



City Council Staff Report

DATE: JUNE 2, 2010 NEW BUSINESS

SUBJECT: APPROVE ANNUAL INSURANCE POLICY RENEWALS FOR THE CITY'S INSURANCE PORTFOLIO FOR FISCAL YEAR 2010-11

FROM: David H. Ready, City Manager

BY: Douglas Holland, City Attorney

SUMMARY

The City is self-insured and annually purchases various lines of insurance coverage to minimize the adverse effects of accidental losses and claims against the City. This action would authorize the purchase of various lines of insurance for Fiscal Year 2010-11.

RECOMMENDATION:

Adopt Resolution No. ____ "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA, AUTHORIZING KEENAN & ASSOCIATES AS THE CITY'S BROKER OF RECORD, TO PURCHASE PROPERTY LIABILITY, EXCESS EARTHQUAKE/FLOOD LIABILITY (DIFFERENCE IN CONDITION), EXCESS LIABILITY, EXCESS WORKERS COMPENSATION, AIRPORT OWNERS AND OPERATORS LIABILITY, VILLAGE FEST LIABILITY, MULTI MEDIA LIABILITY, AIRCRAFT HULL LIABILITY, AND CRIME/FIDELITY LIABILITY INSURANCE POLICIES FROM VARIOUS CARRIERS FOR POLICY YEAR 2010-2011, EFFECTIVE JULY 1, 2010."

STAFF ANALYSIS:

The City is self insured for major risk programs such as property liability, excess earthquake/flood liability, general liability, auto liability and workers' compensation. In order to protect the assets of the City from potential loss, the City purchases various lines of insurance coverage for these risks. To assist in the purchase of various lines of insurance, the City entered into Agreement No. A5656 on April 30, 2008, with Keenan and Associates for professional insurance brokerage services.

Keenan and Associates has solicited pricing on the City's insurance portfolio and has delivered pricing that, if approved, is \$199,328 (-15.5%) less than the current year while providing essentially the same level of coverage. (The total savings will be shared by the General Fund and two enterprise accounts: Airport Fund and Wastewater Treatment

Fund. The following is a summary of last year's premiums, and staff's recommendation for the July 1 renewals for Fiscal Year 2010-11:

COVERAGE:	Premium FY 09-10	Premium FY 10-11
PROPERTY Premium Deductibles Limits	\$470,258 \$250,000 for Earthquake \$100,000 Flood \$10,000 all other Losses \$2.5M + \$2.5M EQ/Flood Terrorism coverage included Airport Runways \$80M	\$385,261 \$250,000 for Earthquake \$100,000 Flood \$10,000 all other Losses \$5M EQ/Flood Terrorism coverage included Airport Runways \$80M
DIC (Earthquake/Flood) Premiums Limits	\$154,838 (City+Airport) \$5,000,000 (excess of \$5.0M) \$358,655 (WWTP) \$25,000,000	\$144,550 (City+Airport) \$5,000,000 (excess of \$5.0M) \$273,612 (WWTP) \$25,000,000
EXCESS LIABILITY GL & AUTO Premium Self-Insured Retention Limits	\$160,800 \$500,000 Employment Practices, \$400,000, all other: \$10,000,000	\$144,720 \$500,000 Employment Practices, \$400,000, all other: \$10,000,000
EXCESS WORKERS' COMP Premium SIR- Police & Fire SIR-all other employees Limits	\$72,742 \$1,000,000 \$1,000,000 \$50,000,000 per occurrence	\$71,173 \$1,000,000 \$1,000,000 \$50,000,000 per occurrence
AIRPORT LIABILITY Premium Deductible Limits	\$35,381 \$1,000 \$50,000,000 Terrorism coverage included	\$35,381 \$1,000 \$50,000,000 Terrorism coverage included
VILLAGE FEST Premium Deductibles Limits	\$12,210 \$1,000 \$1,000,000/\$2,000,000 AGG/\$2,000,000 PROD/\$100,000 FIRE	\$12,212 \$1,000 \$1,000,000/\$2,000,000 AGG/\$2,000,000 PROD/\$100,000 FIRE
MULTI MEDIA Premium Deductibles Limits	\$9,291 \$5,000 \$1,000,000	\$8,776 \$5,000 \$1,000,000
AIRCRAFT HULL Premium Deductible Limits	\$4,983 \$75K hull, \$100 In Motion/\$500 Static \$5,000,000 Terrorism coverage included	\$4,145 \$75K hull, \$100 In Motion/\$500 Static \$5,000,000 Terrorism coverage included
CRIME / FIDELITY Premium Deductibles Limits	\$3,583 \$10,000/\$1,000 \$1,000,000/\$100,000/\$300,000	\$3,583 \$10,000/\$1,000 \$1,000,000/\$100,000/\$300,000
Total Premiums	\$1,282,741	\$1,083,413

PROPERTY PROGRAM:

Under the All Risk Property insurance program the quote of \$385,261 from Travelers, the City's current provider, is for one comprehensive policy which includes \$5 million in primary Earthquake/Flood coverage, enhanced wind damage coverage for trees and shrubs, and attractive supplemental coverage such as Terrorism and Builder's Risk. The premium is for \$84,997 less (-18.1%) than last year.

DIFFERENCE IN CONDITION (DIC) PROGRAM:

The City is self-insured and purchases various lines of insurance each year for additional protection. Difference in Condition (additional flood and earthquake coverage) is almost always excluded from commercial property policies and may be purchased separately.

The City's total insurable value (TIV) is approximately \$347 million. While it is highly unlikely that the City would have to replace every single facility in the event of an earthquake, facilities such as the Airport and Wastewater Treatment Plant are considered critical to the continued operations of the City. These two facilities alone have an estimated replacement cost of over \$120 million. Last year Council authorized the purchase of Differences in Condition (DIC) insurance to augment its primary earthquake/flood insurance policy to cover the Wastewater Treatment Plant, the Airport Runways, and all other City Buildings (including the Airport). Staff is again recommending a separate stand-alone policy from Empire Indemnity to cover the Wastewater Treatment Plant from the first dollar to \$25 million for a total cost of \$273,612 (\$90,388 less than last year, or -24.8%) that would be paid in full by the wastewater enterprise account. Also, staff recommends \$5 million in excess of the \$5 million in coverage provided under the primary property insurance (above) for all other City Buildings (including the Airport) for a total cost of \$144,550 from Max Specialty (\$10,288 less than last year, or -6.6%) and the cost would be shared by the City's General Fund and Airport enterprise account. This year staff is again recommending the coverage for the Airport Runways, which is included in the primary property insurance above, and the \$48,000 of that premium allocated to this coverage will be paid from the Airport enterprise account.

EXCESS LIABILITY PROGRAM:

The cost quoted for Excess Liability (which includes the City's comprehensive General Liability and Auto Liability insurance) of \$144,720 from the incumbent Everest National is \$16,080 less (-10%) than last year, and given the increase in litigation against public agencies due to the Joint & Several Liability law created by Prop 51 (aka "the deep pockets rule"), staff recommends this coverage at this favorable quote in today's insurance market.

EXCESS WORKERS' COMPENSATION PROGRAM:

Maintenance of Excess Workers' Compensation insurance is important to protect the City from the negative financial consequences of potential catastrophes involving multiple employee injuries or deaths from occurrences, such as major fires, police activities, terrorist attacks and earthquakes during working hours. The renewal for the same \$50 million in coverage is \$71,173 from Safety National, which is \$1,569 (-2.2%) less than last year.

AIRPORT PROGRAM:

Airport Liability covers incidents such as injury to a person (ie: passenger slip and fall in terminal) or damage to a plane (ie: airport equipment hits a plane) that occur on the premises. Aircraft Hull Liability is specifically for the 1974 Cessna Aero Squadron plane, covering the property itself and our liability in the event of an accident. The combined cost of these two policies from ACE is \$39,526 which includes terrorism and war coverage, and is \$838 (-2%) less than last year.

MISCELLANEOUS

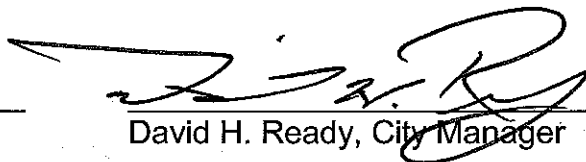
Finally, for the Village Fest, Multi Media and Crime/Fidelity policies, Keenan's marketing efforts resulted in a combined premium of \$24,571 and is \$513 (-2%) less than last year.

FISCAL IMPACT:

Total cost of recommended insurance to all funds for the fiscal year is \$1,083,413, plus fees and taxes. Funds will be allocated in the respective FY 10-11 Risk Management Fund accounts accordingly, as well as the airport enterprise account and wastewater enterprise account, as appropriate.



Douglas Holland, City Attorney



David H. Ready, City Manager

Attachments:

Proposed Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA AUTHORIZING KEENAN AND ASSOCIATES, AS THE CITY'S BROKER OF RECORD, TO PURCHASE PROPERTY LIABILITY, EXCESS EARTHQUAKE/FLOOD LIABILITY (DIFFERENCE IN CONDITION), EXCESS LIABILITY, EXCESS WORKERS COMPENSATION, AIRPORT OWNERS AND OPERATORS LIABILITY, VILLAGE FEST LIABILITY, MULTI MEDIA LIABILITY, AIRCRAFT HULL LIABILITY, AND CRIME/FIDELITY LIABILITY INSURANCE POLICIES FROM VARIOUS CARRIERS FOR POLICY YEAR 2010-2011, EFFECTIVE JULY 1, 2010.

The City Council of the City of Palm Springs, California, finds:

A. The City is self insured for major risk programs, such as property, general liability, auto liability and workers' compensation.

B. The City annually purchases various lines of insurance coverage to minimize the adverse effects of accidental losses and claims against the City.

C. The City is located in the vicinity of several known active and potentially active earthquake faults, including the San Andreas, the San Jacinto and the Elsinore faults.

D. The topography of the City makes it prone to flooding, especially during times of heavy rainfall.

E. The City purchases a primary earthquake and flood insurance policy.

F. The City supplements its primary insurance policy with excess coverage to properly protect its public facilities from catastrophic loss from earthquake or flood.

G. The City Council appoints a broker of record to purchase insurance policies for the City and the City's insurance broker has solicited proposals from various insurance companies for insurance coverage.

NOW, THEREFORE, the City Council resolves:

SECTION 1: The City Council of the City of Palm Springs, California authorizes Keenan & Associates, as the City's Broker of Record, to purchase the following insurance policies for Fiscal Year 2010-11:

COVERAGE:	Premium FY 10-11
PROPERTY Premium Deductibles Limits	\$385,261 \$250,000 for Earthquake \$100,000 Flood \$10,000 all other Losses \$5M EQ/Flood Terrorism coverage included Airport Runways \$80M
DIC (Earthquake/Flood) Premiums Limits	\$144,550 (City+Airport) \$5,000,000 (excess of \$5.0M) \$273,612 (WWTP) \$25,000,000
EXCESS LIABILITY GL & AUTO Premium Self-Insured Retention Limits	\$144,720 \$500,000 Employment Practices, \$400,000, all other: \$10,000,000
EXCESS WORKERS' COMP Premium SIR- Police & Fire SIR-allother employees Limits	\$71,173 \$1,000,000 \$1,000,000 \$50,000,000 per occurrence
AIRPORT LIABILITY Premium Deductible Limits	\$35,381 \$1,000 \$50,000,000 Terrorism coverage included
VILLAGE FEST Premium Deductibles Limits	\$12,212 \$1,000 \$1,000,000/\$2,000,000 AGG/\$2,000,000 PROD/\$100,000 FIRE
MULTI MEDIA Premium Deductibles Limits	\$8,776 \$5,000 \$1,000,000
AIRCRAFT HULL Premium Deductible Limits	\$4,145 \$75K hull, \$100 In Motion/\$500 Static \$5,000,000 Terrorism coverage included
CRIME / FIDELITY Premium Deductibles Limits	\$3,583 \$10,000/\$1,000 \$1,000,000/\$100,000/\$300,000
Total Premiums	\$1,083,413

SECTION 2. The City Manager is hereby authorized to accordingly adjust the budget and allocate the insurance expense to the appropriate enterprise and other funds.

SECTION 3. The City Manager is hereby authorized to execute any documents to effectuate such actions.

ADOPTED THIS 2nd DAY OF JUNE, 2010.

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy as was duly adopted at a regular meeting of the City Council of the City of Palm Springs on June 2, 2010 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California