



ADMINISTRATION COMMITTEE

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Agenda Report

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Agenda Item No: 5.

FROM: James D. Herberg, General Manager
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SUBJECT:

OVERVIEW OF PROPERTY - LIABILITY INSURANCE

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Information Item.

BACKGROUND

Staff will provide an informational presentation on the Orange County Sanitation District's (Sanitation District) major insurance policies. The process of renewal begins each January, and final quotes are typically received in June, shortly before the beginning of the new fiscal year.

The Sanitation District budget provides funds for the renewal of the following four (4) major insurances for Sanitation District operations:

1) **Excess General Liability Insurance**

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

This program currently provides the Sanitation District 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, the Sanitation District 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 the Sanitation District.

2) Excess Workers' Compensation

The Excess Workers' Compensation insurance coverage is with the Public Risk Innovation, Solutions, and Management (PRISM). The Sanitation District 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 the Sanitation District'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, the Sanitation District 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 the Sanitation District, 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 the Sanitation District's All-Risk Property Insurance that covers perils such as fire and flood.

As part of the renewal process, the Sanitation District 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 the Sanitation District.

4) Earthquake Insurance

The Sanitation District 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 the Sanitation District considers adding structures to the earthquake insurance schedule.

RELEVANT STANDARDS

- Protect Orange County Sanitation District assets

ATTACHMENT

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

- Presentation