

APPROVED
BY THE CITY COUNCIL

MAY 11 1999

OFFICE OF THE
CITY CLERK



1.13

DEPARTMENT OF
ADMINISTRATIVE SERVICES
RISK MANAGEMENT DIVISION

CITY OF SACRAMENTO
CALIFORNIA

921 TENTH STREET
ROOM 700
SACRAMENTO, CA
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May 5, 1999

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: RENEWAL OF ALL RISK PROPERTY INSURANCE COVERAGE WITH AN ANNUAL PREMIUM OF \$179,018

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 11, 1999

City Council
Renewal of All Risk Property Insurance Coverage
May 5, 1999

SUMMARY:

The renewal of the PEPiP program for the 1999-2000 year involves the most comprehensive changes that this program has experienced since its inception almost ten years ago. 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 will become extremely important when the present "soft" market "hardens".

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 (excluding collision & overturn).

The renewal of the PEPiP program will include public entity property exposures from Alaska, Montana, Illinois, Texas and Washington. Property from other states will be added as the program year continues. The broker has also incorporated a number of their other California bases Public Entity property accounts into PEPiP. 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 should allow the program to expand and at the same time minimize the impact of a "hard" market when it arrives. 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.

One of the policy provisions for the 1999-2000 term concerns the Y2K exposure. Our broker has received underwriters' agreement to provide coverage for loss by a "named peril" as a result of a Y2K failure. These "named perils" are: Fire, Explosion, Implosion, Smoke, Collapse, Water Damage, Sprinkler Leakage, Riot & Civil Commotion,

City Council
Renewal of All Risk Property Insurance Coverage
May 5, 1999

Contamination, Aircraft & Vehicles, Theft, Vandalism, Freeze, and Flooding. The re-programming would not be covered but the fire or other "named peril" following the Y2K failure would be covered. The agreement to provide "named peril" coverage may be broadened if the underwriters are satisfied that the City has addressed the Y2K issue.

FINANCIAL CONSIDERATIONS:

- This year's total annual premium of \$179,018 reflects a 13% reduction in the amount of \$26,837.
- Funding to pay the \$179,018 premium is in the 1997-98 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

APPROVED
BY THE CITY COUNCIL

MAY 11 1999

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 99-220

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, 1999 to May 15, 2000.
2. That the Department of Administrative Services is authorized and directed to pay the premium of \$179,018 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. _____

DATE ADOPTED: _____



**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
ALL RISK PROPERTY AND DIFFERENCE IN CONDITIONS
INSURANCE PROPOSAL
MAY 15, 1999 TO MAY 15, 2000**

Present

Proposed

| | | |
|-----------------------------|--|---|
| NAMED INSURED: | Public Entity Property Insurance Program including: City of Sacramento (See attached for complete Named Insured) | Public Entity Property Insurance Program including: City of Sacramento (See attached for complete Named Insured) |
| INSURANCE COMPANIES: | See Attached | See Attached |
| BEST'S GUIDE RATING: | See Attached | See Attached |
| CALIFORNIA STATUS: | See Attached | See Attached |
| POLICY TERM: | May 15, 1998 to May 15, 1999 | May 15, 1999 to May 15, 2000 |
| COVERAGE: | All Risk of Direct Physical Loss or Damage excluding Earthquake and Flood Coverage includes: 1. Real Property and Personal Property 2. Rental Income including Bond Revenue Requirements 3. Business Interruption (where applicable) | All Risk of Direct Physical Loss or Damage including Earthquake and including Flood. Coverage includes: 1. Real Property and Personal Property 2. Rental Income including Bond Revenue Requirements 3. Business Interruption (where applicable) |

**COVERAGE:
(Continued)**

Present

4. Extra Expense
5. Valuable Papers and Records
6. Accounts Receivable
7. EDP Equipment, Media, and Extra Expense
8. Owned/Leased Vehicles (if values reported)
9. Demolition and Increased Cost of Construction, Building Laws
10. Debris Removal
11. Transit
12. Architects', Engineers', and Claims' Consultant Fees
13. Course of Construction on Premises or within 1,000 feet
14. Mobile Equipment, Contractor Type Equipment (if values reported)
15. Service Interruption from Public and Private Utilities
16. Tax Interruption (if values reported)
17. Replacement Cost and Agreed Amount (all coverages except Auto per separate statement)
18. 90 Day Notice of Cancellation except 10 days for Nonpayment
19. Coverage not Confined to Schedule (except Earthquake and Flood)
20. Automatic Coverage – report newly acquired locations within 120 days (applicable to Earthquake, Flood, new coverages, and changes over \$25,000,000 in value)

Proposed

4. Extra Expense
5. Valuable Papers and Records
6. Accounts Receivable
7. EDP Equipment, Media, and Extra Expense
8. Owned/Leased Vehicles (if values reported)
9. Demolition and Increased Cost of Construction, Building Laws
10. Debris Removal
11. Transit
12. Architects', Engineers', and Claims' Consultant Fees
13. Course of Construction on existing and new locations
14. Mobile Equipment, Contractor Type Equipment (if values reported)
15. Service Interruption from Public and Private Utilities
16. Tax Interruption (if values reported)
17. Replacement Cost and Agreed Amount (all coverages except Auto per separate statement)
18. 90 Day Notice of Cancellation except 10 days for Nonpayment
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Present

Proposed

**COVERAGE:
(Continued)**

- 21. Expediting Expense
- 22. Errors and Omissions
- 23. Fine Arts
- 24. Fire Department Service Charges
- 25. Vacancy Clause – Deleted
- 26. Joint Loss Agreement with Boiler Carrier(s)
- 27. Leasehold Interest Endorsement (limited to one year)
- 28. Dropdown clause per Entity as respects Earthquake
- 29. Transmission Lines On Premises only unless separate values reported for “Off Premises”

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**Additional Potential Coverage Enhancements
Final Terms Under Negotiation:**

- 1. Contamination to owned property including land and water
- 2. Covered property includes roadways, highways, streets, sidewalks, culverts, streetlights and traffic signals, underground pipes on site and within 2,500 feet of premises without report of values
- 3. Police dogs, horses, and other specially trained animals
- 4. Watercraft less than 26 feet
- 5. Asbestos Cleanup and Removal, including Earthquake and Flood

LIMITS OF LIABILITY:

\$1,000,000,000 Loss Limit Per Occurrence except as follows:

\$1,000,000,000 Loss Limit Per Occurrence except as follows:



Present

Proposed

SUBLIMITS:

- | | |
|--|---|
| <ul style="list-style-type: none"> 1. \$ 100,000,000 Program Flood 2. \$ 100,000,000 Demolition and Increased Cost of Construction 3. Demolition and Increased Cost of Construction re: Earthquake – Included at EQ limits as purchased by each member 4. \$ 25,000,000 Valuable Papers and Records 5. \$ 25,000,000 Accounts Receivable 6. \$ 25,000,000 Transit 7. \$ 25,000,000 Mobile and Contractor Type Equipment 8. \$ 25,000,000 Newly Acquired Locations (All Risk only) 9. \$ 25,000,000 Extra Expense 10. \$ 5,000,000 Architects, Engineers, and Claim Consultant Fees 11. \$ 5,000,000 Fine Arts (Unscheduled) | <ul style="list-style-type: none"> 1. \$ 100,000,000 Shared Program Flood Limit 2. \$ 100,000,000 Demolition and Increased Cost of Construction 3. Demolition and Increased Cost of Construction re: Earthquake – Included at EQ limits as purchased by each member 4. Included in Loss Limit – Valuable Papers and Records 5. Included in Loss Limit – Accounts Receivable 6. \$ 25,000,000 Transit 7. Included in Loss Limit – Mobile and Contractor Type Equipment 8. \$ 25,000,000 Newly Acquired Locations (All Risk only) 9. \$ 100,000,000 Combined Business Interruption, Extra Expense, Rental Interruption, and Tax Interruption (Values must be declared for Business Interruption, Rental Interruption, and Tax Interruption) 9a. \$ 500,000 (on a shared basis) Automatic Business Interruption at locations where Business Interruption has not been declared 10. Included in Loss Limit – Architects, Engineers, and Claim Consultant Fees 11. \$ 10,000,000 Fine Arts (Unscheduled) |
|--|---|



Present

Proposed

**SUBLIMITS:
(Continued)**

- 12. \$ 5,000,000 Service Interruption
- 13. \$ 5,000,000 Expediting Expenses
- 14. \$ 5,000,000 Errors and Omissions
- 15. \$ 5,000,000 Replacement Power Extra Expense at Utility Locations
- 16. \$ 500,000 Newly Acquired Vehicles

- 12. Included in Loss Limit – Service Interruption at all locations except Utility Locations
- 12a. \$ 5,000,000 Off Premises Power Service Interruption and at Utility Locations
- 13. Included in Loss Limit – Expediting Expense
- 14. \$ 25,000,000 Errors and Omissions
- 15. \$ 10,000,000 Replacement Power Extra Expense at Utility Locations
- 16. \$ 500,000 Newly Acquired Vehicles
- 17. \$ 25,000,000 Course of Construction for Additions or Modifications. Project Values not to exceed \$25,000,000
- 18. Animals: The stated value as per schedule on file with the insured (if applicable)
- 19. \$ 25,000,000 Landscaping, trees, sand traps, greens, and athletic fields

EARTHQUAKE AND FLOOD LIMITS:

See attached Information Sheet

See attached Information Sheet

FLOOD ONLY LIMIT:

See attached Information Sheet

See attached Information Sheet

DEDUCTIBLES:

See attached Information Sheet

See attached Information Sheet

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SERVICE INTERRUPTION:

24 hour waiting period, then applicable deductible

24 hour waiting period, then applicable deductible



Present

Proposed

VALUATION:

- Repair or Replacement Cost
- Actual Loss Sustained for Time Element Coverages
- Vehicles and Contractors Equipment/either Replacement Cost or Fair Market Value as elected by each member by declaring values in the manner losses are to be adjusted
- Library Books – Subject to valuation endorsement in policy form

- Repair or Replacement Cost
- Actual Loss Sustained for Time Element Coverages
- Vehicles and Contractors Equipment/either Replacement Cost or Fair Market Value as elected by each member by declaring values in the manner losses are to be adjusted
- Library Books – Subject to valuation endorsement in policy form

PRINCIPLE EXCLUSIONS:

Including but not limited to:

- War and Civil War Risks
- Nuclear Risks
- Third Party Liability
- Professional Indemnity
- Fidelity, Surety, Bonds
- Financial Guarantee

Including but not limited to:

- War and Civil War Risks
- Nuclear Risks
- Third Party Liability
- Professional Indemnity
- Fidelity, Surety, Bonds
- Financial Guarantee
- Earthquake, unless declared
- Boiler Machinery
- Transmission and Distribution Lines beyond 1,000 ft., unless specifically declared and accepted by underwriters

TOTAL INSURABLE VALUES:

See attached Information Sheet

See attached Information Sheet

ANNUAL PREMIUM:

See attached Invoice

See attached Invoice

OPTIONAL QUOTES:

See attached Optional Quote Sheet (if applicable)

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

POLICY TERM: May 15, 1999 to May 15, 2000

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 | \$ 5,000,000 |
| HAZARDOUS SUBSTANCE | \$ 1,000,000 |

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

CITY OF SACRAMENTO

SUBLIMITS: (continued)

| | |
|--|---|
| AMMONIA CONTAMINATION | \$ 5,000,000 |
| WATER DAMAGE | \$ 5,000,000 |
| ERRORS & OMISSIONS | \$ 5,000,000 |
| BUILDING ORDINANCE COVERAGES | \$ 1,000,000 |
| SERVICE INTERRUPTION | \$ 1,000,000 |
| EARTHQUAKE RESULTANT DAMAGE | \$ 2,000,000 each incident \$ 2,000,000 each member \$ 2,000,000 aggregate |

| | |
|--------------------------------------|--|
| 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: | <ul style="list-style-type: none">• 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 |

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

CITY OF SACRAMENTO

EXCLUSIONS: (continued)

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

**PROPERTY DAMAGE
DEDUCTIBLES:**

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

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

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

CITY OF SACRAMENTO

PROPERTY DAMAGE

DEDUCTIBLES: (continued)

\$50,000 All objects over 350 HP,
2,500 KW/KVA/AMPS, or Boilers
over 5,000 square feet heating surface

\$5,000 All objects over 200 HP, 1,000
KW/KVA/AMPS, or Boilers over 5,000
square feet 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: \$480,889,833

ANNUAL PREMIUM: \$21,606

BROKER:

Robert F. Driver Associates
P. O. Box 6450
Newport Beach, CA 92660-6450

Ted E. Davidson, President
PEPIP Boiler & Machinery Program Manager

Gordon B. Descombes, Vice President

Jennifer M. Levin, Account Manager

PLEASE REFER TO POLICY FOR SPECIFIC TERMS, CONDITIONS AND EXCLUSIONS.