

The Agnews K-12 Campus Project

Risk Management

Owner's Protective Professional Indemnity (OPPI) Proposal

August 24, 2017

ALLIANT SPECIALTY

- Alliant is the current risk advisor and insurance broker for Santa Clara Unified School District.
- Our Specialty practice includes specific expertise in serving the **public entity sector** of the industry.
- Within Alliant Specialty, we also have our dedicated **Construction Services Group**, that caters to providing risk management advisory and broker services for the Engineering, Procurement and Construction segment.

\$9.0B+
Premium Volume
(2016)

2,200+
Employees

We Represent

40%

of Public
Entities



\$1.2B
Revenue
(2016)

CAPABILITIES & EXPERTISE

CONSTRUCTION SERVICES GROUP

450+  Construction Colleagues
National Platform

2,500+ Clients
Contractors, Developers, Engineers & Homebuilders

#1 Surety Broker

#1 Project Solutions Broker

\$1.50B+
Premium Volume
(2016)



General Liability



Environmental



Loss Control



Builder's Risk



Professional Liability



Surety



Claims



Wrap-Ups

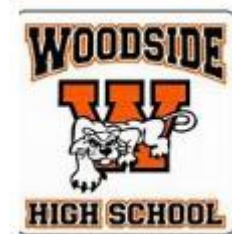
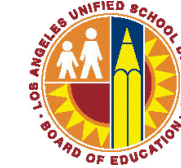


Contractor
Default Insurance

 Alliant

TEAM EXPERIENCE

CALIFORNIA PUBLIC ENTITY Clients – IT'S WHAT WE DO!



Project Assignment

Alliant was engaged to explore various insurance options commercially available to the District to mitigate risk and reduce cost directly correlating to professional services contracts being executed in conjunction with The Agnews K-12 Campus Project.

Specific Risk being addressed are “**Professional Services**” rendered on behalf of SCUSD including but not limited to the following disciplines:

Construction Management, Program Management, Project Management, Architecture, Engineering, Contract Administration, Environmental and General Construction.

Within Professional Services Agreements there are terms of contract whereby the professional consultants obtain limitations of liability in direct correlation to the services they perform. These limitations are generally correlated to either a specific value or the amount of available insurance that is required by contract.

There are varying cost implications to SCUSD depending upon what values are agreed to in the contract pertaining to the limitations of liability that are agreed upon. The more limit you require, the most cost there will be for the insurance the consultants maintain.

Alliant was engaged to evaluate the various options available to SCUSD and to assist with assessing and evaluating the risk and cost associated with these options.

Action Steps Taken

After extensive discussions with the SCUSD Agnews Project Team, Alliant prepared a detailed market submission and formulated a go to market strategy for the purpose of obtaining various options for a project specific risk management instrument referred to as an “Owners Protective Professional Indemnity” (OPPI) insurance policy.

Alliant approached 8 individual insurance markets and secured various options from 5 interested underwriting companies.

Alliant evaluated each of the offerings and prepared a detailed summary of our analysis of each of the 5 offerings obtained. These findings were formally presented to SCUSD on August 7, 2017.

The offerings that Alliant secured came from the following 5 insurance underwriting companies:

- AXIS
- Berkley
- Zurich
- XL Catlin
- Swiss Re

Marketing Results

Santa Clara Unified School District
Owners Protective Professional Indemnity
The Agnews K-12 Campus Project, Santa Clara, CA

Coverage Description	Axis		Berkley		Zurich		XL / Catlin		Swiss RE	
Policy Period	48 Months		48 Months		48 Months		48 Months		36 Months	
Extended Reporting Period	10 Years		10 Years		10 Years		10 Years		7 Years	
Construction Values (CV)	\$	400,000,000	\$	400,000,000	\$	400,000,000	\$	400,000,000	\$	400,000,000
Each Claim - Limit	\$	5,000,000	\$	5,000,000	\$	5,000,000	\$	5,000,000	\$	5,000,000
Policy Aggregate	\$	5,000,000	\$	5,000,000	\$	5,000,000	\$	5,000,000	\$	5,000,000
Deductible	\$	100,000	\$	100,000	\$	100,000	\$	100,000	\$	100,000
Premium	\$	410,489	\$	285,000	\$	390,914	\$	335,000	\$	608,000
Pollution Liability Extension	\$	61,573	\$	15,000	Included	\$	55,000	No Coverage		
Surplus Lines Taxes and Fees	\$	15,106	\$	9,600	\$	12,509	\$	12,480	\$	19,456
Total Premium	\$	487,168	\$	309,600	\$	403,423	\$	402,480	\$	627,456
Each Claim - Limit	\$	10,000,000	\$	10,000,000	\$	10,000,000	\$	10,000,000	\$	10,000,000
Policy Aggregate	\$	10,000,000	\$	10,000,000	\$	10,000,000	\$	10,000,000	\$	10,000,000
Deductible	\$	100,000	\$	100,000	\$	100,000	\$	100,000	\$	100,000
Premium	\$	667,437	\$	463,474	\$	654,511	\$	520,000	\$	853,000
Pollution Liability Extension	\$	100,116	\$	24,393	Included	\$	85,000	No Coverage		
Surplus Lines Taxes and Fees	\$	24,562	\$	15,612	\$	20,944	\$	19,360	\$	27,296
Total Premium	\$	792,114	\$	503,479	\$	675,455	\$	624,360	\$	880,296
Each Claim - Limit	\$	15,000,000	\$	15,000,000	\$	15,000,000	\$	15,000,000	\$	15,000,000
Policy Aggregate	\$	15,000,000	\$	15,000,000	\$	15,000,000	\$	15,000,000	\$	15,000,000
Deductible	\$	250,000	\$	100,000	\$	250,000	\$	100,000	\$	100,000
Premium	\$	876,616	\$	545,886	\$	858,873	\$	675,000	\$	1,033,000
Pollution Liability Extension	\$	131,492	\$	28,731	Included	\$	110,000	No Coverage		
Surplus Lines Taxes and Fees	\$	32,259	\$	18,388	\$	27,484	\$	25,120	\$	33,056
Total Premium	\$	1,040,368	\$	593,005	\$	886,357	\$	810,120	\$	1,066,056
Each Claim - Limit	\$	25,000,000	\$	25,000,000	\$	25,000,000	Not Provided	Not Provided	Not Provided	Not Provided
Policy Aggregate	\$	25,000,000	\$	25,000,000	\$	25,000,000	Not Provided	Not Provided	Not Provided	Not Provided
Deductible	\$	250,000	\$	100,000	\$	250,000	Not Provided	Not Provided	Not Provided	Not Provided
Premium	\$	1,200,569	\$	686,816	\$	1,153,605	Not Provided	Not Provided	Not Provided	Not Provided
Pollution Liability Extension	\$	180,085	\$	36,148	Included	\$	Not Provided	Not Provided	Not Provided	Not Provided
Surplus Lines Taxes and Fees	\$	44,181	\$	23,135	\$	36,915	Not Provided	Not Provided	Not Provided	Not Provided
Total Premium	\$	1,424,835	\$	746,099	\$	1,190,520	Not Provided	Not Provided	Not Provided	Not Provided
Audit Provisions	Yes, if CV exceeds 110% of budget		Not auditable		Yes, if CV exceeds 110% of budget		Yes, if CV exceeds 110% of budget		Yes, if CV exceeds 110% of budget	
Minimum Earned Premium	100%		25%		25%		100%		\$150,000 at binding	
Minimum Insurance Requirements										
LPA	\$	1,000,000	\$	1,000,000	\$	5,000,000	\$	5,000,000	\$	5,000,000
All other design professionals	\$	1,000,000	\$	1,000,000	\$	5,000,000	\$	1,000,000	\$	1,000,000
Pollution Liability - Contractors	\$	1,000,000	\$	1,000,000	\$	5,000,000	\$	1,000,000	No Coverage	

Conclusions

- The marketing results show that the most accretive offering is associated with Berkley Underwriters under each of the four options obtained.
- Cost differentials range between 17% and 46% depending upon which option the District elects.
- Berkley also offers three coverage enhancements that we view as valuable coverage supplements that should be considered (ADA/FHA, Additional Defense Limit and Pollution Liability)
- Berkley was also consistent under each limit option to maintain the same policy deductible, regardless of the limit option you select.
- Berkley is the only market offering a non-auditable policy. Not additional premium for cost overruns.

Santa Clara Unified School District Owners Protective Professional Indemnity The Agnews K-12 Campus Project, Santa Clara, CA						
Coverage Description	Berkley	Policy Enhancements			Total Premium	Cost per Million
		ADA / FHA	Supplemental	Additional Defense		(VfM)
Policy Period	48 Months		Coverage	Limit		
Extended Reporting Period	10 Years					
Construction Values (CV)	\$400,000,000					
Each Claim - Limit	\$ 5,000,000	\$ 250,000	\$ 1,000,000			
Policy Aggregate	\$ 5,000,000	\$ 250,000	\$ 1,000,000			
Total Premium	\$ 309,600	\$ 5,160	\$ 20,640	\$ 335,400	\$ 67,080	
Each Claim - Limit	\$ 10,000,000	\$ 250,000	\$ 1,000,000			
Policy Aggregate	\$ 10,000,000	\$ 250,000	\$ 1,000,000			
Total Premium	\$ 503,479	\$ 5,160	\$ 20,640	\$ 529,279	\$ 52,928	
Each Claim - Limit	\$ 15,000,000	\$ 250,000	\$ 1,000,000			
Policy Aggregate	\$ 15,000,000	\$ 250,000	\$ 1,000,000			
Total Premium	\$ 593,005	\$ 5,160	\$ 20,640	\$ 618,805	\$ 41,254	
Each Claim - Limit	\$ 25,000,000	\$ 250,000	\$ 1,000,000			
Policy Aggregate	\$ 25,000,000	\$ 250,000	\$ 1,000,000			
Total Premium	\$ 746,099	\$ 5,160	\$ 20,640	\$ 771,899	\$ 30,876	

- **ADA/FHA coverage extension** – Policy will respond to regulatory or administrative actions brought forward by a government agency under the Americans with Disability Act of 1990 or Fair Housing Act.
- **Additional Defense Limit** - This is a limit eroding policy whereby defense costs associated with any claim erode the policy limit. This feature provides for an additional limit of \$1,000,000. This limit will be used before the main policy limit is exposed.
- **Contractors Pollution Liability** – Policy extends a feature whereby it will also respond to environmental claims caused by contractor work. This is a very cost effective approach to addressing this exposure for this project.
- **Limits Selected** - The pro's and con's to the purchase decision concerning the proper limits are as follows:
 - Higher Limits have higher associated premium (con).
 - Higher limits can be purchased more efficiently when evaluating on a cost per million basis (pro).
 - \$5m vs. \$10m cost 21% less on a price per million basis
 - \$5m vs. \$15m cost 39% less on a price per million basis
 - \$5m vs. \$25m cost 54% less on a price per million basis
 - These limit options are being secured between 39% and 52% less that what the consultants would charge the District if required to maintain these levels of insurance in the contract (pro).

Project Specific Contractors Pollution Liability

\$1M per Occurrence

\$1M Policy Aggregate

Extended Reporting Period – 10 Years

Term – 48 Months

Covering – SCUSD, Contractors and Consultants

Premium	\$61,234
SLT&F	<u>\$ 1,959</u>
Total Cost	\$63,193

The selected OPPI Program Limit will then sit excess of this underlying policy for the full limit selected.

We estimate this will produce a cost savings to the District of \$76,807 (\$140,000 vs. \$63,193) (see illustration on next slide).

Conclusion

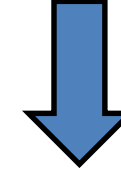
Proposed approach achieves the following for SCUSD.

- Cost Savings that range between 36% - 51%
- Dedicated Limits that are not shared with other Projects
- Full coverage continuity for the term of construction plus 10 years post completion
- All contracts are covered
- Ability to expedite contract negotiations with the critical path consultants
- District is significantly mitigating the cost, schedule and completion risk inherent with a project of this size, duration and complexity.

The average market rate that would be charged by the consultants and contractors for the same limit of protection being offered under the program being recommended .



What the District will pay if the option(s) presented are purchased.



Cost Avoidance to the District



\$ 500,000 \$ 140,000 \$ 640,000

\$ 335,400 \$ 63,193 \$ 398,593 \$ (241,407) -37.72%

\$ 900,000 \$ 140,000 \$ 1,040,000

\$ 529,279 \$ 63,193 \$ 592,472 \$ (447,528) -43.03%

\$ 1,200,000 \$ 140,000 \$ 1,340,000

\$ 618,805 \$ 63,193 \$ 681,998 \$ (658,002) -49.10%

\$ 1,600,000 \$ 140,000 \$ 1,740,000

\$ 771,899 \$ 63,193 \$ 835,092 \$ (904,908) -52.01%

QUESTIONS

