



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: APPROVAL OF CITYWIDE
INSURANCE RENEWALS

DATE: August 26, 2005

Approved

Kay Winer

Date

8/30/05

COUNCIL DISTRICT: Citywide
SNI AREA: N/A

RECOMMENDATION

Adoption of a resolution authorizing the Director of Finance to purchase insurance policies for the period October 1, 2005 to September 30, 2006 at a cost not to exceed \$2,700,000.

BACKGROUND

Consistent with the City's annual insurance renewal process, Finance staff, working with our insurance broker, Willis Insurance Services of California, Inc., ("Willis"), examined the City's existing insurance program along with alternative coverages that could be considered. Staff also worked with the Agency and the affected departments listed under the coordination section below to determine their insurance needs for City property and facilities.

The City of San Jose ("City") and the Redevelopment Agency of the City of San Jose ("Agency") transfer exposures for catastrophic events via insurance policies when the frequency of events cannot be predicted, the severity of potential losses could seriously hamper the operations, and where the cost of coverage is not prohibitive.

The City's insurance program generally includes property insurance for the City and Agency' facilities and property, excess earthquake insurance for selected parking garages, airport liability, secondary employment for law enforcement personnel, auto liability (for Airport and Water Pollution Control Plant auto fleets only), airport shuttle bus and police aircraft. The City has historically been self insured for its exposures to third party liability claims, with the exception of the Airport Owners and Operators Liability Insurance program. This report provides an overview of these coverages as well as an overview on the types of insurance coverages that are not currently included in the City's insurance program.

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It should be noted that the City's insured values for City and Agency property increased by over eighteen percent (18%) from October 2004 to October 2005, representing an increase of approximately \$290 million with an aggregate value of \$1.86 billion estimated as of October 2005.

Through this renewal period we have experienced carriers entering and exiting specific insurance segments. We have also noticed that the insurance market has softened somewhat since September 11, 2001, after experiencing a significant increase in premiums and decrease in available insurable limits after this horrific event. The aggregate insurance quotes received for this renewal period are 6.6% less than the quotes received last year, resulting in a total estimated savings of \$179,000 for all funds participating in the program.

ANALYSIS

The City, through Willis, solicited major international insurance carriers to provide insurance premium quotes for the policies which expire on September 30, 2005. Through this effort, the City has been successful in obtaining insurance quotes for all policies recommended for purchase. Proposals have been compared and evaluated with respects to scope of coverage, cost, and financial strength to pay claims and resources available to provide services such as property inspections and loss control services.

In order to take advantage of the City's more favorable property insurance rates, Willis successfully negotiated the addition of the Agency's schedule of owned properties (with the exception of the Fairmont Annex) to the City's property insurance program effective December 31, 2004; a separate property insurance policy with an expiration date of December 31, 2005 is in place for the Fairmont Annex. Adding the Agency's properties to the City's schedule resulted in savings of \$58,164 for the Agency. The Agency will continue to benefit from the City's more favorable property insurance rates in this insurance renewal cycle.

The insurance policies addressed in this memorandum have an annual renewal date of October 1, 2005. The premiums reflected are as of the October 1, 2005 renewal date. Premiums are subject to change during the course of the year based on additions and/or deletions to the policies. In addition to the insurance renewals recommended in this memorandum, the City also purchases a number of insurance policies with annual premiums below \$100,000 and with different expiration dates (i.e. Notary Bonds, Airport Customs Bond, Flood, and others.)

The table below illustrates the City and Agency's summary of insured values estimated as of October 2005 along with a comparison to the total insured values as of October 2004. As noted earlier, the total insurable values for all City and Agency owned property increased over eighteen percent (18%) representing an increase of approximately \$290 million in insurable values. This increase is largely attributable to the number of new capital projects being completed and moving onto the City's insurable property list, including the New City Hall. To the extent additional properties are added during the course of the policy period, premium costs will increase.

Summary and Comparison of Schedule of Insured Values

	Building	Contents	Business Interruption	October 2005 TOTAL	October 2004 TOTAL	Percentage Change
Main Buildings (1)	\$1,068,426,015	\$290,564,000	\$93,800,543	\$1,452,790,558	\$1,197,162,558	21.4%
Community Centers	48,150,290	2,822,000	-	50,972,290	50,532,290	0.9%
Libraries	71,401,880	40,362,076	-	111,763,956	95,350,465	17.2%
Parking Garages	86,500,000	-	6,579,000	93,079,000	93,079,000	0.0%
Police Buildings	39,058,325	9,316,915	-	48,375,240	48,375,240	0.0%
Housing	18,526,850	-	-	18,526,850	14,776,850	25.4%
Fire Stations	62,089,650	5,050,000	-	67,139,650	67,139,650	0.0%
Agency Locations	14,817,175	2,831,000	-	17,648,175	n/a	n/a
	\$1,408,970,185	\$350,945,991	\$100,379,543	\$1,860,295,719	\$1,566,416,053	18.8%

(1) Major facilities included in the Main Buildings category include the New City Hall, Airport facilities, Water Pollution Control Plant, Convention Center, Arena, Museums, Theaters, Hayes Mansion, Ice Centre, Service Yards and Animal Shelter

The coverages examined for this renewal period are described below in two categories; insurance coverages recommended and insurance coverages which are not cost effective and therefore not recommended for purchase. Appendix A reflects the best coverages, renewal premiums and insurance carriers available. Appendix B provides a comparison of insurance premiums by fund and type of insurance. This comparison shows that the aggregate insurance quotes received are 6.6% less than the quotes City and the Redevelopment Agency received last year.

Insurance Coverages Recommended

- ***All Risk and Boiler & Machinery Property Insurance*** - Provides coverage for City and Agency owned and leased real and personal property (including buildings, contents, business interruption, boiler and machinery, EDP equipment and media, fine arts, mobile and contractors equipment, builders risk, loss of rents, expediting expenses, off premises services interruption, building ordinance coverage, unnamed locations, transit, accounts receivable, valuable papers, and other coverages as detailed in the policy forms subject to sub-limits as defined in the policy).

The property insurance limit is \$1 billion with a \$100,000 deductible per occurrence. This \$1 billion in blanket coverage is per occurrence over all of the total insurable values taking into consideration the maximum loss exposure from a single covered peril. While the City/Agency have over \$1.86 billion in insurable values, the probability of a covered peril occurring at any one time would be highly unlikely. The only event which could be catastrophic would be loss from an earthquake which the City does not currently purchase, as described in more detail under “*Insurance Coverages Not Cost Effective*”.

The annual rate per \$100 of insured value has decreased from 0.0942 per \$100 to 0.0767 per \$100; a reduction in the annual rate per \$100 of insured value of 18.6%. The City’s

October 1, 2004 and has increased by \$290 million to an estimated value of \$1.86 billion as of October 1, 2005; an 18.8% increase in insured values.

Insurance Carriers: The \$1 billion coverage will be achieved through a layering of insurance coverage among three insurance carriers; Allianz Global Risks US Insurance Company, Federal Insurance Company, and RSUI Indemnity Company. In addition, Pacific Indemnity Company will provide the boiler and machinery coverage.

- ***Excess Earthquake Insurance (Selected Parking Garages Only)*** – Provides earthquake insurance covering real property and loss of rental income coverage on three (3) City owned parking garages (45 N. Market Street, 75 N. Third Street, and 280 S. Second Street.). These are the three parking garages still to be seismically upgraded; all of the newer parking garages meet current seismic standards.

Insurance Carriers: Axis Specialty Insurance Company, Essex Insurance Company, Great American Insurance Company, and Greenwich Insurance Company.

- ***Airport Owners and Operators Liability*** – Provides coverage for bodily injury, property damage and personal injury for claims occurring at the Airport.

Insurance Carriers: ACE Property & Casualty Insurance Company and Lloyds of London.

- ***Secondary Employment Law Enforcement Professional Liability*** – Provides coverage for an actual or alleged error or omission, negligent act, neglect or breach of duty by the City's police officers who have been approved to participate in the Secondary Employment program by the City's Secondary Employment Unit (SEU) while conducting law enforcement activities on behalf of an approved third party secondary employer, which result in bodily injury, property damage or personal injury.

Insurance Carrier: Arch Specialty Insurance Company

- ***Auto Liability*** – Provides coverage for bodily injury, property damage and personal injury for claims arising out of the operation of the Airport and Water Pollution Control Plant auto fleets.

Insurance Carrier: United States Fire Insurance Company.

- ***Airport Shuttle Bus Fleet - Physical Damage*** - Provides comprehensive physical damage (i.e. fire, theft, vandalism, malicious mischief) and collision damage subject to a \$25,000 deductible.

Insurance Carrier: Westchester Surplus Lines Insurance Company

- **Police Aircraft Hull and Liability** – Provides coverage for bodily injury, including passengers, property damage and hull for Cessna 182 and American Eurocopter EC120B.

Insurance Carrier: Westchester Fire Insurance Company.

Appendix A provides a detailed table comparing the current insurance program by coverage levels, carrier(s) and premiums to the recommended renewal program.

Insurance Coverages Not Cost Effective

While the insurance coverages described below are not cost effective to the City today, Finance staff in consultation with our insurance broker, will continue to review the cost of workers' compensation coverage, earthquake coverage, and war and terrorism coverage and make recommendations to purchase insurance coverage to the extent the purchase of any or all of these coverages becomes cost effective.

- **War Risk, Terrorism, Hijacking Risk** – Provides coverage for its insured which becomes legally obligated to pay damages because of bodily injury or property damage but only if caused by war and other perils resulting from Aviation operations.
- **Terrorism Risk Insurance Act of 2002 (TRIA)** – Provides coverage for insured losses resulting from certified acts of terrorism as defined by TRIA. For those participating, coverage is currently provided through a temporary Federal program. Unless extended by Congress, this program is scheduled to terminate on December 31, 2005.

The Terrorism Risk Insurance Act (TRIA) of 2002 was signed into law by President Bush on November 26, 2002. TRIA requires all insurance carriers provide an optional quotation for terrorism coverage at the same time as the standard insurance renewal quotation. If the City declines to purchase the optional TRIA coverage, any claim that occurs as a result of terrorism will not be covered.

The City has considered purchase of TRIA coverage on January 28, 2003 (item #3.6) after it was first offered following enactment of the legislation and again in June, 2003 and September 2004 in conjunction with the renewal of the City's policies. The City continues to decline to purchase this coverage based on the assessment of the risk and the cost and coverage limitations.

The coverage under TRIA is very specific and somewhat limited. There are several very specific requirements for TRIA coverage to apply as briefly summarized below:

- The Secretary of Treasury must certify an event as an "Act of Terrorism." To qualify as an "act of terrorism" the event must be committed by an individual or individuals acting on behalf of any foreign person or foreign interest to coerce the civilian population of the U.S. or influence U.S. policy or conduct by coercion. Please note

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that "domestic terrorism" like the Oklahoma City bombing would not be considered an "Act of Terrorism" under TRIA.

- An "Act of Terrorism" is defined as any violent act or act that is dangerous to life or property that results in damage totaling at least \$5 million in the United States. Acts committed as part of a war declared by Congress are excluded from the scope of the definition.
- The terms and conditions of coverage (limit, deductible, etc.) are governed by the specific policy.
- Under TRIA, there is a \$5 million aggregate requirement. Total damages suffered by all insureds from an "Act of Terrorism" as defined by TRIA must be at least \$5 million. If the \$5 million threshold is met, coverage applies subject to specific policy terms and conditions. In the case of the property insurance program, a \$100,000 per occurrence deductible would apply.

The City has limited terrorism coverage under the All Risk Property Insurance which includes \$2.5 million per occurrence and in the annual aggregate excess of a \$100,000 deductible. The estimated cost of purchasing terrorism insurance through the TRIA program is summarized below:

All Risk and Boiler & Machinery Property Insurance	\$ 63,417
Excess Earthquake Insurance (Parking Garages Only)	106,256
Airport Owners and Operators Liability	524,962
Secondary Employment / Law Enforcement Professional Liability	38,311
Police Aircraft Hull & Liability	9,548
Airport Shuttle Bus Physical Damage	3,097
Total TRIA Premium	\$745,591

Some of the premiums for terrorism insurance may be returned if Congress does not extend the TRIA, others are fully earned for the policy term. See Appendix A for detailed description on costs.

- **Excess Workers' Compensation** - Indemnifies the City for Workers' Compensation Claims above the City's self insurance status. The City's payments for workers' compensation claims are mandated by State law.

The City currently pays workers' compensation and third party liability claims on a "pay as you go" basis, with an emergency reserve fund in the General Fund of \$10,000,000 for both liability and workers' compensation claims. Between 1996 and 2002, the City procured Excess Workers' Compensation coverage. The premiums paid were very favorable to the City. Due to significantly increased premium costs and the City's record of no claims made or paid under the policy, at the recommendation of staff, the City

Council approved the non-renewal of the Excess Workers' Compensation policy in the fall of 2002.

In the spring of 2004 Willis evaluated the benefits and costs of obtaining Excess Workers' Compensation insurance. The cost of purchasing Worker's Compensation insurance was determined to be prohibitive at that time. Little has changed in the Workers' Compensation marketplace with respects to the cost of purchasing this coverage. At that time, the Finance Department in conjunction with the City's insurance broker explored several options associated with managing the costs and transferring the risk associated with the City's Worker's Compensation program. These options included:

- Excess Workers' Compensation Coverage
- Guaranteed Cost/First Dollar Workers' Compensation Coverage
- Loss Portfolio Transfer (selling the City's outstanding liabilities associated with Worker's Compensation claims to an insurance company)

In each instance, the cost was determined to be prohibitive. Over the next twelve (12) months, Willis will continue to explore whether the costs associated with these options have become any more financially viable.

- **General Liability** - Indemnifies the City for third party claims alleging Bodily Injury, Property Damage, and Personal Injury.

The City has historically been self insured for its exposures to third party liability claims, with the exception of the Airport Owners and Operators Liability Insurance program. Over the next twelve (12) months, the Finance Department in conjunction with Willis will explore the financial feasibility and viability of purchasing insurance for these exposures.

- **Earthquake** – Provides coverage for damage caused by the peril of earthquake or volcanic action. The coverage is limited to direct damage caused by an earthquake.

Earthquake insurance is another type of coverage that has become cost prohibitive. The cost for \$5 Million in coverage is \$450,000 annually. This pricing level makes it financially impossible to purchase coverage citywide. As noted above, we have been successful in securing \$25 million in aggregate of earthquake coverage for three Parking Garages as requested by the Department of Transportation.

Appendix B provides a comparison of the allocation of insurance premiums by fund and insurance type between October 2004 renewal and the proposed October 2005 renewal.

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PUBLIC OUTREACH

Not applicable.

CEQA

Not a project.

COORDINATION

This memo has been coordinated with the following departments: Airport, Transportation, Convention Arts & Entertainment, Environmental Services, Planning Building and Code Enforcement, Police, Employee Services; and the City Manager's Budget Office, City Attorney's Office, and the Redevelopment Agency.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn.	Amt. for Contract*	2005-2006 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
001	2001	Insurance Premiums	000073	1,268,000	755,020	Page IX-13	MBA #60 6/21/05 Ord. No. 27474
001	2864	Police Officers Professional Liability Insurance	009065	457,000	383,105	Page IX-9	MBA #60 6/21/05 Ord. No. 27474
001	0502	Non-Personal /Equipment (Police)	000583	18,572,099	117,306	Page VIII-112	MBA #60 6/21/05 Ord. No. 27474
523	0802	Non-Personal /Equipment (Air)	105110	33,171,336	590,664	Page XI-3	MBA #60 6/21/05 Ord. No. 27474
519	0802	Non-Personal /Equipment (Air)	417120	4,491,546	22,984	Page XI-1	MBA #60 6/21/05 Ord. No. 27474
536	0672	Non-Personal /Equipment (CAE)	001010	5,117,047	183,309	Page XI-21	MBA #60 6/21/05 Ord. No. 27474
518	0692	Non-Personal /Equipment (Muni Gulf)	301020	100,000	1,316	Page XI-63	MBA #60 6/21/05 Ord. No. 27474
533	0512	Non-Personal /Equipment (DOT)	106000	6,176,087	193,759	Page XI-32	MBA #60 6/21/05 Ord. No. 27474
513	0762	Non-Personal /Equipment (ESD)	900900	29,517,643	290,339	Page XI-68	MBA #60 6/21/05 Ord. No. 27474

The Redevelopment Agency will pay the allocated property insurance premium of \$13,287 directly to Willis Insurance Services.


 SCOTT P. JOHNSON
 Director, Finance Department

Attachments

1.) ALL RISK AND BOILER & MACHINERY PROPERTY INSURANCE

	Current Program 10/1/2004 – 10/1/2005	Renewal Program 10/1/2005 – 10/1/2006
Carrier	<i>Allianz Global Risks US Insurance Company</i> \$250 Million excess of underlying deductibles <i>XL Insurance America</i> \$250 Million excess of \$250 Million and underlying deductibles <i>RSUI Indemnity Company</i> \$500 Million excess of \$500 Million and underlying deductibles <i>Pacific Indemnity Company</i> \$50 Million Boiler & Machinery coverage excess of underlying deductible	<i>Allianz Global Risks US Insurance Company</i> \$250 Million excess of underlying deductibles <i>Federal Insurance Company</i> \$250 Million excess of \$250 Million and underlying deductibles <i>RSUI Indemnity Company</i> \$500 Million excess of \$500 Million and underlying deductibles <i>Pacific Indemnity Company</i> \$50 Million Boiler & Machinery coverage excess of underlying deductible
Property Coverage	\$1 Billion	\$1 Billion with \$100,000 deductible per occurrence
Business Interruption	\$50 Million	\$250 Million
Earthquake	Not available at a reasonable price for FY 2004/2005. The best quotation for \$5 Million of coverage is \$500,000 (annual).	Not available at a reasonable price for FY 2005/2006. The best quotation for \$5 Million of coverage is \$438,750 (annual). The Insurance Broker and Risk Management staff will continue to monitor the market for opportunities to bid coverage to the extent it becomes available.
Flood	\$15 Million – Flood Zone A and V (\$1,000,000 per occurrence deductible) \$25 Million – Flood Zone B (\$100,000 per occurrence deductible) \$50 Million – All other Flood Zones (\$100,000 per occurrence deductible)	\$15 Million – Flood Zone A and V (\$1,000,000 per occurrence deductible) \$25 Million – Flood Zone B (\$100,000 per occurrence deductible) \$50 Million – All other Flood Zones (\$100,000 per occurrence deductible)
Miscellaneous	Other coverages as outlined in the insurance policy on file in Risk Management	Other coverages as outlined in the insurance policy on file in Risk Management
Terrorism (w/o T.R.I.A.) see comments in memo	\$2,500,000 per occurrence/annual aggregate	\$2,500,000 per occurrence/annual aggregate
Employee Theft	\$1,000,000	\$5,000,000
Annual Premium	\$1,470,145	\$1,400,053
Engineering Fee	\$ 5,000	Included
Total	\$1,475,145	\$1,400,053
TRIA Premium (not recommended for purchase)	\$117,145	\$63,417 (if TRIA is extended beyond 12/31/05) \$280,264 (if TRIA is <u>not</u> extended beyond 12/31/05)

TRIA coverage applies from October 1, 2005 to October 1, 2006. If TRIA is not extended beyond December 31, 2005, an additional premium of \$216,847 will apply to maintain TRIA coverage for the period December 31, 2005 to October 1, 2006.

2.) EXCESS EARTHQUAKE INSURANCE (PARKING GARAGES ONLY)

	Current Program 10/1/2004 – 10/1/2005	Renewal Program 10/1/2005 – 10/1/2006
Insurance Carriers and Limits	<p><i>Axis Specialty Insurance Company</i> \$5 Million excess of underlying deductible</p> <p><i>Essex Insurance Company</i> \$5 Million excess of \$5 Million and underlying deductible</p> <p><i>Great American Insurance Co.</i> \$12 Million part of \$15 Million excess of \$10 Million and underlying deductible</p> <p><i>Greenwich Insurance Co.</i> \$3 Million part of \$15 Million excess of \$10 Million and underlying deductible</p> <p>Great American and Greenwich share the \$15 million in excess of the first \$10 million of coverage on an 80%/20% prorate basis, respectively.</p>	<p><i>Axis Specialty Insurance Company</i> \$5 Million excess of underlying deductible</p> <p><i>Essex Insurance Company</i> \$5 Million excess of \$5 Million and underlying deductible</p> <p><i>Great American Insurance Co.</i> \$12 Million part of \$15 Million excess of \$10 Million and underlying deductible</p> <p><i>Greenwich Insurance Co.</i> \$3 Million part of \$15 Million excess of \$10 Million and underlying deductible</p> <p>Great American and Greenwich share the \$15 million in excess of the first \$10 million of coverage on an 80%/20% prorata basis, respectively.</p>
Property Coverage	\$25 Million Per Occurrence/Annual Aggregate excess of underlying deductible	\$25 Million Per Occurrence/Annual Aggregate excess of underlying deductible
Underlying Deductibles	\$5 Million per occurrence	\$5 Million per occurrence
Loss of Rental Income	Included	Included
Annual Premium	\$125,280	\$120,582
Surplus Lines Taxes and Fees	\$ 3,199	\$ 3,132
Total	\$128,479	\$123,714
TRIA premium (not recommended for purchase)	\$109,080	\$106,256

TRIA coverage applies from October 1, 2005 to October 1, 2006. If TRIA is not extended beyond December 31, 2005, the primary \$5 Million of TRIA coverage provided by Axis Specialty Insurance Company will be cancelled effective December 31, 2005 and a return premium of \$60,700 will apply.

TRIA coverage provided in the \$20 Million excess of \$5 Million layers will remain in force.

3.) Airport Owners and Operators Liability

	Current Program 10/1/2004 – 10/1/2005	Renewal Program 10/1/2005 – 10/1/2006
Carrier	ACE Property and Casualty Insurance Company (Primary \$50M) Lloyds of London (\$150M excess of \$50M)	ACE Property and Casualty Insurance Company (Primary \$50M) Lloyds of London (\$150M excess of \$50M)
Coverage and Deductible	Airport Liability - \$200,000,000 each occurrence combined single limit for bodily injury and property damage, with a \$25,000,000 each occurrence limit for personal injury. Deductible: \$100,000 each occurrence, excluding all loss adjusting and litigation defense costs	Airport Liability - \$200,000,000 each occurrence combined single limit for bodily injury and property damage, with a \$25,000,000 each occurrence limit for personal injury. Deductible: \$100,000 each occurrence, excluding all loss adjusting and litigation defense costs
Annual Premium	\$326,275	\$314,925
Surplus Lines Taxes and Fees	\$ 3,202	\$ 3,202
Total	\$329,477	\$318,127
War Risk, Terrorism (\$50M Limit) (not recommended for purchase)	\$216,000	\$217,532
TRIA premium (not recommended for purchase)	\$523,430	\$524,962

TRIA coverage applies from October 1, 2005 to October 1, 2006. If TRIA is not extended beyond December 31, 2005, TRIA coverage will be cancelled effective December 31, 2005 and a return premium of \$394,246 will apply. Premium for War Risk (\$50M Limit only from ACE) under the Airport Owners & Operators Liability policy is an additional \$217,532. If purchased in conjunction with TRIA coverage various credits are applied; the total maximum premium cost for War Risk and TRIA combined under the \$50M ACE policy is \$326,297 for both coverages. If both War Risk and TRIA coverage offered under the ACE policy (\$50M) are purchased along with TRIA coverage offered under the Lloyds of London policy (\$150M excess of \$50M), the total annual premium is \$633,727.

4.) SECONDARY EMPLOYMENT LAW ENFORCEMENT PROFESSIONAL LIABILITY

	Current Program 10/1/2004 – 10/1/2005	Renewal Program 10/1/2005 – 10/1/2006
Carrier	Gemini Insurance Company	Arch Specialty Insurance Company
Coverage and Deductible	\$2,000,000 each occurrence/annual aggregate excess of deductible of \$100,000 each claim, including claims expenses.	\$2,000,000 each occurrence/annual aggregate excess of deductible of \$100,000 each claim, including claims expenses.
Annual Premium	\$417,164 (\$418/officer)	\$371,135 (\$373/officer) ¹
Surplus Lines Taxes and Fees	\$ 13,454 (\$13.48/officer)	\$11,970 (\$12.03/officer)
Total	\$430,618	\$383,105
TRIA Premium (not recommended for purchase)	\$ 21,531	\$38,311 ²

¹ Participating Police Officers contribute \$110 of the premium per Officer; premium is based on approximately 995 participating officers. Premiums change (increase and decrease) as number of officers participating in the secondary employment changes. The number of officers participating is reported to the carrier on a quarterly basis.

² TRIA coverage applies from October 1, 2005 to October 1, 2006.

5.) AUTOMOBILE LIABILITY - AIRPORT FLEET

	Current Program 10/1/2004 – 10/1/2005	Renewal Program 10/1/2005 – 10/1/2006
Carrier	United States Fire Insurance Company	United States Fire Insurance Company
Coverage	\$1,000,000 Combined Single Limit each occurrence	\$1,000,000 Combined Single Limit each occurrence
Annual Premium	\$91,523	\$94,153
TRIA Premium	Included	Included
Total	\$91,523	\$94,153

AUTOMOBILE LIABILITY - WATER POLLUTION CONTROL PLANT FLEET

	Current Program 10/1/2004 to 10/1/2005	Renewal Program 10/1/2005 to 10/1/2006
Carrier	United States Fire Insurance Company	United States Fire Insurance Company
Coverage	\$1,000,000 Combined Single Limit each occurrence	\$1,000,000 Combined Single Limit each occurrence
Annual Premium	\$83,991	\$83,663
TRIA Premium	Included	Included
Total	\$83,991	\$83,663

6.) AUTOMOBILE PHYSICAL DAMAGE -- AIRPORT SHUTTLE BUS FLEET

	Current Program 10/1/2004 – 10/1/2005	Renewal Program 10/1/2005 – 10/1/2006
Carrier	Westchester Surplus Lines Insurance Company	Westchester Surplus Lines Insurance Company
Coverage and Deductible	Actual Cash Value for covered physical damage excess of \$25,000 per occurrence deductible	Actual Cash Value for covered physical damage excess of \$25,000 per occurrence deductible
Annual Premium	\$37,375	\$30,000
Surplus Lines Taxes and Fees	\$ 1,205	\$ 968
Total	\$38,580	\$30,968
TRIA Premium (not recommended for purchase)	\$ 3,859	\$ 3,097

TRIA coverage applies from October 1, 2005 to October 1, 2006. If TRIA is not extended beyond December 31, 2005, TRIA coverage will be cancelled effective December 31, 2005 and a return premium of \$2,326 will apply.

7.) POLICE AIRCRAFT HULL AND LIABILITY

	Current Program 10/1/2004 – 10/1/2005	Renewal Program 10/1/2005 – 10/1/2006
Carrier	Westchester Fire Insurance Company	Westchester Fire Insurance Company
Coverage	Aircraft Hull and Liability - \$50,000,000 each occurrence for liability. Hull coverage: Cessna \$ 257,000 Eurocopter \$1,750,000 Deductible: Liability – NIL Hull/Cessna - \$500 per occurrence (in-motion) Hull/Cessna - \$100 per occurrence (not in-motion) Hull/Eurocopter – \$43,750 per occurrence (rotors in-motion) Hull/Eurocopter - \$1,000 per occurrence (rotors not in-motion)	Aircraft Hull and Liability - \$50,000,000 each occurrence for liability. Hull coverage: Cessna \$ 257,000 Eurocopter \$1,750,000 Deductible: Liability – NIL Hull/Cessna - \$500 per occurrence (in-motion) Hull/Cessna - \$100 per occurrence (not in-motion) Hull/Eurocopter – \$43,750 per occurrence (rotors in-motion) Hull/Eurocopter - \$1,000 per occurrence (rotors not in-motion)
Annual Premium	\$126,240	\$117,007
Surplus Lines Taxes and Fees	N/A	\$ 299
Total	\$126,240	\$117,306
TRIA Premium (not recommended for purchase)	\$ 5,405	\$ 9,548

TRIA coverage applies from October 1, 2005 to October 1, 2006. If TRIA is not extended beyond December 31, 2005, TRIA coverage will be cancelled effective December 31, 2005 and a return premium of \$7,171 will apply.

Insurance Policies with October 1 Renewal Dates
Premium Allocation of Insurance Premiums by Fund & Insurance Type

	FY 2004-05	FY 2005-06
	Premiums 12 Mos	Premiums 12 Mos
General Fund - Fund 001		
Property Insurance (1)	\$739,932	\$755,020
Police Secondary (2)	426,734	383,105
Police Air Support (Hull & Liab.)	126,240	117,306
Subtotal	\$1,292,906	\$1,255,431
Airport Maintenance & Operation - Fund 523		
Property Insurance	213,306	170,400
Liability Insurance	321,977	310,627
Auto Liability Insurance - Airport Fleet	91,523	94,153
Parking Shuttle	19,290	15,484
Liability - Fund 519	7,500	7,500
Shuttle Bus Physical Damage - Fund 519	19,290	15,484
Subtotal	\$672,886	\$613,648
Treatment Plant Operating - Fund 513		
Property Insurance	\$258,593	\$206,676
Auto Insurance	83,991	83,663
Subtotal	\$342,584	\$290,339
Convention and Cultural Affairs - Fund 536		
Property Insurance	\$174,067	\$183,309
Subtotal	\$174,067	\$183,309
Municipal Golf Course - Fund 518		
Property Insurance	\$1,623	\$1,316
Subtotal	\$1,623	\$1,316
General Purpose Parking - Fund 533		
Property Insurance (3)	\$216,103	\$193,759
Subtotal	\$216,103	\$193,759
Redevelopment Agency		
Property Insurance (4)	\$30,019	\$13,287
Subtotal	\$30,019	\$13,287
TOTAL (4)	\$2,730,188	\$2,551,089

Premiums subject to change if insurance market conditions change prior to October 1, 2005

Footnotes:

- 1 Total Insurable Values (City and Redevelopment Agency owned property) for renewal are approximately \$290 million more than the expiring program, an increase of over 18%.
- 2 Each police officers participating in the secondary employment program pays \$110 towards the premium cost (\$385 per officer). Renewal Premium is based on 995 participating officers.
- 3 Includes \$123,714 (annual) for earthquake coverage.
- 4 Allocated premium for RDA will be invoiced directly to RDA for payment. Coverage was bound effective 12/31/04-10/1/05 for a term premium of \$22,545; annualized amount reflected in the table.