



Legislation Text

File #: 2021-018, Version: 1

Report to Carson Reclamation Authority

Tuesday, January 12, 2021

Consent

SUBJECT:

AFFIRM THE ADDITIONAL COST OF SURPLUS LINES TAXES AND STAMPING FEES AT A AN ADDITIONAL AMOUNT OF \$2,643.53 FOR THE RENEWAL OF A BUILDER'S RISK POLICY THROUGH AMERICAN INTERNATIONAL GROUP UK LIMITED, PROCURED THROUGH MARSH/JLT SPECIALTY INSURANCE SERVICES, INC., WITH THE ORIGINAL PREMIUM IN AN AMOUNT NOT TO EXCEED \$82,611.30, FOR A TOTAL EXPENDITURE OF \$85,254.85

I. SUMMARY

On October 6, 2020, staff presented an item for the Board to consider the renewal of the Builders Risk ("BR") policy for the year. Attached was the quote from the insurance broker with the premium amount of \$82,611.30 and the recommendation was to approve the renewal with that as the not-to-exceed amount. Typically, on non-admitted policies (including the pollution insurance policies) staff has been careful to include the Surplus Lines Taxes and Stamping Fees, which are required in California for such policies, and receive approval for the gross amount. In this case staff erred in not including these charges because they were not included in the quote, and we mistook the BR program for admitted paper like the D&O policy, which is the most recent policy approval brought to the board and which does not charge the Surplus Lines Taxes and Stamping Fees.

The premium was due in December and the CRA paid the full amount in order to not risk cancellation, and the City's Purchasing Manager recommended bringing this action to the Board to affirm the gross amount with Surplus Lines Taxes and Stamping Fees of \$85,254.85.

II. RECOMMENDATION

1. AFFIRM THE ADDITIONAL COST OF SURPLUS LINES TAXES AND STAMPING FEES AT A AN ADDITIONAL AMOUNT OF \$2,643.53 FOR THE RENEWAL OF A BUILDER'S RISK POLICY THROUGH AMERICAN INTERNATIONAL GROUP UK LIMITED, PROCURED THROUGH MARSH/JLT SPECIALTY INSURANCE SERVICES, INC., WITH THE ORIGINAL PREMIUM IN AN AMOUNT NOT TO EXCEED \$82,611.30,

FOR A TOTAL EXPENDITURE OF \$85,254.85

III. ALTERNATIVES

TAKE another action the Board deems appropriate.

IV. BACKGROUND

In January, 2017 the CRA procured insurance policies in the area of Comprehensive General Liability (“GL”) and Builder’s Risk for the period of one year. These policies are different from the Pollution Legal Liability (“PLL”) and Contractor’s Pollution Liability (“CPL/PLI”), in that they do not insure the pollution risk, but rather they insure traditional risks that typically occur on a project. The policies were expired in 2018, and were replaced by a comprehensive “wrap” insurance program developed jointly with Macerich, called an Owner Controlled Insurance Program (“OCIP”).

The CRA’s share of the Builder’s Risk policy, which was renewed in October, excludes Cell 2, which is the responsibility of CAM under the wrap agreements. This protects the investments the CRA or its predecessors have made in the construction of civil or remedial infrastructure on Cells 1, 3, 4, and 5.

The annual premium was quoted at \$82,611.30 but the quote did not calculate or include Surplus Lines Taxes and Stamping Fees, which were an additional \$2,643.53. Those fees have been charged in the past and on the CRA’s pollution policies as well. (The correct invoice is attached as Exhibit 1).

A Builder’s Risk insurance policy provides first party property coverage for damage to real property incurred during construction. Once construction is complete, Builder’s Risk policies cease providing coverage. Under the Builder’s Risk policy, the insured property is the assets that are installed or being built on the property. CAM and the CRA obtained and maintain a phased Builder’s Risk program for all of the horizontal and vertical construction components at the Project (valued at about \$350,000,000) with a limit equal to 100% of the replacement value of all such horizontal and vertical components. This included all five cells.

The Builder’s Risk program was designed to be expanded in the future to cover horizontal work conducted on other cells of the Site and vertical construction work thereon, such as the development of Cells 3, 4, and 5 by a different developer. The Builder’s Risk program also contains earthquake coverage with a limit of liability of at least \$50,000,000 for the Project, which may be increased or decreased based on the findings of Probable Maximum Loss reports to be conducted annually or at such other frequency as may be agreed to by CRA and CAM. The Builder’s Risk program is an occurrence based policy and the limits will automatically reinstate upon any loss thereunder at no charge to the insureds; provided, however, that the limit of loss for earthquake and coverage will be expressed as an annual aggregate amount. The Builder’s Risk program will be primary with respect to all property damage at, on or under the property during the term of the Project and will also include coverage with respect to repair of physical damage to work or remedial

components arising out of a loss.

V. FISCAL IMPACT

The additional cost is \$2,643.53.

VI. EXHIBITS

1. Invoice from Marsh USA, Inc. (pgs. 4-6)

1.

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