

All Receive - Agenda Item # 1
For the Information of the:
CITY COUNCIL
Date 6/23/20 CA X CC X
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Council Memorandum

June 23, 2020

To: Honorable Mayor Hall and Members of the City Council
From: Laura Rocha, Deputy City Manager, Administrative Services
Via: Geoff Patnoe, Assistant City Manager *GP*
Re: **Additional Materials Related to Staff Report Item No. 1 - Purchase of \$500 Million of Property Insurance Coverage Through Alliant Insurance Services, Inc.**

This memorandum provides information related to staff report item no. 1 of the June 23, 2020 City Council agenda packet. There was a question regarding whether formal proposals had been obtained for the renewal and purchase of \$500 million of property insurance coverage for fiscal year 2020-21.

The city participates in pooled property insurance through the California Insurance Pool Authority (CIPA), a joint powers agreement for insurance, and property related coverages through the Alliant Property Insurance Program (APIP). By participating in this pool with other agencies, the city has been able to save significant cost over having an independent, standalone policy.

City staff did not obtain formal premium quotes from other brokers for property insurance for fiscal year 2020-21 but rather reached out to other industry professionals for information regarding premiums and coverage. Based on these discussions, the property rates the city are paying are competitive. The insurance premium covers every single city building, including contents, every city vehicle, every library book and recording. Also covered are the city's water pumping stations and associated equipment. The yearly premium represents 1% of the actual value of the city's insured property.

City staff did inquire of Alliant Insurance Services, Inc. (Alliant), the broker that administers the APIP program, regarding the large increase in premiums. The information provided indicated that the insurance marketplace has changed drastically due to all the wildfire events in California. Insurance underwriters are taking a new view of wildfire exposure and raising rates, even if there have been no previous claims. Alliant also advised that for those agencies not in the APIP program, non-renewals and rate increases of 100% or more were occurring, even for insureds with no claims based on the wildfire exposure. Several municipal members of the APIP pool were dropped this year based on their negative loss histories. Alliant indicated that they are still unable to place these municipal members in other programs given the shrinking resources available in municipal property coverage.

Administrative Services Branch

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After careful analysis and further discussion with CPIA and Alliant, staff determined that given the city's sizable claims paid out by Alliant over the last six years, and the uncertainty in the property insurance market, it was best for the city to renew with Alliant for fiscal year 2020-21. Staff also considered that the risk of a potential large claim occurring may cause a new insurance group to possibly cancel coverage. Obtaining new coverage after being cancelled can be extremely difficult.

City staff will continue to stay engaged in the municipal insurance market to ensure that the rates paid for property insurance are competitive.

cc: Scott Chadwick, City Manager
Celia Brewer, City Attorney