

2.15

DEPARTMENT OF
ADMINISTRATIVE SERVICES

RISK MANAGEMENT DIVISION

CITY OF SACRAMENTO
CALIFORNIA
May 8, 2002

921 TENTH STREET
ROOM 700
SACRAMENTO, CA
95814-2713

PH 916-264-5278
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City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: RENEWAL OF PROPERTY INSURANCE COVERAGE WITH AN ANNUAL PREMIUM OF \$1,155,627

LOCATION AND COUNCIL DISTRICT: City.

STAFF RECOMMENDATION:

It is recommended that the City Council adopt the attached resolution authorizing the City Manager to place the City's property insurance for 2002-2003 through our broker Driver Alliant Insurance Services' 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 14, 2002

SUMMARY:

This is the annual renewal for the City's property insurance in PEPIP, a group-purchasing program comprised of over 3000 public agencies. Funding for the \$1,155,627 premium is contained in the 2001-2002 budget. Driver Alliant Insurance Services 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 in light of the September 11, 2001 disaster and its impact on global insurance markets.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

The property market began a rate increase pattern mid year 2000 that was created by deteriorating underwriting results for property insurers in general, and an ever-increasing number and severity of catastrophic losses worldwide. Eight months after the horrific events of September 11th, the insurance community continues to assess the financial fallout of the worst disaster the industry has ever known. Estimates of the gross combined insurance loss for the World Trade Center (WTC) now stand at between \$40 and \$75 billion. While these figures dwarf projections that were made in the days following the tragedy, they, in fact could be well short of the eventual cumulative amount of loss, which many believe could settle in the \$100 to \$200 billion range.

Since the above totals represent from 15% to 25% of current \$300 billion worldwide surplus of the property and casualty insurance industry, it is easy to understand why concerns are developing over possible insolvencies of marginal insurers and reinsurers and why attention is being drawn towards the broader based problem of uncollectable reinsurance. In reaction to anticipated erosion in insurer financial strength from these dramatic losses, rating agencies have already downgraded a number of high profile insurers.

We were well aware of the firming trend that existed in property and casualty insurance markets before September 11 (our May 15, 2001 PEPIP renewal provided ample evidence of this). In the wake of the WTC disaster, that trend has abruptly turned to a condition of extreme hardness in markets worldwide.

Industry analysts believe that current market conditions could prevail for a long as four or five years. Dramatic spikes in pricing and significantly diminished capacity of available limits characterize the immediate phase of this cycle, where all lines of coverage are affected. Other short-term effects include underwriter withdrawals from the market, rigorous underwriting of renewal business and the imposition of new exclusions, such as those for sabotage and terrorism. **EXHIBIT I** lists the changes to the PEPIP Policy included in this renewal. The strength of the PEPIP program lies in the complexity of the participating insurers. PEPIP program losses are underwritten by forty-three insurers comprised of the most prominent insurance companies in the world. **EXHIBIT II** lists the PEPIP Schedule of Insurers for this renewal.

Property insurance premiums are calculated by multiplying the current insurance rate by the total property value. **It is important that the City's current renewal rates be kept in historical perspective as illustrated in the graph below.** The rate that will be charged in this renewal is nearly the same as the rate we paid in FY 1990.

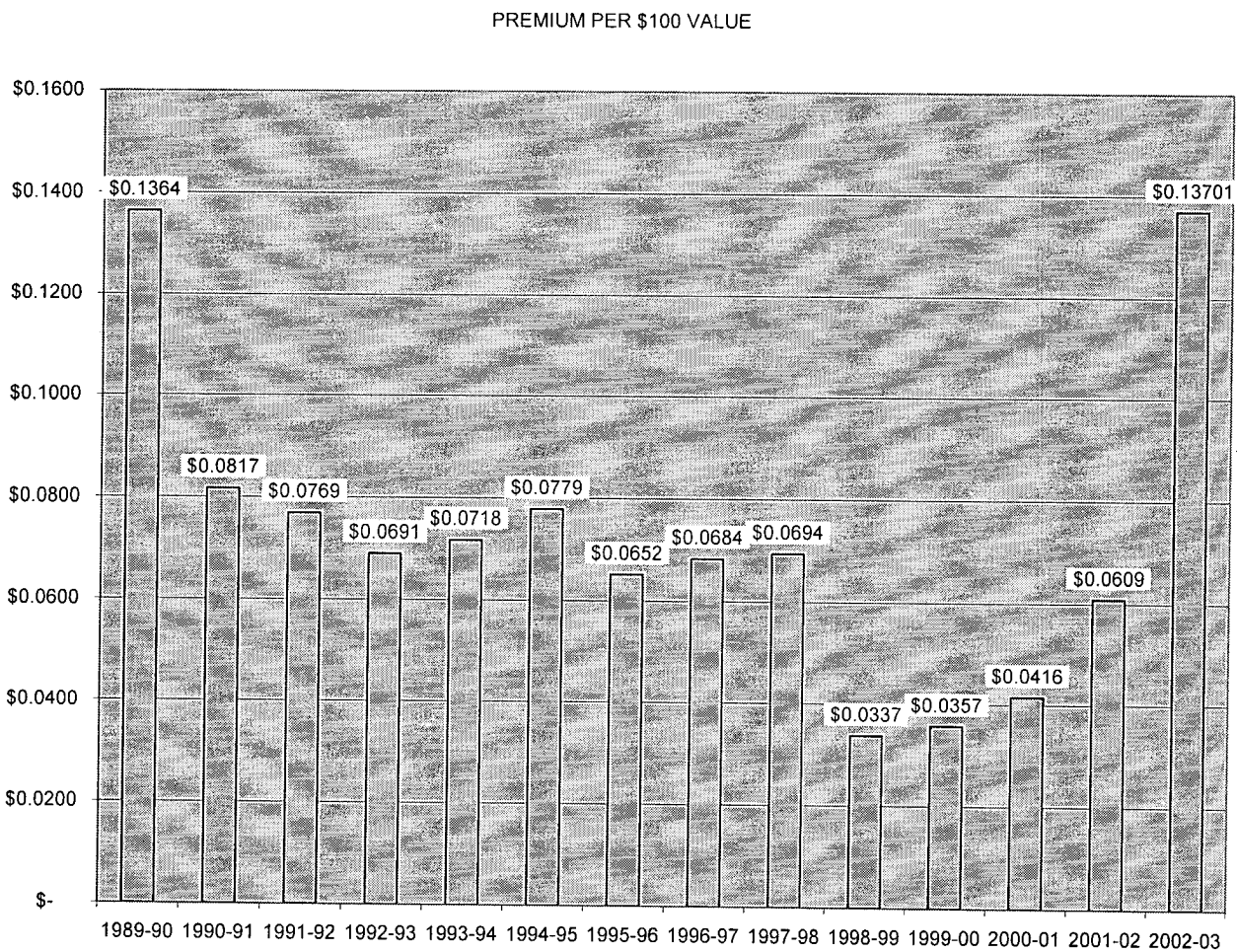


EXHIBIT III summarizes the all risk policy as proposed, and **EXHIBIT IV** describes the associated boiler and machinery coverages.

FINANCIAL CONSIDERATIONS:

- This year's total annual premium of \$1,155,627 reflects a 124% rate increase and an addition of \$56,051,320 in property value. **EXHIBIT V** illustrates our property insurance premium history for the past 14 years.
- Funding to pay the \$1,155,627 premium is in the 2001-02 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 that 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:

Driver Alliant Insurance Services is committed to include small business partners in servicing the City of Sacramento account. Our insurance companies are multi-national companies owned by stockholders, and/or other insurance companies.

Respectfully submitted,



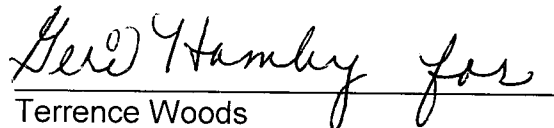
Margaret Ann Allen
Risk Manager

APPROVED



Robert P. Thomas
City Manager

CONCURRENCE:



Terrence Woods
Director of Human Resources

APPROVED
MAY 14 2002
OFFICE OF THE
CITY CLERK

RESOLUTION NO. 2002-273

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 to obtain from Driver Alliant Insurance Services, All Risk Property Insurance through the PEP (Public Entity Property Insurance Program), for the period from May 15, 2002 to May 15, 2003.
2. That the Department of Human Resources is authorized to pay the premium of \$1,155,627 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: _____

**PROPOSED CHANGES TO THE PEPPI USA POLICY FORM
FOR
POLICIES INCEPTING MAY 1, 2002 TO MAY 1, 2003**

<u>Item</u>	<u>Current Limit/Coverage</u>	<u>Automatic Renewal Limit/Coverage</u>
Extra Expense to purchase replacement power for power generation facilities	\$5,000,000 Per Occurrence	No coverage
Accidental Contamination	\$500,000 Per Occurrence	\$10,000 Per Member/Occurrence/Aggregate
Contingent Business Interruption, Extra Expense and Rental Interruption	\$5,000,000 Per Occurrence	\$250,000 per member/occurrence If higher limits are needed, complete underwriting information must be submitted to the carriers for approval and pricing.
Tax Interruption	If values are not declared, Smallest of the following: <ul style="list-style-type: none"> • The limit insured on the Policy; • The actual loss sustained • The difference in amount between 97.5% of the anticipated revenue and the actual total revenue after the loss. 	If values are not declared, Smallest of the following: <ul style="list-style-type: none"> • Policy sublimit • Value Declared on the Statement of Values • If no values are declared- \$100,000 Per member/occurrence
Claims Preparation Expense	Policy Limit	\$100,000 per member/occurrence
New exclusions to be added		<ul style="list-style-type: none"> • Corrosion • Sabotage • Terrorism (Please see the attached sample wording) • EDP electronic erasure • Asbestos • Mold, fungus, dry rot, wet rot, and bacteria

**PROPOSED CHANGES TO THE PEPPI USA POLICY FORM
FOR
POLICIES INCEPTING MAY 1, 2002 TO MAY 1, 2003**

<u>Item</u>	<u>Current Limit/Coverage</u>	<u>Automatic Renewal Limit/Coverage</u>
Pollution	Coverage applies to pollution damage resulting in direct physical loss or damage caused by any peril not excluded by the policy.	Coverage applies to pollution damage as a result of the following specified perils: <ul style="list-style-type: none"> • Fire • Lightning • Aircraft • Explosion • Riot • Civil commotion • Smoke • Vehicles • Windstorm • Hail • Vandalism • Malicious Mischief • Leakage • Accidental discharge from fire protective systems
Territory	Property insured within the United States. Personal Property while in transit is extended to worldwide coverage.	Confined to the U.S., except for \$50,000/member/occurrence. More coverage available upon receipt, acceptance and review by the carriers of complete underwriting information.
Expediting Expense (other than Power Plants)	Reasonable cost	\$2,500,000 per occurrence
Unscheduled Fine Arts	\$10,000,000 per occurrence	\$2,500,000 Per occurrence. Sublimated as follows: <ul style="list-style-type: none"> • \$25,000 each for furs, jewelry, precious metals and stones

PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
PROPERTY INSURANCE
PRELIMINARY PREMIUM INDICATION

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

EFFECTIVE DATE: May 15, 2002 to May 15, 2003

INSURANCE CARRIERS: See Exhibit II

TOTAL INSURED VALUES: \$ 843,447,218

COVERAGES AND LIMITS:

\$ 500,000,000 Loss Limit per occurrence for Real Property, Personal Property, Rental Income, Business Interruption, Ordinary Payroll and Extra Expense subject to the following sublimits:

\$ 30,000,000 Individual Flood - Per Occurrence

\$ 100,000,000 Program Flood - Per Occurrence & Annual Aggregate - 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

\$ 10,000,000 Miscellaneous Unnamed Locations and automatic acquisition as respects new and existing members
(Does not apply to Earthquake)

**PROPOSED CHANGES TO THE PEPIC USA POLICY FORM
FOR
POLICIES INCEPTING MAY 1, 2002 TO MAY 1, 2003**

TERRORISM EXCLUSION ENDORSEMENT

Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

For the purpose of this endorsement an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This endorsement also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any act of terrorism.

If the Underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Assured.

In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

**NMA2920
08/10/2001**

**PROPOSED CHANGES TO THE PEPIC USA POLICY FORM
FOR
POLICIES INCEPTING MAY 1, 2002 TO MAY 1, 2003**

A SPECIAL NOTE FROM THE LONDON UNDERWRITERS:

**PLEASE READ THIS LETTER CAREFULLY.
IF YOU HAVE QUESTIONS REGARDS THE CONTENT OF THIS LETTER,
PLEASE CONTACT YOUR INSURANCE BROKER, THE BROKER WILL
ENDEAVOUR TO ANSWER ANY QUESTIONS OR SEEK FURTHER
CLARIFICATION FROM UNDERWRITERS.**

The Terrorism Endorsement NMA 2920 applicable to the your Policy excludes all loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism, in accordance with the provisions of the said endorsement, regardless of any other cause or event contributing concurrently or in any other sequence including but not limited to any other ensuing cause all as more fully defined in the attached endorsement NMA 2920.

Moreover, Underwriters state that under no circumstances would they have underwritten this contract at any premium level if there were reason to believe that such acts and losses as described in the attached endorsement NMA 2920 would not be excluded from coverage under this policy.

**Public Entity Insurance Program (PEPIP)
2002-2003 Policy Year
Schedule of Insurers**

Company	A.M. Best's I.D. No.	A.M. Best's Guide Rating	Standard California & Poor's	Status
ACE Global Markets Syndicate AGM #2488	85875	A+, Superior; Financial Size Category 15; Greater Than \$2,000,000,000	A	Admitted
AXA RE America Insurance Company	12329	A+, Superior; Financial Size Category 14; \$1,500,000,000 to \$2,000,000,000	NR	Admitted
Allianz Insurance Company	00407	A++, (Pooled), Superior; Financial Size Category 14; Greater Than \$2,000,000,000	AA+	Admitted
Continental Insurance	02118	A, Excellent; Financial Size Category 14; Greater Than \$2,000,000,000	A-	Admitted
Chubb Group	00012	A++, Superior; Financial Size Category 15; Greater Than \$2,000,000,000	NR	Admitted
Clarendon National Insurance	01975	A, (Group), Excellent; Financial Size Category 9; \$250,000,000 to \$500,000,000	AA-	Admitted
Commonwealth Insurance Company	11766	A- u, Excellent; Financial Size Category 7; \$50,000,000 to \$100,000,000	NR	Non-Admitted
Coregis Insurance Co.	18246	A, (Group), Excellent; Financial Size Category 9; \$250,000,000 to \$500,000,000	A+	Admitted
Crum & Forster Insurance Company	01886	A-, (Excellent); Financial Size Category 11; \$7,500,000 to \$1,000,000,000	BBB	Non-Admitted
Diamond State Insurance Co.	02820	A+, (Pooled), Superior Financial Size Category 9;	A,	Admitted

**Public Entity Insurance Program (PEPIP)
2002-2003 Policy Year
Schedule of Insurers**

\$250,000,000 to \$500,000,000

Discover Property & Casualty	03792	A+, (Pooled), Superior; Financial Size Category 15; Greater Than \$2,000,000,000	AA-	Admitted
Essex Insurance Co.	02732	A, (Group) Excellent; Financial Size Category 9; \$250,000,000 to \$500,000,000	A-	Non-Admitted
Fireman's Fund Insurance	02179	A, Excellent; Financial Size Category 14; \$1,500,000,000 to \$2,000,000,000	AA	Admitted
General Star National Insurance	00646	A++, (Group), Superior; Financial Size Category 15; Greater Than \$2,000,000,000	AAA	Admitted
Great American Assurance Company	02004	A, Excellent; Financial Size Category 12; \$1,000,000,000 to \$1,250,000,000	A	Admitted
Great American Insurance Company	02213	A, (Pooled), Excellent; Financial Size Category 12; \$1,000,000,000 to \$1,250,000,000	A	Admitted
Great Lakes Insurance Company	03218	A-, Excellent; Financial Size Category 8; \$100,000,000 to \$ 250,000,000	NR	Non-Admitted
Greenwich Insurance Co.	11095	A+, (Pooled), Superior; Financial Size Category 15; Greater Than \$2,000,000,000	AA	Admitted
Gulf Insurance Company	02451	A++, (Pooled), Superior; Financial Size Category 15; Greater Than \$2,000,000,000	AA-	Admitted
Hartford Insurance	02231	A+, Superior; Financial Size Category 14; Greater Than \$2,000,000,000	AA	Admitted
Hudson Insurance Company	03081	A, (Reinsured), Excellent;	NR	Admitted

**Public Entity Insurance Program (PEPIP)
2002-2003 Policy Year
Schedule of Insurers**

Financial Size Category 11;
\$750,000,000 to \$1,000,000,000

Insurance Co. of the West	04667	A, Excellent; Financial Size Category 9; \$250,000,000 to \$500,000,000	BBB	Admitted
Lexington Insurance Company	02350	A++, Superior; Financial Size Category 15; Greater Than \$2,000,000,000	AAA	Admitted
Lloyd's of London	85202	A-, Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A	Non-Admitted
Lloyd's - D.P. Mann Syndicate #435 and Cox Syn #1176 and Casualty #2027	85202	A-, Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A	Non-Admitted
Lloyd's - F.R. White Syndicate #190	85202	A-, Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A	Non-Admitted
Lloyd's - Harvey Bowring Syndicate WEH3621/HRB823	85202	A-, Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A	Non-Admitted
Lloyd's - MAP Syndicate	85202	A-, Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A	Non-Admitted
Lloyd's - M.E. Brockbank Syndicate MDR861/MEB1209/ NJM588/MEB1209	85202	A-, Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A	Non-Admitted
Lloyd's - RA Stuchbery & Others Syndicate	85202	A-, Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A	Non-Admitted
Lloyd's - RJ Kiln & Others Syndicate #510	85202	A, Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A	Non-Admitted

**Public Entity Insurance Program (PEPIP)
2002-2003 Policy Year
Schedule of Insurers**

Lloyd's - S.J. Catlin Syndicate 1003/2003	85202	A, Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A	Non-Admitted
Lloyd's - Wellington Syndicate WEL2020	85202	A, Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A	Non-Admitted
Munich American Risk Partners	86577	A++, Superior; Financial Size Category 15; Greater Than \$2,000,000,000	AAA	Non-Admitted
Pacific Insurance	02588	A, Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A-	Admitted
RLI Insurance Co.	03883	A, (Group), Excellent; Financial Size Category 9; \$250,000,000 to \$500,000,000	A+	Admitted
Royal Indemnity Company	02438	A, (Pooled), Excellent; Financial Size Category 15; Greater Than \$2,000,000,000	A+	Admitted
Royal Surplus Lines Insurance Company	01745	A, (Group), Excellent; Financial Size Category 8; \$100,000,000 to \$250,000,000	A	Non-Admitted
Sirius International	87839	A+ u, Superior; Financial Size Category 11; \$750,000,000 to \$1,000,000,000	A	Non-Admitted
TIG Insurance Company	02507	B++, Very Good; Financial Size Category 12; \$1,000,000,000 to \$1,250,000,000	BBB	Admitted
Westchester Fire Insurance Company	02137	A, Excellent; Financial Size Category 9; \$250,000,000 to \$500,000,000	A+	Admitted
XL Europe Insurance	86202	A+, Superior; Financial Size Category 15;	AA	Non-Admitted

**Public Entity Insurance Program (PEPIP)
2002-2003 Policy Year
Schedule of Insurers**

Greater Than \$2,000,000,000

Zurich American Insurance
Company

02563

A+ u, Superior;
Financial Size Category 15;
Greater Than \$2,000,000,000

AA-

Admitted

PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)

**PROPERTY INSURANCE
PRELIMINARY PREMIUM INDICATION**

NAMED INSURED: Public Entity Property Insurance Program including:

CITY OF SACRAMENTO

EFFECTIVE DATE: May 15, 2002 to May 15, 2003

**INSURANCE
CARRIERS:** See Exhibit II

**TOTAL INSURED
VALUES:** \$ 843,447,218

COVERAGES AND LIMITS:

\$ 500,000,000 Loss Limit per occurrence for Real Property, Personal Property, Rental Income, Business Interruption, Ordinary Payroll and Extra Expense subject to the following sublimits:

\$ 30,000,000 Individual Flood - Per Occurrence

\$ 100,000,000 Program Flood - Per Occurrence & Annual Aggregate - 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

\$ 10,000,000 Miscellaneous Unnamed Locations and automatic acquisition as respects new and existing members
(Does not apply to Earthquake)

COVERAGES AND LIMITS:
(continued)

\$ 10,000,000	Landscaping, tees, sand traps, greens and athletic fields
\$ 10,000,000	Errors & Omissions
\$ 10,000,000	Course of Construction (including new for total project values up to \$10,000,000)
\$ 500,000	Money & Securities
\$ 2,500,000	Unscheduled Fine Arts (\$25,000 each Sublimit for Furs, Jewelry, Precious Metals, and Stores)
\$ 10,000	Accidental Contamination
\$ 500,000	Unscheduled tunnels, bridges, dams catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, street lights and traffic signals
	Note: Coverage is limited to non-FEMA/OES declared emergencies and excludes damage caused by earthquake
\$ 10,000,000	Demolition and Increased Cost of Construction due to the enforcement of building codes applying at the time of loss and up to 12 months after the loss date
\$ 5,000,000	Transit
\$ 1,000,000	Animals, \$25,000 per Animal
\$ 1,000,000	Watercraft under 27 feet
\$ 500,000	Newly Acquired Vehicles (current members with auto coverage only)
\$ 2,500,000	Replacement power extra expense at scheduled utility locations
\$ 2,500,000	Off premises Service Interruption including Extra Expense resulting from a covered peril at non-owned/operated locations
\$ 250,000	Contingent Business Interruption resulting from a covered peril at non-owned/operated power generating facilities; limit is per member/per occurrence

COVERAGES AND LIMITS:
(continued)

\$ 5,000,000 Per occurrence and in the aggregate:
Earthquake shock on licensed vehicles, unlicensed
vehicles, contractors equipment and fine arts
combined for all insureds/members combined that
do not purchase optional coverage: Earthquake
Shock

DEDUCTIBLES:

ALL RISK: \$100,000

FLOOD: Flood Zone A Only: \$250,000 Deductible for losses and/or
property valued under \$5,000,000. 2% Deductible for losses
and/or property valued over \$5,000,000. This change is still under
negotiation.

All Other Locations: \$100,000

EARTHQUAKE: 5% per unit , \$25,000 Minimum

10% of Values / \$100,000 Minimum on historic buildings that
have yet to be "retrofitted" for earthquake

AUTO COLLISION: \$25,000

AUTO COMPREHENSIVE: \$25,000

SERVICE INTERRUPTION: 24 hour waiting period all perils

**UNSCHEDULED TUNNELS, BRIDGES, DAMS,
CATWALKS (EXCEPT THOSE NOT FOR PUBLIC
USE), ROADWAYS, HIGHWAYS, STREETS,
SIDEWALKS, CULVERTS,
STREET LIGHTS AND
TRAFFIC SIGNALS** \$500,000 per occurrence

MISCELLANEOUS: Not applicable

VALUATION:

ALL PROPERTY: Repair or Replace and Agreed Amount

BUSINESS INTERRUPTION: Actual Loss Sustained

EXPECTED CHANGES: See Exhibit I

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

DRIVER SIGNATURE SERVICES:	<u>2001-2002 Available</u>	<u>2002-2003 Available</u>	<u>Total Renewal Available</u>
	72	70	142

ESTIMATED PREMIUM: \$1,090,684

BROKER: **DRIVER ALLIANT INSURANCE SERVICES**
Newport Beach, California

Martin S. Heflin
First Vice President
PEPIP Program Manager

Rick Steddom
Vice President

Diane McMullens
Account Administrator

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
BOILER & MACHINERY PREMIUM INDICATION**

NAMED INSURED:	CITY OF SACRAMENTO
POLICY TERM:	May 15, 2002 to May 15, 2003
INSURANCE CARRIER:	CNA Insurance Company
BEST'S GUIDE RATING:	A(pooled), Excellent, Financial Size Category 15, Policyholder surplus greater than \$2,000,000,000
STANDARD AND POOR'S RATING:	A-
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, Electronic computer or Electronic data processing equipment
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
CONSEQUENTIAL DAMAGE	\$ 10,000,000

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
BOILER & MACHINERY PREMIUM INDICATION
MAY 15, 2002 TO MAY 15, 2003**

CITY OF SACRAMENTO

SUBLIMITS: (continued)

DEMOLITION COST AND INCREASED COST OF CONSTRUCTION	\$ 1,000,000	
ERRORS & OMISSIONS	\$ 10,000,000	
BUILDING ORDINANCE COVERAGES	\$ 1,000,000	
SERVICE INTERRUPTION	\$ 10,000,000	
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.

ELECTRONIC DATA PROCESSING MEDIA	\$ 2,000,000
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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:
(INCLUDING, BUT NOT LIMITED TO:)**
- Nuclear Hazard
 - War and Military Action
 - Fire or explosion outside the object that occurs at the same time as the accident
 - Water (fire extinguishing)
 - Lightning (fire extinguishing)
 - Flood
 - Testing
 - Lack of power, light, heat, steam or refrigeration
 - A delay in or interruption of any business activity
- 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)

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
BOILER & MACHINERY PREMIUM INDICATION
MAY 15, 2002 TO MAY 15, 2003**

CITY OF SACRAMENTO

OBJECTS EXCLUDED:

- Bonus and penalties of a Power Sales Agreement Exclusion
- 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
- 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 W/KVA/AMPS, or Boilers over 75,000 Sq. Ft. heating surface

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

\$2,500 All other insured objects

**ELECTRONIC DATA PROCESSING
MEDIA:**

\$5,000

CONSEQUENTIAL DAMAGE:

\$5,000

TIME ELEMENT DEDUCTIBLES:

24 Hours on All Objects except:
5X 100% Daily value All objects over 750 HP, 10,000 KW/KVA/AMPS or 10,000 Sq. Ft. heating surface;
5X 100% Daily value All objects at Wastewater Treatment Facilities, Utilities;

**PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)
BOILER & MACHINERY PREMIUM INDICATION
MAY 15, 2002 TO MAY 15, 2003**

CITY OF SACRAMENTO

30 days for Bond Revenue interest payments

TOTAL INSURED VALUES: \$1,003,766,085

ANNUAL PREMIUM: \$ 64,943

BROKER: Driver Alliant Insurance Services
P. O. Box 6450
Newport Beach, CA 92660-6450

W. Jeffrey Mann
Vice President

Rick Steddom
Vice President

Michel Maciel
Account Administrator

CITY OF SACRAMENTO
PROPERTY INSURANCE HISTORY
PREMIUM COMPARISON
FY 1989/90 - FY 2002/03

YEAR	COMPANY/BROKER	TOTAL INSURANCE VALUE	PREMIUM PER \$100 VALUE	TOTAL PREMIUM
1989-90	Arkwright Insurance	\$ 276,800,000	\$ 0.1364	\$ 377,510
1990-91	Fireman's Fund/Corroon & Black	\$ 293,112,000	\$ 0.0817	\$ 239,370
1991-92	Fireman's Fund/Corroon & Black	\$ 349,828,036	\$ 0.0769	\$ 268,976
1992-93	Fireman's Fund/Willis Corroon	\$ 363,665,013	\$ 0.0691	\$ 251,238
1993-94	Fireman's Fund/Willis Corroon	\$ 408,116,075	\$ 0.0718	\$ 292,996
1994-95	Fireman's Fund/Willis Corroon	\$ 435,722,000	\$ 0.0779	\$ 339,280
1995-96	Fireman's Fund/Willis Corroon	\$ 555,301,984	\$ 0.0652	\$ 362,232
1996-97	Fireman's Fund/Alburger Basso DeGrosz	\$ 565,163,024	\$ 0.0684	\$ 386,501
1997-98	TIG Insurance/Alburger Basso DeGrosz	\$ 535,060,097	\$ 0.0694	\$ 371,599
1998-99	PEPIP/Robert F. Driver	\$ 535,060,097	\$ 0.0337	\$ 180,440
1999-00	PEPIP/Robert F. Driver	\$ 501,356,988	\$ 0.0357	\$ 179,018
2000-01	PEPIP/Robert F. Driver	\$ 648,855,182	\$ 0.0416	\$ 269,990
2001-02	PEPIP/Robert F. Driver	\$ 787,395,898	\$ 0.0609	\$ 479,633
2002-03	PEPIP/Driver Alliant Insurance Services	\$ 843,447,218	\$ 0.1370	\$ 1,155,627