



Legislation Text

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**Report to Carson Reclamation Authority**

Monday, November 01, 2021

Discussion

**SUBJECT:**

**CONSIDER AMENDMENT TO A PROPERTY INSURANCE POLICY MADE BY STARR TECHNICAL RISKS AGENCY, INC. AND PROCURED THROUGH MARSH/JLT SPECIALTY INSURANCE SERVICES, INC., ADDING CELL 2 TO THE COVERAGE FOR THE FORMER CAL COMPACT LANDFILL AND AUTHORIZE THE EXECUTIVE DIRECTOR TO BIND THE AMENDMENT, IN THE AMOUNT OF \$13,980 (CARSON RECLAMATION AUTHORITY)**

**I. SUMMARY**

On October 4, 2021, the CRA Board authorized the Executive Director to bind a Property Insurance Policy with Starr Technical Risks Agency, Inc., a Division of Starr Indemnity and Liability Company ("Starr Tech"). Total Insured Value on the policy is \$37,599,519 and the total "all-in" costs including premium, surplus lines taxes and stamping fees, and inspection fees, was \$276,227.50. However, this policy did not include coverage for Cell 2, which was subject to a joint Builders Risk policy with CAM-Carson as the first named insured.

One positive fact learned after the approval is that the policy was written on "admitted" paper in California, meaning that it is not subject to surplus lines taxes or stamping fees, reducing the amount above by \$8,547.50. The amendment is also not subject to surplus lines taxes, either.

Staff informed the Board that they would return with a recommendation for the renewal of the Cell 2 policy, either as a joint renewal of the Builder's Risk with CAM-Carson, or as an addition to this property policy. The CRA's representatives reached out to CAM's risk manager but they were unable to make a commitment on renewing the policy because of CAM's uncertainty about their project, so the alternative was to extend the new property policy to Cell 2. When the broker reached out to Starr Tech to discuss the terms of a Cell 2 extension, they learned that the VP/underwriter of the policy was leaving the firm on Monday, October 11, so they quickly bound the addition subject to the Board's approval. The additional premium is \$13,980.

## **II. RECOMMENDATION**

1. APPROVE an Amendment to a Property Insurance Policy, procured through Marsh/JLT Specialty Insurance Services, Inc. with Starr Technical Services, Inc., to add coverage of Cell 2, at a premium of \$13,980.
2. AUTHORIZE the Executive Director to bind the amendment.
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## **III. ALTERNATIVES**

TAKE another action the Council deems appropriate.

## **IV. BACKGROUND**

In January 2017 the CRA procured Comprehensive General Liability (“GL”) and Builder’s Risk insurance policies. These policies were different from the Pollution Legal Liability and Contractor’s Pollution Liability in that they do not insure pollution risk, but rather traditional construction risks that occur on a project. Those original policies were replaced in 2018 by a comprehensive “wrap” insurance program developed jointly with Macerich, called an Owner Controlled Insurance Program.

The CRA’s renewed its share of the BR policy in October 2020, which excluded Cell 2, which was the responsibility of CAM under the wrap agreements. This policy protected the investments that CRA or its predecessors have made in the construction of civil or remedial infrastructure on Cells 1, 3, 4, and 5.

However, due to significant changes in the property insurance market, the CRA saw a significant increase in quoted premium for the same coverage and many fewer companies quoting at much lower coverage limits because carriers’ appetites for limits is smaller, meaning coverage could have been from a “tower” of smaller-limit insurers rather than a single carrier who would take the primary layer. The single Starr Tech policy is less expensive than a tower program.

On October 4, the Board authorized the Executive Director to bind a Property Insurance Policy with Starr Tech per their quoted premium of \$263,000, Engineering Fee of \$3,500, Boiler & Machinery Verification Fee of \$1,180. The policy was not subject to California surplus lines taxes and fees of \$8,457.50.

The policy’s effective date was October 12, 2021. This amendment to the policy doesn’t change the Total Insured Value of \$37,599,519 for all 5 Cells (this includes Cell 2 with no increase in value), which is the value of the Landfill Operation System, the Gas Collection and Control System, the Groundwater Extraction and Treatment System, and a certain amount of landfill liner. The CRA also remains covered by its robust program of insurance for pollution liability, director’s and officer’s liability, and professional (design) liability.

## **V. FISCAL IMPACT**

The additional premium is \$13,980. The total combined premium will now be \$276,980 plus the other fees of \$1,180 and \$3,500. The CRA saved \$8,547.50 from the October 4 action because the policy is written on admitted paper in California.

## **VI. EXHIBITS**

1. Policy Binder with Starr Technical Risks Agency, Inc. (pgs. 4-10)

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