



CITY OF SACRAMENTO

CITY MANAGER'S OFFICE
RECEIVED
JUN 28 1984

William Redmond
RISK MANAGER
July 3, 1984

DEPARTMENT OF GENERAL SERVICES
RISK MANAGEMENT & INSURANCE DIVISION
5730 - 24TH STREET
BUILDING #3-A
SACRAMENTO, CA 95822
TELEPHONE (916) 449-5556

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: PROPERTY INSURANCE COVERAGE RENEWAL

APPROVED
BY THE CITY COUNCIL

JUL - 5 1984

OFFICE OF THE
CITY CLERK

SUMMARY

The City's current three year (July 1, 1983 - July 1, 1986) all risk property insurance policy with Fireman's Fund Insurance Company policy was approved June 21, 1983 by City Council. It is recommended that the subject coverage be renewed as of July 1, 1984.

BACKGROUND

The City's Insurance Broker Corroon & Black/James Burpo has been negotiating with Fireman's Fund for more than two months attempting to renew the City's all risk property insurance coverage at or near the current premium rate for the second year of this three year policy. This policy was placed when property and casualty rates were at an all time low. However, the soft market has harden practically over night. Renewal of some property and casualty insurance premiums in some cases have increased 50% to over 100% in the last two months (Exhibit I).

The June 11, 1984 issue of Business Insurance article reported, "Many major property and casualty insurers, after looking at red-stained numbers they posted in the first quarter, say they have had enough of escalating underwriting losses and are introducing rate hikes, even if it means that they will lose business."

The all risk property insurance premium rates for the second year of this policy have been increased 31% across the board (Exhibit II).

As additional background information related to the City property insurance coverage, the following exhibits are provided: 1) Exhibit III - Premium History and Property Replacement Values; and 2) Exhibit IV - Loss Experience.

FUNDING

The FY 1984-85 Risk Management and Insurance Program Budget provides \$99,500 for a one year premium. The Fireman's Fund premium quote is \$130,000. It is requested the budget be amended and the increase of \$30,500 be provided by the Risk Management Fund.

RECOMMENDATION

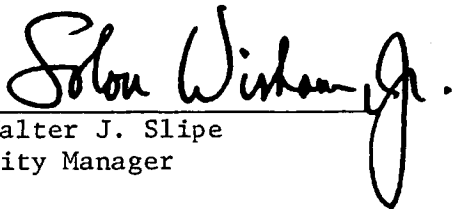
It is the recommendation of the Risk Management Committee and the City's Insurance Consultant that the City Manager be authorized and directed to obtain the second year annual renewal of the all risk property insurance coverage offered by the Fireman's Fund Insurance Company.

Respectfully submitted,



William Redmond
Risk Manager

RECOMMENDATION APPROVED:

For 
Walter J. Slipe
City Manager

July 3, 1984
All Districts

Attachments
RM:84039:WR/eb

cc: Risk Management & Insurance Committee
Harold Wiener, Corroon & Black/James Burpo Insurance
Robert Wilkinson, Warren, McVeigh & Griffin



Corroon & Black – James Burpo

EXHIBIT I

44

INSURANCE SERVICES

960 Fulton Ave. • P.O. Box 255228 • Sacramento CA 95865 • Phone (916) 485-4500

June 27, 1984

James O. Burpo
President
James H. Mizell
Executive Vice President
Harold R. Wiener
Vice President
R. Roger Reynolds
Vice President

Mr. William Redmond, Risk Mgr.
City of Sacramento
Risk Mgmt. & Ins. Div.
5730 - 24th St., Bldg. 3A
Sacramento, CA 95822

RE: FIREMAN'S FUND INSURANCE COMPANY
PROPERTY POLICY NO. XSP 133 96 01

Dear Bill:

The above captioned policy has an anniversary date of July 1, 1984 and presently provides coverage on property in the amount of \$189,238,697 with an annual premium of \$99,360.

In the last 6 months there has been a considerable change in the insurance industry due to their current loss and expense ratios and particularly in the reinsurance market which is vital to the placement of coverage. The underwriters at the Fireman's Fund advised us approximately 45 days ago that they had been put on notice by the reinsurance carriers that they could not place all of the insurance required, including earthquake, for the premium that the policy is presently written for.

In view of this situation, we approached the Home Ins. Co. and the Ins. Co. of North America to determine if it was possible for them to take at least 25% of the line. They advised us, however, that due to their reinsurance treaty they were unable to participate. The Ins. Co. of North America advised us that they could possibly participate on 25% of the line, but their premium would be at least double the premium that is presently being charged.

The Fireman's Fund Ins. Co. has advised us that they can place the total amount of insurance effective July 1st for an annual premium of \$130,000. Although I realize that this is a considerable increase from last year's premium, I feel that due to the exposures and current market conditions that this premium is reasonable. In accordance with our discussion, I have advised the Fireman's Fund Ins. Co. to place the coverage effective July 1, 1984 and that I was to meet with you within the next two weeks to determine the future of this insurance program.

Should you have any questions, please call me.

Yours very truly,

Harold R. Wiener

HRW:lpb



CITY OF SACRAMENTO
 COMPARISON OF PREMIUM RATES FOR ALL RISK PROPERTY INSURANCE
 FIREMAN'S FUND INSURANCE COMPANY

	<u>Current Annual Policy Rate</u>	<u>Fireman's Fund Proposed Rate</u>	<u>Increase</u>
<u>All Risks (excluding earthquake & flood)</u>			
All City bldgs. except Community Center	.029/\$100	.038/\$100	.009
Community Center buildings	.029/\$100	.038/\$100	.009
Rental value-parking	.029/\$100	.038/\$100	.009
Rental value-Community Center	.029/\$100	.038/\$100	.009
Business interruption & extra exp. (all)	.029/\$100	.038/\$100	.009
Contingent Liab. & Demolition Costs (all)	.029/\$100	.038/\$100	.009
<u>Earthquake & Flood</u>			
Community Center buildings	.084/\$100	.110/\$100	.026
Rental payments-Community Center	.084/\$100	.110/\$100	.026
Parking structures	.084/\$100	.110/\$100	.026
Rental payments-parking	.084/\$100	.110/\$100	.026

CITY OF SACRAMENTO

Premium History & Replacement Property Values

<u>Period</u>	<u>Term</u>	<u>Company</u>	<u>Coverages</u>	<u>Average Annual Premium</u>
10/1/76-10/1/79	3 Yr	Maryland	All risk for all City property & content (except Community Center) Business interruption Parking structure earthquake	\$40,493
9/6/77-9/6/80	3 Yr	Allendale Mutual/ Appalachian Northbrook	Community Center-basic fire (excluding earthquake & flood) Earthquake & flood Rental payments-Community Cent.	\$32,124
10/1/79-6/30/83	3-3/4 Yr	Central National Ins. Co.	All risk for all City property & contents (except for Com Cent) Business interruption Parking structures-earthquake	\$72,674
9/6/80-6/30/83	3 Yr	American Protection Central National	Community Center all risk property & contents (except earthquake & flood) Earthquake & flood	\$28,748
7/1/83-7/1/86	3 Yr	Firemans Fund	All risk for all City property, except for earthquake & flood. The Community Center & parking structures are insured for flood & earthquake in addition to the all risk coverage.	\$93,266

Insurance Replacement Property Values

	<u>All City Property & Contents</u>	<u>Community Center</u>	<u>Parking Structures</u>
6/30/77	\$106,741,834	\$15,120,000	\$ 7,574,708
6/30/78	118,246,668	16,750,000	11,251,165
6/30/79	134,112,415	17,504,000	15,594,091
6/30/80	150,551,427	18,917,000	17,536,957
6/30/81	167,397,448	21,000,000	19,275,805
6/30/82	176,039,974	21,555,175	21,324,066
6/30/83	181,983,848	23,440,398	24,763,221
6/30/84	189,238,697	23,440,398	24,763,221

CITY OF SACRAMENTO

PROPERTY COVERAGE

LOSS EXPERIENCE

<u>Period/Date</u>	<u>Description</u>	<u>Value of Loss</u>	<u>Final Insurance Settlement</u>
7/1/66 to 6/30/67	Various	\$ 1,533.21	\$ 1,533.21
7/1/67 to 6/30/69	Various	8,018.12	8,018.12
7/1/69 to 6/30/70	Various	200.00	200.00
12/27/72	Mill House Wm Land Park	6,809.85	5,809.85
5/9/72	Fire Department Hose and Equipment	1,731.17	731.17
6/10/73	Comfort Station Henschel Park	2,463.75	1,463.75
6/10/73	Comfort Station Tahoe Park	1,000.00	-0-
7/15/73	Comfort Station Henschel Park	9,267.20	8,267.20
10/22/73	Roof Fire D.P. Youth Center	150.00	-0-
4/20/74	Roof Fire - Tee Shack Haggin Oaks Golf Course	210.50	-0-
6/30/74	Roof Fire - Tee Shack Haggin Oaks Golf Course	2,936.10	-0-
Thru 6/30/82	None	-0-	-0-
6/30/83	Camp Sacramento Snow Damage	1,300,000.00	1,200,000.00
6/30/84	None	-0-	-0-
17.9-Year Total		<u>\$1,334,319.90</u>	<u>\$1,226,023.30</u> *
Average Annual Cost		\$74,543	\$68,493

*Note - One claim is still being processed, involving Camp Sacramento it is estimated at \$1,300,000. Information is not complete at this time, so it may change, but not significantly.

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION AUTHORIZING PURCHASE OF PROPERTY COVERAGE
AND AMENDING THE CITY BUDGET FOR FY 1984-85

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

1. That the City Manager is hereby authorized and directed to obtain a policy for the second year of a 3-year term from the Fireman's Fund Insurance Company through Corroon & Black/James Burpo Insurance Services providing coverage and premium rates as follows:
 - a. All Risk Property and Contents for all City buildings except the Community Center, at a premium rate of .038/\$100 value, with a \$100,000 per occurrence deductible;
 - b. Parking Structure - Earthquake & Flood at a premium rate of .110/\$100 value, with a 5% per occurrence deductible for earthquake & a \$100,000 deductible for flood;
 - c. Parking Structure - Rental Payment for Basic Fire Risk Peril at a premium rate of .038/\$100 value, with a \$1,000 per occurrence deductible;
 - d. Parking Structure - Rental Payment for Earthquake & Flood Peril at a premium rate of .110/\$100 value, with a 5% per occurrence deductible for earthquake and a \$100,000 deductible per occurrence for flood;
 - e. All Risk Property and Contents for the Community Center buildings at a premium rate of .038/\$100 value, with a deductible of \$100,000 per occurrence;
 - f. Community Center Buildings - Rental Payment for Basic Fire Peril at a premium rate of .038/\$100 value, with a deductible of \$100,000 per occurrence;
 - g. Community Center Buildings - Flood & Earthquake Peril at a premium rate of .110/\$100 value with a 5% per occurrence deductible for earthquake and a \$100,000 deductible for flood;
 - h. Community Center Buildings - Rental Payment for Flood & Earthquake Peril at a premium rate of .110/\$100 value with a 5% deductible for earthquake and a \$100,000 deductible for flood;
 - i. Contingent Liability, Demolition Costs & Increased Cost of Construction for all City Buildings at a premium rate of .038/\$100 value with a \$100,000 per occurrence deductible;
 - j. Business Interruption & Extra Expense for all City Buildings at a premium rate of .038/\$100 value with a \$100,000 per occurrence deductible.

2. That the Department of Finance is authorized and directed to pay premiums for said coverage from the Risk Management and Insurance Program Budget, 4-21-1963-0000-4292.

FY 84-85

3. THAT THE RISK MANAGEMENT AND INSURANCE PROGRAM BUDGET 4-21-1963-0000-4292 IS HEREBY INCREASED BY \$30,500

MAYOR

ATTEST:

CITY CLERK

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION AUTHORIZING PURCHASE OF PROPERTY COVERAGE
AND AMENDING THE CITY BUDGET FOR FY 1984-85

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 - g. Community Center Buildings - Flood & Earthquake Peril at a premium rate of .110/\$100 value with a 5% per occurrence deductible for earthquake and a \$100,000 deductible for flood;
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MAYOR

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CITY CLERK