



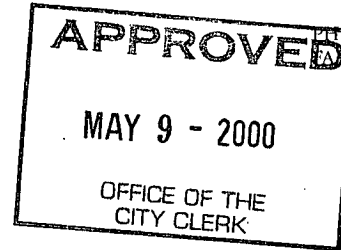
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DEPARTMENT OF
ADMINISTRATIVE SERVICES
RISK MANAGEMENT DIVISION

CITY OF SACRAMENTO
CALIFORNIA

921 TENTH STREET
ROOM 700
SACRAMENTO, CA
95814-2713

May 2, 2000



916-264-5278
916-264-5160

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: RENEWAL OF ALL RISK PROPERTY INSURANCE COVERAGE WITH AN ANNUAL PREMIUM OF \$269,990

LOCATION AND COUNCIL DISTRICT: City.

STAFF RECOMMENDATION:

It is recommended that the City Council adopt the attached resolution authorizing and directing the City Manager to place the City's all risk property insurance through our broker Robert F. Driver Associates' Public Entity Property Insurance Program (PEPIP) and Public Entity Boiler & Machinery Program.

CONTACT PERSON:

Margaret Ann Allen, Risk Manager, 264-5823

FOR COUNCIL MEETING OF: May 9, 2000

SUMMARY:

The renewal of the PEPIP program for the 2000-2001 year reflects a 19% rate increase over the previous year. This increase was anticipated as the rates for property insurance worldwide are going up. Robert F. Driver Associates continues to provide the most extensive coverage at the most competitive price. Their focus is to create program stability for their clients and risk diversity for the program underwriters. This stability and diversity has become extremely important now that the market is hardening.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

The present all risk property insurance has been expanded since 1987 to include earthquake and flood coverage as required by Certificates of Participation issues and bond covenants. The proposed policy covers each and every loss occurrence for risk of direct physical loss or damage to insured property, including buildings, machinery, equipment, tenant's improvements, personal property, electronic data processing equipment, legal liability for personal property of others in the custody of the City, boiler & machinery accident, and vehicles licensed for highway use.

The PEPIP program includes 1600 public entities throughout the United States. The underwriters were chosen on the basis of their strength and their capacity to take risk without the dependence on massive amounts of reinsurance. This criterion has allowed the program to expand and at the same time minimized the impact of the arrival of a "hard" market. PEPIP is now in excess of \$60 billion in value. The size and geographical diversity of the program will provide the stability that the members need and the diversity that underwriters desire. **EXHIBIT I** summarizes the all risk policy as proposed, and **EXHIBIT II** describes the associated boiler and machinery coverages.

The current property insurance rate increases are the result of insurers and their re-insurers seeing the results of 10 plus years of rate decreases finally impact their ability to achieve reasonable profits. This is in contrast to past market hardening which normally has been the result of catastrophic losses and the resulting capacity reduction. It should be noted that this is the first PEPIP program wide rate increase since the program inception almost 8 years ago.

FINANCIAL CONSIDERATIONS:

- This year's total annual premium of \$269,990 reflects a 19% rate increase and a addition of \$147,498,194 in property value. **EXHIBIT III** illustrates our policy history for the past three years.
- Funding to pay the \$269,990 premium is in the 2000-01 Risk Management Budget.

ENVIRONMENTAL CONSIDERATIONS:

The subject of this report does not involve a project that requires compliance with the

California Environmental Quality Act (CEQA), inasmuch as it does not involve an activity which may cause a direct or indirect change in the environment (Public Resources Code Section 21065).

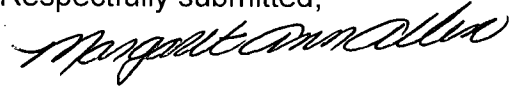
POLICY CONSIDERATIONS:

Acquisition of this insurance is consistent with the City's policy to purchase protection for the City against catastrophic losses.

ESBD CONSIDERATIONS:

Our insurance companies and brokers are multi-national companies owned by stockholders, and/or other insurance companies.

Respectfully submitted,



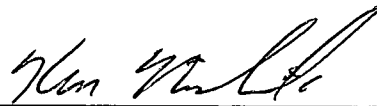
Margaret Ann Allen
Risk Manager

Recommendation Approved:



Robert P. Thomas
City Manager

Approved:



Ken Nishimoto
Director of Administrative Services

RESOLUTION NO. 2000-216

ADOPTED BY THE SACRAMENTO CITY COUNCIL



ON DATE OF _____

**RESOLUTION AUTHORIZING RENEWAL OF CITY'S
ALL RISK PROPERTY INSURANCE COVERAGE**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That the City Manager is hereby authorized and directed to obtain from Robert F. Diver Associates, All Risk Property Insurance through the PEP (Public Entity Property Insurance Program), for the period from May 15, 2000 to May 15, 2001.
2. That the Department of Administrative Services is authorized and directed to pay the premium of \$269,990 for said coverage from the Risk Management & Insurance Program Budget 421-150-1546-4292.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____⁴

DATE ADOPTED: _____

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
ALL RISK PROPERTY & DIFFERENCE IN CONDITIONS
INSURANCE PROPOSAL**

NAMED INSURED: Public Entity Property Insurance Program including:
CITY OF SACRAMENTO

EFFECTIVE DATE: May 15, 2000 to May 15, 2001

INSURANCE CARRIERS: ATTACHED

**TOTAL INSURED
VALUES:** \$648,855,182

LOCATIONS: See Property Schedule

COVERAGES AND LIMITS:

- \$1,000,000,000 Per Occurrence: All Perils, Coverages and Insureds/Members combined, subject to the following sublimits:
- \$ 30,000,000 Individual Flood - Per Occurrence
- \$100,000,000 Program Flood - Per Occurrence & Annual Aggregate - all coverages - shared with other members in this Declaration
- \$ 30,000,000 Earthquake Shock - Per Occurrence & Annual Aggregate
- \$100,000,000 Combined Business Interruption, Extra Expense, Rental Income and Tax Interruption except \$5,000,000 Limit if values are not reported by a member
- \$ 25,000,000 Extra Expense (separate from above)
- \$ 50,000,000 Miscellaneous Unnamed Locations and newly acquired as respects existing members (Does not apply to Earthquake)

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
ALL RISK PROPERTY & DIFFERENCE IN CONDITIONS
INSURANCE PROPOSAL**

CITY OF SACRAMENTO

**COVERAGES AND LIMITS:
(continued)**

\$ 25,000,000	Errors & Omissions
\$ 25,000,000	Landscaping, tees, sand traps, greens and athletic fields
\$ 25,000,000	Course of Construction (including new for total project values up to \$25,000,000)
\$ 1,000,000	Money & Securities (this enhancement is still under negotiation)
\$ 10,000,000	Unscheduled Fine Arts
\$ 500,000	Accidental Contamination
\$ 1,000,000	Tunnels, bridges, dams catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, street lights and traffic signals unless a specific value has been declared
\$100,000,000	Demolition and Increased Cost of Construction due to the enforcement of building codes
\$ 25,000,000	Transit
\$ 1,000,000	Animals, except \$100,000 Specially Trained Animals
\$ 1,000,000	Watercraft under 27 feet (maximum unless scheduled/reported with values)
\$ 500,000	Newly Acquired Vehicles (current members with auto coverage only)
\$ 10,000,000	Replacement power extra expense at scheduled utility locations
\$ 5,000,000	Off premises Service Interruption including Extra Expense resulting from a covered peril at non-owned/operated locations
\$ 5,000,000	Contingent Business Interruption resulting from a covered peril at non-owned/operated power generating facilities
\$ 5,000,000	Per Occurrence and in the Aggregate for PEP Declarations 1 through 9 combined: Earthquake shock on licensed vehicles, unlicensed vehicles, contractors equipment and fine arts combined for all insureds/members combined that do not purchase optional coverage

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
ALL RISK PROPERTY & DIFFERENCE IN CONDITIONS
INSURANCE PROPOSAL**

CITY OF SACRAMENTO

DEDUCTIBLES:

ALL RISK:	\$100,000
FLOOD (INDIVIDUAL):	\$100,000
FLOOD (PROGRAM):	\$250,000 Locations in Zone A \$100,000 All Other Locations
EARTHQUAKE:	5% of Values /,\$25,000 Minimum
SERVICE INTERRUPTION:	24 hour waiting period all perils
ALL OTHER PERILS:	Not applicable

VALUATION:

ALL PROPERTY:	Repair or Replace and Agreed Amount (for vehicles, see Section 6)
BUSINESS INTERRUPTION:	Actual Loss Sustained

CANCELLATION: 90 Day Notice except 10 Days for Non-Payment

DRIVER SIGNATURE SERVICES: 36 Available Hours

ANNUAL PREMIUM: \$241,755

BROKER: **ROBERT F. DRIVER ASSOCIATES**
Newport Beach, California

Martin S. Heflin
First Vice President
PEPIP Program Manager

Gordon B. DesCombes
President

Nasreen Kassam
Account Administrator

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
2000 - 2001 POLICY YEAR
SCHEDULE OF INSURERS**

<u>COMPANY</u>	<u>BEST'S GUIDE RATING</u>	<u>CALIFORNIA STATUS</u>
ACE UK (A.C.E. Ins. Co. Ltd.)	A+ Superior; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
Agricultural Insurance Co.	A (Pooled) Excellent; Financial Size Category 13; \$1,250,000,000 to \$1,500,000,000	Admitted
Allianz Insurance	A+ (Pooled) Superior; Financial Size Category 15; Greater Than \$2,000,000,000	Admitted
Clarendon Insurance Group	A Excellent; Financial Size Category 8; \$100,000,000 to \$250,000,000	Non-Admitted
Coregis Insurance Co.	A (Group) Excellent; Financial Size Category 9; \$250,000,000 to \$500,000,000	Admitted
Diamond State	A+ (Pooled) Superior; Financial Size Category 9; \$250,000,000 to \$500,000,000	Admitted
D.P. Mann Syndicate 435 and Spinney Syndicate 1308	A Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
Essex Insurance Co.	A (Group) Excellent; Financial Size Category 9; \$250,000,000 to \$500,000,000	Non-Admitted
Excel UK (EXCEL Group)	A ++ Superior; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
F.R. White 190	A Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
2000 - 2001 POLICY YEAR
SCHEDULE OF INSURERS**

<u>COMPANY</u>	<u>BEST'S GUIDE RATING</u>	<u>CALIFORNIA STATUS</u>
First Specialty Insurance Co.	A++ (Group) Superior; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
General Star National Insurance Co.	A++ Superior; Financial Size Category 8; \$100,000,000 to \$250,000,000	Admitted
Great American Insurance Co.	A (Pooled) Excellent; Financial Size Category 13; \$1,250,000,000 to 1,500,000,000	Admitted
Great Lakes Insurance Company	A- Excellent; Financial Size Category 8; \$100,000,000 to \$250,000,000	Non-Admitted
Greenwich Insurance Co. NAC Re Group	A+ (Reinsured) Superior; Financial Size Category 11; \$750,000,000 to \$1,000,000,000	Admitted
Guaranty National Insurance Co.	A (Group) Excellent; Financial Size Category 8; \$100,000,000 to \$250,000,000	Non-Admitted
Hudson Insurance Company	A- (Reinsured) Excellent; Financial Size Category 14; \$1,500,000,000 to \$2,000,000,000	Admitted
ICW Group	A Excellent; Financial Size Category 8; \$100,000,000 to \$250,000,000	Admitted
Indian Harbor Insurance Co.	A+ (Reinsured) Superior; Financial Size Category 11; \$750,000,000 to \$1,000,000,000	Non-Admitted
Insurance Co. of the West	A (Pooled) Excellent; Financial Size Category 8; \$100,000,000 to \$250,000,000	Admitted
Lexington Insurance Company	A++ (Pooled) Superior; Financial Size Category 14; \$1,500,000,000 to \$2,000,000,000	Non-Admitted

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
2000 - 2001 POLICY YEAR
SCHEDULE OF INSURERS**

<u>COMPANY</u>	<u>BEST'S GUIDE RATING</u>	<u>CALIFORNIA STATUS</u>
Lloyds of London	A Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
Lloyds – Brockbank Syndicate	A Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
Lloyds – Caitlin Syndicate	A Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
Lloyds – Harvey Bowring Syndicate	A Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
Lloyds – Wellington Syndicate	A Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
London Companies	A Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
Munich American Re	A++ Superior; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
Pacific Insurance Co. Ltd. - Firststate	A+ (Pooled) Superior; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
Reliance Insurance Company of Illinois	A– (Pooled) Excellent; Financial Size Category 14; \$1,500,000,000 to \$2,000,000,000	Non-Admitted
RLI Insurance Co.	A (Group) Excellent; Financial Size Category 9; \$250,000,000 to \$500,000,000	Admitted
Royal Indemnity Company	A (Pooled) Excellent; Financial Size Category 14;	Admitted

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
2000 - 2001 POLICY YEAR
SCHEDULE OF INSURERS**

<u>COMPANY</u>	<u>BEST'S GUIDE RATING</u>	<u>CALIFORNIA STATUS</u>
	\$1,500,000,000 to \$2,000,000,000	
Royal Insurance Group	A (Pooled) Excellent; Financial Size Category 14; \$1,500,000,000 to \$2,000,000,000	Admitted
S.R. International Insurance Co.	A Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
Swiss Re America Group	A+ Superior; Financial Size Category 11; \$750,000,000 to \$1,000,000,000	Admitted
Underwriters at Lloyds	A Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	Non-Admitted
United Fire & Casualty Ins. Co.	A (Group) Excellent; Financial Size Category 8; \$100,000,000 to \$250,000,000	Admitted
United National Insurance Co.	A+ (Pooled) Excellent; Financial Size Category 9; \$250,000,000 to \$500,000,000	Non-Admitted
Voyager Indemnity	A- Excellent; Financial Size Category 6; \$25,000,000 to \$50,000,000	Non-Admitted
Westchester Fire Insurance Company	A (Group) Excellent; Financial Size Category 9; \$250,000,000 to \$500,000,000	Admitted

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
BOILER & MACHINERY PROPOSAL FOR
CITY OF SACRAMENTO**

POLICY TERM: May 15, 2000 to May 15, 2001

INSURANCE CARRIER: CNA Insurance Company

BEST'S GUIDE RATING: A, Excellent; Financial Size Category 15;
Greater than \$2,000,000,000

CALIFORNIA STATUS: Admitted

COVERAGE: Comprehensive Coverage including Production Machinery, Public Utility Equipment, Digestors, Business Interruption, Extra Expense and Bond Revenue Payments, Loss Adjustment Agreement, Defense Outside Limits, Errors in Description, Earthquake Resultant Damage, Ammonia Contamination, Water Damage, Hazardous Substance Clean-up, Expediting Expense, Consequential Damage

LIMITS: \$ 50,000,000 Combined Limit - Property Damage & Business Interruption/Extra Expense (including Bond Revenue Interest Payments for locations where the income is reported)

SUBLIMITS:

EXPEDITING EXPENSE	\$ 10,000,000
HAZARDOUS SUBSTANCE	\$ 1,000,000
AMMONIA CONTAMINATION	\$ 10,000,000
WATER DAMAGE	\$ 10,000,000
ERRORS & OMISSIONS	\$ 10,000,000
BUILDING ORDINANCE COVERAGES	\$ 1,000,000
SERVICE INTERRUPTION	\$ 10,000,000
CONSEQUENTIAL DAMAGE:	\$ 10,000,000

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM
BOILER & MACHINERY PROPOSAL FOR
CITY OF SACRAMENTO**

SUBLIMITS: (continued)

**ELECTRONIC DATA
PROCESSING EQUIPMENT:** \$ 2,000,000

**EARTHQUAKE RESULTANT
DAMAGE** \$ 2,000,000 each incident
\$ 2,000,000 each member
\$ 2,000,000 aggregate

Coverage applies only to locations covered for Earthquake

LOCATIONS: Omnibus Location Wording

**NEWLY ACQUIRED
LOCATIONS:** Must be reported to carrier within 365 Days

VALUATION: Repair or Replacement except Actual Loss sustained for all
Time Element coverages

NOTICE OF CANCELLATION: 60 days except
10 days for non-payment of premium

EXCLUSIONS:

- Nuclear Hazard
- War and Military Action
- Fire or explosion outside the object that occurs at the same time as the accident
- Water (fire extinguishing)
- Lightening (fire extinguishing)
- Flood
- Testing
- Lack of power, light, heat, steam or refrigeration
- A delay in or interruption of any business activity
- Explosion, except for steam or centrifugal explosion
- Freeze or Wind
- Explosion of gas or unconsumed fuel from furnace of the boiler
- Electronic Date Recognition Clause (Y2K)
- Bonus and penalties of a Power Sales Agreement Exclusion

OBJECTS EXCLUDED:

- Insulating or refractory material
- Non metallic vessel unless meets ASME standards
- Catalyst
- Buried vessel or piping
- Furnace, oven, stove, incinerator, pot kiln
- Structure, cabinet or compartment containing the object
- Vehicle, aircraft, self-propelled equipment or floating vessel
- Elevator escalator, crane, hoist, ladle or bucket, power shovel, dragline, escalator scale or conveyor but not excluding any boiler, fired vessel, unfired vessel normally subject to vacuum or internal pressure other than the weight of contents

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM
BOILER & MACHINERY PROPOSAL FOR
CITY OF SACRAMENTO**

**OBJECTS EXCLUDED:
(continued)**

- Object manufactured by you for sale
- Machine or apparatus used for research, diagnosis, medication, surgical, therapeutic, dental or pathological purposes
- Felt, wire screen, die, extrusion plate and swing hammer

**PROPERTY DAMAGE
DEDUCTIBLES:**

\$5,000 All objects over 200 HP, 1,000 KW/KVA/AMPS, or Boilers over 5,000 Sq. Ft. heating surface

\$50,000 All objects over 350 HP, 2,500 KW/KVA/AMPS, or Boilers over 10,000 Sq. Ft. heating surface

\$250,000 All objects over 750 HP, 10,000 KW/KVA/AMPS, or Boilers over 75,000 Sq. Ft. heating surface

\$375,000 All objects over 25,000 HP, 25,000 KW/KVA/AMPS, or Boilers over 250,000 Sq. Ft. heating surface

\$2,500 All other insured objects

CONSEQUENTIAL DAMAGE:

\$5,000

**TIME ELEMENT
DEDUCTIBLES:**

5X 100% Daily Value All objects over 750 HP, 10,000 KW/KVA/AMPS or 10,000 square feet heating surface

5X 100% Daily Value All objects at Wastewater Treatment facilities, utilities and SERRF

24 Hours all other insured objects

30 days Bond Revenue Interest Payments

TOTAL INSURED VALUES:

\$628,422,486

ANNUAL PREMIUM:

\$28,235

BROKER:

ROBERT F. DRIVER ASSOCIATES

Ted E. Davidson, CEO/Managing Executive
PEPIP Boiler & Machinery Program Manager

Gordon B. Descombes, President

Nasreen Kassam, Account Administrator

EXHIBIT III
PEPIP PROPERTY PROGRAM INFORMATION SHEET

3 YEAR POLICY PERIOD HISTORY

CITY OF SACRAMENTO

◆ TOTAL INSURED VALUE ◆

	1998-1999	1999-2000	2000-2001
Grand Total Insured Value:	\$565,606,885	\$501,356,988	\$648,855,182
All Risk Total Insured Value:	\$535,060,097	\$476,878,619	\$623,359,081
Earthquake Total Insured Value:	\$565,606,885	\$476,878,619	\$623,359,081
Individual Flood Total Insured Value:		\$501,356,988	\$648,855,182
Program Flood Total Insured Value:	Not applicable	See Individual Flood	See Individual Flood

◆ RATE ◆

	1998-1999	1999-2000	2000-2001
Insurance Rate:	0.0319	0.0314	0.0373
Reinsurance Rate:	Not applicable	Not applicable	Not applicable

◆ PERCENTAGE OF RATE CHANGE ◆

Insurance 98/99 vs 99/00	Insurance 99/00 vs 00/01	Insurance 98/99 VERSUS 00/01	Ins 98/99 vs Re-Ins 00/01	Ins 99/00 vs Re-Ins 00/01
-2%	19%	17%	Not applicable	Not applicable

◆ PREMIUM ◆

	1998-1999	1999-2000	2000-2001
Insurance Premium:	\$180,440	\$157,412	\$241,755
Reinsurance Premium:	Not applicable	Not applicable	Not applicable