

TRUCKEE TAHOE AIRPORT DISTRICT
BOARD OF DIRECTORS AGENDA ITEM SUMMARY

| Topic | Property Insurance | | |
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| Purpose | Information: | Guidance: | Decision: X |
| Recommendation | <p>Authorize staff to bind property coverage with the Public Entity Insurance Program / Special Property Insurance Program through Alliant Insurance Services for the period July 1, 2012 – July 1, 2013 with a \$10,000 “all risk” deductible for a total premium of \$54,737.</p> | | |
| Last Action | <p>The District renewed coverage with Alliant Insurance for property coverage through the Public Entity Property Insurance Program (PEPIP) under the related Special Property Insurance Program – (SPIP) – which is for smaller agencies (under 50 million) for the period July 1, 2011 – June 30, 2012 at a premium of \$52,209; including separate Crime Policy Coverage. The cost of the property coverage per \$100 of value was \$.1514645.</p> | | |
| Facts | <p>The SPIP policy period runs from July 1 through July 1 of the subsequent year. The proposal for renewal at the same level of coverage is \$56,797 - an increase of 10.8%. The increase represents an increase in the price per \$100 of value insured of 12.4% and a decrease in insured value of \$480,966.</p> <p>The budget included provision for a 5% increase on insurance premiums (liability and property) – which the current quote exceeds. However, for the District’s two liability policies (airport liability and elected officials/employment practices) the District was able to bind coverage at a decreased premium from the prior year. If taken in total, the District’s property and liability premiums on the policies in effect the time the 2011-2012 budget was prepared was \$85,446; the current premiums (including the property coverage renewal being discussed) is \$87,106 – an increase of \$1,660 or 2%. The only policy yet to renew in this fiscal year is the elected officials and employment practices coverage, which has a term date of 8/16/12 (prior year premium was \$15,559).</p> | | |
| Discussion | <p>The Alliant Insurance representative has been helpful. He made a point of calling as the renewal approached to inform us that due to conditions in the industry we may see a larger increase than we had budgeted. Based on that conversation, he offered to approach various markets to obtain proposals. Before we were with the PEPIP/SPIP program, we approached the various carriers each year for proposals, and often ended up switching between them – since joining the SPIP we have renewed each year as the rate increases were less than 2.5% - and still significantly less than we experienced with the traditional carriers. The premium reduction was so significant when we switched to SPIP that the traditional carriers</p> | | |

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cannot compete. Attached you will find a Marketing Log, which details the markets approached by Alliant to obtain quotes for the property coverage and the corresponding replies. Note that all but one carrier declined to quote; with various reasons listed. As of the date of this report SwissRe's proposal was still non-responsive.

Alliant provided a "market update" document that outlined the reasoning behind the property insurance price increase. The industry has experienced heavy catastrophic losses (five of the 15 most expensive catastrophes in history have occurred in the past 18 months: Japan earthquake/tsunami, Thailand 2011 floods, Spring 2011 tornado season, New Zealand and Chile earthquakes) making 2011 the highest loss year on record (globally). When that is combined with poor investment results for the companies and several years in which they have offered rate reductions and/or softening terms to maintain their market share, the result is an increase in property coverage pricing and stricter terms. The District sees the effect of the stricter terms in two ways: the lack of interest by carriers in proposing for our business due to "lack of sprinkler protection" or "class of business;" and, various restrictions put in place on the existing coverage (see page two of Executive Summary attachment).

Alliant submitted an option to increase the "all risk" deductible from \$5,000 to \$10,000 (see page 5 of the attached proposal), which would decrease the premiums \$2,060 – making the increase in premiums \$3,478 or 7%. The "all risk deductible" is that which applies in the event a more specific deductible is not applicable to a loss, and staff feels it is reasonable to take the deductible up to \$10,000. At \$5,000 it would probably not be worthwhile to file a claim in terms of staff time and the possible effect on future premiums. Staff feels that a \$10,000 deductible is more appropriate in our situation and our Alliant representative agrees.

Staff recommends that the Board approve the SPIP coverage with the "all-risk" deductible increased to \$10,000.

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| Fiscal Impact | The premium for property coverage for the period 7/1/12 – 7/1/13 will increase \$3,478 over the prior policy. Raising the deductible from \$5K to \$10K increases the District's exposure in the event of a claim. |
| Communication Strategy | Not applicable |
| Attachments | SPIP Proposal - including Executive Summary Property Insurance Marketing Log |
