



STAFF REPORT

Meeting Type: Board of Directors
Title: FY 2025 Insurance Renewal
From: Bret Uppendahl, Finance Director
Through: Ben Horenstein, General Manager
Meeting Date: July 2, 2024

TYPE OF ACTION: X Action Information Review and Refer

RECOMMENDATION: Approve Renewal of Annual Insurance Policies for All Risk Property, Excess Liability, Automobile Physical Damage, Excess Workers Compensation, Pollution, Cyber, Drone and Crime and Fidelity for Fiscal Year (FY) 2024/25

SUMMARY: The FY 2024/25 annual overall cost of all insurance policies is estimated not to exceed \$1,820,172, an increase of \$184,784 or 11% from last year. All policies experienced an increase in premium from last year with the exception of Excess Workers Compensation. The largest premium amounts are for Property and Liability insurance, which increased by 11% and 14%, respectively, and account for 98% of the overall increase in premium costs.

DISCUSSION: The District's existing insurance policies are due for renewal on July 1, 2024. The recommended coverage was developed with staff utilizing the expertise of the District's insurance broker, Alliant Insurance Services Inc. (Alliant). Alliant obtained quotes from underwriters and negotiated the premium and coverage on behalf of the District. For the brokerage services provided by Alliant, the District will pay an annual fee of \$70,000. The District's contract with Alliant requires that they fully disclose and rebate to the District any commissions they may earn from purchased policies.

The summary comparison of the premiums and coverages from FY 2023/24 to FY2024/25 is attached to the report.

Excess Liability

The proposed FY 2024/25 premium for a \$10 million policy limit with SIR amount of \$500,000 from Great American Insurance Company, the current incumbent carrier, is \$659,846, an increase of \$80,090. The 2nd layer of \$5 million in Excess Liability limit is from the current incumbent, Starstone Specialty Insurance Company, with a proposed premium of \$161,023, an increase of \$20,207. The 3rd layer of \$10 million in Excess Liability limit is from the current incumbent, Gemini Insurance, with a proposed premium of \$143,856, an increase of \$18,053.

The premium costs for liability insurance continue to increase as the market continues to experience increased claims, and some of carriers are no longer doing businesses in California. The recommended insurance policies include Terrorism Risk Insurance Act (TRIA) coverage, which covers foreign and domestic terrorist acts, and coverage for liabilities related to dam failure, inverse condemnation, employment practices, automobile accidents, public officials and law enforcement.

Excess Workers' Compensation

This policy provides Workers' Compensation insurance up to \$1 million for the employer's liability and coverage per State of California statutory limits. The proposed coverage is from the current incumbent, Arch Insurance Company and the quoted premium is \$105,075, a decrease of \$3,848 or -3.5% from the previous year. This policy has a self-insured retention (SIR) of \$750,000 for workers compensation claims for all employees except claims related to District rangers and the vanpool program. The SIR for claims for District rangers and the vanpool program is \$1.5 million.

All Risk Property

The types of losses covered under this policy are for physical loss or damage to real and personal property from fire, theft, vandalism, and equipment breakdowns. The policy provides coverage for replacement cost for insured events. Due to the nature of the District facilities, this type of insurance is limited in the number of underwriters who will offer coverage.

The premium for FY 2024/25 is \$659,588, which is an increase of \$62,700 or 11% from the prior year. The policy provides All Risk limit of \$200 million, boiler and machinery limit of \$100 million and a flood limit of \$10 million. The policy does not provide earthquake coverage, and has limits on flood losses based on flood zones. The proposed premium is from the current incumbent, Alliant Property Insurance Program (APIP) a licensed California carrier.

Automobile Physical Damage

This coverage is for physical damage to automobiles and equipment owned and or used for District operations. The policy will provide replacement cost of a like kind and quality automobile or equipment with a total coverage limit of \$11.1 million with a deductible amount of \$25,000. The FY 2024/25 premium is \$33,966 from Hanover Insurance, an increase of \$1,535 or 5% from the policy cost last year.

Aviation Insurance Policy

The policy is to cover the District's five drone operations. The coverage is up to \$1 million with a 10% deductible. The FY 2024/25 premium is \$3,264, an increase of \$233 or 8% from the prior year.

Cyber and Privacy Liability

The coverage for the FY 2024/25 is from the current incumbent, Cowbell Underwriting Managers with a premium of \$28,570, an increase of \$5,214 or 22% from last year. The policy covers losses due to privacy or security breaches, privacy regulatory claims related to customer and employee confidential information, cyber threats and or extortion, digital asset restoration, and business income loss. The policy would pay claims and recovery costs after the self-retention amount of \$50,000 per claim.

Pollution Policy

The current incumbent, Indian Harbor Insurance Company, premium is \$20,896, an increase of \$409 or 2% from last year. The policy will have a deductible amount of \$25,000 and \$1 million coverage.

Crime Policy

The current incumbent, National Union Fire Insurance Company, premium is \$4,087, an increase of \$191 or 5% from last year. The policy’s \$3 million coverage includes employee theft, forgery or alterations, theft of money and securities, computer fraud, funds transfer fraud and money order and counterfeit money and has a deductible amount of \$2,500.

ENVIRONMENTAL REVIEW: Not applicable.

FISCAL IMPACT: The FY 2024/25 cost for the annual insurance premium is estimated to be \$1,820,171 and is included in the adopted budget.

ATTACHMENT(S):

- 1. Summary Comparison of Premium and Coverage FY 2023/24 to FY 2024/25
- 2. Insurance Proposal for FY 2024/25

DEPARTMENT OR DIVISION	DIVISION MANAGER	APPROVED
Administrative Services Division	 Bret Uppendahl Finance Director	 Ben Horenstein General Manager