



CITY OF SACRAMENTO

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CITY MANAGER'S OFFICE
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DEPARTMENT OF FINANCE
915 I STREET
ROOM 112
SACRAMENTO, CALIFORNIA 95814
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September 4, 1980

JACK R. CRIST
DIRECTOR OF FINANCE
FRANK MUGARTEGUI
ASSISTANT DIRECTOR

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: COMMUNITY CENTER COMPLEX PROPERTY COVERAGE

SUMMARY

It is recommended that the City accept coverage offered by Kemper Insurance Group on the basic fire coverages on buildings and rents, in combination with Harbor/Northbrook providing full Difference in Conditions (i.e. All Risk, Earthquake, and Flood).

BACKGROUND

The Community Center Project Lease requires that the City provide earthquake and rental income coverage in addition to fire coverage. The Community Center Complex is an excellent underwriting risk being Class A Structure which is completely sprinklerized. Since the City's acceptance of the facility, the subject coverage has been provided under a policy separate from the City's standard blanket all risk property coverage. The reason for this being, that the net premium for the past 6 years (2 policies of 3 years each) was less than it would have been had the Community Center Complex been included in the City's master property policy. This circumstance still remains with the lowest offer received compared to the master program (Ref. to Exhibit I).

As noted on Exhibit I under the 3 year Policy Period 9/6/77-80, the unabsorbed premium for the 3 year program will result in an estimated premium return of \$27,639, due from the expiring Allendale Policy; which means that after paying the premium for 1980-81, the City will still have a net return.

Pending City Council's authorization to accept the subject coverage, we have had the broker bind the coverage, since the current policy expired September 1, 1980.

LOSS EXPERIENCE

Underwriters have experienced no losses.

FUNDING

Funding is available in the FY 1980-81 Budget.

APPROVED
BY THE CITY COUNCIL

SEP 10 1980

OFFICE OF THE
CITY CLERK

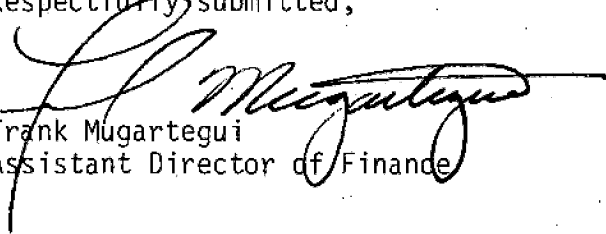
CONCLUSIONS

Based on the offers received, the best program for payment of premium (annual) and lowest annual premium has been provided by the Kemper Insurance Group in combination with the Harbor/Northbrook (See Exhibit I). The difference in the annual premium between quotations #4 and #5 is a 46% premium credit for increasing the deductible for basic fire loss from \$10,000 to \$100,000 per coverage on the basic buildings and rents policy (.0365/\$100 to .0249/\$100).

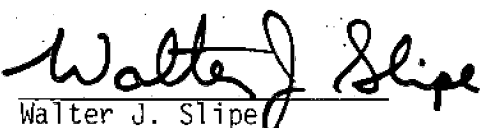
RECOMMENDATION.

It is recommended that the City Council adopt the attached resolution authorizing and directing the City Manager to accept the offer of the Kemper Insurance Group in combination with Harbor/Northbrook for a three (3) year policy premium rate of .0249/\$100 for basic building and rents and .0950/\$100 for the DIC coverage.

Respectfully submitted,


Frank Mugartegui
Assistant Director of Finance

RECOMMENDATION APPROVED:


Walter J. Slipe
City Manager

September 10, 1980
All Districts

FA:80393:FM/ml

cc: Risk Management and Insurance Committee
Harold Wiener, Vice President
Corroon & Black/James Burpo Insurance Service
Benjamin R. Richards, CPCY
Corroon & Black/Miller & Ames
Don DeVere, President
Mund, McLaurin & Co. of San Francisco

CITY OF SACRAMENTO
COMMUNITY CENTER PROPERTY COVERAGE

EXHIBIT I

Type of Insurance: All Risk, including Earthquake, Flood, and Rental Income

Conditions: A. \$10,000 deductible on all perils except Earthquake & Flood which is 5% of value of risk per occurrence
B. \$100,000 deductible on basic Fire, \$10,000 deductible on Rents or DIC conditions except Earthquake & Flood which is 5% of value of risk per occurrence

Past Experience

| Policy Period: | 3 Yrs 9/6/74-77 | | 3 Yrs 9/6/77-80 | | Quotations for 3 Year Policy 9/6/80-83 | | | |
|--------------------------------------|---|---|-----------------------------|---|---|--|--|---------------------------------|
| | Allendale Mutual/ Appalachian & Northbrook | Allendale Mutual/ Appalachian & Northbrook | Aetna/Cravens Dargan | Allendale Mutual/ Appalachian & Northbrook | Allendale Mutual Northbrook & Harbor | Kemper Ins. Group Harbor/Northbrook | Kemper Ins. Group Harbor/Northbrook | Central National ^(B) |
| Value Covered: | \$15,120,000 | \$17,504,000 | \$18,930,000 ^(A) | \$18,930,000 | \$18,930,000 | \$18,930,000 | \$18,930,000 | \$18,930,000 |
| Conditions: | A | A | A | A | A | A | B | B |
| Premium Info: | | | | | | | | |
| 3 Yr Prepayment + Annual Payments | \$ 81,565 <u>21,888</u> | \$103,586 <u>20,425</u> | \$90,980 <u>-0-</u> | \$ 75,473 <u>34,186</u> | \$ 59,831 <u>41,534</u> | -0- <u>-0-</u> | -0- <u>-0-</u> | -0- <u>-0-</u> |
| Total 3 Yr Premium | \$103,453 | \$124,011 | \$90,980 | \$109,659 | \$101,365 | -0- | -0- | -0- |
| Unabsorbed Premium | <u>(25,200)Act.</u> | <u>(27,639)Est.</u> | <u>-0-</u> | <u>(21,357)Est.</u> | <u>(14,291)Est.</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Net 3 Year Premium | \$ 78,253 | \$ 96,372 | \$90,980 | \$ 88,302 | \$ 87,074 | \$74,688 | \$68,094 | \$71,697 |
| Annual Premium | \$ 26,084 | \$ 32,124 | \$30,327 | \$ 29,434 | \$ 29,025 | \$24,896 | \$22,698 | \$23,899 |

Notes: (A) Current Value as of 6/30/80 M & S Rpt \$20,387,000 (Original Construction Cost \$12,512,000)
(B) Current underwriter on all other City property

RESOLUTION NO. 80-591

Adopted by The Sacramento City Council on date of

RESOLUTION APPROVING PLACEMENT OF SACRAMENTO COMMUNITY CENTER PROPERTY INSURANCE RENEWAL

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

1. That the City Manager is hereby authorized and directed to obtain from Corroon and Black/Miller and Ames, property coverage as follows —

| <u>Company</u> | <u>Coverage</u> | <u>Prem. Rate</u> | <u>Deductible</u> |
|-------------------|---|-------------------|---|
| Kemper Insurance | Basic Fire (Fire, Extended Coverage, Sprinkler Leakage) and Rental Income | .0249/\$100 | \$100,000/occurrence \$ 10,000/occurrence |
| Harbor/Northbrook | DIC | .0950/\$100 | \$ 10,000 all perils except Earthquake & Flood which is 5% of Value of Risk per occurrence. |

2. That the Department of Finance is authorized and directed to pay the premium for said coverage from the Risk Management and Insurance Program Budget 4-21-5030.

MAYOR

ATTEST:

CITY CLERK

APPROVED
BY THE CITY COUNCIL

SEP 10 1980

OFFICE OF THE
CITY CLERK