aviation Managers
Total Annual Premium: \$17,998

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.

In December of 2016, the City bound a short term policy to fully incorporate the policy into the annual renewal schedule. In comparison to the short-term rate weighed on an annual basis, the City obtained a fixed rate for FY 2017-18.

Insurance Carrier: Berkley Regional Insurance Company
Annual Premium: \$20,816

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

Provides a life benefit and accidental death and dismemberment benefit of \$250,000 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). Last year, 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 \$6,699 and an annual rate guarantee of \$2,233 per year.

Insurance Carrier: National Union Fire Insurance Company of Pittsburgh, PA
Annual Premium (second year of three-year policy)²: \$2,233 per year

9. Fiduciary Liability for VEBA Health Savings Trust

Fiduciary liability insurance is a claims-made policy that provides coverage for financial losses and claims expenses for which the City becomes legally obligated to pay because of fiduciary exposures resulting from the City's role in the administration of a Voluntary Employees' Beneficiary Association (VEBA). The VEBA will be a retiree healthcare savings vehicle for City employees in lieu of the defined benefit retiree healthcare plan and requirements of enrollment and contribution as provided in the City's collective bargaining agreements and San Jose Municipal Code. Implementation of the VEBA is expected to commence in FY 2017-18.

Insurance Carrier: Hudson Insurance Company
Annual Premium: \$15,828
Risk Placement Services (RPS) Fee: \$150
Total Annual Premium: \$15,978 (including \$150 RPS Fee)

10. 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

² 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).

(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 described below were reviewed and analyzed by staff with the assistance of the City's broker and were determined to be cost prohibitive or were not available on the market. 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.

For a limit of \$5 million in employer's liability and statutory for workers' compensation, estimated insurance premiums on three different self-insurance retention levels as shown in the table below are:

<u>Self-Insured Retention/Deductible per Occurrence</u>	<u>Annual Premium</u>
\$5 million	\$550,000
\$3 million	\$825,000
\$2 million	\$1,300,000

On the excess workers' compensation policy (per occurrence), the City would have to cover the loss up to the retention value, at which time coverage would become applicable. Please note that the City historically has had two workers' compensation claims valued at or over \$1 million.

This fiscal year, Risk Management also went to market seeking pricing indications to evaluate costs associated with a fully insured workers' compensation insurance product or a policy without a self-insured retention or deductible. In reviewing the market and the City's ten-year loss history, the City received pricing indications at \$25 million to \$30 million dollars for a fully insured policy.

Estimated costs of coverage for either an excess liability insurance product as well as a fully insured workers' compensation plan for FY 2017-18 have increased consistent with

the product's cost industry-wide and in consideration of the City's previous ten year's claims history and costs. In FY 2017-18, the market and costs associated with workers' compensation continues to rise including increasing medical and pharmaceutical costs. cost increases for medical and pharmacy costs. In lieu of a traditional excess workers' compensation policy, the City also explored a Cash Flow product to fund losses arising from workers' compensation claims in the event of mass casualty. The coverage is not recommended because the policy coverage was substantially limited in scope compared to the premium costs.

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 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. In 2017, the City has added a fiduciary liability policy to cover the VEBA plan.

In 2014, the City sought competitive quotes for excess insurance for varying self-insured retentions and limits. In 2016, the City sought competitive quotes for stand alone, targeted products.³ This year, the City verified industry rates remain consistent with the 2016 quotes considering the City's claims history and reserves for future claims. The following is a summary of available coverage for best option at each level that were then available:

³ In 2016, the City sought quotes on stand-alone liability policies for the Police Department and the Regional Wastewater Facility. No carrier would quote on a stand-alone product for the Police Department. Excess liability insurance was quoted for a premium of approximately \$125,000 for \$100 million in excess liability for the Regional Wastewater Facility. No third party carrier would quote 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.

<u>Self-Insured Retention/ Deductible per Occurrence</u>	<u>Annual Premium</u>	<u>Limit Per Occurrence/ Aggregate</u>	<u>Estimated 10 Year Total Premiums Paid by City</u>
\$5 million	\$1,289,690	\$50 million	\$12,896,690
\$5 million	\$1,114,690	\$25 million	\$11,146,900
\$3 million	\$1,692,537	\$50 million	\$16,925,370
\$3 million	\$1,442,537	\$25 million	\$14,425,370

For the past ten years, the City has paid approximately \$2.7 million per year for costs associated with liability claims. However, staff anticipates a future payment of up to \$12 million in total claims due to a single large pending claim. Statewide, areas of loss for public entities appear to mirror the City's exposures.

The largest compensable paid claim that an excess insurance policy would have covered was for \$4.95 million and currently two claims are pending with values that are expected to surpass that loss. Total claims value in FY 2018-19, or the year thereafter, are budgeted for up to \$12 million. Of claims filed, only 13 were in excess of \$250,000. 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 and anticipates higher future losses. 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 will review its current reserves and loss exposures in FY 2017-18 through a study to be completed by a consultant. The City recommends not purchasing this product at this time 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 policy endorsement or product procurement. Coverage is limited to direct damages caused by earth movement, which is

excluded on the All Risk Property & Casualty coverage policy. Coverage for sprinkler damage resulting from an earthquake is provided by the All Risk Property & Casualty.

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. This year, the City verified that the cost for \$5 million in coverage with a \$1 million deductible or 5% total insured value of damaged locations at the time of loss, whichever is greater, would be in excess of \$500,000 annually.

The following is the best value cost proposal for a selected number of City properties:

<u>Self-Insured Retention/ Deductible per Occurrence</u>	<u>Annual Premium</u>	<u>Limit Per Occurrence/ Aggregate</u>	<u>10 Year Total Premiums Paid by City</u>
\$100,000 or 5% of total loss	\$366,750	\$25 million	\$3,667,500
\$100,000 or 5% of total loss	\$178,891	\$10 million	\$1,788,910

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, and the relatively low limits of coverage available, make it uneconomical to purchase coverage citywide.

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 19, 2017 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. This memo has also been reviewed by staff of Successor Agency to the Redevelopment Agency (SARA).

COMMISSION RECOMMENDATION/INPUT

This item is scheduled to be heard at the September 14, 2017 Treatment Plant Advisory Committee meeting.

COST SUMMARY/IMPLICATIONS

The funding associated with the recommendations in this memo was appropriated as part of the 2017-18 Operating Budget, approved by the City Council on June 20, 2017.

BUDGET REFERENCE

The insurance policies are funded by appropriations in the FY 2017-18 Operating Budget, approved by the City Council on June 20, 2017.

In addition to the appropriations listed on page 13 of this Memorandum, costs associated with insuring the remaining Successor Agency assets are estimated to be \$8,258 in 2017-2018. 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. As a result of the Successor Agency's insufficiency in redevelopment property tax increment to meet all obligations in FY 2017-18, the Successor Agency anticipates relying on the City's General Fund support to provide funding for this obligation. The Dissolution legislation allows for reimbursement to the City of certain administrative and other financial support (beginning July 1, 2012) once sufficient funds are available to pay for the Successor Agency's enforceable obligations.

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

Fund #	Appn #	Appn. Name	Total Appn.	Recommended Budget Action	Amount for Premium*	2017-2018 Proposed Budget Page**	Last Budget Action (Date, Ord. No.)
001	2001	Insurance Premiums	\$607,040	N/A	\$595,491	762	6/20/2017, Ord. No. 29962
001	2864	Police Officers' Professional Liability Insurance	\$122,000	N/A	\$100,912	759	6/20/2017, Ord. No. 29962
001	0112	Non-Personal (City Manager's Office)	\$2,126,961	N/A	\$15,978	440	6/20/2017, Ord. No. 29962
001	0502	Non-Personal (Police Department)	\$26,205,153	N/A	\$20,231	663	6/20/2017, Ord. No. 29962
523	0802	Non-Personal	\$38,280,817	N/A	\$454,219	794	6/203/2017, Ord. No. 29962
536	3405	Insurance Expenses	\$245,000	N/A	\$245,000	823	6/20/2017, No. 29962
533	0512	Non-Personal (Department of Transportation)	\$7,1390,996	N/A	\$56,359	838	6/20/2017, Ord. No. 29962
513	0762	Non-Personal (Environmental Services Department)	\$34,173,019	N/A	140,044	879	6/20/2017, Ord. No. 29962
515	0762	Non-Personal (Environmental Services Department)	\$32,952,516	N/A	\$6,113	894	6/20/2017, Ord. No. 29962
423	0762	Non-Personal (Environmental Services Department)	\$2,660,092	N/A	\$5,207	848	6/20/2017, Ord. No. 29962
346	0562	Non-Personal (Housing Department)	\$902,734	N/A	\$3,495	532	6/20/2017, Ord No. 29962
Totals			\$144,542,931		\$1,643,049		

* 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 FY 2017-18 Operating Budget was approved by City Council on June 20, 2017.

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CEQA

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

/s/
JULIA H. COOPER
Director of Finance

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

Appendix A
Appendix B

APPENDIX A

1. ALL RISK AND BOILER & MACHINERY PROPERTY INSURANCE

	CURRENT PROGRAM 10/01/2016-10/1/2017	RENEWAL PROGRAM 10/01/2017-10/01/2018
Carrier	American Home Assurance Company New York, New York	American Home Assurance Company New York, New York
Total Insurable Values	\$3,638,078,927	\$3,755,493,117
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
Boiler & Machinery	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.
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.
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
Terrorism and Non Certified Act of Terrorism	\$19,879	\$22,204
Average Rate per \$100 of Values	.032 per \$100.00 of Insured Value	.0352 per \$100.00 of Insured Value
Annual Premium for City	\$1,123,962 Annual Premium \$ 19,879 TRIA \$ 0 Surplus lines Tax and Fees (3.20%) \$ 85,500 AJG Broker Fee ⁴ \$1,229,341 Total Annual	\$1,235,616 Annual Premium ⁵ \$ 22,204 Optional TRIA \$ 0 Surplus lines Tax and Fees (3.20%) \$ 88,500 AJG Broker Fee ⁶ \$1,346,320 Total Annual
Engineering Services	Included in coverage	Included in coverage
Multiyear	Available-quoted 3 year rate	Not Available

⁴ The broker's fee is an annual fixed fee and listed as a separate line item, and not included with the premium. In years prior to 2012/2013, premium included commission.

⁵ This includes an estimated premium 8,258 including \$543 for broker fees that will be directly invoiced to the City as Successor Agency.

⁶ The broker's fee is an annual fixed fee listed as a separate line item, and not included with the premium as requested by the broker. In years prior to 2012/2013, premium included commission.

2. AIRPORT OWNERS AND OPERATORS LIABILITY

	CURRENT PROGRAM 10/01/2016-10/01/2017	RENEWAL PROGRAM 10/01/2017-10/01/2018
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 2-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 2-Year Price Guarantee (see endorsement)
Annual Premium	\$41,800	\$41,800
Optional TRIA premium (recommended for purchase)	\$3,800	\$3,800
Total (Including Taxes/Fees)	\$45,600 (Net) ⁷	\$45,600 (Net) ⁸

⁷ 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.

⁸ 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 10/01/2016-10/01/2017	RENEWAL PROGRAM 10/01/2017-10/01/2018
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) ⁹	\$2,000,000 Each Occurrence \$2,000,000 Annual Aggregate Subject to a \$100,000 Deductible including Loss Adjustment Expense (LAE) ¹⁰
Average Rate per Officer	\$140.00 (777 officers at policy inception)	\$142.33 (687 officers at policy inception)
Annual Premium	\$108,780 (Net)	\$97,783
Surplus Lines Taxes and Fees	\$3,481	\$3,129
Fees (if any)	None	None
Total (Including Taxes/Fees)	\$112,251 (Gross)	\$100,912 (Gross)

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

	CURRENT PROGRAM 10/01/2016-10/01/2017	RENEWAL PROGRAM 10/01/2017-10/01/2018
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 80	Number of Vehicles 83
Average Rate Per Unit	\$666.10	\$700.77
Annual Premium	\$56,196 (Net)	\$58,164 (Net)

⁹ LAE includes staffing and legal costs for processing claims.

¹⁰ LAE includes staffing and legal costs for processing claims.

5. AUTOMOBILE LIABILITY-WATER POLLUTION CONTROL PLANT FLEET

	CURRENT PROGRAM 10/01/2016-10/01/2017	RENEWAL PROGRAM 10/01/2017-10/01/2018
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 44	Number of Units 40
Average Rate Per Unit	\$659.43	\$875.70
Total (Including Taxes/Fees)	\$29,015 (Net)	\$35,028 (Net)

6. POLICE AIRCRAFT HULL AND LIABILITY

	CURRENT PROGRAM 10/01/2016-10/01/2017	RENEWAL PROGRAM 10/01/2017-10/01/2018
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 Deductible: Liability - NIL • Hull/Cessna-\$500 per occurrence (in-motion) • Hull/Cessa-\$100 per occurrence (not in-motion) • Hull/Eurocopter-\$25,000 per occurrence (rotors in- motion) • Hull/Eurocopter-\$500 per occurrence (rotors not in- motion)	Aircraft Hull and Liability- \$50,000,000 each occurrence for liability. Hull coverage: Cessna \$275,000 Eurocopter \$1,750,000 Deductible: Liability - NIL • Hull/Cessna-\$500 per occurrence (in-motion) • Hull/Cessa-\$100 per occurrence (not in-motion) • Hull/Eurocopter-\$25,000 per occurrence (rotors in-motion) Hull/Eurocopter-\$500 per occurrence (rotors not in-motion)
Annual Premium	\$17,998	\$17,998
Surplus Lines Taxes and Fees	NA	NA
War Liability & Hull--both aircraft	Included	Included
Total (Including Taxes/Fees)	\$17,998	\$17,998
TRIA (if purchased with War)	Included Both Hull & Liability with War Premium	Included Both Hull & Liability with War Premium

7. GOVERNMENT CRIME

	CURRENT PROGRAM 12/18/2016-10/01/2017	RENEWAL PROGRAM 10/01/2017-10/01/2018
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	\$16,368 (\$20,861 is annual premium rate, but policy was on short term)	\$20,816
Surplus Lines Taxes and Fees	\$0	\$0
Total (Including Taxes/Fees)	\$16,368	\$20,816

8. LIFE AND ACCIDENTAL DEATH AND DISMEMBERMENT

	CURRENT PROGRAM 10/01/2016-10/01/2017	RENEWAL PROGRAM 10/01/2017-10/01/2018
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	Blanket Accident & Health Policy (Accident Only; Injury Only) Principal Sum (loss of Life): \$250,000
Annual Premium	\$2,233	\$2,233
Surplus Lines Taxes and Fees	NA	NA
Total (Including Taxes/Fees)	\$2,233 per year (year 1 of three-year fixed rate)	\$2,233 per year (year 2 of three-year fixed rate)

9. FIDUCIARY LIABILITY FOR VEBA HEALTH SAVINGS TRUST

	CURRENT PROGRAM 10/01/2016-10/01/2017	RENEWAL PROGRAM 10/01/2017-10/01/2018
Carrier	NA	Hudson Insurance Company
Limits of Insurance and Deductibles	NA	\$5,000,000 aggregate limit \$25,000 per claim deductible Coverage includes additional costs associated with Voluntary Compliance Program Expenditures, Content Restoration Expenditures, and Crisis Notification Expenditures.
Annual Premium	NA	\$15,828
Surplus Lines Taxes and Fees	NA	\$150 Risk Placement Services Fee
Total (Including Taxes/Fees)	NA	\$15,978

APPENDIX B

Allocation of Insurance Premiums by Fund & Type of Insurance

	FY 2016-17 Premiums 12 Month	FY2017-18 Premiums 12 Month	Percentage Increase/ Decrease
General Fund-Fund 001			
Property Insurance ¹¹	\$ 511,838	\$ 566,072	10.60%
Government Crime Policy	20,816 ¹²	20,816 ¹³	0.00%
AD&D	2,233	2,233	0.00%
Police Secondary	112,251	100,912	(10.10)%
Police Air Support (Hull & Liability)	17,998	17,998	0.00%
Subtotal \$	665,126	\$ 708,031	6.45%
Fiduciary Liability	\$ 0	\$ 15,978	0.00%
Subtotal \$	0	\$ 15,978	0.00%
Airport- Fund 523			
Property Insurance	\$ 322,545	\$ 350,455	8.65%
Liability Insurance	45,600	45,600	0.00%
Auto Liability/Property Insurance	56,196	58,164	3.50%
Subtotal \$	424,341	\$ 454,219	7.04%
ESD – Fund 513			
Property Insurance	\$ 96,653	\$ 105,016	8.65%
Auto Liability Insurance	\$ 29,015	35,028	20.72%
Subtotal \$	125,668	\$ 140,044	11.44%
ESD – Fund 515			
Property Insurance	\$ 5,626	\$ 6,113	8.65%
Subtotal \$	5,626	\$ 6,113	8.65%
ESD – Fund 423			
Property Insurance	\$ 4,792	\$ 5,207	7.97%
Subtotal \$	4,792	\$ 5,207	7.97%
Convention and Cultural Affairs - Fund 536			
Property Insurance	\$ 225,806	\$ 245,000	8.65%
Subtotal \$	225,806	\$ 245,000	8.65%

¹¹ Brokers' fees are and TRIA costs are included in the total costs of this Appendix B.

¹² Cost of \$20,816 is based on the annual rate for the policy. As the previous policy was secured on a short policy term, actual cost of the policy was \$16,368.

¹³ Each Police Officer participating in the secondary employment program pays \$110 toward the premium cost. Renewal premium is based on 687 reported officers verses 777 officers enrolled at policy inception in 2016 to 2017.

	<u>FY 2016-17 Premiums 12 Month</u>	<u>FY2017-18 Premiums 12 Month</u>	<u>Percentage Increase/ Decrease</u>
General Purpose Parking -Fund 533			
Property Insurance	\$ 51,870	\$ 56,359	8.65%
Subtotal	\$ 51,870	\$ 56,359	8.65%
Successor Agency¹⁴			
Property Insurance	\$ 7,728	\$ 8,258	6.86%
Subtotal	\$ 7,728	\$ 8,258	6.86%
Housing -Fund 346			
Property Insurance	\$ 2,440	\$ 3,495	43.24%
Subtotal	\$ 2,440	\$ 3,495	43.24%
TOTAL	<u>\$1,518,581</u>	<u>\$1,643,049</u>	<u>8.20%</u>

¹⁴ 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.