

**SAN DIEGO CONVENTION CENTER CORPORATION
AUDIT COMMITTEE MEETING
OF THE BOARD OF DIRECTORS**

**Director Alyssa Turowski, Chair
Director Jaymie Bradford
Director Sam Nejabat**

**WEDNESDAY, APRIL 17, 2024, 10:00 A.M.
111 W. Harbor Drive, Executive Boardroom
San Diego, California 92101**

AGENDA

**Telephone number for members of the public
to observe, listen, and address the meeting telephonically:
1(888) 251-2909 – Access code is 6724115#**

1. Call to order: Alyssa Turowski, Chair

2. Non-Agenda Public Comment:

This portion of the agenda provides an opportunity for members of the public to address the Board on items of interest within the jurisdiction of the Board that have not previously been before the Board. Pursuant to the Brown Act, no discussion or action shall be taken by the Board on items not posted on the agenda.

3. Approve Minutes of March 13, 2024, Audit Committee Meeting

4. Chair's Report

5. Action Item(s):

A. Recommendation to Review and Authorize Property and Casualty Insurance through the Brokerage Services of Marsh & McLennan Agency

6. Staff Updates:

A. Management Update – Rip Rippetoe

B. CFO/Finance Update – Mardeen Mattix

(1) Review of Year- to-Date Financial Variances

C. Human Resources Executive Director Update – Michael Milligan

(1) SDCCC Fraud/Complaints Update

7. Urgent non-agenda items (must meet the requirements of Government Code, Section 54954.2)

8. Audit Committee Comment [Govt. Code §54954.2(a)(2)]

Adjournment

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In compliance with Government Code section 54957.5, non-exempt written material that is distributed to the Board prior to the meeting will be available at the meeting or it may be viewed in advance of the meeting at the corporation’s offices at 111 West Harbor Drive, San Diego, CA. Materials distributed to the board after the posting of this agenda also will be available. Please contact Pat Evans at (619)525-5131 or pat.evans @ visitsandiego.com if you would like to pick up a copy of any material related to an item on this agenda.

Agenda Item 3

MINUTES

**SAN DIEGO CONVENTION CENTER CORPORATION
AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS**

**WEDNESDAY, MARCH 13, 2024, NOON
111 W. Harbor Drive, 2nd Floor, Executive Boardroom
San Diego, California 92101**

**Director Alyssa Turowski, Chair
Director Jaymie Bradford
Director Sam Nejabat**

BOARD MEMBERS PRESENT: Chair Alyssa Turowski and Director Sam Nejabat

BOARD MEMBERS ABSENT: Director Jaymie Bradford

STAFF PRESENT: Rip Rippetoe, Mardeen Mattix, Michael Milligan, Shannon Teem and Pat Evans (Recorder)

ALSO PRESENT:

1. Call to Order:

Chair Alyssa Turowski called the meeting to order at Noon in the Executive Conference Room of the San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, California.

Chair Turowski announced that since this meeting is being conducted on site with an open telephone line to the public, the first action is to perform a roll call to determine which Board members are present on this call.

Director Turowski - Present
Director Bradford- Absent
Director Nejabat- Present

Chair Turowski noted that all the Committee members were present except Director Bradford, and all votes taken at today's meeting will be recorded via roll-call vote.

2. **Non-Agenda Public Comment** – Chair Turowski requested public comment regarding any non-agenda items. Hearing none, the meeting proceeded.

3. **Approve minutes of Audit Committee Meeting of October 18, 2023.**

Chair Turowski inquired if any member of the public wished to comment on Agenda Item 3. No members of the public responded to the request for comment.

Directors Nejabat and Turowski moved and seconded, respectively, to approve the minutes of the meeting of October 18, 2023.

**Director Turowski – Aye
Director Bradford – Absent
Director Nejabat - Aye**

Vote unanimous.

AYES: 2

NAYS: 0

ABSTENTIONS: 0

Director Bradford arrived on site at 12:07 a.m.

4. **Chairs Report: None**

5. **Discussion Item(s):**

A. Engagement Letter re: MPPP Audit

Ms. Mattix reported:

- The Money Purchase Pension Plan Audit fieldwork will begin in April for June Board presentation of audited financials.
- The auditors are Considine & Considine, and they will perform a limited scope audit focused on valuation of contributions made and valuation of plan assets held in trust to ensure integrity of the plan.
- This is a 100% employer sponsored plan which is funded with ten percent contributions of employee wages once they qualify by working 1000 hours (if the employees are not part-time workers with SEIU – they have their own union retirement plan).
- The plan’s Investment Performance and Advisor is RBC Wealth Management
- The plan’s Administrator is Randal + Hurley and the plan’s Custodian of Assets is Charles Schwab.
- The Corporation is planning future discussions and preparations to move forward with converting the MPPP to a 403b match program which will likely start January 1, 2027.

Chair Turowski inquired if any member of the public wished to comment on Agenda Item 5.A. No members of the public responded to the request for comment.

B. Update on Contract Renewal for Financial Statement Auditors

Ms. Mattix reported:

- The Corporation's Annual Financial Statement Audit will begin in either May or June and should be ready for presentation to the Board in October.
- The Corporation's contract with its auditors has expired and we wish to align our auditor selection with the same firm the City uses. The City is nearing completion of its auditor selection process.
- We currently have a one-year transitional quote with our current firm as well as a five-year quote with reasonable terms and pricing.
- We anticipate we will make our auditor selection in late April.
- Ms. Mattix also explained how the "whistleblower" and "fraud" hot-lines operate. Committee Directors were forwarded sample e-mails to test the system.

Chair Turowski inquired if any member of the public wished to comment on Agenda Item 5.B. No members of the public responded to the request for comment.

C. Audit Charter – Roles/Expectations of Committee

D. Review Audit Committee Workflow Schedule

Ms. Mattix reviewed the Workflow Schedule and discussed the following audit initiatives that will be subject to future Committee review:

- Review of the Board's Corporate Policies
- The Corporation's procurement and budgetary thresholds
- The Corporation's Employee handbook, new regulatory policies and Internal Control documentation

Chair Turowski inquired if any member of the public wished to comment on Agenda Item 5.C and 5.D. No members of the public responded to the request for comment.

E. Review Insurance Threshold Limits

Ms. Mattix reported:

- The City and the Corporation's team are reviewing policy thresholds and limits in anticipation of a tough solicitation.
- Regarding General Liability coverage, the Port and City may impose the full \$50M excess limit after allowing it to be reduced to \$25M for three years during COVID.
- The Corporation may be unable to obtain bids for the \$25M excess layer of coverage.

- Property insurance is expected to increase by 35% due to the number of limited carriers in California and higher property valuations.
- The center’s value is estimated to be \$1.2B but a single carrier can only cover \$1B.
- The Corporation’s Workers’ Compensation coverage is increasing as our payroll costs have increased due to more claims.

Chair Turowski inquired if any member of the public wished to comment on Agenda Item 5.E. No members of the public responded to the request for comment.

6. Staff Updates:

A. Management Update – None

B. CFO/Finance Update– None

(1) Review of Year- to-Date Financial Variances - None

C. H.R. Executive Director Update – Michael Milligan

(1) SDCCC Fraud/Complaint Update

- Mr. Milligan reported that the Corporation has had no activity since the last meeting.

Chair Turowski inquired if any member of the public wished to comment on Agenda Items (6.A), (6.B), or (6.C). No members of the public responded to the request for comment.

7. Urgent non-agenda items (must meet the requirements of Government Code, Section 54954.2) - None

8. Audit Committee Comment: None

There being no further business, the meeting adjourned at 12:27 a.m.

CERTIFICATION

I, Alyssa Turowski, Chair of the Audit Committee of the Board of Directors of San Diego Convention Center Corporation, Inc., do hereby certify that the foregoing is a true and correct copy of the minutes of the business transacted by the Audit Committee of the Board of Directors of the San Diego Convention Center Corporation, Inc. at a duly noticed meeting held on March 13, 2024.

Alyssa Turowski, Chair

Agenda Item 5.A

SAN DIEGO CONVENTION CENTER CORPORATION M E M O R A N D U M

TO: Audit Committee

FROM: Mardeen Mattix, Chief Financial Officer

DATE: For the Agenda of April 17, 2024

RE: Recommendation to Review and Authorize Property and Casualty Insurance through the Brokerage Services of Marsh & McLennan Agency

BACKGROUND

The San Diego Convention Center Corporation (SDCC) carries the following lines of coverage: Assailant, Commercial Automobile, Cyber, Directors and Officers, General & Excess Liability, Property, Underground Storage Tank, and Workers' Compensation. These lines of coverage are renewed each year on May 1. Each line of coverage was evaluated based on the following factors (a) adherence to the specifications set forth by the City of San Diego and the San Diego Unified Port District, (b) the safety and well-being of our employees, partners, contractors, and the public at large, (c) the health and age of our building, (d) risk (e) benchmarks, as available, and (f) budgetary objectives.

Staff comprised of the CFO, Controller, and the Executive Director of Human Resources who reviewed the submitted quotes.

DISCUSSION

SDCC engaged Marsh to undertake several tasks: (a) gather quotes for all coverage lines for the upcoming plan year to gauge market conditions, (b) utilize these quotes alongside incumbents' renewal rates, (c) present property coverage options, prompted by a 34% increase in the building's appraised value by our current carrier, Affiliated FM, (d) investigate adding a new coverage line for Pollution, considering potential environmental incidents in the region and their impact on SDCC, and (e) raise the average liability limit for Directors and Officers insurance from \$3,000,000 to \$5,000,000.

Overview of Property & Casualty Premiums

PREMIUM SUMMARY

COVERAGE	EXPIRING	RENEWAL	CHANGE
POLICY TERM	05/01/23 - 05/01/24	05/01/24 - 05/01/25	
PROPERTY	\$ 428,830	\$ 619,428	44.45%
GENERAL LIABILITY	\$ 24,112	\$ 28,728	19.14%
COMMERCIAL AUTOMOBILE	\$ 7,286	\$ 5,046	-30.55%
EXCESS - 1st Layer \$10 xs of Primary	\$ 26,880	\$ 29,757	10.70%
EXCESS - \$10M	\$ 32,801	\$ 36,113	10.10%
EXCESS \$4M	\$ 17,640	\$ 20,780	0.00%
UNDERGROUND STORAGE TANK	\$ 2,349	\$ 2,832	20.56%
WORKERS COMPENSATION & EMPLOYER'S LIABILITY	\$ 296,774	\$ 336,087	13.25%
CYBER	\$ 19,359	\$ 19,346	-0.07%
ACTIVE ASSAILANT	\$ 36,138	\$ 40,586	12.31%
EXECUTIVE LIABILITY	\$ 66,933	\$ 42,067	-13.53%
BROKER FEE*	\$ 81,250	\$ 81,250	
Does not include Pollution Liability Quote			
TOTAL PROGRAM COST	\$ 1,040,332	\$ 1,262,021	21.31%

Below is an overview of our current program coverage, deductible limits, and incumbent carriers:

SDCC Proposed Coverage for 5/1/2024 renewal

Excess Liability (\$25M Total)										
Carrier: Allianz Limit: \$10,000,000 Premium: \$31,341										
Carrier: HDI Global Limit: \$10,000,000 Premium: \$31,341										
Carrier: Texas Insurance Company Limit: \$5,000,000 Premium: \$16,783										
Carrier: Allianz Limit: \$5,000,000 Premium: \$17,824										
Carrier: HDI Global Limit: \$10,000,000 Premium: \$36,113										
Umbrella Liability Carrier: Markel / K&K Limit: \$10,000,000 Premium: \$29,757										
General Liability	Automobile Liability	Employer's Liability	Employee Benefits Liability	Property	Cyber Liability	Worker's Compensation	Underground Storage Tank	Crime	D & O, EPL & Fiduciary	Active Assailant
Carrier: Scottsdale (K&K) Limit: GL - \$1,000,000/ \$2,000,000	Carrier: Scottsdale (K&K) Limit: \$1,000,000	Carrier: Travelers Limit: \$1,000,000	Carrier: Scottsdale (K&K) Limit: \$1,000,000/ \$2,000,000	Carrier: Affiliated FM Insured Value: \$1 Billion	Carrier: Beazley Limit: \$3,000,000 various policy sublimits	Carrier: Travelers Statutory Coverage	Carrier: UCPM Environmental Limit: \$1,000,000	Carrier: Zurich Limit: \$250,000	Carrier: Zurich Limit: \$5,000,000 (D&O + EPL) \$2,000,000 (Fiduciary)	Carrier: Hiscox Lead Limit: \$2,500,000
SIR: \$100,000	Deductible \$1,000 Comp. \$1,000 Coll.	Deductible \$250,000	Deductible \$1,000	Deductible \$25,000, Water Damage \$50,000, Flood \$100,000	Retention \$25,000	Deductible \$250,000	Deductible Tank 1- \$100,000 Tank 2- \$25,000	Deductible \$15,000 Fiduciary \$10,000	Retention D&O \$100,000 EPL - \$250,000	No Deductible
Premium \$28,728	\$5,046	Incl in WorkComp	Inc in GL	\$619,428	\$19,346	\$336,087	\$2,832	Inc in D&O	\$54,446	\$40,586

Property

In August 2023, Affiliated FM, our incumbent insurer, conducted a thorough inspection of the building to determine its replacement cost, defined as the estimated amount needed to replicate the entire property. This appraisal led to a 34% increase in the building's value, surpassing \$1 billion (\$1,175,799,981). Additionally, our internal inventory review resulted in a more than 700% increase in the contents limit. It's important to highlight that insurance carriers offering property limits exceeding \$1 billion are rare. While Affiliated FM can provide coverage up to \$1 billion, they are presently unable to offer amounts surpassing this threshold.

Marsh received a quote from the incumbent, Affiliated FM as well as CNA. CNA quoted \$800,000 with a layering limit of \$50,000,000. Nine carriers declined to quote due to uncompetitive pricing, loss control concerns, and an inability to offer a limit of \$1 Billion.

PROPERTY	EXPIRING	RENEWAL	CHANGE
	Affiliated FM	Affiliated FM	
Coverage Term	05/01/23 - 05/01/24	05/01/24 - 05/01/25	
Personal Property	\$ 5,125,000		
Electronic Data Property	\$ 1,500,000		
Building	\$ 810,992,495		
Business Income	\$ 7,000,000		
Leasehold Rental Payments	\$ 30,000,000		
Total Policy Limit	\$ 854,617,495	\$ 1,000,000,000	17.01%
DEDUCTIBLE			
All other Perils not specifically listed	\$ 25,000	\$ 25,000	
Earthquake Sprinkler Leakage	\$ 25,000	\$ 25,000	
Flood per location*	\$ 100,000	\$ 100,000	* see note
Business Interruption	2 day equivalent	2 day equivalent	
Water Damage per location	\$ 50,000	\$ 50,000	
Boiler & Machinery	\$ 25,000	\$ 50,000	
Premium	\$ 475,897	\$ 554,679	16.55%
Terrorism	\$ 47,067	\$ 64,749	37.57%
Premium	\$ 428,830	\$ 619,428	44.45%
Commission	0%	0%	
RATING BASIS			
Total Insurable Values	\$ 854,617,495	\$ 1,175,799,981	37.58%
Rate for Comparison - per \$100 of Values	0.0502	0.0527	4.99%
Premium	\$ 428,830	\$ 619,428	44.45%
Additional Quote for \$200,000,000 -indication from Chubb Bermuda for Premium of \$135,000 - \$150,000			

* Flood Deductible for Chula Vista location (Marshall Yard) is \$500,000 as mapping shows that the location is in a 100-year flood zone.

Staff recommends authorizing Marsh to renew the property policy at the total policy limit of \$1,000,000,000 with the incumbent, Affiliated FM, for a total premium of \$619,428 (before allocations to the City of San Diego and the Port of San Diego) which is \$190,598, or 44.45% higher than the expiring policy. The Corporation’s share of the net premium (after deducting for amounts to be billed back to the City and the Port) is \$516,216.

General Liability

General Liability insurance provides coverage for claims of bodily injury or property damage caused by business operations, products, or services. It typically covers legal defense costs and settlements if a business is found liable. The General Liability premium is based on Rental revenue and Admissions.

In addition to the incumbent, K&K-Markel, Marsh requested five quotes for this line of insurance (general liability and first excess layer). All declined due to their inability to compete with the current pricing, or they were unable to submit their quote in time for this meeting.

GENERAL LIABILITY	EXPIRING	RENEWAL	CHANGE
	K & K-Scottsdale	K & K-Markel Insurance Company	
Coverage Term	05/01/23 - 05/01/24	05/01/24 - 05/01/25	
General Aggregate	\$ 5,000,000	\$ 5,000,000	
Products Completed Operations Aggregate Limit	\$ 2,000,000	\$ 2,000,000	
Personal and Advertising Injury	\$ 1,000,000	\$ 1,000,000	
Each Occurrence Limit	\$ 1,000,000	\$ 1,000,000	
Damage to Premises Rented to You Limit	\$ 300,000	\$ 300,000	
Medical Expense	Excluded	Excluded	
Self Insured Retention (SIR)	\$ 100,000	\$ 100,000	
EMPLOYEE BENEFITS LIABILITY - CLAIMS MADE Retro Date: 5/1/2006 \$1,000 deductible	\$1,000,000/\$2,000,000	\$1,000,000/\$2,000,000	
RATING BASIS			
Admissions	750,000	776,000	3.47%
Gross Revenue	\$ 40,000,000	\$ 48,000,000	20.00%
TPA Fee	\$ 1,500	\$ 1,500	
Premium	\$ 22,807	\$ 28,167	23.50%
Total Premium - Includes Terrorism Charge	\$ 24,112	\$ 28,728	19.14%

K&K – Markel (incumbent) includes \$1,000,000 base general liability coverage with a single occurrence deductible of \$100,000, for an annual premium cost of \$28,728 – 19% above last year’s expense.

Commercial Automobile

Commercial automobile insurance provides coverage for vehicles used for business purposes. It protects against liability for bodily injury or property damage caused by our business-owned vehicles, as well as physical damage to the vehicles themselves.

K&K-Markel submitted a bundled quote which included auto insurance. Fortunately, we were the recipient of a decrease in our renewal by \$2,220 or 30.55%.

COMMERCIAL AUTOMOBILE	EXPIRING	RENEWAL	CHANGE
	Scottsdale Indemnity	Markel Insurance Company	
Coverage Term	05/01/23 - 05/01/24	05/01/24 - 05/01/25	
Liability – Any One Accident or Loss Symbol #1	\$ 1,000,000	\$ 1,000,000	
Uninsured/Underinsured Motorists Symbol #2	\$ 1,000,000	\$ 1,000,000	
Medical Payments Symbol #2	\$ 5,000	\$ 5,000	
Comprehensive Deductible Symbol #7	\$ 1,000	\$ 1,000	
Collision Deductible Symbol #7	\$ 1,000	\$ 1,000	
Hired Auto Liability- Excess Symbol #8	\$ 1,000,000	\$ 1,000,000	
Hired Auto Physical Damage Symbol #8	\$ 50,000	\$ 50,000	
Non-Owned Liability Symbol #9	\$ 1,000,000	\$ 1,000,000	
RATING BASIS			
# Autos	\$ 3	\$ 3	
Average Rate per Vehicle	\$ 2,422.00	\$ 1,682.00	-30.55%
Premium	\$ 7,266	\$ 5,046	-30.55%

Staff recommends authorizing Marsh to move the auto insurance policy to K&K-Markel for a premium

cost of \$5,046.

Excess Liability

The **Excess Liability** coverage market is still limited in the capacity to insure as rates are increasingly driven by nuclear verdicts and the severity of automobile liability losses.

SDCC has maintained a general liability insurance limit amount of \$50,000,000 as specified in the 1998 Management Agreement throughout the years. However, for the last three years, both the City of San Diego and the San Diego Unified Port District agreed to reduce that coverage to \$25,000,000 due to capacity limitations within the insurance market and the low-risk assessment from low claim history of the Center. In the current year, both entities requested to reinstate the contractual limits, knowing the pressures in the market to secure excess coverage are scarce. By reinstating the additional excess coverage to \$50 million from the current \$24 million increased the total cost by \$85,839 – more than double the premium cost from last year.

General Liability Coverage		
Primary	\$ 1,000,000	K&K - Markel
1st layer	\$ 10,000,000	Markel American
2nd layer	\$ 10,000,000	HDI Global Specialty
3rd layer	\$ 5,000,000	Allianz Global
4th layer	\$ 5,000,000	Texas Insurance Group
5th layer	\$ 10,000,000	HDI Global Specialty
6th layer	\$ 10,000,000	Allianz Global
Total GL coverage	<u>\$ 51,000,000</u>	

	EXPIRING	RENEWAL	CHANGE
EXCESS - 1st Layer \$10M			
	National Casualty	Market American	
Each Occurrence	\$ 10,000,000	\$ 10,000,000	
General Aggregate	\$ 10,000,000	\$ 10,000,000	
Premium	\$ 26,880	\$ 29,757	10.70%
EXCESS - 2nd Layer \$10M			
	HDI Global Specialty SE	HDI Global Specialty SE	
Each Occurrence	\$ 10,000,000	\$ 10,000,000	
General Aggregate	\$ 10,000,000	\$ 10,000,000	
RATING BASIS			
Premium with commission	\$ 30,500	\$ 34,725	
Commission	0%	0%	
Policy Fee	\$ 275	\$ 275	
Surplus Lines Fee	\$ 923	\$ 1,113	
TRIA	\$ 1,103	INC	
Total Estimated Annual Premium	\$ 32,801	\$ 36,113	10.10%
EXCESS - 3rd Layer \$5M			
	Capital Specialty	Allianz Global	
Each Occurrence	\$ 4,000,000	\$ 5,000,000	
General Aggregate	\$ 4,000,000	\$ 5,000,000	
RATING BASIS			
Premium with commission	\$ 17,000	\$ 17,000	
Commission	0%	0%	
Policy Fee	\$	\$ 275	
Surplus Lines Fee	\$ 541	\$ 549	
TRIA	\$ 99	INC	
Total Estimated Annual Premium	\$ 17,640	\$ 17,824	1.05%
EXCESS - 4th Layer \$5M			
		Texas Ins Comp	
Each Occurrence		\$ 5,000,000	
General Aggregate		\$ 5,000,000	
RATING BASIS			
Premium with commission		\$ 16,000	
Commission		0%	
Policy Fee		\$ 275	
Surplus Lines Fee		\$ 509	
TRIA		INC	
Total Estimated Annual Premium		\$ 16,784	New
EXCESS - 5th Layer \$10M			
		HDI Global Specialty SE	
Each Occurrence		\$ 10,000,000	
General Aggregate		\$ 10,000,000	
RATING BASIS			
Premium with commission		\$ 30,000	
Commission		0%	
Policy Fee		\$ 375	
Surplus Lines Fee		\$ 966	
TRIA		INC	
Total Estimated Annual Premium		\$ 31,341	New
EXCESS - 6th Layer \$10M			
		Allianz Global	
Each Occurrence		\$ 10,000,000	
General Aggregate		\$ 10,000,000	
RATING BASIS			
Premium with commission		\$ 30,000	
Commission		0%	
Policy Fee		\$ 375	
Surplus Lines Fee		\$ 966	
TRIA		INC	
Total Estimated Annual Premium		\$ 31,341	New
Total Excess Liability	\$ 77,321	\$ 163,160	111%

Staff recommends authorizing Marsh to renew general liability excess coverage policies totaling \$163,160 – 111% above last year’s expense.

Pollution

Pollution insurance provides coverage for claims arising from pollution or environmental damage resulting from business operations. This coverage encompasses expenses related to cleanup, legal

proceedings, and damages stemming from pollution incidents. Environmental incidents may include, but are not limited to, water damage, sewer ruptures, and chemical spills. Certain exclusions apply, such as asbestos, known incidents, and lead-based paint. Based on recent storm events, staff feel it is a prudent business decision to add this line of coverage during the new policy year.

NEW

POLLUTION LIABILITY	Chubb - Illinois Union Insurance Company	
Coverage Term	05/01/24 - 05/01/25	
Per Pollution Condition or Indoor Environmental Condition	\$	1,000,000
Aggregate All Pollution Conditions or Indoor Environmental Condition	\$	1,000,000
Self Insured Retention	\$	25,000
RATING BASIS		
Total Estimated Annual Premium	\$	18,655
Surplus Lines	\$	594
Total Estimated Annual Premium	\$	19,249

Staff recommends authorizing Marsh to add a pollution policy with Chubb for a total premium of \$19,249.

Underground Storage Tank

Underground storage tank insurance provides coverage for claims related to leaks, spills, or other damage caused by underground storage tanks on the property. It covers cleanup costs, liability for third-party injuries or property damage, and legal expenses.

Given the advancing age of our two storage tanks (35 and 24 years), they are progressively becoming riskier. Deductibles are expected to rise, compounded by the absence of alternative markets. Consequently, Liberty Surplus, our incumbent provider, proposed a policy renewal with a \$233 or 9% increase compared to the previous year.

UNDERGROUND STORAGE TANK	EXPIRING	RENEWAL
	Liberty Surplus Ins. Corp	Liberty Surplus Ins. Corp
Coverage Term	05/01/23 - 05/01/24	05/01/24 - 05/01/25
Storage Tank Incident Limit of Liability	\$ 1,000,000	\$ 1,000,000
Aggregate Limit of Liability for all Storage Tank Incidents	\$ 1,000,000	\$ 1,000,000
Aggregate Limit of Liability for all Legal Defense Expenses	\$ 1,000,000	\$ 1,000,000
Total Policy Aggregate Limit of Liability for all Storage Tank Incidents	\$ 1,000,000	\$ 1,000,000
Deductible per Storage Tank Incident - Tank 1*	\$ 100,000	\$ 100,000
During Removal or Investigation	\$ 1,000,000	\$ 1,000,000
Deductible per Storage Tank Incident - Tank 2	\$ 25,000	\$ 25,000
Retro Date Tank 1	8/1/2005	8/1/2005
Retro Date Tank 2	5/1/2005	5/1/2005
Premium	\$ 2,349	\$ 2,575
Program Fee	\$ 175	\$ 175
Surplus Lines	\$ 75	\$ 82
Total Premium	\$ 2,599	\$ 2,832

Staff recommends authorizing Marsh to renew the underground storage tank policy with Liberty Surplus for a premium cost of \$2,832.

Workers' Compensation

Workers' compensation insurance provides coverage for medical expenses, lost wages, and rehabilitation costs for employees who are injured or become ill on the job. It is mandatory coverage in California and helps protect both employees and employers. Premiums are based on claims history (severity and frequency of claims) as well as expected annual payroll.

SDCC currently operates a self-funded workers' compensation program with a high deductible of \$250,000 per claim, necessitating a fixed base of non-refundable premiums, assessments, and fees. Travelers proposed an alternative program offering the same high deductible but with reduced premium costs offset by increased collateral requirements. Furthermore, the claim fee structure of this option is based on a percentage of the paid claim value rather than flat rates for submitted claims.

Considering recent claims trends and exposure rates, staff recommends maintaining the current program. Although the premium is \$336,087, an increase of 13.25%, than the alternative, it minimizes the risk of claim fee escalations and requires less collateral in comparison. The current fiscal year claim cost budget was \$350,000 but to date, claims total nearly \$700,000. To renew based on the current program, the Travelers package requires an additional \$350,000 Letter of Credit contribution due to increased claims activity, for a total Collateral Requirement of \$2,000,000. Including a budgeted claim costs reserve of \$350,000, the overall program costs are expected to be \$686,087 for the renewal period.

WORKERS COMPENSATION & EMPLOYER'S LIABILITY	EXPIRING		RENEWAL		RENEWAL	
	TRAVELERS		TRAVELERS		TRAVELERS	
Coverage Term	05/01/23 - 05/01/24		05/01/24 - 05/01/25		05/01/24 - 05/01/25	
WORKERS COMPENSATION	Statutory - CA		Statutory - CA		Statutory - CA	
EMPLOYER'S LIABILITY						
Bodily Injury by Accident -Each Accident	\$1,000,000		\$1,000,000		\$1,000,000	
Bodily Injury by Disease - Each Employee	\$1,000,000		\$1,000,000		\$1,000,000	
Bodily Injury by Disease Policy Limit	\$1,000,000		\$1,000,000		\$1,000,000	
Deductible Plan Amount	\$250,000		\$250,000		\$250,000	
Class Code Classification						
9015 Building Operations	\$	14,000,000	\$	14,817,870	\$	14,817,870
8742 Outside Sales	\$	612,150	\$	916,857	\$	916,857
8810 Clerical	\$	2,000,000	\$	3,197,072	\$	3,197,072
RATING BASIS						
Estimated Annual Payroll	\$	16,612,150	\$	18,931,799	\$	18,931,799
Rate for Comparison - per \$100 of Payroll	\$	1.4850	\$	1.5440	\$	1.4060
Estimated Annual Premium	\$	246,690	\$	292,307	\$	266,181
Surcharges	\$	50,084	\$	43,780	\$	43,780
Loss Control	Not included		Not included		Not included	
Commission Rebate	0%		0%		0%	
Total Premium	\$	296,774	\$	336,087	\$	309,961
Loss Fund	\$	65,000	\$	74,173	\$	75,486
Collateral Requirement	\$	1,650,000	\$	2,000,000	\$	2,025,000
Loss Fund Due			\$	9,173	\$	10,486
Collateral Due			\$	350,000	\$	375,000
Claim Charge			Med - \$175 and Ind-\$1,500		LCF of 1.085	

Staff recommends authorizing Marsh to renew the existing workers' compensation policy with the incumbent, Travelers, for a premium cost of \$336,087.

Cyber Liability

Cyber liability insurance provides coverage for losses or damages resulting from cyber-attacks, data breaches, or other cyber-related incidents. It covers costs such as legal fees, notification expenses, credit monitoring, and liability for third-party claims.

In addition to the incumbent, Beazley, Marsh received three quotes for this line of insurance. Chubb declined to quote as it no longer writes this coverage for public entities. Travelers could not compete with the pricing and coverage of Beazley. Corvus' quote was more than twice the premium cost of Beazley.

According to Marsh data, rate increases averaged 3% in Q3 2023. Fortunately, SDCC received a slight rate decrease (.07%) from Beazley for the upcoming policy year.

CYBER LIABILITY	EXPIRING	RENEWAL	
	BEAZLEY	BEAZLEY	
COVERAGE TERM	05/01/23 - 05/01/24	05/01/24 - 05/01/25	
POLICY AGGREGATE LIMIT OF LIABILITY	\$ 3,000,000	\$ 3,000,000	
FIRST PARTY COVERAGE			
Breach Response	Outside and separate	Outside and separate	
Cyber Incident Response Team	\$ 1,000,000	\$ 1,000,000	
Notified Individuals	100,000 notified individuals	100,000 notified individuals	
Business Interruption Loss and Extra Expenses	\$ 3,000,000	\$ 3,000,000	
Contingent Business Interruption Loss and Extra Expenses	\$ 1,000,000	\$ 1,000,000	
Cyber Extortion Loss	\$ 3,000,000	\$ 3,000,000	
Data Recovery Costs	\$ 3,000,000	\$ 3,000,000	
THIRD PARTY COVERAGE			
Data and Network Liability	\$ 3,000,000	\$ 3,000,000	
Regulatory Defense & Penalties	\$ 3,000,000	\$ 3,000,000	
Payments Cards Liabilities & Costs	\$ 3,000,000	\$ 3,000,000	
Media Liability	\$ 3,000,000	\$ 3,000,000	
Claim Prep	\$ 50,000	\$ 50,000	
Post Breach Remediation Costs	100 hours	100 hours	
eCrime			
Fraudulent Instruction	\$ 250,000	\$ 250,000	
Funds Transfer Fraud	\$ 250,000	\$ 250,000	
Telephone Fraud	\$ 250,000	\$ 250,000	
RETENTIONS			
Each Incident, Claim or Loss	\$ 25,000	\$ 25,000	
Waiting Period	10 Hours	10 Hours	
Estimated Annual Premium	\$ 18,750	\$ 18,750	
Surplus Lines Fees	\$ 609	\$ 596	
Policy Fee			
Total Premium	\$ 19,359	\$ 19,346	-0.07%

Staff recommends authorizing Marsh to renew the Cyber policy with Beazley for a premium cost of \$19,346.

Active Assailant

Active assailant insurance, also known as active shooter insurance, provides coverage for losses or damages resulting from acts of violence or terrorism on our premises. This line of insurance can cover medical expenses, property damage, business interruption, and liability for third-party claims. Hiscox, the incumbent, submitted a proposal that was \$4,448 or 12.31% higher than the previous policy year. The increase can be attributed to the rise in incidents across the country.

ACTIVE ASSAILANT	EXPIRING	RENEWAL	
	Hiscox Lead	Hiscox Lead	
Coverage Term	05/01/23 - 05/01/24	05/01/24 - 05/01/25	
Liability Combined Single Limit and Aggregate	\$ 2,500,000	\$ 2,500,000	
Physical Damage	Excluded	Excluded	
Business Interruption	\$ 2,500,000	\$ 2,500,000	
Loss of Attraction	\$ 500,000	\$ 500,000	
Extra Expense	\$ 2,500,000	\$ 2,500,000	
Crisis Response Company Fees	\$ 250,000	\$ 250,000	
Deductible	No deductible	No deductible	
Total Estimated Annual Premium	\$ 35,000	\$ 39,335	
Surplus Lines Tax & Stamping Fee	\$ 1,138	\$ 1,251	
Grand Total	\$ 36,138	\$ 40,586	12.31%

Staff recommends authorizing Marsh to renew the Active Assailant policy with Hiscox for a premium cost of \$40,586.

Directors & Officers (Including Employment Practice, Fiduciary Liability, and Crime)

Directors and officers (D&O) insurance provides coverage for claims against directors and officers for alleged wrongful acts in their roles. It can cover legal defense costs, settlements, or judgments. Employment practices liability insurance (EPLI) provides coverage for claims related to employment-related issues, such as wrongful termination, discrimination, harassment, or retaliation. It can cover legal defense costs, settlements, or judgments, and can help protect a business from financial losses. Crime insurance provides coverage for losses resulting from criminal acts, such as theft, fraud, forgery, or employee dishonesty. It can cover financial losses, legal expenses, and can help protect your business's assets and reputation.

In addition to the incumbent, Zurich, Marsh received six quotes for this line of insurance. Five companies declined to provide a quote due either to claims activity, our type of business, and/or could not complete with Zurich based on their coverage and cost.

Renewing our current coverage reflects a decrease of \$24,866, a reduction of 37.15%. Despite no imminent claims, staff recommend raising the liability limit by \$2,000,000, particularly given California's litigious environment. This increase in coverage still yields a premium decrease of \$12,487, or 18.6%.

	EXPIRING	RENEWAL	CHANGE
EXECUTIVE LIABILITY	ZURICH	ZURICH	
COVERAGE TERM	05/01/2023 - 05/01/2024	05/01/2024 - 05/01/2025	
Directors & Officers Liability Limit - Each Claim and Aggregate	\$ 3,000,000	\$ 3,000,000	
Employment Practices Liability Limit - Each Claim and Aggregate	\$ 3,000,000	\$ 3,000,000	
Fiduciary Liability - Each Claim and Aggregate	\$ 2,000,000	\$ 2,000,000	
Additional Limit for Defense Costs	\$ 1,000,000	\$ 1,000,000	
Policy Aggregate Limit	\$ 4,000,000	\$ 4,000,000	
Retentions (Per Loss)			
D&O Non-Indemnified Claims	\$ -	\$ -	
D&O Corporate Reimbursement for Indemnified Claims	\$ 100,000	\$ 100,000	
D&O Corporate Reimbursement for Entity-Related Claims	\$ 100,000	\$ 100,000	
Employment Practices Liability Claims	\$ 250,000	\$ 250,000	
Employment Practices Liability - 3rd Party Claims	\$ 250,000	\$ 250,000	
Fiduciary Liability Claims	\$ 10,000	\$ 10,000	
DIRECTORS & OFFICERS LIABILITY			
Additional Side A Limit	\$ 1,000,000	\$ 1,000,000	
FIDUCIARY LIABILITY			
HIPAA Penalties Sublimit	\$ 100,000	\$ 100,000	
Total Estimated Annual Premium (Includes Crime)	\$ 66,933	\$ 42,067	-37.15%
MARKETING / ADDITIONAL COVERAGE OPTIONS	CARRIER	LIMIT/RETENTION	PREMIUM
\$5M Limit Option	Zurich	\$5M D&O Limit / \$100K Retention \$5M EPL Limit / \$250K Retention	\$ 54,446

Staff recommends authorizing Marsh to renew the Directors & Officers policy with the incumbent, Zurich for a total of \$5,000,000 coverage limit with a premium cost of \$54,446.

STAFF RECOMMENDATION

The Audit Committee recommends to the Board authorization to place Assailant, Auto, Cyber, Directors and Officers, General & Excess Liability, Pollution, Property, Underground Storage Tank and Workers’ Compensation Insurance through the brokerage services of Marsh & McLennan Agency as detailed in the discussion above. The costs outlined above total \$1,616,946, inclusive of an estimated claims cost of \$350,000 as well as \$81,250 in brokerage fees. FY2025 total budgeted value of all costs was approved for \$1,766,286.

_____/s/
 Mardeen Mattix
 Chief Financial Officer