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DEPARTMENT OF
HUMAN RESOURCES

DONNA L. GILES
DIRECTOR

CITY OF SACRAMENTO
CALIFORNIA

June 6, 1996

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FIFTH STREET
ROOM 401
SACRAMENTO, CA
95814-2713

916-264-5270

DIVISION:
ADMINISTRATION
PERSONNEL SERVICES
RISK MANAGEMENT

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: RENEWAL ALL RISK PROPERTY INSURANCE COVERAGE
AT A PREMIUM OF \$386,501**

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 Fireman's Fund Insurance Company through Alburger Basso DeGrosz, Inc. of Sacramento (formerly Willis Corroon Insurance Broker Services) for the period of July 1, 1996 to July 1, 1997.

CONTACT PERSON:

Margaret Ann Allen, Risk Manager, 264-5270

FOR COUNCIL MEETING OF:

June 18, 1996

SUMMARY:

This report recommends that the City Council authorize the purchase of the City's "All Risk Property Policy" insurance provided by Fireman's Fund Insurance Company.

City Council
Renewal All Risk Property Insurance Coverage
June 6, 1996

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.

Five years ago the City prepared bid specifications and forwarded them to all interested insurance brokers. As a result of a very competitive market place, the City placed our all risk property insurance with Fireman's Fund at a premium savings of over \$100,000. Since July 1990, the City has added \$288,363,024 of increased insurable values to our property inventory.

The total insured values for the term of July 1, 1996/97 is \$565,163,024. This compares with the 1995/96 values of \$555,301,984, and is a 2% increase of \$9,861,040. Fireman's Fund has quoted a fifth year renewal annual premium of \$386,501 for the 96/97 budget year beginning on July 1, 1996. **ATTACHMENT A** summarizes the policy as proposed and **ATTACHMENT B** illustrates the history of our property values and premiums since 1989.

FINANCIAL CONSIDERATIONS:

Funding to pay the \$386,501 premium is in the 1996-97 Risk Management Budget.

ENVIRONMENTAL CONSIDERATIONS:

None.

POLICY CONSIDERATIONS:

Acquisition of this insurance is consistent with the City's policy to purchase protection for the City against catastrophic losses.

City Council
Renewal All Risk Property Insurance Coverage
June 6, 1996

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:

Approved:



for William H. Edgar
City Manager



Donna L. Giles
Director of Human Resources

RECEIVED
BY THE CITY COUNCIL
JUN 18 1996
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CITY CLERK

RESOLUTION NO. 96-298

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 and directed to place the City's All Risk Property Insurance with the Firemen's Fund Insurance Company through our Broker, Alburger Basso DeGrosz, Inc. of Sacramento, for the period from July 1, 1996 to July 1, 1997.
2. That the Department of Human Resources is authorized and directed to pay the premium of \$386,501 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: _____

**PROPERTY INSURANCE PROPOSAL FOR
CITY OF SACRAMENTO**

I. GENERAL CONDITIONS

- A. 1 year policy (7/1/96 to 7/1/97).
- B. Engineering and inspection services at no additional charge.
- C. No coinsurance penalty.
- D. 90 day notice of cancellation, except 10 days for non-payment of premium.
- E. Insuring Company:

Fireman's Fund Insurance Company
A.M. Best Rated "A"
1995 statutory basis: \$2.0 Billion
Surplus and \$10.0 Billion Assets.

II. COVERAGE AND LIMITS

\$150,000,000 each and every loss occurrence for risk of direct physical loss or damage to insured property, including buildings, machinery and equipment, tenant's improvements and betterments, personal property, electronic data processing equipment, legal liability for personal property of others in the custody of the Insured, boiler and machinery accident, and vehicles licensed for highway use (excluding collision and overturn).

All library contents and fine arts covered by separate policies, over which our policy will be excess.

Piers, wharves, berths, docks and similar property will be insured for the following named perils: fire, lightening and removal, aircraft, riot, explosion, smoke, vandalism and malicious mischief.

Additional coverages provided via the following sublimits of insurance:

\$10,000,000	<u>Separate annual aggregate limits</u> for earthquake (including earthquake sprinkler leakage) and flood. See coverage options.
\$ 5,000,000	Account receivables.
\$ 5,000,000	Valuable papers.
\$ 5,000,000	EDP media.
\$ 5,000,000	Demolition and building ordinance.
\$12,000,000	Rental income.
\$ 1,000,000	Business interruption.
\$ 1,000,000	Extra expense.
\$ 500,000	Service interruption (property damage and time element).
\$ 250,000	Expediting expenses.
\$ 500,000	Fine arts.
\$ 100,000	Property while in due course of transit.
\$10,000,000	Automatic coverage for 120 days on newly acquired property or buildings in course of construction.
\$ 5,000,000	Miscellaneous unnamed property (property neither declared on statement of values nor acquired after inception date of policy and reported to Company within 120 days of acquisition).
Newly Acquired and Miscellaneous Unnamed Property coverages does not include earthquake and flood coverage.	
\$ 500,000	Boiler and Machinery Ammonia Contamination.
\$ 500,000	Boiler and Machinery Water Damage.

THE SUBLIMITS OF INSURANCE HAVE BEEN REMOVED FOR THE FOLLOWING BUILDING:

Memorial Auditorium

III. LOCATIONS COVERED

As per schedule of insured property on file with this Company and at other locations as per Newly Acquired Location and Miscellaneous Unnamed Locations sublimits.

Newly Acquired Location and Miscellaneous Unnamed Locations coverage shall not apply to "Camp Sacramento" (off Highway 50, El Dorado County). Coverage limited to the buildings, and their contents, listed on the schedule of insured property submitted, namely:

- Kitchen and Dining room building
- Lodge and Store building
- Staff Quarter 1 building

IV. DEDUCTIBLES

\$100,000 Each occurrence, except:

5% Per item of insurance (property damage and time element), as respects any loss due to earthquake. Minimum \$100,000 each occurrence.

2% Per item of insurance (property damage and time element), as respects any loss due to FLOOD. Minimum \$100,000 each occurrence.

24 Hour Waiting period per occurrence as respects service interruption.

\$100,000 Property damage as a result of service interruption.

A loss due to a combined property/boiler occurrence not to exceed largest applicable deductible.

V. BASIS OF RECOVERY

Replacement costs on real and personal property. Actual loss sustained on time element coverages. Actual Cast Value on the following property:

- A. Fine Art, property of others, and property not rebuilt or replaced;
- B. Motorcycles; any four wheel vehicle with a load capacity of 2,000 pounds or less, such as passenger vehicles, police cars, station wagons, jeeps, pick-ups, vans, panel and stake trucks. This exclusion does not apply to pumpers and ladder trucks made for use in fire fighting.

- C. Any vehicle not owed by the insured; any vehicle not in operational condition and functionally obsolete.

VI. PREMIUM

- A. \$359,452 Prepaid annual premium.
- B. Premium is based on \$565,163,024 in total 100% insurable values.

VII. OPTION

OPTION to increase FLOOD AND EARTHQUAKE coverage from \$10 million to \$15 million.

	1995	1996	% Difference
TOTAL INSURABLE VALUES	555,301,984	565,163,024	1.8%
AVERAGE RATE	.06483	.06839	+ 5.5%
PREMIUM	360,000	386,501	+ 7.4%
Other Fees	\$2,232 Ciga	No Ciga	

This option is \$27,049 more than the option to renew with current Flood/Quake limits.

HIGHLIGHTS OF RENEWAL CHANGES FOR 1996/97

CITY OF SACRAMENTO

LIMITS: Property values have been increased by 2%. This factor is intended to offset inflation cost during the past 12 months.

BASIS OF RECOVERY: Actual cash values on Motorcycles, any four wheel vehicle with a load capacity of 2,000 pounds or less such as passenger vehicles, police cars, station wagons, jeeps, pick-ups. This condition does not apply to pumpers and ladder trucks made for use in fire fighting.

RATE: Premium has been reduced 1.5%
Rate has been reduced by 1.9%

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	\$.0683	\$386,501*

* Increase due to our ability to increase flood and earthquake limits from \$10 million to \$15 million.