

Report on Annual Insurance Renewals

Finance Department Purchasing & Risk Management Division

September 17, 2019
Item 3.7

Presenters: Finance

Julia Cooper, Director

Jennifer Cheng, Deputy Director

Miguel Bernal, Risk Manager

Staff Recommends Changes to Recommendation (b)

(b) Select and purchase additional insurance coverage not-to-exceed ~~\$658,700~~ ~~\$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 ~~\$153,200~~ ~~\$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 ~~\$302,000~~ ~~\$200,000~~ for the Airport and ~~\$123,500~~ ~~\$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.

Staff Recommends Changes to Recommendation (b)

Items (cont.)

Department Impacted	Impacted Fund(s)	Appn.	Coverage	Council Memo NTE*	Revised NTE*	Change
All	All	See Appendix B	Property (Excess Flood for Moderate to High Hazard Locations)	\$150,000	\$153,200	\$3,200
Regional Wastewater Facility	513		Auto Liability (A/L)	\$100,000	\$123,500	\$23,500
Airport	523	0802	Auto Liability (A/L)	\$120,000	\$200,000	\$80,000
			Auto Physical Damage (APD)		\$102,000	\$102,000
			Excess Auto Liability		\$80,000	\$0
Total				\$450,000	\$658,700	\$208,700

City is Renewing Programs in Challenging Environment

- Background
 - City program renewals under challenging market conditions
 - Property policyholders with natural catastrophe exposure and loss history are most impacted
 - Insurers are seeking price increases as well as restricting terms and conditions
- Excess Flood Coverage for City Locations in Higher and Moderate Flood Zones
 - Restriction impacts key revenue-production locations (Airport, SAP Center, San Jose McEnery Convention Center, and San Jose-Santa Clara Regional Wastewater Facility)
 - Incumbent only providing \$10 million in flood coverage for exposed flood locations without reinsurance support
 - City has received three proposals for excess flood coverage

City is Renewing Programs in Challenging Environment (cont.)

- San Jose-Santa Clara Regional Wastewater Facility (RWF) and Airport Auto Renewals
 - City's insurance broker Arthur Gallagher marketed program to over a dozen markets
 - Renewal challenges impacting both Departments include escalating loss costs in the product line and recent City claims experience
 - Airport further challenged in obtaining physical damage coverage due to values of insured vehicles
 - City received proposals for the RWF and is expecting proposals for the Airport later this week

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