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CITY OF SACRAMENTO

DEPARTMENT OF GENERAL SERVICES

OFFICE OF THE DIRECTOR

APPROVED
BY THE CITY COUNCIL

APR 29 1986

OFFICE OF THE
CITY CLERK

FACILITY MAINTENANCE DIVISION
FLEET MANAGEMENT DIVISION
RISK MANAGEMENT & INS. DIVISION
SUPPORT SERVICES DIVISION

April 29, 1986

City Council
Sacramento, California

CITY MANAGER'S OFFICE
RECEIVED
APR 18 1986

Honorable Members in Session:

SUBJECT: ALL RISK PROPERTY INSURANCE

SUMMARY

This report recommends the City Council approve renewal of the subject property coverage with the City's present carrier, Fireman's Fund Insurance Company.

This report addresses only the All Risk Property Coverage. Staff will be returning to Council shortly with a report on Earthquake, Flood, and Business Interruption Coverages required by the Revenue Bond Covenants for the Community Center and Parking Garages.

BACKGROUND

The present All Risk Property Coverage underwritten by Fireman's Fund, expiring July 1, 1986, provides for a $100,000 deductible per occurrence at a rate of $.0946 per $100 of values. Additionally, the City, working with its broker, has negotiated a manuscript form policy with the Fireman's Fund providing broad coverage and conditions, not obtainable in the standard industry policy form.

Over the past couple of months, Corroon & Black/James Burpo Insurance Services, the City's insurance broker, has approached several markets to obtain the subject coverage. Many underwriters were not interested in underwriting the City's properties. The market place for property coverage today is extremely limited.

The Fireman's Fund indicated it would not consider providing the City coverage except for the fact that they are currently providing the coverage, and our working relationship has been excellent; however, they will not consider renewal at the $100,000 deductible level.

A couple of markets made tentative offers at a rate of $.22/$100 of values with a deductible of $100,000. Based on the current property values the annual premium would be $490,821.

24th ST. CORPORATION YARD, BLDG. #4 5730 · 24th ST. SACRAMENTO, CA 95822-3699 (916) 449-5548

The Fireman's Fund's first tentative offer included providing the present manuscript form policy with a $500,000 deductible per occurrence at the current policy rate of $.0946 per $100 of values. The City's Broker was successful in obtaining a reduction of the deductible from $500,000 to $250,000 at a tentative rate of $.0946 per $100 of values, which would generate an annual estimated premium of $211,768.

CONCLUSION

In view of the existing market conditions and the importance of maintaining a long term relationship with an underwriter for program stability, and also because in today's market underwriters will not provide the City with the manuscript policy provided by the Fireman's Fund; it is our considered opinion that the City accept the Fireman's Fund renewal offer.

The premium savings adequately covers the additional $150,000 deductible assumption.

OFFER COMPARISONS

Deductible	Tentative Premium Rate	Estimated Premium
$100,000	$.22/$100	$490,821
$250,000	$.0946/$100	$211,768
Estimated Annual Premium Savings		$279,053

FINANCIAL INFORMATION

The proposed FY 1986-87 budget request provides sufficient funding for the renewal of the all risk property coverage.

The assumption of the increased deductible of $150,000, from $100,000 to $250,000 can be provided for by transferring $150,000 from the $500,000 Unemployment Insurance Contingency Reserve Fund to Property Insurance Contingency Fund.

RECOMMENDATION

It is the recommendation of the City's Risk Management Committee that the City Council adopt the attached resolution;

1. Directing and authorizing the City Manager to obtain All Risk Property Insurance Coverage; and

2. Increasing the Property and Equipment Contingency Reserve from $200,000 to $350,000 by transferring

$150,000 from the Unemployment Insurance Contingency Reserve.

Respectfully submitted,

Frank Mugartegui
Director, General Services

Recommendation Approved:

For: Walter J. Slipe, City Manager

April 29, 1986
All Districts

Attachments

RM:86031:FM/WR/eb

cc: Risk Management & Insurance Committee
Harold Wiener, Corroon & Black/James Burpo Insurance Services
Erin Oberly, Warren, McVeigh & Griffin

RESOLUTION NO. 86-313

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION AUTHORIZING THE PURCHASE OF THE CITY'S ALL RISK PROPERTY COVERAGE AND RESCINDING SECTION 11 OF RESOLUTION NO. 82-023 ADOPTED JANUARY 12, 1982

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

1. That the City Manager is hereby authorized and directed to purchase All Risk Property Insurance Coverage from Fireman's Fund through the City's Insurance Broker, Corroon & Black/James Burpo Insurance Services, based on the following terms and conditions;

   a. One (1) year term 7/1/86 to 7/1/87,

   b. Deductible of $250,000 per occurrence at a rate not to exceed 15% of $.0946/$100 value.

2. Section 11 of Resolution No. 82-023 is hereby rescinded effective April 29, 1986.

3. That the Contingency Liability and Risk Reserve funding for Property and Equipment and Unemployment Insurance are amended as follows to provide for the $100,000 to $250,000 per occurrence deductible increase:

Exposure	From	To
Property & Equipment	$200,000	$350,000
Unemployment Insurance	$500,000	$350,000

4. That the Department of Finance is authorized to pay said premium from the Risk Management and Insurance Program Budget 4-21-1962-0000-4291.

APPROVED
BY THE CITY COUNCIL

APR 29 1986

OFFICE OF THE
CITY CLERK

MAYOR

ATTEST:

CITY CLERK

EXHIBIT I

CITY OF SACRAMENTO

ALL RISK PROPERTY INSURANCE
OFFERS & COMPARISONS

Company: Fireman's Fund

Coverage: All Risk Property, Limits of Coverage $223,100,410 Recovery Based on Replacement Cost; $1 Million Business Interruption Expenses; $1 Million Blanket on Contingent Liability, Demolition Cost & Increased Cost of Construction; $3.1 Million Rental Loss Payment on Parking Structures, and $1.5 Million Rental Loss Payment on Community Center, Per Occurrence Deductible

Options

Deductible Per Occurrence	Premium Rate	Estimated Annual Premium	Difference
$100,000	$.2200/$100	$490,821	$279,053
250,000	$.0946/$100	211,053	

PREMIUM RATE HISTORY

All Risk Coverage, $100,000 Deductible/Occurrence

	80-83	83-84	84-85	85-86	Proposed 86-87
Premium Rate/$100 Value	.0387	.029	.038	.0946	.0946*
% Increase <Decrease>	--	<25%>	31%	149%	-0-

*$250,000 Deductible in Place of $100,000.

04/14/86 RM:DII1A:M:EXHI

EXHIBIT II

CITY OF SACRAMENTO

PROPERTY COVERAGE
LOSS EXPERIENCE

Period/Date	Description	Value of Loss	Final Insurance Settlement
7/1/66 to 6/30/67	Various	$ 1,533	$ 1,533
7/1/67 to 6/30/69	Various	8,018	8,018
7/1/69 to 6/30/70	Various	200	200
12/27/72	Mill House Wm. Land Park	6,810	5,810
5/9/72	Fire Department Hose and Equipment	1,731	731
6/10/73	Comfort Station Henschel Park	2,464	1,464
6/10/73	Comfort Station Tahoe Park	1,000	-0-
7/15/73	Comfort Station Henschel Park	9,267	8,267
10/22/73	Roof Fire D.P. Youth Center	150	-0-
4/20/74	Roof Fire - Tee Shack Haggin Oaks Golf Course	210	-0-
6/30/74	Roof Fire - Tee Shack Haggin Oaks Golf Course	2,936	-0-
Thru 6/30/82	None	-0-	-0-
6/30/83	Camp Sacramento Snow Damage	1,544,754	1,298,940
6/30/84	None	-0-	-0-
6/1/85	Vegetal Waste Facility	100,000	-0-
7/10/85	Aquatics Fire	18,200	-0-
	Totals:	$1,697,273	$1,324,963
	Average Annual Cost:	$80,823	$63,094

04/14/86 RM:DII1A:M:EXHII