



Legislation Text

File #: 14-0939, **Version:** 1

Risk Management recommending the Board accept a claim settlement for approximately \$567,031 under the County's property liability insurance program with the California State Association of Counties Excess Insurance Authority for reimbursement of costs associated with the County's emergency generator replacement project and authorize the Assistant Chief Administrative Officer to sign a Final Proof of Loss for the County's claim for insurance benefits with Lexington policy No. EIAPPR 09-12.

FUNDING: Insurance proceeds and Accumulative Capital Outlay Funds.

BUDGET SUMMARY:	
Total Estimated Cost.....	\$798,628
Insurance Proceeds.....	\$567,031
County Share of Cost.....	\$231,597

Fiscal Impact/Change to Net County Cost

Total project costs of \$798,628 were incurred in prior fiscal years. Insurance proceeds will be distributed to the Accumulative Capital Outlay Fund to reimburse the County for costs incurred.

Background

On December 9, 2009 a snow storm disrupted power to Building B. The emergency generator was subsequently engaged and remained in use for a number of days to ensure a stable power supply to the building until regular power service was restored and stabilized. On December 16, 2009 the generator engine catastrophically failed and suffered irreparable damage.

The County has subsequently replaced the emergency generator for Building B and upgraded the generator system for the Government Center to provide new sources of backup power for Building A, Central Dispatch and the Data Room. The generator project is now complete at a total cost of \$798,628.

This type of event is insurable and a claim was submitted under the County's property insurance program through the California State Association of Counties Excess Insurance Authority (CSAC-EIA). The coverage provided is subject to a \$1,000 boiler and machinery deductible.

Risk Management initially submitted a settlement demand to the insurance carrier for all charges associated with the generator failure and replacement project. The initial settlement demand included the following items that are not reimbursable under the insurance policy:

- Improvements and upgrades to the generator system for Building B;
- An additional generator for Building A, providing system redundancy which did not previously

- exist; and
- Indirect labor charges for project management and administration.

Negotiations: Risk Management's opening demand for reimbursement included all costs and expenses related to the project (\$798,628). The insurance carrier has deducted expenses that are not reimbursable through the policy and provided an initial settlement offer of \$471,335.59, or approximately 59% of the total costs claimed. Through continued negotiations, Risk Management has received a reimbursement offer of \$567,031.18, or approximately 71% of the total claim. A breakdown of the total project costs and the settlement offer is provided as Attachment A.

The County has already received two partial payments toward the claim in the amounts of \$60,931.82 and \$63,193.82 for a total of \$124,125.64. The remaining portion of the settlement (approximately \$442,905) will be paid to the County subject to Board consent and insurance carrier approval.

Reason for Recommendation

Risk Management recommending the Board approve the recommended settlement and authorize the Assistant Chief Administrative Officer to sign the Final Proof of Loss so that final insurance settlement funds can be paid to the County.

Clerk of the Board Follow Up Actions

None

Contact

Kim Kerr, Assistant Chief Administrative Officer
Gail Zeigler, Sr. Risk Management Analyst