

COACHELLA VALLEY WATER DISTRICT
AGENDA STAFF REPORT

Property and Liability Insurance Program Summary

Fiscal Year 2024-2025

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**Premium Comparison
Fiscal Year 2024-2025
Property and Liability Insurance**

Insurance Type	Company	2023-2024 Premium	2024-2025 Premium	+/-
Excess Liability	AEGIS	\$ 1,083,626	\$ 1,620,224	49.52%
Employee Benefits Liability	AEGIS	\$ 13,413	\$ 14,084	5.00%
Excess Workers' Compensation	AEGIS	\$ 285,842	\$ 309,540	8.29%
Property, excludes earthquake	Swiss Re	\$ 499,835	\$ 572,200	14.48%
CFD 102, Property (DIC) (Flood & EQ)/CFD reimburses CVWD	Landmark	\$ 179,095	\$ 188,819	5.43%
Security and Privacy Liability (Cyber)	Resilience	\$ 79,362	\$ 88,203	11.14%
Underground Storage Tanks	Great Am	\$ 9,298	\$ 10,837	16.55%
Crime Policy & Fiduciary Liability, (2024-2027) 3-year premium- \$38,865 paid annually - \$12,955	Hanover	\$ 10,988	\$ 12,955	17.90%
Public Officials/Employment Practice *2023-2024 Premium is for 9 months - presented to the board in September 2023	AEGIS	\$ 525,397	\$ 697,034	32.67%
Contingency (2.5%) – Errors, expenses, fees, equipment rental, railroad insurance, and new property locations * last year's contingency was 5%.		\$ 134,343	\$ 87,847	-17.05%
Total		\$ 2,821,199	\$ 3,601,744	27.67%

Prior Authorizations

Insurance Type	Company	Premium
Owners Protective Professional Indemnity (OPPI) -Hired Design Firms. Premiums reflect (2022-2025) Audited & paid annually, Authority up to:	Axis	\$380,936.00
Pollution Policy-Property & Liability - (2022-2025) 3-year prepaid policy and expensed annually \$91,085.24	Indian Harbor	\$273,255.71
Total		\$654,191.71

MARKET SUMMARY:

The marketplace remains challenging, and inflation continues to negatively impact claims as the insurance industry is faced with record increases in property damage and auto liability injury costs and severity, combined with increases in the time required to resolve claims. Nuclear verdicts, in excess of \$10 Million, also continue to push tort costs.

This holds true for the District’s insurance renewal for the upcoming fiscal year. Increases in premium for certain lines of coverage is directly correlated to the number of losses and severity.

EXCESS LIABILITY – AEGIS

Excess liability provides liability coverage for bodily injury, personal injury, property damage liability, products and completed operations, failure to supply, third-party pollution liability (subject to exclusions), employment practice liability, employer’s liability, unmanned aircraft system, and allegation of diminution in value.

The District’s broker, Alliant, provided quotes from different pooling options which proposed rates that were up to three times higher than the current premium, as well as non-competitive limits of \$10 million.

This year the District’s loss history and high settlement amount of a single claim has negatively impacted the policy’s premium with a more than 50% increase. However, the incumbent, AEGIS, is willing to work with the District thanks to the long standing relationship, since 1997.

AEGIS Offered different Self-Insured Retentions (SIR) options:

Option 1: \$1 Million, and keep the auto sub-limit from \$2 Million for a premium of \$1,250,000; or

Option 2: \$1 Million SIR across all lines, including auto for a total premium of \$1,700,000.

Staff recommends maintaining the current \$250,000 SIR as a higher SIR would mean more resources would be required in other aspects, such as TPA services for claims handling.

Excess Liability	2023-2024	2024-2025	Variance
Company	AEGIS	AEGIS	
Limit of liability	\$ 35,000,000	\$ 35,000,000	
-Employment practices liability (EPL)	\$ 9,500,000	\$ 9,500,000	
Self-insured retentions (SIR)	\$ 250,000	\$ 250,000	
-EPL & Pollution SIR	\$ 500,000	\$ 500,000	
-Automobile SIR	\$ 2,000,000	\$ 2,000,000	
Revenue	\$ 333,734,887	\$ 380,265,344	13.94%
Premium per \$1,000 of Revenue	\$ 3.25	\$ 4.26	31.22%
Premium	\$ 1,083,626	\$ 1,620,224	49.52%

EMPLOYEE BENEFITS LIABILITY - AEGIS

This policy provides liability coverage for errors and omissions, breach of fiduciary duty in the administration of employee benefits programs for failure to advise, enroll, terminate or cancel benefits, violation of any responsibility, obligation or duty for group life insurance, group accident or health insurance,

pension plans, workers' compensation, unemployment insurance, disability benefits, or any other employee benefit programs. Typical claims in the industry tend to be errors in enrolling employees in benefits.

Employee Benefits Liability has been with AEGIS since 2012, other carrier quotes were 60% higher than expiring policy.

Employee Benefits Liability	2023-2024	2024-2025	Variance
Company	AEGIS	AEGIS	
Limit of liability	\$ 5,000,000	\$ 5,000,000	
Self-insured retention	\$ 100,000	\$ 100,000	
Premium	\$ 13,413	\$ 14,084	5.0%

AUTOMOBILE LIABILITY – Self-Insured

The District has been self-insured for automobile liability since 2021. CorVel, the District's third-party administrator, manages the claims to issue payments for accidents that may result in property damage or bodily injury up to \$2 million for each occurrence. Losses greater than \$2 million are handled under the excess policy with AEGIS.

A quote for automobile liability was obtained, with a deductible of \$1Million, and reduced limits of liability of \$1Million, for a total premium of \$386,925. Staff recommends continuing with the self-insurance program for automobile with the \$2 million sub-limit under the excess policy for the next fiscal year.

Automobile	2023-2024	2024-2025	Variance
Excess Liability Company	AEGIS	AEGIS	
Limit of liability	Self-Insured	Self-Insured	
Deductibles/SIR	\$ 2,000,000	\$ 2,000,000	
Number of Vehicles	388	375	-5.78
Self-Insurance Budgeted	\$ 2,000,000	\$ 2,000,000	0%

EXCESS WORKERS' COMPENSATION – AEGIS and Self-Insured

All employers are mandated to provide their employees injured on-the-job with workers' compensation coverage. The coverage provides employees medical treatment and wage replacement. Workers' compensation is a no-fault system. In exchange for this coverage, employees cannot sue the employer for the injuries in Civil Court. Claims are adjudicated through the Workers' Compensation Board.

AEGIS has continued to offer the better policy provisions at the most reasonable cost since 2003.

Excess Workers' Compensation	2023-2024	2024-2025	Variance
Company	AEGIS	AEGIS	
Limit of liability	\$ 35,000,000	\$ 35,000,000	
Premium basis-payroll projection	\$ 61,198,939	\$ 65,709,007	7.37%
Self-insured retention (SIR)	\$ 250,000	\$ 250,000	
Exposure basis/Employee Count	536	536	0.0%

Rate per \$100 of payroll	\$ 0.47	\$ 0.47	0.86%
Premium	\$ 285,842	\$ 309,540	8.29%

PROPERTY - Swiss Re

Property insurance provides coverage for first-party property damage on an all-risk basis, unless otherwise excluded. Examples include fire, wind, water, business interruption, flood, and pressure vessels. This policy excludes earthquake. Should a loss occur, the District would rely on FEMA and Cal-EMA for assistance.

In 2023 southern California was struck by two unprecedented storm events causing significant damage to its property and two claims were filed against the policy. While the claim is still ongoing, the premium increase does not reflect the claim impacts, only the increased insured values.

The District has been with Swiss Re since 2018 and they’ve expressed the appreciation for the business and will continue to work with the district to provide competitive quotes to retain the business.

Property	2023-2024	2024-2025	Variance
Company	Swiss Re	Swiss Re	
Limit of liability	\$ 100,000,000	\$ 100,000,000	
Flood (Moderate Hazard) Locations in "12.2. Special Flood Zone 2"	\$ 25,000,000	\$ 25,000,000	
Flood (High Hazard) as respects Locations in "12.1.Special Flood Zone 1"	\$ 5,000,000	\$ 5,000,000	
Deductible - Other than Flood	\$ 100,000	\$ 500,000	
Insured values	\$ 1,015,869,412	\$ 1,168,039,704	14.98%
Premium per \$100 of values	\$ 0.05	\$ 0.05	
Premium	\$ 499,835	\$ 572,200	14.48%

COMMUNITY FACILITIES DISTRICT 102 – PROPERTY

DIFFERENCE-IN-CONDITIONS (Flood & Earthquake) - Landmark American Insurance Company

The Community Facilities District 102 (CFD) was a developer’s funding mechanism for the stormwater facility located within the Reserve Country Club (Reserve). The Coachella Valley Water District (District) owns the facility; however, the CFD is responsible for the operation, maintenance (O&M), and capital replacement.

In July 2016, the CFD Board chose to secure a Difference in Conditions (DIC) Property Insurance Policy to provide coverage for the perils of earthquake and flood as the District’s basic property policy excludes earthquake and has a sub-limit for flood. In addition to the purchase of the DIC policy, the CFD also reimburses the District for a percentage of its basic property policy.

The CFD Board realizes the policy has a high premium and deductible; however, it provides added “peace of mind” if insurance can cover losses and help protect reserves set aside for improvements and future O&M costs. Each year staff forwards the quotes received to the CFD’s board of directors for review and confirmation that they wish to continue to purchase the policy.

CFD #102 Flood & Earthquake Only	2023-2024	2024-2025	Variance
Company	Landmark	Landmark	
Insured values	\$ 22,989,450	\$ 24,252,714	5.49%
Limits of Insurance	\$ 10,000,000	\$ 10,000,000	0.00%
Difference-in-Conditions (Flood & EQ)	\$ 179,095	\$ 188,819*	5.43%

*Plus % of CVWD broker fee

SECURITY AND PRIVACY LIABILITY (CYBER LIABILITY) –
Homeland Insurance Company of New York (Resilience)

The policy provides for third-party damage and defense costs for claims related to security and privacy breaches should someone hack into the District’s system and steal customer or employee information. This information could include credit/debit card, bank account, date of birth, or social security numbers along with other information. The policy will provide for indemnification and event management in case of a loss.

An increased level of competition from cyber underwriters eager to write new business following recalibration of cyber rates last year has led to more nominal rate increases when organizations can demonstrate good cyber security controls year over year. This year District’s broker was able to successfully obtain a reduction in premium.

Security and Privacy (Cyber)	2023-2024	2024-2025	Variance
Company	Resilience	Resilience	
Limits of Liability	\$ 5,000,000	\$ 5,000,000	
Media Content	\$ 5,000,000	\$ 5,000,000	
Security and Privacy Liability	\$ 5,000,000	\$ 5,000,000	
Regulatory Action	\$ 5,000,000	\$ 5,000,000	
Cyber Extortion	\$ 5,000,000	\$ 5,000,000	0.00%
Deductible	\$ 100,000	\$ 100,000	0.00%
Premium	\$ 79,362	\$ 88,203	11.14%

UNDERGROUND STORAGE TANKS – Great American Alliance Insurance Company

Underground Storage Tank (UST) insurance provides coverage for cleanup costs or corrective actions due to an underground tank release in addition to third-party bodily injury and property damage that the District becomes legally obligated to pay. The District is required by law to show the State of California financial responsibility for the underground tanks including the cost of cleanup should a tank leak.

The current policy provides coverage in as much as it will pay for claims with a retroactive date back to 1994. This is beneficial in times where a leak occurs over a period of years. The District also has a Pollution policy, which is in excess of the UST policy.

Underground Storage Tanks	2023-2024	2024-2025	Variance
Company	Great American	Great American	
Limit of liability	\$ 1,000,000	\$ 1,000,000	
Deductibles	\$ 5,000	\$ 5,000	
Number of Tanks	11	11	
Premium per Tank	\$ 889	\$ 985	16.55%
Premium	\$ 9,298	\$ 10,837	16.55%

COMMERCIAL CRIME - Hanover

This policy provides coverage from failure of an employee to faithfully perform his/her duties prescribed by law for the theft of property including money on and off premises, forgery, embezzlement, computer fraud, funds transfer fraud, credit card fraud, and false pretenses funds transfer fraud.

Both commercial and financial businesses continue to face threats from employee theft, fraudulent fund and transfer schemes, and the resulting financial losses. The District has been insured with Hanover since 2015.

The district also received a quote from Alliant Crime Insurance Program (ACIP) for Government Crime Insurance through AIG, at a rate of \$9,600 but it is only for a year. With the 3-year policy the yearly rate is locked in and there would be no need to go back to market until 2027, for this reason staff recommends continuing with Hanover.

Commercial Crime	2021-2024	2024-2027	Variance
Company	Hanover	Hanover	
Limit of liability	\$ 5,000,000	\$ 5,000,000	
Deductible	\$ 100,000	\$ 100,000	
-Faithful Performance	\$ 1,000,000	\$ 2,000,000	
Total 3-year term Premium	\$ 31,916	\$ 38,865*	21.77%

* 3-year policy paid annually at \$12,955

PUBLIC OFFICIALS (D&O) - AEGIS

The Public Officials policy insures against any actual or alleged wrongful acts caused, committed or attempted by the Directors or Officers while acting in their respective capacities. Wrongful act means any actual or alleged breach of duty, neglect, error, misstatement, misleading statement or omission. This policy also insures against employment practices liability (i.e. harassment, discrimination, and wrongful termination.)

During the September 2023 renewal, AEGIS agreed to shorten the policy period to align the policy with the rest of the District’s insurance program renewal of July 1st. As a result the premium was prorated for 9 months, thus the variance in the change of premium is not a true reflection as it is not comparable to a one year premium. The District has been insured with AEGIS since 2001 as they continue to provide the most coverage at reasonable pricing. Other quotes were non-competitive.

D&O	09/29/23-06/30/24	07/1/24-06/30/24	Variance
Company	AEGIS	AEGIS	
Limit of liability	\$ 10,000,000	\$ 10,000,000	
Deductible-D&O	\$ 500,000	\$ 500,000	
Exposure basis/Revenue	\$ 333,734,887	\$ 380,265,344	13.94%
Exposure basis/Employee Count	536	536	0.0%
Premium per \$1,000 of Revenue	\$ 1.57	\$ 1.83	16.43%
Premium	\$ 525,397	\$ 697,034	32.67%

PRIOR AUTHORIZATIONS

POLLUTION INSURANCE - Indian Harbor

The District has a large exposure to environmental losses as it uses, stores, and transports a myriad of chemicals. This subjects the District to remediation costs associated with releases on its properties. The cost of cleanup associated with an event of pollution can be extremely high, along with liability exposure to others and the public.

Exposures and Insurable Losses:

- Discharge of mistreated water
- Chemical releases
- Leaks/cracks in Aeration/Clarifier basins
- Lift station leaks or malfunctions
- Leakage of diesel fuel
 - Storage tanks
- Midnight oil dumping-unoccupied sites
- Leak detection fails
- Transporting diesel
- Chlorine explosion –evacuate neighborhoods
- Public Health adopts a new standard
 - District becomes non-compliant/suits
- Disposal sites can turn into Superfund sites
- District currently uses 6 disposal sites
 - Biosolid Waste-WRP’s
 - Contaminated Bio-derived solids & fertilizer (Compost)
 - Ferric precipitate solid sludge
 - Hazardous waste oil debris
 - Flammable liquid hazardous waste
 - Asbestos cement pipe
 - Waste brine water from IXTP’s
 - Petroleum contaminated soil
- Waste transporters used on all

Organizations that generate, transport, store, or discard waste can be liable for cleanup costs for years under the Comprehensive Environmental Response Compensation Liability Act (Superfund) even if all their actions were legal. Even a minor contributor to a waste site can be liable for the entire cost of cleanup if other contributors are insolvent or unidentifiable.

The policy insures for losses arising during the course of transportation. This would pay for the cost of the environmental cleanup and resulting lawsuits that the District might become legally obligated to pay as a result of a claim.

Over the years, regulators have added more regulations that make it easier for the District to fall out of compliance. The EPA holds organizations liable for its pollutants from “Cradle to Grave.” The liability cannot be passed on to another through contractual agreements. This and the cost for environmental cleanup make a pollution policy necessary. The policy will protect the District against the high costs associated with environmental cleanup.

Pollution Liability	2019-2022	2022-2025	Variance
Company	Indian Harbor	Indian Harbor	
Limit of liability	\$ 25,000,000	\$ 25,000,000	
Self-insured retention	\$ 250,000	\$ 250,000	
Premium	\$ 222,698	\$ 273,256	22.70%
Expensed Annually	\$ 74,233	\$ 91,085*	

* 3-year total = \$273,255.71

OWNERS PROTECTIVE PROFESSIONAL LIABILITY INDEMNITY POLICY (OPPI) -
 Axis Surplus Insurance

The District relies heavily on outside engineering firms to design its multi-million dollar facilities. This exposes the District to losses resulting from negligence, errors, and omissions in the performance of these design services.

Design errors can expose the District to first party property losses (where a new facility may need to be redesigned and reconstructed) and legal liability claims. An example is if a contractor filed suit against the District for loss of revenue due to construction stopping before completion. Design errors represent a large threat to the financial health of the District. General liability policies do not insure against design defects.

OPPI	2019-2022	2022-2025	Variance
Company	Axis	Axis	
Limit of liability	\$ 15,000,000	\$ 10,000,000	
Self-insured retention-1 st Party	\$ -	\$ -	
Self-insured retention-3rd Party	\$ 250,000	\$ 250,000	
Underlying Insurance Limit	\$ 1,000,000	\$ 1,000,000	
Construction Values Estimate (70%)	\$ 292,437,003	\$ 476,170,231	62.83%
Premium per \$1,000 of CV + Tax	\$ 0.95	\$ 0.80	-15.79%
Estimated Premium	\$ 277,815	\$ 380,936	37.12%

BROKER FEES – Alliant Insurance Services, Inc.

The Board of Directors awarded a three-year contract (2024-2026), with the option to extend the agreement for two additional two-year terms, for insurance brokerage services to Alliant Insurance, Inc. (Alliant) on October 24, 2023. Alliant is paid a flat annual fee in lieu of commissions to market and place the District’s insurance.

Broker Fee	2023-2024	2024-2025	Variance
	Willis Tower Watson	Alliant	
Alliant Insurance Services (2024-2026) 3-year contract (\$180,000)	\$45,000	60,000\$	33.33%