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APPROVED
BY THE CITY COUNCIL
JUN 24 1997

OFFICE OF THE
CITY CLERK 921 TENTH STREET
ROOM 401
SACRAMENTO, CA
95814-2713
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A697-097

DEPARTMENT OF
ADMINISTRATIVE SERVICES

ADMINISTRATION
DIVISION

CITY OF SACRAMENTO
CALIFORNIA
June 13, 1997

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: RENEWAL ALL RISK PROPERTY INSURANCE COVERAGE
AT A PREMIUM OF \$371,599**

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 with TIG Insurance Group through Alburger Basso DeGrosz, Inc. of Sacramento (formerly Willis Corroon Insurance Broker Services) for the period of July 1, 1997 to July 1, 1998 for an annual premium of \$371,599.

CONTACT PERSON:

Margaret Ann Allen, Risk Manager, 264-5823

FOR COUNCIL MEETING OF:

June 24, 1997

SUMMARY:

This report recommends that the City Council authorize the purchase of the City's "All Risk Property Policy" insurance provided by TIG Insurance Group. The marketplace for earthquake and flood coverage continues to suffer in capacity, especially with the

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recently published Army Corps of Engineers Flood maps. These maps essentially say to ignore the levee system that currently protects the Sacramento area, and that we are in a 100 year flood plane. We are fortunate to continue our present coverage limits of \$15,000,000 for flood and earthquake perils with a decrease in premium.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

Arkwright Insurance Company provided the City's All Risk Property Coverage from April 1, 1987 to July, 1990. 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. In addition, Fleet Mobile coverage has been added and included in this policy. During the 89-90 year, there was additional flood insurance coverage added to the City's all risk property coverage to provide flood protection as required by the Stafford Disaster Relief and Emergency Act.

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). **ATTACHMENT A** summarizes the policy as proposed and **ATTACHMENT B** illustrates the history of our property values and premiums since 1989.

FINANCIAL CONSIDERATIONS:

- The total insured values for the term of July 1, 1997/98 is \$535,060,097. Eventhough we have added property during the past year, our insured value decreased from last year in the amount of \$30,102,927. This reduction is a result of an evaluation by TIG underwriters of actual construction costs for 1997.
- The Occurrence Limit has been increased from \$150,000,000 to \$200,000,000.
- This year's annual premium of \$371,599 reflects a 3.8% reduction in the amount of \$14,902.

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- Funding to pay the \$371,599 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.

MBE/WBE EFFORTS:

Our insurance companies and brokers are multi-national companies owned by stockholders, and/or other insurance companies. There are no subcontracting opportunities for MBE/WBE according to the prime contractors. There are no MBE/WBE underwriters that are available in our MBE/WBE directory.

Respectfully submitted,



Margaret Ann Allen
Risk Manager

Recommendation Approved:



Betty Masuoka
Deputy City Manager

Approved:



Ken Nishimoto
Director of Administrative Services

RESOLUTION NO. 97-366

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
BY THE CITY COUNCIL
JUN 24 1997
OFFICE OF THE
CITY CLERK

**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 place the City's All Risk Property Insurance with TIG Insurance Group through our Broker, Alburger Basso DeGrosz, Inc. of Sacramento, for the period from July 1, 1997 to July 1, 1998.
2. That the Department of Administrative Services is authorized and directed to pay the premium of \$371,599 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: _____

COMPARISON TABLE**CITY OF SARAMENTO**

	1996	1997	%DIFFERENCE
BUILDING:	\$457,137,408	\$436,362,408	- 13%
CONTENTS:	INCLUDED	INCLUDED	INCLUDED
RENTAL INCOME:	\$12,000,000	\$12,000,000	SAME
BUSINESS INTERRUPTION:	\$1,000,000	\$1,000,000	SAME
EXTRA EXPENSE:	\$1,000,000	\$1,000,000	SAME
EXPEDITING EXPENSES:	\$250,000	\$250,000	SAME
VEHICLES:	\$48,000,000	\$48,000,000	SAME
TOTAL INSURABLE VALUE:	\$565,163,024	\$535,060,097*	5.3%
AVERAGE RATE:	0.07	0.07	- 4.1%
PREMIUM:	\$386,501	\$371,599**	- 3.8%

* Reduction is due to re-evaluation of construction.
Costs for 1997 by TIG Underwriters.

** Includes Increasing the Occurrence limit from \$150,000,000 to \$200,000,000

INSURANCE PREMIUM COMPARISON
CITY OF SACRAMENTO

YEAR	COMPANY	TOTAL INSURANCE VALUE	PREMIUM PER \$100 VALUE	TOTAL PREMIUM
1989/90	ARKWRIGHT INSURANCE COMPANY	\$276,800,000	\$.1364	\$377,510
1990/91	FIREMAN'S FUND INSURANCE COMPANY REQUIRED BOOSTER PUMP	\$293,112,000	\$.0809	\$239,370 \$ 30,000
1991/92	FIREMAN'S FUND INSURANCE COMPANY	\$349,828,036	\$.0769	\$268,976
1992/93	FIREMAN'S FUND INSURANCE COMPANY	\$363,665,013	\$.0691	\$251,238
1993/94	FIREMAN'S FUND INSURANCE COMPANY	\$408,116,075	\$.0718	\$292,996
1994/95	FIREMAN'S FUND INSURANCE COMPANY	\$435,722,000	\$.07516	\$339,280
1995/96	FIREMAN'S FUND INSURANCE COMPANY	\$555,301,984	\$.06483	\$362,232
1996/97	FIREMAN'S FUND INSURANCE COMPANY	\$565,163,024	\$.0744	\$386,501
1997/98	TIG INSURANCE COMPANY	\$535,060,097	\$.07133	\$371,599