



TRIUNFO SANITATION DISTRICT

A PUBLIC AGENCY

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April 22, 2019

Board of Directors
Triunfo Sanitation District
Ventura County, California

UPDATE ON TSD PROPERTY INSURANCE

Summary

At the request of the Triunfo Sanitation District (TSD) Board of Directors, staff has been researching alternatives for obtaining property insurance coverage for the District. Currently, TSD maintains coverage solely for its automated meter reading system and the reclaimed water system recently purchased from Calleguas Municipal Water District (approximately \$11 million in coverage / \$5,000 deductible / \$29,767 annual premium). Said coverage is a requirement of the financing agreements of these systems.

At the February 25, 2019 TSD Board meeting, Gregory Stephens of Tolman Wiker Insurance Services presented a preliminary report on his analysis of TSD's additional fixed assets and provided several alternative levels of coverage for consideration. The Board requested that Mr. Stephens expand his analysis to include earthquake coverage for underground infrastructure, and report back at a future Board meeting.

Mr. Stephens and his team at Tolman Wiker initiated a survey of approximately 10 carriers to obtain the information requested by the Board, including estimates for the associated premium levels for multiple coverage options. For estimating purposes, the District's assets were broadly divided into two groups: above-ground facilities (structures, pumps, equipment, etc.) and below-ground infrastructure (water and wastewater pipelines).

Above-Ground Facilities:

As Mr. Stephens noted in his February presentation, standard coverage for the additional designated above-ground facilities would add approximately \$2.6 million to the existing \$11 million in coverage for an estimated additional premium of \$5,700.

Below-Ground Infrastructure:

Option 1: Due to recent catastrophic fire claim activity in California, the market for earthquake coverage is extremely tight; that is, traditionally structured policies are quite

costly. As an example, if TSD were to obtain \$59 million in coverage with a \$5 million loss limit, the associated annual premium would be approximately \$125,000, plus taxes and fees. The deductible would be 5% of the total insured value (\$2,950,000); thus, TSD would receive roughly \$2 million of the \$5 million loss limit in any single claim.

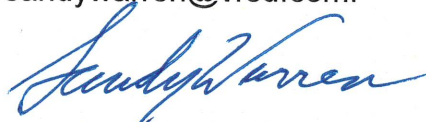
Option 2: As an alternative to traditional earthquake coverage, Mr. Stephens introduced staff to the “parametric option.” For the same total coverage (\$59 million) and loss limit (\$5 million), the District would receive coverage with no deductible at an annual premium of 3.5% of the total loss limit (approximately \$175,000).

Option 3: Another option would be to bundle coverage of above-ground facilities and below-ground infrastructure in a traditionally structured policy to obtain some economies of scale. One carrier has expressed interest in providing this alternative to the District. The cost estimate was not available as of the deadline for preparation of this letter; staff will present it at the April 22 Board meeting.

Please note that the above coverage levels, loss limits, and premium costs are estimates that are subject to market variables and the District’s ultimate selection of coverage and deductible levels. Staff and the team at Tolman Wiker are prepared to modify the specifics and present revised estimates as the Board may desire.

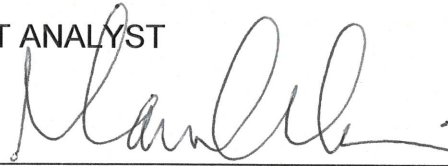
Recommendation:

It is recommended that the Board review and evaluate the options presented above and direct staff accordingly. If you have any questions, please contact me at 805-658-4608 or sandywarren@vrzd.com.



SANDY WARREN – MANAGEMENT ANALYST

REVIEWED AND APPROVED:



Mark Norris - General Manager