

Property Insurance Costs & Options

In FY 2025-26, the City spent about \$1.7 million for property insurance premiums to cover all city facilities, which was a 7% reduction from FY 2024-25 (due to an appraisal that resulted in decreases to property values). The property insurance program includes "all risk" property coverage for fire, floods, pollution, and other risks, as well as earthquake insurance which is priced as a separate insurance line. The program provides coverage for one policy year at a time, and runs from March to March of each year. However, premiums are paid in July.

Of the \$1.7 million property premium, the majority (\$1 million) of the premium is spent on earthquake insurance alone, which currently covers about half of the City's largest and most expensive facilities. The facilities listed on the schedule add up to \$234 million in total assessed value, and the schedule includes not only major City facilities, but many smaller facilities that have a negligible value but are included in coverage.

Both the "all risk" property coverage and the separate earthquake coverage provide for full replacement value of the City's listed facilities, up to certain limits, with a \$50,000 deductible. As stated, the property replacement value has limits. The "all risk" property insurance has a \$300 million total limit, while the earthquake insurance has a \$100 million limit. In addition, the earthquake insurance limits are shared with other agencies in the same grouping that participate in the risk pool. Therefore, in the case of a major earthquake loss, the City could have to share the \$100 million recovery funds to use for rebuilding with other public entities in the same group.

Recently, staff has been working with the risk pool representative to evaluate the City's coverage and to identify whether there are ways to adjust coverage and reduce premiums while maintaining reasonable levels of protection. Options include increasing the deductible (which would provide marginal savings), and/ or to reduce the number of facilities covered by the program. While the next opportunity to change the City's deductible is in January 2027, the City may remove facilities this month to update its earthquake insurance coverage in order to reduce FY 2026-27 premiums, paid July 2026.

Currently, about half of City's (most expensive) facilities are listed on the City's earthquake policy for a total value of \$234 million. This includes major facilities that have a premium cost exceeding \$10,000 (the table in the second page lists these buildings with associated values and premiums). Together, these facilities comprise approximately \$214 million in assessed value and \$1.0 million of the \$1.7 million premium, representing 91% of total assessed value and 61% of total cost.

Comparative Practices

Information received from the City's risk pool indicates that only about 50% of public entities carry any earthquake insurance at all for their facilities. Staff contacted a few nearby cities to see what coverage they provide, and discovered widely varying policies regarding earthquake coverage. For example, staff from the City of Torrance stated they do not cover any facility for earthquake coverage. Manhattan Beach only covers facilities valued at over \$1 million, and El Segundo (while much smaller) covers all its facilities. Staff reached out to other cities as well, but has not yet heard back from Santa Monica or Newport Beach. Our representative from PRISM said that most cities only cover the facilities that they absolutely need to replace, such as public safety facilities and City Hall. With this information and that listed above regarding the limits to recovery, staff recommends that Council consider directing staff to review the list and consider removing structures. Some considerations are shown below, with a table summarizing recommendations:

- Public Safety Buildings: \$0.1 million annual savings. In FY 2024-25 through Measure FP, the City obtained approval to issue general obligation bond funds to rebuild the main police station and three fire stations. As the City has funding to reconstruct these facilities outside of insurance funding, staff recommends removing these facilities (total assessed value about \$20 million) from the earthquake schedule, which would save the City approximately \$97,000 in premium costs based on FY 2025-26 pricing. It would also reduce the total covered value of buildings and facilities to approximately \$214 million. Staff would then consider adding the newly-built facilities to the policy in the future, with the anticipation that as newer facilities built under a significantly stricter building code, the coverage cost would be less.

- Additional Lower Risk Facilities: \$0.5 million annual savings. Staff recommends removing the additional lower risk and less essential buildings below, for an estimated additional \$0.5 million savings.
 - Civic Center Main Library
 - Performing Arts Center
 - North Branch Library
 - Civic Center Garage
 - Aviation Park Gymnasium
 - Veteran’s Park Library

Earthquake Insurance: Major Covered Facilities			
Facility	Appraised Value	2025 Earthquake Premium Cost	Proposed Change
Pier Parking Structure	44,152,000	194,885	
Civic Center Main Library	32,119,000	152,341	Remove
Performing Arts Center	21,668,000	107,204	Remove
North Branch Library	17,544,000	131,333	Remove
Civic Center Garage	16,047,000	70,628	Remove
Monstad Wooden Pier	13,515,000	59,542	
City Hall	13,266,000	66,973	
International Boardwalk Garage	11,672,000	51,512	
Aviation Park Gymnasium	8,744,000	39,294	Remove
Main Police Station	7,550,000	38,415	Remove-Public Safety
Fisherman's Wharf North Parking Structure	7,103,000	31,248	
Veteran’s Park Library	4,595,000	20,215	Remove
Fire Station #1	3,873,000	18,092	Remove-Public Safety
Kincaid's Restaurant	3,404,000	14,975	
Police Department Annex	3,325,000	15,663	Remove-Public Safety
Fire Station #2	3,116,000	14,464	Remove-Public Safety
Fire Station #3 Harbor Patrol	2,228,000	10,312	Remove-Public Safety
	\$213,921,000	\$1,037,096	

While all are important to the City, none is critical to City services in the way that the Civic Center and Public Safety buildings, for which the City has other funding. Additionally, the Main Library, as a newer

building, may be relatively less impacted by a significant event, and less in need of significant funds to repair.

With the above recommendations, the City would retain the following buildings, reflecting approximately \$93 million in assessed value and a \$0.4 million associated premium costs.

- City Hall
- Pier Parking Structure
- Monstad Wooden Pier
- International Boardwalk Garage
- Fisherman's Wharf North Parking Structure
- Kincaid's Restaurant

Removing all recommended facilities above would return approximately \$0.6 million annual savings. Similar to some other cities, Council could also choose to remove all earthquake coverage for an approximately \$1 million savings.

With a maximum of \$100 million in total limits recoverable in the event of a major earthquake, staff believes that of the reductions proposed above, up to the entire amount, would result in a better return on investment for the City than the current situation.

Should the Council wish to change earthquake coverage, specific direction is required at the March 17, 2026 Council meeting to meet the March deadline to adjust coverage in time to affect FY 2026-27 premiums.

In addition to the above, although not as critical from a timing perspective, Council may also want to consider adjusting the City's self-insured retention (SIR) amount, currently at \$500,000. Staff is in discussion with the City's insurance provider to identify possible changes and associated cost savings, and will share additional information when available.