

Excess Earthquake, Flood, and Business Interruption Insurance

Item 6.3.1



May 2, 2019

Agenda

- Overview of Outstanding Topics
- Additional FEMA Information
- Responses to Board Questions
- Excess Coverage Details
 - Earthquake, Flood, Business Interruption
- Q&A – Board Discussion

Overview of Outstanding Topics

- Whether or not to purchase excess earthquake and flood coverage of \$25M, at a cost of \$240,426 for FY 19/20
- Provide information in response to previous Board questions

Current EQ/Flood Coverage

- Current coverage:
 - EQ - \$2.5M/year shared w/pool
 - Flood - \$10-25M/year shared with pool



Post-Disaster FEMA Funding

- Not guaranteed to cover all costs
- May take years to receive and may come with repayment requirements
- Must purchase EQ/F coverage following FEMA funding
- Insurance does not slow the speed of FEMA funding
- FEMA funding would be used for needs which exceed insurance coverage and/or for uncovered properties and facilities

Additional FEMA Information

- FEMA does not cover loss of revenue
- FEMA does not cover the cost of financing/loans to rebuild (such as the Line of Credit)
- FEMA only covers reimbursement for specific categories
- FEMA does not make specific recommendations for public sector insurance coverage

Additional Board Questions

1. Evaluate mock EQ scenarios - what is the estimate of damage that may be incurred?
2. Is there the possibility the District would incur little damage and/or be outside the FEMA designated area?
3. What are other carrier options for excess coverage?

What is the timing & cost of various post-disaster funding sources?

Line of Credit – available in 2 days

Years	Cost to District to Maintain*	Available Funds	Diff/Gain**
5	\$250,000	\$10,000,000	\$9,750,000
10	\$500,000	\$10,000,000	\$9,500,000
20	\$1,000,000	\$10,000,000	\$9,000,000
30	\$1,500,000	\$10,000,000	\$8,500,000

*Assumes no increase in cost year to year; actual costs are expected to increase over time.

**Not a true “gain” - funds must be repaid, with interest.

What is the timing & cost of various post-disaster funding sources?

Excess Insurance – weeks to months

Years	Cost to District to Maintain*	Available Funds	Diff/Gain
5	\$1,202,130	\$25,000,000	\$23,797,870
10	\$2,404,260	\$25,000,000	\$22,595,740
20	\$4,808,520	\$25,000,000	\$20,191,480
30	\$7,212,780	\$25,000,000	\$17,787,220

*Assumes no increase in cost year to year; actual costs are expected to increase over time.

What is the timing & cost of various post-disaster funding sources?

- **Reserves** – 1 week to a month
- **FEMA Reimbursement** – timing various, months to years
 - Amount various based on damage incurred, FEMA assessment and funds released, and disaster declaration

Excess Insurance Coverage Options

- Excess Flood Insurance
- Excess EQ Insurance
- Loss of Revenue, i.e. Business Interruption coverage – standard and excess
 - Contingent Business Interruption
 - Off-Premises Services Interruption
 - All Risk Coverage
 - EQ/Flood BI coverage

ACWA-JPIA Members with Excess EQ/Flood Coverage

- Borrego WD
- Channel Islands Beach CSD
- La Puente Valley County WD
- Pebble Beach CSD
- Pico WD
- Santa Clarita Valley Water Agency
- Tahoe City Public Utility District
- Water Replenishment District of So.Cal.

EQ/F & BI Insurance Considerations

- Cost feasibility
- Speed and availability of various post-disaster funding sources
- Customer benefit
- Risk tolerance

Questions?

