



# WASHOE COUNTY

Integrity Communication Service

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## STAFF REPORT

BOARD MEETING DATE: June 25, 2024

**DATE:** Monday, June 10, 2024

**TO:** Board of County Commissioners

**FROM:** Doreen Ertell, Sr. Risk Management Analyst, Risk Management Division  
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**THROUGH:** Cathy Hill, Comptroller  
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**SUBJECT:** Recommendation to authorize the Comptroller's Office to renew Property, Auto Physical Damage, Boiler & Machinery, Mobile Equipment, Cyber Liability and Pollution Liability with the Public Entity Property Insurance Program (PEPIP) for a one-year term with an estimated annual cost of [\$1,681,743] effective July 1, 2024, and authorize the Comptroller's Office to sign the applications and agreements necessary to bind coverage, funding from the Risk Management Fund source. Comptroller. (All Commission Districts).  
FOR POSSIBLE ACTION

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### **SUMMARY**

Seeking Board authorization to renew the policies for Property, Auto Physical Damage, Boiler & Machinery, Mobile Equipment, Cyber Liability and Pollution Liability for annual policy terms effective date of July 1, 2024.

**Washoe County Strategic Objective supported by this item:** Stewardship of Our Community.

### **PREVIOUS ACTION**

On June 27, 2023, the Board authorized the renewal of the above referenced coverage for a one-year term.

On June 28, 2022, the Board authorized the renewal of the above referenced coverage for a one-year term.

On June 29, 2021, the Board authorized the renewal of the above referenced coverage for a one-year term.

On June 23, 2020, the Board authorized the renewal of the above referenced coverage for a one-year term.

AGENDA ITEM # \_\_\_\_\_

On June 25, 2019, the Board authorized the renewal of the above referenced coverage for a one-year term.

On June 19, 2018, the Board authorized the renewal of the above referenced coverage for a one-year term.

### **BACKGROUND**

The County's broker is USI Insurance Services (USI). USI continues to provide brokerage and consulting services through its experienced, local team based in Reno. USI is one of the largest insurance brokerage and consulting firms in the world with local team members in Washoe County. They monitor changes in the marketplace and when appropriate, solicit bids from qualified insurers.

### **Insurance Market Updates**

The U.S. property/casualty (P/C) industry recorded a ten-year high underwriting loss of \$38 billion in 2023, according to AM Best. Catastrophic losses, inflation and increased reinsurance costs were all contributing factors. Commercial property/casualty premiums increased by an average of 7.73% in the first quarter, according to the Council of Insurance Agents and Brokers. Property rates increased by an average of 10.1% and commercial auto was up 9.8%.

The industry experienced \$65 billion in CAT losses in 2023, including \$35 billion due to secondary perils (hail, tornadoes, thunderstorms, wildfires). This follows several years of record and above average catastrophic losses. The overall combined ratio for the P&C industry increased from 103.1 to 103.7 from 2022 to 2023, which includes loss and expense ratios.

### **Property, Boiler & Machinery, Cyber Liability & Pollution Liability Insurance.**

The County's current property, auto physical damage, boiler & machinery, mobile equipment, cyber liability, and pollution liability insurance program is marketed each year and includes over thirty insurance carriers and reinsurers. Each program layer is negotiated to obtain the best terms, conditions, and pricing in the current insurance market.

USI Insurance also actively monitors the insurance marketplace to identify competitive markets and options. In recent years, USI requested quotes from various carriers, including large and international property insurers, but none were able to provide competitive terms, conditions, and pricing.

In 2021 and 2022, USI obtained alternative quotes from the Nevada Public Agency Insurance Pool (NPAIP). After reviewing the quoted property coverage terms and conditions of both PEPPIP and POOL, staff recommended renewing the existing PEPPIP program due to its coverage features and lower cost.

**Public Entity Property Insurance Program (Incumbent Program)**

After several years of significant property rate increases due to increased industry loss experience and construction cost inflation, the program has provided a renewal quote with a 3% rate increase.

Property insurance premiums are based on replacement cost values. The expiring program was based on \$967.8 million in insured property values. Each year, the insurance program applies a trending factor for building and content values based on regional changes in construction costs. This year, the values trended up 4.7%, an increase of \$45.7 million. However, a recent program appraisal of thirty County locations resulted in a net decrease in replacement cost values of \$18.7 million, a reduction of 1.9% from the expiring values.

Insured values also include replacement estimates for County vehicles and mobile equipment. These increased due to updates to the County’s schedule and estimated costs.

The County has evaluated flood insurance quotes for buildings and contents but chose not to purchase, due to the prohibitive cost. Flood coverage continues to be included for scheduled vehicles, subject to an aggregate limit of \$20,000,000.

PEPIP is among the largest property insurance placements in the world. Formed by Alliant Insurance Services in 1993, PEPIP has grown from 65 members in one state and \$600 million in total insurable values to more than 10,000 members in 45 states and over \$500 billion in total insured values. The program’s tremendous growth is a result of highly competitive terms, comprehensive coverage, and most importantly, working closely with members to get claims paid in a timely manner.

PEPIP is divided into tower groups which include various other public entities. The County has been placed in a tower with several other members. The insureds in each tower share a \$1 billion each occurrence limit for the all-risk coverage (i.e., fire). However, the earthquake limit of \$50 million is specifically purchased by and dedicated to Washoe County. Washoe County’s tower does not include any other Northern Nevada entities.

The program provides a broad manuscript form which includes coverage for all-risk property, terrorism, boiler and machinery, and physical damage to scheduled vehicles (both on and off premise). In addition, the program includes limited pollution and cyber liability. Appraisal services for locations with over \$5 million in replacement value are available once every five years at no cost to the County. Claims are be paid through Alliant Insurance Services Inc. located in San Francisco.

**Property, Boiler & Machinery, Cyber & Pollution Program Renewal Highlights:**

<b>Property Coverage Description</b>	<b>2024/25</b>
Per Occurrence Limit (Declaration Members)	\$1,000,000,000
Per Occurrence Limit (Washoe County)	\$500,000,000
Earthquake Aggregate Limit	\$50,000,000

<b>Property Coverage Description</b>	<b>2024/25</b>
Flood Aggregate Limit [Scheduled Vehicles Only]	\$20,000,000
High Hazard Flood Aggregate Limit	<b>Not Covered</b>
Business Interruption/Loss of Income	\$100,000,000
Extra Expense	\$50,000,000
Terrorism	Included

<b>Property Terms (including but not limited to)</b>	<b>2024/25</b>
General Valuation	Replacement Cost
Vehicle Valuation	Replacement Cost
Communicable Disease	Excluded

<b>Property Deductibles</b>	<b>2024/25</b>
General Deductible (unless a more specific deductible applies)	\$50,000
Earthquake Deductible	2% min. \$100k
Flood Deductible	\$100,000
High Hazard Flood Deductible	Not Covered
Unscheduled Infrastructure	\$500,000
Time Element Coverage Waiting Period	24 hours
Vehicle Deductibles	\$25,000, except for: \$50,000: Sheriff vehicles valued under \$250k \$100,000: Vehicles valued \$250k to \$750k \$250,000: Vehicles valued greater than \$750k
Mobile Equipment Deductible	\$10,000

<b>Boiler &amp; Machinery (Equipment Breakdown)</b>	<b>2024/25</b>
Per Occurrence Limit	\$100,000,000
Service/Utility/Off Premises Power Interruption	\$10,000,000
Consequential damage/Perishable Goods/Spoilage	Included
Electronic Data Processing Media and Data Restoration	\$10,000,000
Hazardous Substances/Pollutants/Decontamination	\$10,000,000
Loss Valuation (Physical Damage)	Replacement Cost
Deductibles (varies based on size and type of equipment)	\$50,000 to \$350,000
Utility Interruption/Time Element Waiting Perio	24 hours

<b>Cyber Coverage (Claims Made Coverage)</b>	<b>2024/25</b>
Shared Aggregate Program Limit	\$55,000,000
Washoe County Aggregate Limit	\$2,000,000
Breach Response Cost Limit (w/approved vendors)	\$1,000,000
Business Interruption (BI) and Dependent BI Aggregate Limit	\$750,000
Business Interruption resulting from Security Breach	\$750,000
Business Interruption resulting from System Failure	\$500,000
Cyber Extortion Loss (Aggregate Limit)	Included (sub-limit applies)
Data Recovery Costs (Aggregate Limit)	\$750,000
Data & Network Liability (Aggregate Limit)	\$2,000,000
Regulatory Defense & Penalties (Aggregate Limit)	\$2,000,000
Payment Card Liabilities & Costs (Aggregate Limit)	\$2,000,000

Media Liability (Aggregate Limit)	\$2,000,000
General Deductible (Per Claim)	\$250,000
Time Element Waiting Perio	8 hours
Claims Made Retroactive Exclusion Date	7/1/2013

<b>Pollution Liability Coverage (Claims Made Coverage)</b>	<b>2024/25</b>
Aggregate Program Limit	\$25,000,000
Each Incident Limit	\$2,000,000
Business Interruption	Included
Deductible (each pollution incident prior to 7/1/2021)	\$500,000
Deductible (each pollution incident after to 7/1/2021)	\$250,000
C Claims Made Retroactive Exclusion Date	7/1/2021

**FISCAL IMPACT**

The total annual cost for the recommended insurance renewals is:

Property, Boiler & Machinery, Cyber & Pollution (PEPIP):	\$1,681,742
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<b>Total Annual Renewal Cost:</b>	<b>\$1,681,742</b>

The recommended renewal results in an increase of \$115,361 from FY 2023/24 premiums. Funding for the Property, Auto Physical Damage, Boiler & Machinery, Mobile Equipment, Cyber Liability and Pollution Liability renewal premium of [\$1,681,743] is available within the FY2025 adopted budget in the Risk Management Fund (619).

**RECOMMENDATION**

It is recommended that the Board of County Commissioners authorize the Comptroller’s Office to renew the Property, Auto Physical Damage, Boiler & Machinery, Mobile Equipment, Cyber Liability and Pollution Liability with the Public Entity Property Insurance Program (PEPIP) for a one-year term with an estimated annual cost not to exceed [\$1,681,743] effective July 1, 2024, and authorize the Comptroller’s Office to sign the applications and agreements necessary to bind coverage, funding from the Risk Management Fund source.

**POSSIBLE MOTION**

Should the Board agree with staff’s recommendation, a possible motion would be:

I move to authorize the Comptroller’s Office to renew the Property, Auto Physical Damage, Boiler & Machinery, Mobile Equipment, Cyber Liability and Pollution Liability with the Public Entity Property Insurance Program (PEPIP) for a one-year term with an estimated annual cost not to exceed [\$1,681,743] effective July 1, 2024, and authorize the Comptroller’s Office to sign the applications and agreements necessary to bind coverage, funding from the Risk Management Fund source.