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Date: September 2, 2011

AGENDA ITEM 15c

TO: MEMBERS, BOARD OF DIRECTORS

- I. SUBJECT:** Renewal of Expiring November 2011 Insurance Coverage
- II. PROGRAM:** Risk Management
- III. RECOMMENDATION:** It is recommended that the President be authorized to secure renewal of the November 2011 expiring policies at terms most favorable to State Fund.

- IV. ANALYSIS:**
The following insurance policy renewal items include the property/casualty policies that are due for renewal on November 4, 2011. Risk Management recommends that the President be authorized to secure renewal of the expiring policies at terms most favorable to State Fund for the following coverage: Property (All Risk Perils, Earthquake/Flood); Commercial General Liability; International Insurance Package; Automobile Liability and Umbrella/Excess.

- V. RESULTS/COSTS:**
The insurance policy renewals fulfill a prime Risk Management responsibility. The following details the current insurance carriers, the policy limits, deductibles, and premium for each type of coverage.

PROPERTY INSURANCE PROGRAM

The total premium for our Property Insurance Program is \$2,196,872 and includes the following policies:

All Risk Perils

Our expiring property insurance is placed with Affiliated FM. This program provides \$200,000,000 coverage, subject to a \$100,000 deductible, for all risk perils including \$10M earthquake coverage, \$50M flood, earthquake sprinkler leakage and mechanical breakdown. This policy includes terrorism coverage. The total premium for this coverage is \$1,127,662.

EXCESS LAYERS EARTHQUAKE/FLOOD

The expiring first excess layer of earthquake insurance provides \$15,000,000 in excess of \$10,000,000 and is underwritten by Commonwealth Insurance Company and Lloyd's of London for a premium of \$452,572.

The second excess layer of earthquake insurance provides \$25,000,000 excess of \$25,000,000 and is underwritten by Empire Indemnity Insurance Company (\$5M) and Everest Indemnity (\$20M) for a premium of \$396,622.

The third excess layer of earthquake and flood insurance provides \$10,000,000 excess of \$50,000,000 and is underwritten by Endurance Am. Specialty for a premium of \$93,405.

The fourth excess layer of earthquake and flood insurance provides \$10,000,000 in excess of \$60,000,000 and is underwritten by Lloyd's (\$2.5M), AXIS Surplus (\$2.5M) and Essex (\$5M) for a premium of \$79,572.

The fifth and final layer of earthquake and flood insurance provides \$10,000,000 in excess of \$70,000,000 and is underwritten by AXIS Surplus (\$6.25M) and Lloyd's (\$3.75M) for a premium of \$46,925.

COMMERCIAL GENERAL LIABILITY

State Fund's expiring Commercial General Liability coverage, underwritten by ACE American Insurance Company, is \$750,000 per occurrence, \$2,750,000 general aggregate excess of a \$250,000 self-insured retention. The annual premium is \$95,000.

MOTOR VEHICLE LIABILITY

State Fund's expiring automobile liability insurance is underwritten by ACE Insurance Company. The policy limit is \$750,000 above a \$250,000 self-insured retention for a premium of \$340,560 subject to audit.

UMBRELLA/EXCESS LIABILITY

The expiring Umbrella/Excess Liability Insurance provides a total of \$75,000,000 in excess of primary coverage. Our expiring umbrella policy is with St. Paul Fire and Marine Insurance Company and provides \$20,000,000 in excess of primary coverage for a premium of \$284,750. The first excess layer of \$30,000,000, excess of \$20,000,000 is underwritten by Great American Insurance Company for a premium of \$38,633. The second excess layer \$25,000,000 excess of \$50,000,000 is underwritten by Federal Insurance Company (Chubb) for a premium of \$26,563. Total premium for the Umbrella/Excess program is \$349,946.

Mary Ann Slivinski

Risk Manager