



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: September 8, 2020

Approved

Date

9/10/20

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 of October 1, 2020 to October 1, 2021, at a total cost not to exceed \$2,896,016 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. Axis Surplus Insurance Company and RSUI Indemnity Company for \$15 million in excess flood insurance for locations in high and moderate hazard flood zones on a 50/50 quota share basis;
 4. Old Republic Insurance Company, for Airport Owners and Operators Liability including War Risks & Extended Perils Coverage (including Excess Automobile) and Police Aircraft Hull & Liability including War Risks & Extended Perils Coverage;
 5. Gemini Insurance Company for Auto Liability Insurance for the vehicle fleets at the Airport and Regional Wastewater Facility;
 6. Hanover Insurance Company for Auto Physical Damage for the Airport shuttle buses;
 7. QBE Specialty Insurance Company for Secondary Employment Law Enforcement Professional Liability;
 8. Hartford Life and Accident Insurance Company for Accidental Death, Accidental Dismemberment, and Paralysis Policy for the Police Air Support Unit; and
 9. Berkley Insurance Company for Government Fidelity/Crime Coverage.
- (b) Select and purchase up to \$4 million in Excess Auto Liability insurance for Airport fleet vehicles including Shuttle Buses for the period of October 1, 2020 to October 1, 2021, at a cost not to exceed \$50,000, 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.

EXECUTIVE SUMMARY

Commercial insurance policyholders are facing some of the most challenging market conditions in decades. The hard market is affecting most lines of insurance, most client segments and most industries. COVID-19 only accelerated the hardening that had already begun¹. In addition to the rate increase, commercial insurance policyholders are also facing restrictions to coverage terms and conditions.

The City's exposure to natural catastrophes (flood) and its loss history also contributed to negative/unfavorable changes in the renewal pricing and terms for property and airport owners and operators' liability insurance. Appendix A reflects the best value coverage, renewal premiums and insurance carriers presented for FY 2020-2021. 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 (excluding new recommended coverage for Airport auto excess liability) is \$2,896,016 which is \$469,016 more than last year's premium of \$2,427,000, a 19.32% increase in total costs.

BACKGROUND

Each 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, 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, trends in the insurance markets, 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 for paying claims, and the insurer's availability of resources to provide

¹ Willis Towers Watson North America Market Conditions Summer 2020 Update (August 2020)

industry-related services such as property evaluations, safety training, and loss prevention engineering services. 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 2020-2021 with Gallagher and recommends the insurance coverage described below.

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, 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 one property currently owned by the Successor Agency to the Redevelopment Agency (“SARA”).

Property values increased by 7.26%, driven by a recent appraisal that adjusted City Hall’s replacement cost, the completion of capital projects at the Airport and San José – Santa Clara Regional Wastewater Facility (“RWF”) during the policy period, and new bridge housing locations added to the property schedule.

The market for commercial property insurance has continued to harden since the City’s last annual renewal. Insurers are focused on profitability and policyholders with catastrophe exposure and a history of losses are seeing rate increases excess of 30%².

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. Gallagher has confirmed that the option from FM is the best available to the City in terms of both cost and coverage.

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

² Willis Towers Watson North America Market Conditions Summer 2020 Update (August 2020)

- Premium increase of \$434,413, or 28.09% from the previous fiscal year renewal, excluding coverage under the Terrorism Risk Insurance Act (“TRIA”)
- Reduction in policy limits available for business interruption from \$1.0 billion to \$300.0 million
- Reduction in policy limits available for Communicable Disease Response and Interruption by Communicable Disease coverage from \$1.0 million to \$10,000
- Reduction in policy limits available to cover the cost of replacement power at the RWF, should the cogeneration facility experience a covered property loss from \$1.0 billion to \$11.0 million

In addition to the insurance products procured last year, the City utilized risk engineering services to evaluate three City-owned properties. Visits scheduled for the period March to July 2020, were cancelled due to the COVID-19 health crisis. 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. At the recommendation of FM, the City will be creating or enhancing flood emergency response plans at the Airport, RWF, Center for Performing Arts, and Roosevelt Community Center.

Insurance Carrier: Factory Mutual Insurance Company

Annual Premium (Net) ³ :	\$1,980,858
Broker Fees ⁴ :	<u>72,515</u>
Total Annual Costs:	\$2,053,373

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

Terrorism Risk Insurance Act (“TRIA”) coverage provides an insurance mechanism (shared by private insurance carriers and the federal government) for losses arising from acts of terrorism as certified by the Secretary of Treasury and defined by the TRIA. It does not cover liability. 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, except for the All Risk Property Insurance program where FM has provided a quote for an incremental premium of \$49,142, a 47.11% increase over the expiring premium.

The City began purchasing stand-alone terrorism insurance in 2019. Stand-alone terrorism insurance provides a broader definition of terrorism than TRIA and includes third party liability coverage. Staff is recommending continuation of a combined property

³ Net refers to gross premiums less broker commissions as broker compensation is provided through a fee agreement between the City and Gallagher

⁴ Broker fees include fees for TRIA, Stand-alone Terrorism and Excess Flood coverages

and liability policy. Beazley provided a renewal quote for \$10 million in aggregate limits for a premium of \$17,734, a 4.26% increase over the expiring premium.

Insurance Carrier: Factory Mutual Insurance Company (TRIA)
Annual Premium (Net): \$49,142

Insurance Carrier: Beazley Syndicate 2623/623 at Lloyd's
Annual Premium (Net): \$17,734

3. Excess Flood Insurance

To mitigate the impact of reduction to the base flood coverage from \$25,000,000 to \$10,000,000 from the 2019 renewal, staff is recommending an excess policy for locations in high and moderate hazard flood zones. The excess policy provides \$15,000,000 in limits excess of the primary property policy on a 50/50 quota share basis, where the City and excess insurers share the financing of losses on a 50/50 basis.

Insurance Carriers: Axis Surplus Insurance Company and RSUI Indemnity Company
Annual Premium (Net): \$191,500

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

Automobile liability insurance provides coverage for bodily injury, property damage, and personal injury for claims arising out of vehicle operations at the Airport. Airport Shuttle Bus Physical Damage insurance provides comprehensive physical damage (i.e. fire, theft, vandalism, malicious mischief) coverage for the owned and leased airport shuttle buses, including the ten zero emissions shuttle buses purchased from Proterra in 2019.

Adverse market conditions and the Airport's recent claims history led to a 306% increase in premium and fees in 2019. Additionally, in order to secure coverage last year, the Airport had to increase its per occurrence retention for liability insurance coverage from \$0 to \$250,000. Auto liability continues to be unprofitable for insurers. While miles driven are down as a result of COVID-19, loss severity continues to be a concern and is a factor in the rate increases⁵.

Though the pricing environment in the auto liability market remains challenging for this year's renewal, the Airport premium and fees declined by 10.14% primarily due to a reduction in the insured values of the leased shuttle busses which impacted the costs of the auto physical damage insurance program.

The Airport Owners and Operators Liability coverage provides auto liability coverage excess of the Airport's \$1 million primary policy. The carrier reduced excess coverage from \$50 million to \$5 million in 2019. To address escalating loss costs for auto liability

⁵ Willis Towers Watson North America Market Conditions Summer 2020 Update (August 2020)

claims, Staff is recommending purchase of an incremental \$4 million in auto liability insurance coverage for a not-to-exceed cost of \$50,000.

Insurance Carrier: Gemini Insurance Company (Auto Liability)

Annual Premium (Net):	\$182,158
Surplus Lines Tax:	<u>5,920</u>
Total Annual Premium:	\$188,079
Broker Fees:	<u>7,376</u>
Total Annual Cost:	\$195,455

Insurance Carrier: Hanover Insurance Company (Auto Physical Damage)

Annual Premium (Net):	\$65,413
Broker Fees:	<u>4,193</u>
Total Annual Cost:	\$69,606

Insurance Carrier(s): TBD (Excess Auto Liability)

Total Annual Cost ⁶ :	\$50,000
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5. 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.

RWF's Automobile Liability program has also been affected by the same changes impacting the Airport's program as described in the preceding section, including a 54.62% increase in premium and fees in 2019 and the need for a large per occurrence retention. The RWF auto liability program experienced a 9.34% increase in premium and fees driven primarily by an 8.77% increase in the vehicle count at the facility for this renewal period.

Insurance Carrier: Gemini Insurance Company

Annual Premium (Net):	\$62,843
Surplus Lines Tax:	<u>2,042</u>
Total Annual Premium:	\$64,885
Broker Fees:	<u>2,459</u>
Total Annual Cost:	\$67,344

⁶ Total Annual Cost includes Annual Premium and Broker Fees

6. 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 such as strikes, riots, civil commotion and malicious mischief. Additionally, the policy provides excess auto liability insurance coverage beyond the Airport's primary auto liability insurance program.

Airport liability coverage is provided by carriers that participate in the larger aviation market. Shock-losses have put this segment on the radar of insurers' upper management and this sector continues to harden, with increases beginning at 15% on profitable accounts⁷.

The \$10,569 premium increase for the 2020-2021 policy period reflects changes in general market conditions and the existence of a large loss for which the program provides excess auto liability coverage. In 2019, the incumbent carrier reduced the excess auto liability limits from \$50 million to \$5 million. This year, the carrier has provided a renewal quote that reduces the garagekeepers liability coverage to \$5 million each person and in the aggregate. The garagekeepers liability coverage section provides liability coverage for physical damage to third party vehicles while in the care and custody of the Airport and Gallagher has advised that they are unaware of a claim approaching \$5.0 million given the existence of the indemnity provisions included in the parking operator agreements.

<u>Insurance Carrier:</u>	Old Republic Insurance Company
Annual Premium (Net):	\$67,534
War/Extended Coverage:	6,753
TRIA Coverage:	<u>6,753</u>
Total Annual Premium:	\$81,040
Broker Fees:	<u>2,920</u>
Total Annual Cost:	\$83,960

7. 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. The program provides up to \$50 million in aggregate liability coverage for bodily injury or property damage caused by war and other perils. City aircraft consists of an Airbus H125 purchased in 2018. The Cessna 182 fixed-wing aircraft was sold in January 2020. The

⁷ Willis Towers Watson Insurance Marketplace Realities 2020 Spring Update

Airbus H125 is on the schedule with a current hull value of \$5,700,000. The City added liability and physical damage coverage for Unmanned Aerial Systems (“UAS” or drones) to the Police Aircraft Hull and Liability policy effective June 17, 2020. The \$2.0 million in liability coverage supports the San José Police Department’s UAS program.

Despite a challenging pricing environment in the wider aviation market with policyholders seeing rate increases of 25% to 50%, premium declined 12.81%, which reflected a flat rate and reduced exposure due to the sale of the Cessna 182.

<u>Insurance Carrier:</u> Old Republic Insurance Company	
Total Annual Premium (Net):	\$40,440
TRIA	Included
Broker Fees:	<u>1,922</u>
Total Annual Cost:	\$42,362

8. Life/Accidental Death and Dismemberment Policy for Police Air Support 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. The City added this insurance product line to its portfolio in 2016.

In 2019, the City placed the policy with Hartford Life & Accident Insurance Company with a three-year rate guarantee at an annual cost of \$9,263. Gallagher has verified that this remains the best available pricing and coverage.

<u>Insurance Carrier:</u> Hartford Life & Accident Insurance Company	
Annual Premium (second year of three-year rate guarantee) ⁸ :	\$9,263
Broker Fees:	<u>384</u>
Total Annual Cost:	\$9,647

9. 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.

⁸ The recommended policy contains a rate guarantee through September 30, 2022, 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).

The City renewal rate is \$147.88 per Sworn and Reserve Officers. Participating Sworn and Reserve Officers all contribute \$110 per year to obtain coverage and the number of Sworn and Reserve Officers increased by 19.60% from 546 to 653 officers.

<u>Insurance Carrier:</u> QBE Specialty Insurance Company	
Annual Premium (Net):	\$93,527
Surplus Lines Tax:	<u>3,040</u>
Total Annual Premium:	\$96,567
Broker Fees:	<u>3,857</u>
Total Annual Cost:	\$100,424
Total City Cost:	\$28,594
Total Officer Cost:	\$71,830

10. Government Crime Insurance

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.

While policyholders are seeing 5% to 15% rate increases⁹, the City's renewal premium increases only 2.91% relative to the expiring program.

<u>Insurance Carrier:</u> Berkley Insurance Company	
Annual Premium (Net):	\$14,870
Broker Fees:	<u>599</u>
Total Annual Cost:	\$15,469

B. Insurance Coverage Not Recommended

The insurance coverage listed below was again reviewed by staff with the assistance of Gallagher. 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

⁹ Willis Towers Watson North America Market Conditions Summer 2020 Update (August 2020)

periodic basis and make the appropriate recommendations to Council should circumstances change.

1. Earthquake

Earthquake coverage is provided through a separate insurance product line. 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 have not improved for FY 2020-2021, and market conditions have deteriorated. The insurance markets that underwrite catastrophic coverage (flood, wind, and earthquake) have reduced available capacity and increased 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.

CONCLUSION

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

EVALUATION AND FOLLOW-UP

The memorandum will not require any follow-up from staff.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

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/INPUT

An abbreviated version of this item is scheduled to be heard at the September 10, 2020 Treatment Plant Advisory Committee ("TPAC") meeting. TPAC will be presented with the insurance recommendations for coverages that apply to the Regional Wastewater Facility.

COST SUMMARY/IMPLICATIONS

The estimated funding to pay for various insurance premiums in 2020-2021 was included in the 2020-2021 Adopted Operating Budget approved by the City Council on June 23, 2020. The recommended action includes authorization for an 18.0% contingency to schedule additional property or assets as required. Accordingly, the Administration will recommend future minor budget adjustments to the General Fund and Convention Center Fund appropriations as part of the 2020-2021 Annual Report scheduled for City Council review and approval on October 20, 2020.

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 asset is estimated to be \$625 in FY 2020-2021. 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 and Broker Fees ^a	2020-2021 Proposed Budget Page ^b	Last Budget Action (Date, Ord. No.)
001	2001	Insurance Premiums	\$1,205,000	\$961,878	VIII-23	06/23/2020 30437
001	2864	Police Officers' Professional Liability Insurance ^c	\$100,000	\$100,424	VIII-23	06/23/2020 30437
001	0502	Non-Personal/Equipment (Police Department)	\$31,522,331	\$42,362	VII-262	06/23/2020 30437
523	0802	Non-Personal/Equipment (Airport)	\$48,519,899	\$1,020,214	IX-3	06/23/2020 30437
536	3405	Insurance Expenses ^c (Convention Center)	\$338,000	\$400,677	IX-29	06/23/2020 30437
533	0512	Non-Personal/Equipment (Department of Transportation)	\$8,051,497	\$102,498	IX-44	06/23/2020 30437
513	0762	Non-Personal/Equipment (Environmental Services Department)	\$34,680,552	\$273,434	IX-87	06/23/2020 30437
515	0762	Non-Personal/Equipment (Environmental Services Department)	\$37,143,165	\$8,680	IX-100	06/23/2020 30437
423	0762	Non-Personal/Equipment (Environmental Services Department)	\$3,040,904	\$9,729	IX-54	06/23/2020 30437
346	0109	Loan Management (Housing Department)	\$225,000	\$25,494	IX-56	06/23/2020 30437

^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.

^b The 2020-2021 Adopted Operating Budget was approved by City Council on June 16, 2020 and the Annual Appropriation Ordinance and Funding Sources Resolution implementing the 2020-2021 Operating and Capital Budgets were adopted on June 23, 2020.

^c Administration will recommend an increase to this appropriation as part of the 2020-2021 Annual Report scheduled for City Council review and approval on October 20, 2020. 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

For 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	RENEWAL PROGRAM
	10/01/2019-10/01/2020	10/01/2020-10/01/2021
Carrier	Factory Mutual Insurance Company (FM)	Factory Mutual Insurance Company (FM)
Total Insurable Values	\$ 3,967,475,869	\$4,255,683,282
Limit of Liability	\$1,000,000,000 subject to a	\$1,000,000,000 Property Damage and \$300,000,000 Business Interruption subject to a
	\$100,000 Deductible Per Occurrence	\$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 exposed hazard flood zones, deductible is \$100,000 per location of loss except for locations in high and moderate exposure flood zones. Deductible is \$500,000 per location for locations in high and moderate exposed flood zones except the Airport, Convention Center, and RWF are given a flat \$10M (Airport & Convention Center) and \$5M (RWF) per location flood deductible.	\$100,000,000 but not to exceed \$25,000,000 in high and moderate exposed hazard flood zones, deductible is \$100,000 per location of loss except for locations in high and moderate exposure flood zones. Deductible is \$500,000 per location for locations in high and moderate exposed flood zones except the Airport, Convention Center, and RWF are given a flat \$10M (Airport & Convention Center) and \$5M (RWF) per location 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
	10/01/2019-10/01/2020	10/01/2020-10/01/2021
Carrier	Factory Mutual Insurance Company (FM)	Factory Mutual Insurance Company (FM)
Terrorism and Non-Certified Act of Terrorism	Included for additional premium	Included for additional premium
Annual Premium for City	\$1,546,445 ¹ Annual Premium	\$1,980,858 ² Estimated Annual Premium
	\$33,406 Optional TRIA	\$49,142 Optional TRIA
	\$17,009 Optional Standalone Terrorism	\$17,734 Optional Standalone Terrorism
	\$153,200 Excess Flood	\$191,500 Excess Flood
	\$88,500 AJG Broker Fee	\$72,515 AJG Broker Fee
	\$1,838,260 Total Annual Premium	\$2,311,749 Total Annual Premium
Engineering Services	Included in coverage	Included in coverage
Multiyear	Not Available	Not Available

¹ This includes premium and broker fees of \$651 directly invoiced to the City and charged to SARA.

² This includes premium and broker fees of \$625 which will be directly invoiced to the City and charged to SARA.

2. AIRPORT OWNERS AND OPERATORS LIABILITY

	CURRENT PROGRAM 10/01/2019-10/01/2020	RENEWAL PROGRAM 10/01/2020-10/01/2021
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	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, Excess Employers Liability, and Garage-keepers Liability. Deductible: \$0 each occurrence
Annual Premium	\$58,725	\$67,534
Optional TRIA and war premium (recommended for purchase)	\$11,746	\$13,506
Broker Fees	\$0	\$2,920
Total (Including Taxes/Fees)	\$70,471 (Net)³	\$83,960 (Net)

3. SECONDARY EMPLOYMENT LAW ENFORCEMENT PROFESSIONAL LIABILITY

	CURRENT PROGRAM 10/01/2019-10/01/2020	RENEWAL PROGRAM 10/01/2020-10/01/2021
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) ⁴
Average Rate per Officer	\$170.49 (546 Participating Officers at policy inception)	\$147.88 (653 Participating Officers at policy inception)
Annual Premium	\$90,201	\$93,527
Surplus Lines Taxes and Fees	\$2,886	\$3,040
Broker Fees	\$0	\$3,857
Total (Including Taxes/Fees)⁵	\$93,087 (Net)	\$100,424 (Net)

³ 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.

⁴ LAE includes costs for investigation and defense of claims

⁵ Participating Officers all contribute \$110 per year to obtain coverage

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

	CURRENT PROGRAM 10/01/2019-10/01/2020	RENEWAL PROGRAM 10/01/2020-10/01/2021
Carriers	Gemini Insurance Company (Auto Liability) Hanover Insurance Company (Physical Damage)	Gemini Insurance Company (Auto Liability) Hanover Insurance Company (Physical Damage)
Coverage and Deductibles	Auto Liability-Fleet Only \$1,000,000 Combined Single Limit (Any Auto) Retention \$250,000 each Accident Physical Damage-Buses Only Per Schedule Subject to \$10,000 Comp/\$10,000 Coll.	Auto Liability-Fleet Only \$1,000,000 Combined Single Limit (Any Auto) Retention \$250,000 each Accident Physical Damage-Buses Only Per Schedule Subject to \$10,000 Comp/\$10,000 Coll. except New Flyer Buses \$5,000 Com/\$5,000 Coll.
Exposure	Number of Vehicles 88	Number of Vehicles 88
Average Rate Per Unit	\$3,172.81	\$3,012.06
Annual Premium ⁶	\$273,217	\$247,571
Surplus Lines Taxes & Fees	\$5,990	\$5,920
Broker Fees	\$0	\$11,569
Excess Auto Liability	\$0	\$50,000
Total (Including Taxes/Fees)	\$279,207 (Net)	\$315,060 (Net)

5. AUTOMOBILE LIABILITY-RWF FLEET

	CURRENT PROGRAM 10/01/2019-10/01/2020	RENEWAL PROGRAM 10/01/2020-10/01/2021
Carrier	Gemini Insurance Company (Auto Liability)	Gemini Insurance Company (Auto Liability)
Coverage	Auto Liability-Fleet Only \$1,000,000 Combined Single Limit (Any Auto) Retention \$250,000 each Accident	Auto Liability-Fleet Only \$1,000,000 Combined Single Limit (Any Auto) Retention \$250,000 each Accident
Exposure	Number of Units 57	Number of Units 62
Average Rate Per Unit	\$1,041.05	\$1,086.19
Annual Premium	\$57,970	\$62,843
Surplus Lines Taxes & Fees	\$1,370	\$2,042
Broker Fees	\$0	\$2,459
Total (Including Taxes/Fees)	\$59,340	\$67,344

⁶ Includes coverage for 10 Zero Emissions Buses as of April 19, 2019

6. POLICE AIRCRAFT HULL AND LIABILITY

	CURRENT PROGRAM 10/01/2019-10/01/2020	RENEWAL PROGRAM 10/01/2020-10/01/2021
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 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: Airbus H125 \$5,700,000 Deductibles: Liability – NIL Hull - NIL Extended Engine Physical Damage: \$10,000 per occurrence
Annual Premium	\$46,388	\$40,440
War Liability & Hull--both aircraft	Included	Included
TRIA & War	Included on Both Hull & Liability	Included on Both Hull & Liability
Broker Fees	\$0	\$1,922
Total (Including Taxes/Fees)	\$46,388	\$42,362

7. GOVERNMENT CRIME

	CURRENT PROGRAM 10/01/2019-10/01/2020	RENEWAL PROGRAM 10/01/2020-10/01/2021
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	\$14,450	\$14,870
Surplus Lines Taxes & Fees	\$0	\$0
Broker Fees	\$0	\$599
Total	\$14,450	\$15,469

8. LIFE AND ACCIDENTAL DEATH AND DISMEMBERMENT

	CURRENT PROGRAM 10/01/2019-10/01/2020	RENEWAL PROGRAM 10/01/2020-10/01/2021
Carrier	Hartford Life and Accident Insurance Company	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	\$9,263	\$9,263
Broker Fees	\$0	\$384
Total (Including Taxes/Fees)	\$9,263 (year 1 of three-year fixed rate)	\$9,647 (year 2 of three-year fixed rate)

APPENDIX B

Allocation of Insurance Premiums by Fund & Type of Insurance

	2019-20 Premiums 12 Month	2020-21 Premiums Est. 12 Month	Percentage Increase / Decrease	\$ Increase / (Decrease)
<u>General Fund-Fund 001</u>				
Property Insurance ¹	\$715,948	\$907,096 *	26.70%	\$191,148
Government Crime	14,450	14,870	2.91%	\$420
AD&D	9,263	9,263	0.00%	\$0
Police Secondary ²	93,087	96,567	3.74%	\$3,480
Police Air Support (Hull & Liability)	46,388	40,440	-12.82%	(\$5,948)
Broker Fee	52,438	36,428	-30.53%	(\$16,010)
Subtotal	\$931,574	\$1,104,664	18.58%	\$173,090
<u>Airport-Fund 523</u>				
Property Insurance	\$479,527	\$601,324 *	25.40%	\$121,797
Liability Insurance	70,471	81,040	15.00%	\$10,569
Auto Liability / Physical Damage	279,207	253,492	-9.21%	(\$25,715)
Excess Auto Liability Insurance	0	50,000 **	N/A	\$50,000
Broker Fee	24,250	34,359	41.69%	\$10,109
Subtotal	\$853,455	\$1,020,214	19.54%	\$166,760
<u>ESD-Fund 513 (RWF)</u>				
Property Insurance	\$133,452	\$200,561 *	50.29%	\$67,109
Auto Liability Insurance	59,340	64,885	9.34%	\$5,545
Broker Fee	6,749	7,988	18.37%	\$1,239
Subtotal	\$199,541	\$273,434	37.03%	\$73,894
<u>ESD-Fund 515 (Municipal Water)</u>				
Property Insurance	\$7,546	\$8,368 *	10.90%	\$822
Broker Fee	382	313	-18.15%	(\$69)
Subtotal	\$7,928	\$8,680	9.50%	\$753
<u>ESD-Fund 423</u>				
Property Insurance	\$7,863	\$9,403 *	19.58%	\$1,540
Broker Fee	398	326	-18.13%	(\$72)
Subtotal	\$8,261	\$9,729	17.76%	\$1,468
<u>Convention & Cultural Affairs-Fund 536</u>				
Property Insurance	\$320,196	\$387,410 *	20.99%	\$67,214
Broker Fee	16,192	13,268	-18.06%	(\$2,924)
Subtotal	\$336,388	\$400,677	19.11%	\$64,290
<u>General Purpose Parking-Fund 533</u>				
Property Insurance	\$81,355	\$99,127 *	21.84%	\$17,772
Broker Fee	4,114	3,371	-18.06%	(\$743)
Subtotal	\$85,469	\$102,498	19.92%	\$17,029
<u>Successor Agency (SARA)</u>				
Property Insurance	\$620	\$599 *	-3.42%	(\$21)
Broker Fee	31	26	-17.08%	(\$5)
Subtotal	\$651	\$625	-4.07%	(\$27)
<u>Housing-Fund 346</u>				
Property Insurance	\$3,554	\$25,347 *	613.21%	\$21,793
Broker Fees	180	147	-18.19%	(\$33)
Subtotal	\$3,734	\$25,494	582.77%	\$21,760
Total	\$2,427,000	\$2,946,016	21.39%	\$519,017

¹ TRIA/Terrorism and Excess Flood costs are 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 Flood insurance

** Includes not-to-exceed premium for Excess Auto Liability insurance