
File #: 2021-1606

Agenda Date: 5/12/2021

Agenda Item No: 6.

FROM: James D. Herberg, General Manager
Originator: Lorenzo Tyner, Assistant General Manager

SUBJECT:

INSURANCE RENEWAL MARKET OVERVIEW

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Information Item.

BACKGROUND

Alliant Insurance Services is the broker for the Orange County Sanitation District (OC San) and is working on the 2021-22 insurance renewal. Alliant is in the process soliciting quotes for the various types of insurance carried by OC San and evaluating the market. They will provide an update and presentation of the current market conditions at the May Committee meeting with final quotes being presented at the June Committee meeting.

PRIOR COMMITTEE/BOARD ACTION

At the March 2021 Administration Committee meeting, staff provided an informational presentation on OC San's major insurance policies which included the following:

OC San's budget provides funds for the renewal of the following four (4) major insurances for OC San operations:

1) **Excess General Liability Insurance**

The OC San Excess General Liability Insurance Program is currently provided through the Alliant National Municipal Liability Program (ANML). OC San has participated in the ANML, and its predecessor namesake, the California Municipal Excess Liability Program (CAMEL) since FY 1996-97.

This program currently provides OC San with a \$40 million dollar limit of comprehensive coverage for municipal liability, bodily injury and property damage, and personal injury. The program was structured to also include Employment Practices and Public Officials Errors & Omissions coverage. The \$40 million dollar coverage has a self-insured deductible of \$750,000. Since 1997, the Employment Practices portion of coverage has been enhanced from a \$2 million dollar sub-limit to the full policy limit of \$40 million dollars.

As part of the renewal process, OC San will look at various retention and coverage levels for the Excess General Liability Program that will provide the most effective coverage at the best value to OC San.

2) **Excess Workers' Compensation**

The Excess Workers' Compensation insurance coverage is with the Public Risk Innovation, Solutions, and Management (PRISM). OC San has participated in this program or its predecessor since 2003. The Excess Workers' Compensation program currently provides "Statutory" (unlimited) coverage with a self-insured retention (SIR), or deductible, of \$1 million dollars. The use of Excess Workers' Compensation Insurance dates back to the late 1980's.

3) **All-Risk Property and Flood Insurance (Includes Boiler & Machinery Insurance)**

The All-Risk Property and Flood Insurance Program (Property Insurance) provides comprehensive coverage for much of OC San's real and personal property and business interruption from perils including fire and flood. The most significant peril excluded is earthquake (insured separately), as is the peril of pandemic.

To obtain property insurance, OC San participates in the Alliant Public Entity Property Insurance Program (APIP), a group purchase insurance program with thousands of public entity participants. In operation since the '90s, the program provides extreme buying power for public agencies with a breadth of coverage not found in the open commercial insurance market. For OC San, current Property Insurance limits are \$800 million dollars for most perils other than flood, and \$125 million dollars for flood, with many sub-limits for various situations. Earthquake coverage is purchased separately for specific buildings. In order to reach \$800 million dollars in limits, the broker had to arrange for more than a dozen different insurers. The SIR is \$500,000 per occurrence for most types of losses.

The Boiler & Machinery Insurance Program, part of the property insurance, provides comprehensive coverage for loss caused by machinery breakdown and explosion of steam boilers or other covered process equipment, including damage to the equipment itself and damage to other property caused by covered accidents. The current Boiler & Machinery Insurance Program provides coverage of \$100 million dollars per occurrence with deductibles ranging from \$25,000 to \$350,000 for losses caused by covered machinery breakdown (e.g., motors, steam turbines, digesters, co-gen engines). Damages to the equipment, as well as damages to other property and improvements caused by the machinery breakdown, are covered by the Boiler & Machinery Insurance. This program augments OC San's All-Risk Property Insurance that covers perils such as fire and flood.

As part of the renewal process, OC San will look at various retention and coverage levels for the All-Risk Property and Flood Insurance that will provide the most effective coverage at the best value to OC San.

4) **Earthquake Insurance**

OC San purchases a separate earthquake policy with limits of \$25MM on specific buildings valued at ~\$160MM deemed to be important to the operations of the Sanitation District. The goal of the purchase is to provide limited cover for the peril of earthquake in a manner that is relatively inexpensive so as to not put an excessive burden on the budget. From time to time OC San considers adding structures to the earthquake insurance schedule.

RELEVANT STANDARDS

- Ensure the public's money is wisely spent
- Stable rates, no large foreseen rate increases

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

N/A