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4/22/2020	1	BOARD OF DIRECTORS		

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

SUBJECT:

FY 2020-21 PROPERTY - LIABILITY INSURANCE UPDATE

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Information Item.

BACKGROUND

At the March Administration Committee, staff presented information on the Orange County Sanitation District's (Sanitation District) insurance program. The Committee requested that additional information be provided. The Sanitation District's operational insurance broker will give a short informational presentation about this year's insurance outlook and answer questions from the Board.

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

This program currently provides the Sanitation District with a $40 million dollar policy 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 $500,000. 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.

2) **Excess Workers' Compensation**

The Excess Workers' Compensation insurance coverage is with the California State Association of Counties Excess Insurance Authority (CSAC EIA). 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 of the Sanitation District's real and personal property regarding virtually all perils including fire, flood, and business interruption.

Current Property Insurance limits are $1 billion dollars for most perils other than flood and earthquakes, and $300 million dollars for flood, with many sub-limits for various situations. In order to reach $1 billion dollars in limits, the broker had to arrange for more than a dozen different insurers. The SIR is $250,000 per occurrence for most types of losses.

Since the late 1990's, the Property Insurance has been with a nationwide joint purchase property insurance program called Public Entity Property Insurance Program (PEPIP), one of the world's largest property programs. It is important to note that this joint purchase property insurance program offers the purchasing power of numerous large public entities without the pooling or sharing of coverage or 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.

4) **Earthquake Insurance**

The Sanitation District previously carried earthquake insurance as part of its Property Insurance, but in the last 15 years earthquake insurance proved difficult to obtain or not cost-effective. The Sanitation District asked its insurance broker each year to survey the market to see if rates have changed. Finally, in 2015 a plan was created to insure several key Sanitation District structures identified by Engineering, thus keeping the cost in line. The insurance is a high deductible plan with a limit of $25 million dollars in total.

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RELEVANT STANDARDS

- Protect Orange County Sanitation District assets

ATTACHMENT

The following attachment(s) may be viewed on-line at the OCSD website (www.ocsd.com) with the complete agenda package:

- Alliant Insurance Services Presentation

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