Buckman Direct Diversion Project

A joint regional project of the City of Santa Fe and Santa Fe County to build a reliable and sustainable water supply.

Date: **May 24, 2013**

To: **Buckman Direct Diversion Board**

From: **Erika Schwender, BDD Interim Facilities Manager**

Re: **Request Approval to place Insurance Coverage with American Alternative under the name of the BDD Board**

Issue and Item:

This memo is to update the Board on the status of insurance remarketing efforts by Daniels Insurance, and to request approval to place Board insurance with American Alternative for the next policy period.

Background:

Under the *Joint Power's Agreement, Section 23*, the Board is required to carry coverage separate and apart from the partner's respective policies:

> "*The BDD Board shall obtain and carry public liability insurance coverage (including directors and officers coverage) consistent with the responsibilities of a public entity under the new Mexico Tort Claims Act, NMSA 1978…the BDD Board shall carry and maintain fire and extended coverage on all of the BDD Project buildings, structures and improvements, and upon all of the contents and other personal property…*"

In 2011, the Board retained Daniels Insurance, Inc. to serve as its ***Agent/ Broker of Record*** for the purpose of providing insurance services. Daniels' first step was to renew expiring policies with Travelers for a short-term policy period of November 27, 2011 to July 1, 2012.

Daniels' second step was to re-market the account for the next policy period, effective date: July 1, 2012 to July 1 2013, and to add R*eal Property* coverage to the account. The coverage was placed with Travelers at an annual premium of $151,690. As a result of this effort, Daniels currently has the following policies placed with Travelers:

- Auto Policy (placed under the name of the Board – one auto).
- Property insurance for real property, boiler and machinery, personal property & mobile equipment.
- Commercial General Liability & Directors & Officers Liability (placed in the name of the Board).
- Excess Liability (placed under BDD Board).

During the spring of 2013 Daniels has re-marketed the account for the next policy period, effective date July 1, 2013 to July 1, 2014.

Evaluation

Daniels approached 10 companies; however only 3 of those companies submitted complete proposals. A fourth but incomplete proposal, which addressed property coverage only, was submitted by Firemans Fund. The remaining 6 companies declined to provide a quotation as the property values exceeded their capacity. Below are the most comprehensive and complete proposals, which were provided by Travelers Insurance and Glatfelter / American Alternative Insurance Company.

Glatfelter / American Alternative Insurance Company provides coverage for over 3,900 water utilities nationally, including numerous joint powers agreements, such as Shoshone Municipal Water Joint Powers Board (WY), Water Quality Improvement JPA of the Dos Palos Area (CA), Central Wyoming Regional Water System Joint Powers Board (WY), Northern Colorado Water Conservancy District (CO), or Poteau Valley Improvement Authority (OK).

Coverage	**Travelers**	**Travelers**	**Glatfelter / American Alternative**
	2012-2013	**2013-2014**	**2013-2014**
	AM Best Rating A+XV	**AM Best Rating A+XV**	**AM Best Rating A+XV**
Property/Boiler Premium	Incl	Incl	incl
Equipment	Incl	Incl	incl
General Liability	Incl	Incl	incl
Automobile	Incl	Incl	incl
Public Officials	Incl	Incl	incl
Umbrella	Incl	Incl	incl
	Incl	Incl	incl
Total Annual Premium	**$151,690.00**	**$247,276**	**$127,504**

Upon review of vendor proposals, Daniels Insurance negotiated enhanced coverage and deductibles with Glatfelter / American Alternative as shown below:

Coverage	Glatfelter / American Alternative	Travelers
Real Property, amount of coverage Deductible Equipment Breakdown (Boiler & Machinery)	$154,850,000 $75,000 $100,000,000	$154,850,000 $50,000 included in amount above
Software	$500,000	$133,780 Software/Hardware
General Liability Cyber Liability Professional Liability	$1,000,000/$3,000,000 ($5,000 deductible) $1,000,000 (no deductible) $1,000,000/$3,000,000 ($5,000 deductible)	$1,050,000/$2,000,000 ($5,000 deductible) N/A N/A
Flood/Earthquake Coverage	$1,000,000	$1,000,000
Flood Deductibles	$75,000	$100,000
Earthquake Deductibles	$75,000	$50,000
Failure to Supply	$1,000,000/$3,000,000	$100,000
Excess Liability	$5,000,000 Including "Failure to Supply"	$5,000,000 Excluding "Failure to Supply"
Business Auto Auto Comprehensive Deductible Auto Collision Deductible	$1,000,000 $1,000 $1,000	$1,050,000 $100 $1,000

Recommendation

Based Glatfelter / American Alternative's proposal providing enhanced coverage at a significantly reduced annual premium staff recommends the Board places insurance coverage with Glatfelter / American Alternative at an annual premium rate of $127,504.