

Property Program Committee Meeting

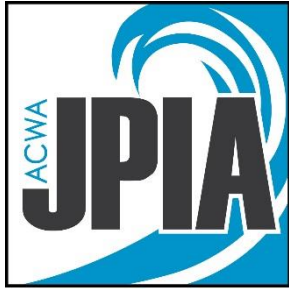


YOUR BEST PROTECTION

JPIA Executive Conference Room
2100 Professional Drive
Roseville, CA 95661

Monday
February 6, 2017
3:00 PM

Chairman: Tom Cuquet, South Sutter Water District
Vice-chair: Bill Knutson, Yuima Municipal Water District
Tom Coleman, Rowland Water District
Mark A. Gilkey, Tulare Lake Basin Water Storage District
Paul R. Green Jr., Rio Linda/Elverta Community Water District
Shawn Huckaby, Fair Oaks Water District
Ed Muzik, Hi-Desert Water District
Bob Walters, San Juan Water District
Eugene F. West, Camrosa Water District



YOUR BEST PROTECTION

PROPERTY PROGRAM COMMITTEE MEETING

AGENDA

JPIA Executive Conference Room
2100 Professional Drive, Roseville, CA 95661
(800) 231-5742 - WWW.ACWAJPIA.COM

Monday, February 6, 2017, 3:00 PM

WebEx call-in: (855) 749-4750; Access code: 807 300 805; Password: 1234

This meeting shall consist of a simultaneous WebEx teleconference call at the ACWA Joint Powers Insurance Authority, 2100 Professional Drive, Roseville, CA 95661 and the following remote sites:

- Gilkey, 1001 Chase Avenue, Corcoran
- Huckaby, 10326 Fair Oaks Boulevard, Fair Oaks
- Muzik, 55439 Twenty-nine Palms Highway, Yucca Valley

WELCOME

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

ANNOUNCEMENT RECORDING OF MEETING This meeting may be recorded to assist in preparation of minutes. Recordings will only be kept 30 days following the meeting, as mandated by the California Brown Act.

EVACUATION PROCEDURES

PUBLIC COMMENT Members of the public will be allowed to address the Property Program Committee on any agenda item prior to the Committee's decision on the item. They will also be allowed to comment on any issues that they wish which may or may not be on the agenda. If anyone present wishes to be heard, please let the Chairman know.

INTRODUCTIONS

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Presenter

Page#

I. CONSENT AGENDA

Cuquet * A. Approve the minutes of the meeting of February 8, 2016. **1**

Cuquet B. Report on meetings attended on behalf of the JPIA.

<u>Presenter</u>		<u>Page#</u>
Thesing	* C. Membership Report.	7
 II. <u>LOSS REPORTS</u>		
Sells	* A. Review claims data.	8
 III. <u>NEW BUSINESS</u>		
Kyburz	* A. Review and take action on the 2017-18 Memorandum of Crime coverage.	17
Kyburz	* B. Review the Difference in Conditions Group Purchase Program.	38
Sells	* C. Review the Natural Disaster Fund.	39
Thesing	* D. Review and take action on the 2017-18 Memorandum of Property coverage.	40
Thesing	* E. Review and take action on excess/reinsurance coverage renewal.	107
deBernardi	* F. Review and take action on renewal pricing.	108
 IV. <u>UPCOMING MEETING</u>		
Cuquet	* A. There are no additional meetings scheduled for the remainder of the year.	113

ADJOURN

*Related items enclosed.

Americans With Disabilities Act – *The JPIA conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the Federal Rules and Regulations adopted in implementation thereof. A request for disability-related modification or accommodation, in order to participate in a public meeting of the JPIA, shall be made to: Suzanne Wallace, Administrative Assistant II, ACWA JPIA, PO Box 619082, Roseville, CA 95661-9082; telephone (916) 786-5742. The JPIA's normal business hours are Monday – Friday, 7:30 a.m. to 4:30 p.m. (Government Code Section 54954.2, subdivision. (a)(1).)*

Written materials relating to an item on this Agenda that are distributed to the JPIA's Property Program Committee within 72 hours before it is to consider the item at its regularly scheduled meeting will be made available for public inspection at ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661-3700; telephone (916) 786-5742. The JPIA's normal business hours are Monday – Friday, 7:30 a.m. to 4:30 p.m.



ASSOCIATION OF CALIFORNIA WATER AGENCIES
JOINT POWERS
 INSURANCE AUTHORITY

Unapproved Minutes

PROPERTY PROGRAM COMMITTEE MEETING

FEBRUARY 8, 2016

ACWA JOINT POWERS INSURANCE AUTHORITY
 Executive Conference Room
 2100 Professional Drive, Roseville, CA 95661
 (800) 231-5742

This meeting consisted of a simultaneous WebEx teleconference call at ACWA Joint Powers Insurance Authority, 2100 Professional Drive, Roseville, CA 95661 and the following remote sites:

- Gilkey, 1001 Chase Avenue, Corcoran
- Huckaby, 10326 Fair Oaks Boulevard, Fair Oaks
- Muzik, 55439 Twenty-nine Palms Highway, Yucca Valley

MEMBERS PRESENT

Chairman: Thomas Cuquet, South Sutter Water District
Vice-chair: W.D. "Bill" Knutson, Yuima Municipal Water District
 Tom Coleman, Rowland Water District
 Mark Gilkey, Tulare Lake Basin Water Storage District (*via WebEx*)
 Shawn Huckaby, Fair Oaks Water District (*via WebEx*)
 Ed Muzik, Hi-Desert Water District (*via WebEx*)
 Bob Walters, San Juan Water District

MEMBERS ABSENT

Robert Noonan, Orchard Dale Water District
 Eugene West, Camrosa Water District

STAFF PRESENT

Chief Executive Officer/Secretary: Walter "Andy" Sells
 Chimene Camacho, Human Resources Coordinator (Recording Secretary)
 Linda Craun, Administrative Assistant II (WebEx Coordinator)
 Dick Damon, Director of Casualty Operations
 David deBernardi, Director of Finance
 Robert Greenfield, Counsel to Casualty Operations
 Robin Flint, Sr. Risk Management Consultant
 John Haaf, Risk Management Manager
 Debbie Kyburz, Member Services Representative II
 Jennifer Nogosek, Liability and Claims Manager
 Patricia Slaven, Training Manager
 Sandra Smith, Employee Benefits Manager

Nancy Stangel, Director of Administration
 Dianna Sutton, Finance Manager
 Melody Tucker, Workers' Compensation Manager
 Chuck Wagenseller, Cost Estimator/Risk Management Consultant
 Nidia Watkins, Member Services Representative II
 Bobbette Wells, Executive Assistant to the CEO
 Cece Wuchter, Sr. Claims Examiner

OTHERS IN ATTENDANCE

William "Billy" Deeb, Aon Risk and Insurance Services
 David Drake, Rincon del Diablo Municipal Water District
 E. G. "Jerry" Gladbach, Castaic Lake Water Agency
 Brent Hastey, Yuba County Water Agency
 David Hodgins, Scotts Valley Water District
 Melody McDonald, San Bernardino Valley Water Conservation District
 Charles Muse, Helix Water District
 Bruce Rupp, Humboldt Bay Municipal Water District
 Tom Scaglione, Vallecitos Water District
 Alex Tokar, Aon Risk and Insurance Services
 Arden Wallum, Mission Springs Water District (*via WebEx*)

WELCOME

Chairman Cuquet welcomed everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Chairman Cuquet called the meeting to order at 3:20 p.m. and announced there was a quorum.

ANNOUNCEMENT RECORDING OF MINUTES

Chairman Cuquet announced that the meeting was recorded to assist in preparation of minutes. Recordings are only kept 30 days following the meeting, as mandated by the California Brown Act.

EVACUATION PROCEDURES

Mr. Sells briefly reviewed the building evacuation procedures.

PUBLIC COMMENT

Chairman Cuquet noted that, as the agenda stated, members of the public would be allowed to address the Executive Committee on any agenda item prior to the Committee's decision on that item. Comments on any issues on the agenda, or not on the agenda, were also welcomed. No comments were brought forward.

INTRODUCTION OF COMMITTEE MEMBERS AND GUESTS

Chairman Cuquet requested that Committee members and JPIA staff introduce themselves.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

None were noted.

APPROVAL OF MINUTES

Chairman Cuquet called for approval of the minutes of January 19, 2015:

M/S/C (Knutson/Coleman) (Coleman-Yes; Gilkey-Yes; Huckaby-Yes; Muzik-Yes, Walters-Yes; Knutson-Yes; Cuquet-Yes): That the Property Program Committee approve the minutes of the January 19, 2015 meeting.

MEETINGS ATTENDED ON BEHALF OF THE JPIA

None were noted.

NEW BUSINESS – MEMORANDUM OF COVERAGE ISSUES

Chairman Cuquet announced that he will move up an agenda item to accommodate Mr. Arden Wallum, General Manager of Mission Springs Water District, who has called in via WebEx to appeal his loss claim to the Property Program Committee. Mr. Sells provided a brief background on the two Memorandum of Coverage issues to be discussed and explained that the agenda was revised so that the Committee could review and possibly take action on the Memorandum of Coverage issues presented, if needed.

First issue involved Mr. Wallum's personal property that was stolen from a district vehicle he was driving while he was on district business. He shared with the Committee details surrounding the theft and the reasons behind his request that the Property Program Committee consider covering his loss or, at the very least, partially pay for his deductible.

Mr. Sells provided a brief overview of the Property Program policy schedule and explained that loss of personal property is not on the schedule of insured values. Additionally, no revenues were collected to cover this type of loss.

Much discussion was held on the scope of the Property Program and the effect on premiums if personal property loss was added to the schedule of items covered. The Committee ultimately decided that Mr. Allum's personal property loss is not intended to be a covered item under the Property Memorandum of Coverage (PMOC). Mr. Allum thanked the Committee for their time. No recommendation will be presented to the Executive Committee.

Mr. Sells provided details of the second PMOC issue which involved a district that suffered a loss of equipment as result of employee theft. The PMOC excludes losses of real and personal property resulting from any dishonest act on the part of a covered party or their employees. The Committee asked many questions regarding the coverage but after some discussion decided that there would be no recommendation to the Executive Committee.

MEMBERSHIP

Program Membership

Mr. Damon provided a status of membership. Three districts joined the Property Program since the last Committee meeting: Lost Hills Water District, Mid-Peninsula Water District and Mojave Water Agency.

The Property Program currently consists of 262 members with a total insurable value of approximately \$5.4 billion.

Update of Letters to Withdraw/Rescind

Mr. Damon provided the status of intents to withdraw from the Property Program.

In accordance with Article 22(d) of the Joint Powers Agreement, Maxwell Irrigation District has not rescinded their intent to withdraw and will most likely withdraw from the Property Program effective April 1, 2016.

Biggs-West Gridley Water District withdrew April 1, 2015 and is no longer a JPIA member.

A brief discussion was held on some of the potential reasons behind the withdrawal of small agencies from the JPIA.

LOSS REPORTS

Mr. Sells reviewed the graph showing the actual dollars lost for each \$1 million of insured values. He also briefly reviewed the graph which represents the actual number of losses for each policy year.

The Property Program 2013-14 policy year showed a slight increase in claims dollars at both the pooled layer and the reinsurance layer. The 4/1/13-14 policy year was the first year the JPIA moved from a \$50,000 self insured retention to a \$100,000 self insured retention which accounted for the increase in pooled losses. Additionally, during the policy year, there were a couple of large fire claims. Overall, the Program continues to perform well and the jump to a \$100,000 retention appears to be favorable for the JPIA. The Program now insures over \$5 billion in property values. Mr. Sells warned that although low losses in the past few years may be attributed to increased training and frequent risk management assessments, it may also be partly due to the drought we are having. Projects and programs have been largely postponed by districts due to the drought.

NEW BUSINESS

Coverage for Power Poles

Mr. Damon reported that the Calaveras Public Utilities District (CPUD) suffered a fire loss to power transmission lines and power poles in the amount of approximately \$29,000 and that CPUD was notified that there was no coverage for this loss. The Property Memorandum of Coverage (PMOC) excludes losses for power transmission systems under Exclusion 11. Staff requested the Committee's guidance as to whether

or not the JPIA pool wants to extend coverage to include power transmission systems. If so, two possible options were presented: First, Exclusion 11 can be removed from the PMOC. Districts that wish to cover their power transmission systems under the PMOC would be required to list the systems on their Property Schedules and pay an increased premium. Second, the JPIA can set-up a separate program to cover the power transmission systems. Aon would approach the insurance market to find carrier(s) that might be interested in insuring the program.

It was determined that 15 to 20% of members have exposures to power transmission lines. Some discussion took place on the viability of including the power transmission lines and poles coverage on the April 1, 2016 renewal. At this time, there is not enough data to make a recommendation and the Committee requested staff to conduct further review of this potential coverage.

Natural Disaster Fund

Mr. Sells started by providing a background on the Natural Disaster Fund (Fund). Beginning with the inception of 4/1/15-16 policy year, the JPIA established the Fund which was designed to protect members from events in excess of the JPIA self insured retention or for events in excess of the reinsurer's sublimits, including, but not limited to, earthquake and flood. At last year's renewal, the JPIA received quotes that included additional earthquake sublimits: one for a \$2.5 million and another for \$5 million. The cost for the additional sublimit was approximately \$500,000. The Executive Committee approved the Property Committee's recommendation to accept the proposal that included a \$2.5 million sublimit and use the savings to fund an in-house Natural Disaster Fund. The Fund is expected to increase \$500,000 per year with a target amount of \$5 million. At the end of the current policy year, there will be \$500,000 in the Fund. At this time, staff asked the Committee to consider contributing an additional \$500,000 for the 4/1/16-17 policy year as well as discuss potential qualifying events that may trigger the use of the Fund.

Much discussion was held on whether to limit the use of the Fund to earthquake and flood events only or to branch out to other natural disasters; only for declared county, state or federal emergency; and how it will work in conjunction with FEMA.

The Committee asked staff to develop a draft policy for the Natural Disaster Fund and to set up a five-year plan with a funding mechanism. The Committee decided that, at this time, the policy will be applied solely to claims relating to earthquake and flooding events and only after a declared county, state or federal emergency.

EXCESS/REINSURANCE COVERAGE RENEWAL

Mr. Damon reported that the Property Program renews on April 1, 2016 and that the excess coverage renews on the same date. The current reinsurer is XL Catlin (XL). This year's renewal is the second of a two-year rate guarantee with XL with the rate applied to the total insured value (TIV) of the pool's assets to calculate the premium. The pool's TIV increased 4.9% this year to \$5,503,915,917. Aon, the JPIA's broker, was able to negotiate an equal rate reduction to keep the renewal premium flat over last year at

\$1,400,000. The premium is broken down \$1,375,000 for the property and boiler machinery coverage, and \$25,000 for the Terrorist Risk Insurance Act coverage. The new rate guarantee will be extended by XL until 2018. The quote includes a 10% commission to Aon. Aon will bill the JPIA the premium amount less the commission which amounts to a cost for the renewal of \$1,260,000.

The proposed renewal matches conditions and sublimits of the expiring program. In addition, Aon has negotiated a contract with XL for loss control services to include inspections of pressure vessels, hydroelectric equipment and fire control systems. The cost of the contract is \$195,000 per year, which did not change from last year.

M/S/C (Knutson/Walters) (Coleman-Yes; Walters-Yes; Knutson-Yes; Cuquet-Yes): That the Property Program Committee recommend to the Executive Committee to accept XL Catlin's quote for excess/reinsurance coverage of the Property Program for policy year April 1, 2016-17.

RENEWAL PRICING

Mr. deBernardi presented the Revenue/Expense and Funding Requirements Comparison chart to the Committee to open the discussion on the renewal pricing for the Property Program. The chart provided a breakdown for the expected revenues and expenses for the 4/1/16-17 policy year. The total estimated premium is approximately \$5 million based on \$5.3 billion in TIVs. The premium is based on an estimated excess insurance cost of \$1.5 million (includes an allocation for brokers expense) and claims expense of approximately \$1 million. The 2015 actuary report projects a \$.0208, per \$100 of value, loss rate for the 4/1/16-17 policy year. The recommended renewal for excess insurance will continue the self insured retention level of \$100,000 using XL Catlin.

Two options were presented for consideration. Option 1 will have no change to the current rates and Option 2 will reduce rates by 5%. Mr. deBernardi explained the effect of each option on the Retrospective Premium Adjustment.

M/S/C (Coleman/Knutson) (Coleman-Yes; Walters-Yes; Knutson-Yes; Cuquet-Yes): That the Property Program Committee recommend to the Executive Committee that there be no change in the Property Program rate charged to members for the April 1, 2016-17 policy year.

UPCOMING MEETING(S)

There are no additional meetings scheduled for the remainder of 2016.

The Property Program Committee meeting adjourned at 5:07 p.m.

ACWA JPIA
Membership Report
February 6, 2017

BACKGROUND

At each Property Program Committee meeting, a list of new members is provided as well as Notices of Withdrawal.

CURRENT SITUATION

The following agencies have either joined the Property Program or withdrew from the Property Program during the 2016-17 coverage year:

New Member	TIV/Premium	Status	Type of Agency
Florin Resources Conservation District/ Elk Grove Water District	\$18,680,154/ \$16,136	Joined 7/1/16	California Resource Conservation District – formed for soil conservation and in 1999 purchased Elk Grove Water Works, now operating as Elk Grove Water District.
Water Employee Services Authority	\$18,923/ \$249	Joined 10/1/16	WESA was established as a joint powers authority between the Elsinore Valley Municipal Water District and Meeks and Daley Mutual Water Company in western Riverside County, California. The purpose of WESA is to provide professional water and wastewater service to both agencies.
Withdrawn Member	TIV/Premium	Status	Reason Withdrew
Maxwell Irrigation District	\$3,551,793/ \$2,967	Withdrew 4/1/16	Due to price sensitivity and disagreement over exclusion of electrical breakdown and the River Pumping Plant.

Current Program Membership Status as of December 31, 2016

Total number of program members: 263
Total estimated annual TIV: \$5,480,311,457

RECOMMENDATION

None, informational only.

ACWA JPIA
Claims Data
February 6, 2017

BACKGROUND

The claims history for the JPIA Property Program has been very favorable for the past several years. The graphs represent recent history in the Property Program.

CURRENT SITUATION

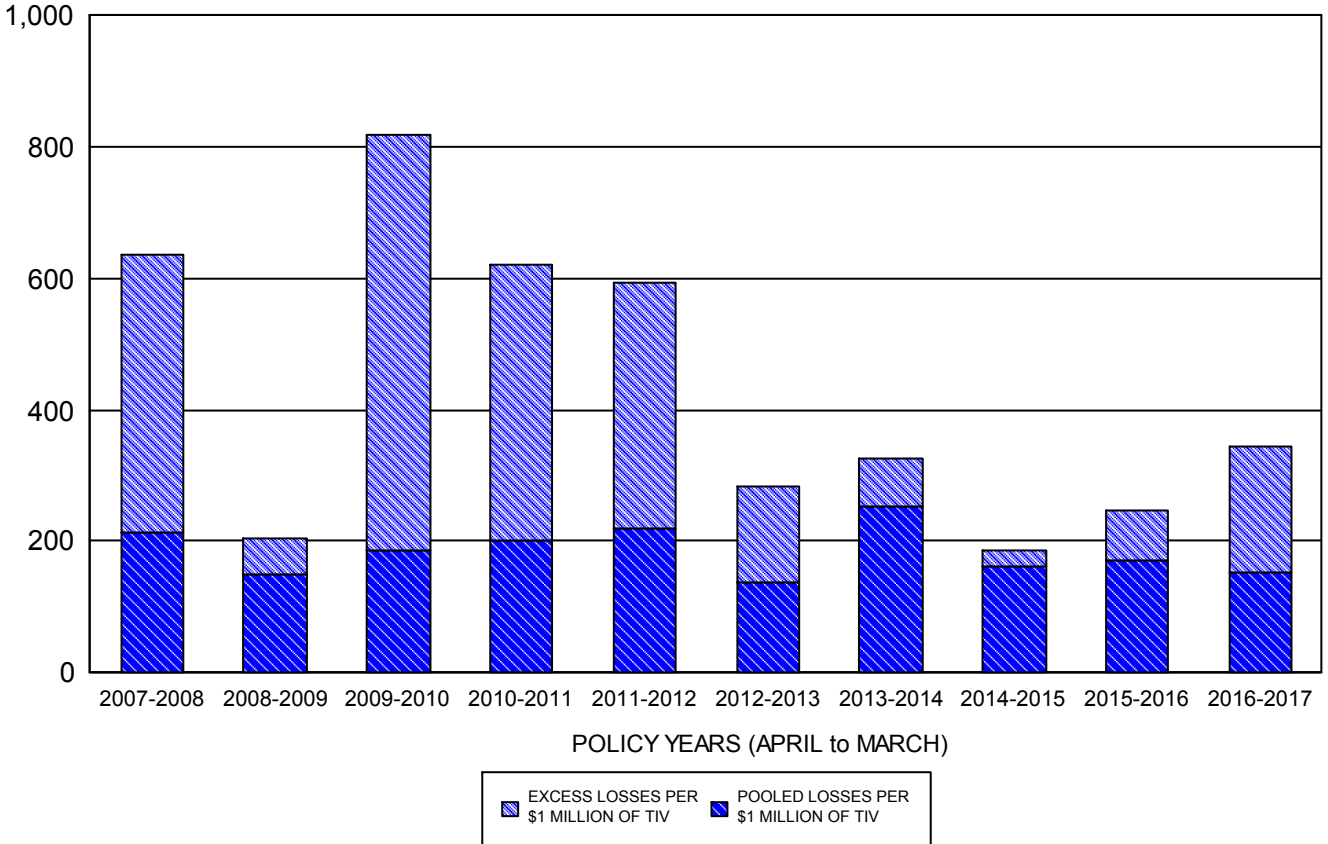
The Property Program 2013-14 policy year shows a slight increase in claims dollars at both the pooled layer and the reinsurance layer. The 4/1/13-14 policy year is the first year the JPIA moved from a \$50,000 self insured retention to a \$100,000 self insured retention. This would account for the increase in pooled losses. Additionally, during the policy year, there were a couple of large fire claims. One includes a district building and another includes a large piece of mobile equipment. There are also two large Boiler & Machinery losses.

Overall, the program continues to perform well and the jump to a \$100,000 retention appears to be favorable for the JPIA. The program now insures over \$5 billion in property values.

RECOMMENDATION

None, informational only.

**ACWA JPIA - PROPERTY PROGRAM
REPORTED LOSSES PER \$1 MILLION OF INSURED VALUES
FOR MONTH ENDING 12/31/2016**

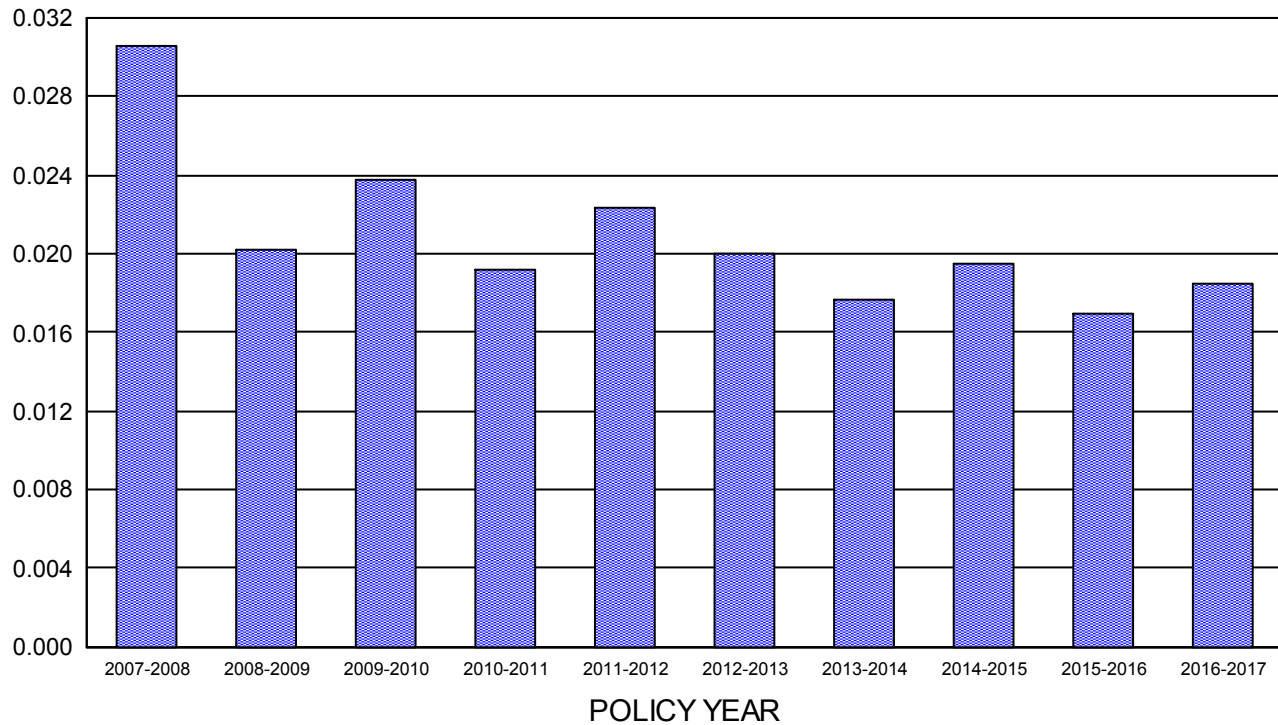


<u>POLICY YEAR (4/1)</u>	<u>TOTAL INSURED VALUES</u>	<u>SELF INSURED RETENTION</u>	<u>POOLED LOSSES</u>	<u>EXCESS LOSSES</u>	<u>INCURRED LOSSES</u>	<u>POOLED LOSSES PER \$1 MILLION OF VALUES</u>	<u>TOTAL LOSSES PER \$1 MILLION OF VALUES</u>
2002-2003	1,586,533,428	50,000	580,878	1,475,294	2,056,172	366	1,296
2003-2004	2,085,410,030	50,000	611,837	962,625	1,574,462	293	755
2004-2005	2,298,063,124	50,000	677,323	616,127	1,293,449	295	563
2005-2006	2,574,274,621	50,000	553,692	364,480	918,173	215	357
2006-2007	2,771,123,244	50,000	734,498	1,864,119	2,598,617	265	938
2007-2008	3,264,697,013	50,000	696,768	1,375,733	2,072,501	213	635
2008-2009	3,463,273,786	50,000	512,340	189,526	701,866	148	203
2009-2010	3,717,824,938	50,000	689,931	2,355,173	3,045,104	186	819
2010-2011	4,011,851,079	50,000	801,074	1,693,574	2,494,649	200	622
2011-2012	4,232,150,149	50,000	922,930	1,585,784	2,508,715	218	593
2012-2013	4,486,174,586	50,000	615,618	657,678	1,273,296	137	284
2013-2014	4,737,855,871	100,000	1,197,225	342,512	1,390,265	253	293
2014-2015	4,992,986,319	100,000	806,463	116,727	923,190	162	185
2015-2016	5,245,205,243	100,000	890,512	397,569	1,288,080	170	246
2016-2017	5,480,311,457	100,000	623,313	787,000	1,410,313	152	343

- Latest Policy Year's 'Losses' include partial activity.

- Latest Policy Year's 'Losses Per \$1 Million of Values' has been annualized using 9 months data.

**ACWA JPIA - PROPERTY PROGRAM
OCCURRENCES PER \$1 MILLION OF INSURED VALUES
FOR MONTH ENDING 12/31/2016**



PROGRAM YEAR (4/1)	NUMBER OF OCCUR	TOTAL INSURED VALUES (TIV)	INFLATION ADJUSTMENT ANNUAL %	INFLATION ADJUSTMENT FACTOR	INFLATION ADJUSTED TIV	# OF OCCURRENCES PER \$1 MILLION OF INFLATION ADJUSTED TOTAL INSURED VALUES
2002-2003	97	1,586,533,428	2.00	1.343	2,131,279,946	0.0455
2003-2004	96	2,085,410,030	1.90	1.317	2,746,518,684	0.0350
2004-2005	90	2,298,063,124	3.30	1.292	2,970,153,329	0.0303
2005-2006	83	2,574,274,621	3.40	1.251	3,220,857,193	0.0258
2006-2007	90	2,771,123,244	3.30	1.210	3,353,141,623	0.0268
2007-2008	117	3,264,697,013	3.50	1.171	3,824,182,554	0.0306
2008-2009	79	3,463,273,786	0.00	1.132	3,919,604,159	0.0202
2009-2010	100	3,717,824,938	1.50	1.132	4,207,695,663	0.0238
2010-2011	86	4,011,851,079	3.00	1.115	4,473,363,043	0.0192
2011-2012	102	4,232,150,149	2.10	1.083	4,581,557,954	0.0223
2012-2013	95	4,486,174,586	1.30	1.060	4,756,664,778	0.0200
2013-2014	88	4,737,855,871	1.80	1.047	4,959,053,285	0.0177
2014-2015	100	4,992,986,319	1.00	1.028	5,133,688,673	0.0195
2015-2016	90	5,245,205,243	1.80	1.018	5,339,618,937	0.0169
2016-2017	76	5,480,311,457	0.00	1.000	5,480,311,457	0.0185

- Latest Policy Year's 'Number of Occur' include partial activity.
- Latest Policy Year's '# of Occurrences Per \$1 Million of Inflation Adjusted Total Insured Values' has been annualized using 9 months data.

**ACWA JPIA - PROPERTY PROGRAM
SIGNIFICANT LARGE CLAIMS OVER \$75,000
FOR MONTH ENDING 12/31/2016**

<u>CLAIM NUMBER</u>	<u>LOSS DATE</u>	<u>DISTRICT</u>	<u>DESCRIPTION</u>	<u>STATUS</u>	<u>LOSS AMOUNT</u>	<u>POLICY YEAR TOTAL</u>	
POLICY YEAR 1987-1988							
87011	8/11/87	Glenn-Colusa Irrigation District	Fire destroyed shop building	Closed	100,592		
87020	10/22/87	Yuima Municipal Water District	Mudslide damaged building	Closed	145,322		
					POLICY YEAR 1987-1988	245,914	505,530
POLICY YEAR 1989-1990							
89011	7/14/89	Central California Irrigation District	Fire destroyed building	Closed	100,259		
					POLICY YEAR 1989-1990	100,259	292,058
POLICY YEAR 1991-1992							
91035	6/10/91	Oakdale Irrigation District	Vandals damaged canal	Closed	85,250		
					POLICY YEAR 1991-1992	85,250	237,995
POLICY YEAR 1992-1993							
92017	8/22/92	Ramona Municipal Water District	Seam on water tank cover split	Closed	260,474		
92015	8/17/92	South Coast Water District	Garage and shop destroyed by fire	Closed	223,359		
					POLICY YEAR 1992-1993	483,833	687,046
POLICY YEAR 1995-1996							
95006	5/24/95	San Diego County Water Authority	Mudslide damaged control room.	Closed	94,729		
					POLICY YEAR 1995-1996	94,729	262,843
POLICY YEAR 1996-1997							
96057	11/26/96	East Orange County Water District	Wind damaged reservoir roof	Closed	113,898		
96072	2/15/97	Lower Tule River Irrigation District	Capacitor fire resulted in business interruption claim	Closed	75,860		
96032	8/11/96	Semitropic Water Storage District	Turbine flooded during power outage	Closed	75,495		
96028	8/6/96	Valley Center Municipal Water District	Power surge damaged electrical panel	Closed	127,265		
					POLICY YEAR 1996-1997	392,518	591,187
POLICY YEAR 1997-1998							
97001	4/2/97	East Orange County Water District	Wind damaged reservoir roof	Closed	85,535		

**ACWA JPIA - PROPERTY PROGRAM
SIGNIFICANT LARGE CLAIMS OVER \$75,000
FOR MONTH ENDING 12/31/2016**

<u>CLAIM NUMBER</u>	<u>LOSS DATE</u>	<u>DISTRICT</u>	<u>DESCRIPTION</u>	<u>STATUS</u>	<u>LOSS AMOUNT</u>	<u>POLICY YEAR TOTAL</u>
POLICY YEAR 1997-1998						
97015	7/3/97	Elsinore Valley Municipal Water District	Fire damaged building	Closed	94,483	
97050	10/4/97	Orange County Water District	Power surge damaged electrical panel	Closed	89,851	
97035	8/31/97	Reclamation District #108	Fire damaged building	Closed	263,928	
POLICY YEAR 1997-1998					533,798	1,067,247
POLICY YEAR 1998-1999						
99-1633	1/15/99	Madera-Chowchilla Water and Power Authority	Hydro generator down	Closed	181,786	
98002	4/9/98	Palmdale Water District	Water backed up into water treatment plant	Closed	176,027	
98008	4/22/98	Wheeler Ridge-Maricopa Water Storage District	Fire damaged building	Closed	149,666	
POLICY YEAR 1998-1999					507,478	959,743
POLICY YEAR 1999-2000						
99-1771	6/13/99	Madera-Chowchilla Water and Power Authority	Hydro-electric plant turbine sustained damage of unknown origin.	Closed	155,095	
00-2212	12/29/99	Rancho California Water District	Fire damaged building and contents	Closed	80,822	
POLICY YEAR 1999-2000					235,916	623,868
POLICY YEAR 2000-2001						
01-2850	10/10/00	Arvin-Edison Water Storage District	Fire damaged a pump motor	Closed	151,567	
01-2747	9/1/00	Bella Vista Water District	Lightning strike damaged transformer	Closed	123,113	
01-3162	2/26/01	Castaic Lake Water Agency	Water leaked into ozone output line, flooding 2 ozone generator units.	Closed	202,400	
01-2770	9/11/00	Yorba Linda Water District	Toilet backed up in District office	Closed	146,176	
POLICY YEAR 2000-2001					623,256	1,203,199
POLICY YEAR 2002-2003						
02-4208	4/25/02	Kern Water Bank Authority	Lightning strike damaged 3 recovery wells and pump station	Closed	81,348	
03-4395	8/2/02	Madera-Chowchilla Water and Power Authority	Plant shutdown - cause - unknown.	Closed	1,321,842	
POLICY YEAR 2002-2003					1,403,190	2,056,172

**ACWA JPIA - PROPERTY PROGRAM
SIGNIFICANT LARGE CLAIMS OVER \$75,000
FOR MONTH ENDING 12/31/2016**

<u>CLAIM NUMBER</u>	<u>LOSS DATE</u>	<u>DISTRICT</u>	<u>DESCRIPTION</u>	<u>STATUS</u>	<u>LOSS AMOUNT</u>	<u>POLICY YEAR TOTAL</u>	
POLICY YEAR 2003-2004							
03-5189	5/22/03	Berrenda Mesa Water District	2000 HP motor & control switch was damaged due to PG&E interruption	Closed	76,488		
04-5514	8/1/03	Friant Power Authority	Fire damaged electrical panel and resulted in business interruption claim	Closed	386,149		
04-5662	10/28/03	Helix Water District	Fire damaged residential building and garage	Closed	380,036		
04-6013	2/26/04	Mountain Gate Community Services District	Hail damaged the District office	Closed	79,895		
					POLICY YEAR 2003-2004	922,568	1,574,462
POLICY YEAR 2004-2005							
05-6526	9/4/04	Calaveras County Water District	Fire damaged District's "602" tank	Closed	205,341		
05-6805	12/20/04	Cucamonga Valley Water District	Fire damaged control panel	Closed	107,938		
05-6398	7/21/04	Merced Irrigation District	Vandalism to heavy equipment	Closed	111,928		
05-6378	7/16/04	Serrano Water District	District pump failed - damage to pump and control panel.	Closed	111,340		
04-6239	6/11/04	Stockton-East Water District	Fire damaged control panel	Closed	153,314		
05-6797	12/19/04	Western Canal Water District	Water/sewage backed up into ice maker drain - flooded office	Closed	77,337		
					POLICY YEAR 2004-2005	767,198	1,293,449
POLICY YEAR 2005-2006							
07-8600	3/1/06	American River Flood Control District	District employee embezzled funds from District.	Closed	104,221		
06-7661	11/15/05	Mission Hills Community Services District	Fire damaged building	Closed	235,885		
06-7741	12/22/05	North Coast County Water District	Fire damaged vactor truck	Closed	124,057		
06-7777	12/22/05	Reclamation District #108	Electrical short damaged pump motor	Closed	82,134		
					POLICY YEAR 2005-2006	546,297	918,173
POLICY YEAR 2006-2007							
07-8416	9/7/06	Arvin-Edison Water Storage District	Fire damaged building	Closed	194,849		
07-8725	1/14/07	Golden Hills Community Services District	Fire sprinkler line broke & flooded office	Closed	145,348		
07-8891	3/19/07	San Diego County Water Authority	Flood damaged hydroelectric plant when two water supply lines ruptured	Closed	1,575,000		
					POLICY YEAR 2006-2007	1,915,197	2,598,617

**ACWA JPIA - PROPERTY PROGRAM
SIGNIFICANT LARGE CLAIMS OVER \$75,000
FOR MONTH ENDING 12/31/2016**

<u>CLAIM NUMBER</u>	<u>LOSS DATE</u>	<u>DISTRICT</u>	<u>DESCRIPTION</u>	<u>STATUS</u>	<u>LOSS AMOUNT</u>	<u>POLICY YEAR TOTAL</u>	
POLICY YEAR 2007-2008							
08-9455	10/22/07	Fallbrook Public Utility District	Rice Canyon Fire burned 2 chlorine stations	Closed	968,918		
08-9450	10/26/07	Helix Water District	Fire destroyed caretaker's residence @ diversion dam.	Closed	180,404		
07-9107	6/5/07	San Luis Water District	Fire damaged residence	Closed	104,129		
08-9424	10/12/07	Yolo County Flood Control & Water Conservation District	Fire destroyed Hunting Lodge rental	Closed	145,809		
					POLICY YEAR 2007-2008	1,399,260	2,072,501
POLICY YEAR 2008-2009							
09-0508	10/1/08	Merced Irrigation District	Rented boomlift rolled	Closed	98,959		
					POLICY YEAR 2008-2009	98,959	701,866
POLICY YEAR 2009-2010							
10-0956	5/7/09	Cachuma Operation and Maintenance Board	Fire damaged Core Shed	Closed	312,035		
10-1202	5/28/09	Calleguas Municipal Water District	Boiler & Machinery - Well #12	Closed	90,084		
13-0295	10/30/09	Calleguas Municipal Water District	B&M - Well #10	Closed	135,715		
13-0307	9/4/09	Calleguas Municipal Water District	B&M - Well 9	Closed	198,902		
13-0309	8/31/09	Calleguas Municipal Water District	B&M - Well 16	Closed	122,111		
10-1458	2/15/10	Kanawha Water District	Fire damaged shop	Closed	440,577		
10-1495	11/7/09	Merced Irrigation District	Contractor dropped washer into 100 MVA transformer	Closed	1,032,000		
10-1650	3/12/10	Mission Springs Water District	Employee embezzled funds.	Closed	100,310		
10-1143	9/20/09	West Basin Municipal Water District	Water damaged building due to pump failure	Closed	108,275		
					POLICY YEAR 2009-2010	2,540,009	3,045,104
POLICY YEAR 2010-2011							
11-0352	9/2/10	Beaumont-Cherry Valley Water District	Diesel spill near Well 21	Closed	160,682		
13-0308	5/31/10	Calleguas Municipal Water District	B&M Well 14	Closed	171,458		
10-1581	4/12/10	Friant Power Authority	Lightening strike hit KV line and shorted out circuit breaker starting fire that burned for 45 minutes.	Closed	1,244,845		
11-0409	12/21/10	Mammoth Community Water District	Quonset hut #1 collapsed	Closed	109,349		
11-0413	12/16/10	Serrano Water District	PLD failed causing overflow in filtration tank into gallery	Closed	75,959		

**ACWA JPIA - PROPERTY PROGRAM
SIGNIFICANT LARGE CLAIMS OVER \$75,000
FOR MONTH ENDING 12/31/2016**

<u>CLAIM NUMBER</u>	<u>LOSS DATE</u>	<u>DISTRICT</u>	<u>DESCRIPTION</u>	<u>STATUS</u>	<u>LOSS AMOUNT</u>	<u>POLICY YEAR TOTAL</u>
POLICY YEAR 2010-2011					1,762,294	2,494,649
POLICY YEAR 2011-2012						
12-0495	9/10/11	Arvin-Edison Water Storage District	Lightning strike damage 3 - 5,500 HP motors @ Forest Frick Pump Station	Closed	616,557	
14-0508	12/27/11	Bard Water District	Employee dishonesty	Closed	100,000	
12-0101	8/12/11	Fresno Irrigation District	Kitchen fire @ 9451 E. Olive	Closed	139,653	
12-0049	7/13/11	Helix Water District	Explosion in Ozone Destruct Unit #2	Closed	224,117	
12-0190	9/10/11	Kern County Water Agency	Switch gear @ 2B & 4B melted	Closed	164,802	
12-0112	7/7/11	Lower Tule River Irrigation District	Bearing damage @ LakeSuccess Turbine	Closed	293,739	
12-0171	9/7/11	Mission Springs Water District	Sprinkler system went off sending 3" of water into building	Closed	214,319	
POLICY YEAR 2011-2012					1,753,186	2,508,715
POLICY YEAR 2012-2013						
12-0769	5/7/12	Banta Carbona Irrigation District	B&M - Pumping Station #1	Closed	207,856	
13-0393	12/11/12	Del Puerto Water District	Unknowns stole 200K generator/utility trailer	Closed	88,000	
12-0681	5/1/12	Palmdale Water District	Hydro-electric generator burned.	Closed	292,341	
13-0336	12/2/12	South Feather Water and Power Agency	Tree fell into shop building	Closed	127,212	
POLICY YEAR 2012-2013					715,409	1,273,296
POLICY YEAR 2013-2014						
13-0658	4/25/13	Bella Vista Water District	1,000 HP pump/motor @ Wintu failed	Closed	149,736	
14-0396	1/22/14	Coastside County Water District	Fire in District's server room	Closed	277,915	
13-0644	4/20/13	Fresno Metropolitan Flood Control District	Theft of copper wire	Closed	77,400	
14-0548	3/24/14	Oakdale Irrigation District	Excavator caught fire & burn	Closed	162,003	
14-0320	12/3/13	Twentynine Palms Water District	Generator at flouride removal treatment plant failed.	Closed	119,755	
POLICY YEAR 2013-2014					786,808	1,390,265
POLICY YEAR 2014-2015						
15-0514	11/30/14	Serrano Water District	Line break/surge caused damage @ Smith Reservoir	Open	106,727	
15-0454	2/6/15	Wheeler Crest Community Services District	Wildfire burned District's building & contents @ Rimrock Regulation Station	Closed	80,123	
POLICY YEAR 2014-2015					186,851	923,190

**ACWA JPIA - PROPERTY PROGRAM
SIGNIFICANT LARGE CLAIMS OVER \$75,000
FOR MONTH ENDING 12/31/2016**

<u>CLAIM NUMBER</u>	<u>LOSS DATE</u>	<u>DISTRICT</u>	<u>DESCRIPTION</u>	<u>STATUS</u>	<u>LOSS AMOUNT</u>	<u>POLICY YEAR TOTAL</u>	
POLICY YEAR 2015-2016							
16-0100	7/9/15	Orange County Water District	Vandalism/fire damaged HDPE pipe @ Santiago Basin	Closed	416,000		
16-0230	10/6/15	Thermalito Water & Sewer District	Fire @ District office	Closed	151,569		
					POLICY YEAR 2015-2016	567,569	1,288,080
POLICY YEAR 2016-2017							
16-0591	4/7/16	Placer County Water Agency	During a planned outage, water backed up into electrical area of Foothill Treatment Plant because a valve wasn't opened.	Open	760,000		
16-0693	4/17/16	Reclamation District #2068	Circuit breaker failure resulted in control cabinet fire	Open	102,000		
					POLICY YEAR 2016-2017	862,000	1,410,313
					GRAND TOTAL	19,529,747	

ACWA JPIA
Memorandum of Crime Coverage
February 6, 2017

BACKGROUND

The Property Program Committee meets annually to discuss coverage issues and potential revisions to the JPIA's Memorandum of Crime Coverage (MOCC). The current limit is \$100,000 subject to a \$1,000 deductible per loss.

CURRENT SITUATION

Staff is proposing the following changes to the MOCC to be effective April 1, 2017:

- Add a Table of Contents
- Move definitions forward to Section V of the MOCC

The pooled Crime Coverage, with limits of \$100,000 per occurrence, is automatically provided to all members participating in the Property Program without any premium charge. For those members who desire higher limits, we offer a group purchase excess program written through Hartford Fire Insurance Company. There are currently 63 agencies participating in the group purchase excess program. Each member selects its desired limit and pays their allocated premium charge. Limits vary from member to member.

Staff is currently working with AON Risk Solutions to provide options at a \$1 million limit for the April 1 renewal term.

RECOMMENDATION

That the Property Program Committee recommends that the Executive Committee approve the proposed revisions to the Memorandum of Crime Coverage effective April 1, 2017.

MEMORANDUM OF CRIME COVERAGE

For The

Association of California Water Agencies
Joint Powers Insurance Authority

DECLARATIONS

FORM NUMBER: MOCC-040117

MEMBER AGENCY: Member Agency

MAILING ADDRESS: P.O. Box 123
Anytown, CA 95432-0123

COVERAGE PERIOD: April 1, 2017 to April 1, 2018
12:01 A.M. Pacific Standard Time

<u>COVERAGE</u>	<u>LIMIT OF COVERAGE</u>	<u>DEDUCTIBLE</u>
1. Public Employee Theft	\$ 100,000	\$ 1,000
2. Depositors Forgery or Alteration	\$ 100,000	\$ 1,000
3. Computer and Funds Transfer Fraud	\$ 100,000	\$ 1,000

Signed by: _____
(Authorized Representative)

Date: March 22, 2017

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CRIME **COVERAGE PROVISIONS**

Throughout this Coverage Part, the words “you” and “your” refer to the “Member Agency” in the DECLARATIONS. The words “we”, “us”, and “our” refer to the “Authority”. Other words and phrases that appear in quotation marks have a special meaning. Refer to Section V. Definitions; Section VI., Exclusions; Section VII., and General Conditions, to determine where this Coverage Part restricts coverage.

SECTION I – CONSIDERATION CLAUSE

In exchange for the payment of premium and subject to the DECLARATIONS, Coverage Agreements, Exclusions, General Conditions, Definitions and terms of this Coverage Part, we will pay for loss which you sustain resulting directly from acts committed or events occurring at any time and discovered by you during the Coverage Period shown in the DECLARATIONS or during the period of time provided in General Conditions I., Extended Period To Discover Loss.

SECTION II – COVERAGE AGREEMENTS

Coverage is provided under the following Coverage Agreements if either an amount is stated in the Coverage Agreement or for which there is a Limit of Coverage shown in the DECLARATIONS.

A. Coverage Agreement 1. – Employee Theft – Per Loss

We will pay for loss or damage to “money”, “securities” and “other property” in any one “occurrence” which results directly from “theft” by an “employee”, whether or not identifiable, while acting alone or in collusion with other persons. In this Coverage Agreement, “occurrence” means all loss caused by, or involving, one or more “employees” whether the result of a single act or a series of acts.

We will also pay for loss which is caused by the failure of any “employee” to faithfully perform his or her duties as prescribed by law, when such failure has as its direct and immediate result a loss of your “money”, “securities”, and “other property”.

B. Coverage Agreement 2. – Depositors Forgery Or Alteration

1. We will pay for loss resulting directly from “forgery” or alteration of checks, drafts, promissory notes, or similar written promises, orders or directions to pay a sum certain in “money” that are
 - a. made or drawn upon you; or
 - b. made or drawn by one acting as your agent and drawn on your accountor that are purported to have been so made or drawn.
2. We will treat mechanically reproduced signatures the same as handwritten signatures.
3. If you are sued for refusing to pay any instrument in B.1. above, on the basis that it has been forged or altered and you have our written consent to defend against that suit, we will pay for any reasonable legal expenses that you incur and pay in such defense. The amount that we will pay in included in the Limit of Coverage applicable to this Coverage Agreement. If a Deductible Amount applies to this Coverage Agreement, we will also apply it to the amount of legal expenses incurred in this Coverage Agreement.
4. You must include in your proof of loss any instrument involved in that loss, or, if that is not possible, an affidavit setting forth the amount and cause of loss and describing both sides of said instrument.
5. This Coverage Agreement covers loss you sustain anywhere in the world.

C. Coverage Agreement 3. – Computer And Funds Transfer Fraud

We will pay for loss of and loss from damage to “money”, “securities” and “other property” following and directly related to the use of any computer to fraudulently cause a transfer of that property from inside the “premises” or “banking premises”

1. to a person (other than a “messenger”) outside those “premises”; or
2. to a place outside those “premises”.

And, we will pay for loss of “money” or “securities” through “funds transfer fraud” resulting directly from “fraudulent transfer instructions” communicated to a “financial institution” and instructing such institution to pay, deliver, or transfer “money” or “securities” from your “transfer account”.

SECTION III – LIMIT OF COVERAGE

The most we will pay for loss in any one “occurrence” is the applicable Limit of Coverage shown in the DECLARATIONS.

SECTION IV – DEDUCTIBLE

We will not pay for loss in any one “occurrence” unless the amount of the loss exceeds the Deductible Amount shown in the DECLARATIONS. We will then pay the amount of loss in excess of the Deductible Amount, up to the Limit of Coverage. In the event that more than one Deductible Amount could apply to the same loss, only the highest Deductible Amount will be applied.

You must give us notice as soon as possible of any loss of the type insured under this Coverage Part if, in your best estimation, such loss will, or will appear to exceed 25% of the current Deductible Amount for the Coverage Agreement under which the loss has occurred.

SECTION V – DEFINITIONS

- A.** “Authority” means the Association of California Water Agencies Joint Powers Insurance Authority.
- B.** “Banking premises” means the interior portion of that part of any building occupied by a banking institution or similar safe depository.
- C.** “Employee” means
 - 1. any natural person
 - a. while in your service or for 60 days after termination of service; and
 - b. whom you compensate directly by salary, wages, commissions; and

- c. whom you have the right to direct and control while performing services for you; including one
 - i. who is performing services for you as the chairman, or a member of any committee and whether compensated or not; or
 - ii. who is a compensated officer; or
 - iii. who is a volunteer who is not compensated, other than one who is a fund solicitor, while performing services for you that are usual to the duties of an "employee"; or
 - iv. who is a former "employee", director or trustee retained as a consultant while performing services for you; or
 - v. who is a student intern or guest student pursuing studies or duties in any of your offices or "premises".
- 2. a natural person who is a trustee, officer, "employee", administrator or manager, except an administrator or a manager who is an independent contractor, of any "employee benefit Plan(s)" insured under this Coverage Part; and your director or trustee while that person is handling funds or "other property" of "employee benefit Plan(s)" insured under this Coverage Part.
- 3. a natural person who is furnished temporarily to you to substitute for a permanent "employee" to meet seasonal or short term work load conditions and while that temporary person is subject to your direction and control and performing services for you. However, such persons are excluded while having care and custody of property outside the "premises"; and
 - a. "employee" does NOT mean
 - (1) any agent, broker, person leased to you by a labor leasing firm, factor, commission merchant, consignee, independent contractor or representative of the same general character; or

- (2) any manager, director or trustee except while performing acts coming within the scope of the usual duties of an "employee".
- D.** "Employee Benefit Plan(s)" means any welfare or pension Plan listed in the DECLARATIONS, on an attached schedule or for which automatic coverage is afforded that is subject to the Employee Retirement Income Security Act (ERISA) of 1974, as amended.
- E.** "Financial institution" means a bank, savings bank, savings and loan association or similar thrift institution, a stockbroker, mutual fund, liquid assets fund, or similar investment institution in which you maintain a "transfer account".
- F.** "Forgery" means the signing of the name of another person or organization with intent to deceive; it does not mean a signature which consists in whole or in part of one's own name signed with or without authority, in any capacity, for any reason.
- G.** "Fraudulent transfer instructions" means
1. fraudulent electronic, telegraphic, facsimile, cable, teletype or telephone instructions to a "financial institution" to debit a "transfer account" and to pay, transfer or deliver "money" or "securities" from such account and which instructions purport to have been authorized by you but which have been fraudulently transmitted by another; or
 2. fraudulent written instructions to a "financial institution" to debit a "transfer account" and to pay, transfer or deliver "money" or "securities" from such account through an electronic funds transfer system at specified times or under specified conditions and which instructions purport to have been duly authorized by you but which have been fraudulently issued, forged or altered by another.
- H.** "Funds transfer fraud" means "theft" of "money" or "securities" from any of your "transfer accounts" at a "financial institution" and occurring through "fraudulent transfer instructions" communicated to such "financial institution".
- I.** "Member Agency" means the local public agency, designated in the DECLARATIONS, which is a party signatory to the Joint Powers Agreement creating the Association of California Water Agencies Joint Powers Insurance Authority and is a participant in its Property Program.

- J.** “Messenger” means you or any “employee” while having care and custody of property outside the “premises”.
- K.** “Money” means currency, coins and bank notes in current use and having a face value; and travelers checks, register checks and money orders held for sale to the general public.
- L.** “Occurrence” means
1. as respects the Employee Theft Coverage Agreement, all loss caused by, or involving, one or more “employees”, whether the result of a single act or a series of acts.
 2. as respects the Forgery or Alteration Coverage Agreement, all loss caused by any person or in which that person is involved, whether the loss involves one or more instruments.
 3. as respects all other Coverage Agreements, an act or series of related acts involving one or more persons; or an act or event or a series of related acts or events not involving any person.
- M.** “Other property” or property means any tangible property other than “money” or “securities” that has intrinsic value but does not include any property excluded under this Coverage Part. “Other property” does not include trade secrets, proprietary information, confidential information or any copyrights, patents, trademarks, proprietary manufacturing or processing procedures, or secret or confidential information, including but not limited to credit card numbers, bank account numbers or any similar information.
- N.** “Premises” means the interior of that portion of any building which you occupy in conducting your business.
- O.** “Securities” means negotiable or non-negotiable instruments or contracts representing either “money” or property and includes tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and, evidences of debt issued in connection with credit or charge cards, which cards are not issued by you; but does not include “money”.
- P.** “Theft” means the unlawful taking of “money”, “securities” or “other property” to the deprivation of the Covered Party.

- Q.** “Transfer account” means an account maintained by you at a “financial institution” from which you or your authorized representative may cause the payment, transfer or delivery of “money” or “securities” by any means described in the “fraudulent transfer instructions” definition.

SECTION VI - EXCLUSIONS

(Applying To All Coverage Agreements Unless Otherwise Specified)

This Coverage Part Does Not Apply To And We Will Not Pay For:

A. Accounting or Arithmetical Errors or Omissions

Loss resulting from accounting or arithmetical errors or omissions.

B. Acts of Employees, Managers, Directors, Trustees or Representatives

Loss resulting directly from “theft” or any other dishonest or criminal act committed by any of your “employees”, managers, directors, trustees or representatives whether acting alone or in collusion with other persons or while performing services for you or otherwise except when covered under Coverage Agreement 1.

C. Damages

Damages for which you are legally liable as a result of:

1. the deprivation or violation of the civil rights of any person by an “employee”; or
2. the tortious conduct of an “employee” except conversion of property of other parties held by you in any capacity.

D. Depository Failure

Loss resulting from the failure of any entity acting as a depository for your property or property for which you are responsible.

E. Employee Cancelled Under Prior Insurance or Coverage

Loss caused by any “employee” of yours or predecessor in interest of yours, for whom similar insurance or coverage has been cancelled and not reinstated since the last cancellation.

F. Exchanges or Purchases

Loss resulting from the giving or surrendering of property in any exchange or purchase.

G. Fire

Loss from damage to the premises resulting from fire however caused.

H. Governmental Action

Loss resulting from seizure or destruction of property by order of governmental authority.

I. Indirect Loss

Loss that is an indirect result of any act or “occurrence” covered by this Coverage Part including but not limited to loss resulting from

1. your inability to realize income that you would have realized had there been no loss of or damage to “money”, “securities” or “other property”.
2. payment or damages of any type for which you are legally liable. But we will pay compensatory damages arising directly from a loss covered under this Coverage Part.
3. payment of costs, fees or other expenses you incur in establishing either the existence of or the amount of loss under this Coverage Part.

J. Inventory Shortages

Loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon

1. an inventory computation; or
2. a profit and loss computation.

However, where you establish wholly apart from such inventory computations that you have sustained a loss covered under this Coverage Part, then you may offer your inventory records and actual physical count of inventory in support of the amount of loss claimed.

K. Legal Expenses

Expenses related to any legal action except when covered under Coverage Agreement 2.

L. Money Operated Devices

Loss of property contained in any money operated device unless the amount of any "money" deposited in it is recorded by a continuous recording instrument in the device.

M. Licensed Vehicles or Equipment and Accessories

Loss of or damage to licensed vehicles, trailers, or semi-trailers or equipment or accessories attached to them.

N. Nuclear

Loss resulting from nuclear reaction, nuclear radiation, or radioactive contamination, or any related act or incident.

O. Trading Losses

Loss resulting directly or indirectly from trading, whether in your name or in a genuine or fictitious account.

P. Transfer or Surrender of Property

Loss of or damage to property of any kind after it has been transferred or surrendered to a person or place outside the "premises" or "banking premises"

1. on the basis of unauthorized instructions; or
2. as a result of a threat to do bodily harm to any person; or
3. as a result of a threat to do damage to any property.

Q. Vandalism

Loss from damages to the “premises” or to the exterior of any safe, vault, cash box, cash drawer or cash register by vandalism or mischief.

R. Voluntary Parting of Title To or Possession of Property

Loss resulting from your, or anyone acting on your express or implied authority, being induced by any dishonest act to voluntarily part with title or possession of any property.

S. War and Similar Actions

Loss resulting from war, whether or not declared, warlike action, insurrection, rebellion, or revolution, or any related act or incident.

SECTION VII – GENERAL CONDITIONS

A. Cancellation As To Any Employee

Coverage Agreement 1. is cancelled as to any “employee”

1. immediately upon discovery by you or any official or “employee” authorized to manage, govern, or control your “employees” of any act on the part of an “employee” whether before or after becoming employed by you which would constitute a loss covered under the terms of the Coverage Agreement.
2. on the date specified in a notice mailed to you. The date will be at least 30 days after the date of the mailing. And, the mailing of notice to you at the last mailing address known to us will be sufficient proof of notice. Delivery of notice is the same as mailing.

B. Changes

This Coverage Part contains all of the agreements between you and us concerning the coverage afforded. The “Member Agency” shown in the DECLARATIONS is authorized to make changes in the terms of the Coverage Part with our consent. This Coverage Part’s terms can be amended or waived only by addendum issued by us and made a part of this Coverage Part.

C. Concealment, Misrepresentation Or Fraud

This Coverage Part is void in any case of fraud by you as it relates to this Coverage Part at any time. It is also void if you or any other Covered Party, at any time, intentionally conceal or misrepresent a material fact concerning

1. this Coverage Part;
2. the property covered under this Coverage Part;
3. your interest in the property covered under this Coverage Part; or
4. a claim under this Coverage Part.

D. Consolidation Or Merger

If through consolidation or merger with, or purchase or acquisition of assets or liabilities of, some other entity, any additional persons become “employees” or you acquire the use and control of any additional “premises”

1. you must give us written notice and obtain our written consent to extend this coverage to such additional “employees” or “premises”. We may condition our consent upon payment of an additional premium; but there shall only be a premium charge if such merger or acquisition results in a 15%, or greater, increase in the number of “employees”, assets or revenues acquired through the merger or acquisition.
2. for the first 60 days after the effective date of such a consolidation, merger, acquisition of assets or liabilities, any coverage afforded for “employees” or “premises” also applies to these additional “employees” or “premises” for acts committed within this 60 day period.

E. Discovery

1. We will pay for loss which you sustain through acts or events committed or occurring at any time and which are discovered by you during the Coverage Period or during the period provided in General Condition I., Extended Period To Discover Loss.
2. Discovery of loss occurs when you first become aware of facts which would cause a reasonable person to assume that a loss covered by this Coverage Part has been, or may be incurred even

though the exact amount or the details of the loss may not then be known.

3. Discovery also occurs when you receive notice of an actual or potential claim against you alleging facts, which if true, would constitute a covered loss under this Coverage Part.

F. Duties In The Event Of A Loss

After you discover a loss or a situation which may result in a loss of, or damage to, “money”, “securities” or “other property”, you must

1. notify us as soon as possible but no later than 60 days after discovery of loss.
2. submit to examination under oath at our request and give us a signed statement of your answers.
3. give us a detailed, sworn proof of loss within 120 days.
4. cooperate with us in the investigation and settlement of any claim.
5. notify the police if you have reason to believe that your loss involves a violation of law.

G. Employee Benefit Plans

1. If any one or more “Employee Benefit Plans” are insured jointly with any other entity under this Coverage Part, you or the plan administrator must select a Limit of Coverage for Coverage Agreement 1. that is sufficient to provide a Limit of Coverage for each Plan which is at least equal to that required if each Plan were separately covered.
2. Any payments we make to the “Member Agency” for loss sustained by any Plan will be held by the “Member Agency” for the use and benefit of the Plan(s) sustaining the loss.
3. If two or more Plans are covered under this Coverage Part, any payment which we make for loss sustained by two or more Plans, or of commingled funds or “other property” of two or more Plans, which arises out of one “occurrence”, is to be shared by each Plan sustaining loss in the proportion that the Limit of Coverage required for each Plan bears to the total of those limits.

4. This Coverage Part covers those Plans for loss through fraud or dishonesty as defined in Section 2580.412-9 of the Employee Retirement Income Security Act (ERISA) as amended. For any Plans not specifically named as Covered Parties, this Coverage Part is deemed to be in compliance with, and satisfy the bonding requirements of Section 2580.412-11 of the act. This coverage provides a Limit of Coverage which is equal to 10% of the amount of the funds handled or \$100,000, whichever is less, for each Plan bonded and the minimum Limit of Coverage for any Plan shall be \$1,000. The Limit of Coverage available for any Plan loss will be determined by the amount of funds handled on the date when any covered loss occurs subject to the foregoing limitations.
5. The Deductible provision which applies to the Employee Theft Coverage Agreement shall not apply to loss which is sustained by any Plan subject to ERISA and which Plan is covered under this Coverage Part.

H. Examination Of Your Books And Records

1. We may examine and audit your books and records as they relate to this Coverage Part at any time during the Coverage Period and up to three years afterwards.
2. We may also examine and audit books and records of any organization which you newly acquire and that is deemed to be a Covered Party under this Coverage Part.

I. Extended Period To Discover Loss

1. We will pay for loss which you sustained prior to the effective date of termination or cancellation of this coverage, which is discovered by you
 - a. no later than 60 days from the date of the termination, cancellation or non-renewal; and
 - b. as respects any "employee benefit Plan(s)", no later than 1 year from the date of that termination, cancellation or non-renewal.
2. However, this extended period to discover loss terminates immediately upon the effective date of any other insurance or

coverage obtained by you to replace, in whole or in part, the coverage afforded by this Coverage Part, whether or not such other insurance or coverage provides coverage for loss sustained prior to its effective date.

J. Facsimile Signatures

We will treat mechanically reproduced facsimile signatures the same as handwritten signatures.

K. Indemnification

We will indemnify any of your officials who are required by law to give bonds for the faithful performance of their service against loss through the failure of any “employee” under the supervision of that official to faithfully perform his or her duties as prescribed by law, when such failure has as its direct and immediate result a loss of your “money”, “securities” and “other property”, subject to the Limit of Coverage.

L. Joint Covered Parties

1. If more than one Covered Party is named in the DECLARATIONS, the first named Covered Party will act for itself and for every other Covered Party for all purposes of this Coverage Part. If the first named Covered Party ceases to be covered, then the next named Covered Party will become the first named Covered Party.
2. If any Covered Party or officer of a “Member Agency” has knowledge of any information relevant to this Coverage Part, that knowledge is considered to be knowledge of every Covered Party.
3. An “employee” of any Covered Party is considered to be an “employee” of every Covered Party.
4. If this Coverage Part or any of its Coverage Agreements is cancelled, terminated or non-renewed as to any Covered Party, loss sustained by that Covered Party is covered only if discovered by you during the period of time provided in General Condition I., Extended Period To Discover Loss. And, this extended period to discover loss also terminates in accordance with paragraph 2 of that condition.

5. We will not pay a greater amount for loss sustained by more than one Covered Party than we would pay if all of the loss had been sustained by one Covered Party.

M. Loss Covered Under More Than One Coverage Agreement Of This Coverage Part

If two or more Coverage Agreements of this Coverage Part apply to the same loss, we will pay the lesser of

1. the actual amount of loss; or
2. the sum of the Limits of Coverage applicable to those Coverage Agreements.

N. Non Accumulation Of Limit Of Coverage

Regardless of the number of years this Coverage Part remains in force or the number of premiums paid, no Limit of Coverage cumulates from year to year or Coverage Period to Coverage Period.

O. Other Insurance

1. This Coverage Part does not apply to loss recoverable or recovered under other insurance or indemnity. If the limit of the other insurance or indemnity is insufficient to cover the entire amount of the loss, this Coverage Part will apply to that part of the loss, other than that falling within any Deductible Amount, not recoverable or recovered under the other insurance or indemnity.
2. However, this Coverage Part will not apply to the amount of loss that is more than the applicable Limit of Coverage shown in the DECLARATIONS.
3. If a loss is discovered within the period provided by prior insurance to discover losses, we will not pay for such loss unless the amount exceeds the limit of insurance under your prior policy. We will then only pay you for any excess loss subject to the Coverage Agreements, Exclusions and General Conditions of this Coverage Part.
4. Any payment that we make to you under this Coverage Part shall not exceed the difference between the amount of insurance under your prior policy and the Limit of Coverage shown in the

DECLARATIONS and we will not apply our Deductible Amount to any excess loss payment.

P. Records

You must keep records of all property covered under this Coverage Part so we can verify the amount of any loss.

Q. Recoveries

1. Any recoveries, less the cost of obtaining them, made after the settlement of loss covered by this Coverage Part will be distributed
 - a. to you, until you are reimbursed for any loss that you sustain that exceeds the Limit of Coverage and the Deductible Amount, if any;
 - b. then to us, until we are reimbursed for the settlement made; and
 - c. then to you, until you are reimbursed for that part of the loss equal to the Deductible Amount, if any.
2. Recoveries do not include any recovery
 - a. from insurance, suretyship, reinsurance, security or indemnity taken for our benefit; or
 - b. of original "securities" after duplicates of them have been issued.

R. Sole Benefit

This coverage is for your sole benefit. No legal proceeding of any kind to recover on account of loss under this Coverage Part may be brought by anyone but you.

S. Transfer Of Your Rights Of Recovery Against Others To Us

You must transfer to us all your rights of recovery against any person or organization for any loss you sustained and for which we have paid or settled. You must also do everything necessary to secure those rights and do nothing after loss to impair them.

T. Valuation

1. Subject to the applicable Limit of Coverage, we will pay for
 - a. loss of “money” but only up to and including its face value. We may, at our option, pay for a loss of “money” issued by any country other than the United States of America in either the face value in the “money” issued in that country, or, in the United States of America dollar equivalent determined by the rate of exchange on the day that the loss occurred.
 - b. loss of “securities” but only up to and including their value at the close of business on the day that the loss was discovered. But, we may, at our option, 1) pay the value of such “securities”, 2) replace them in kind in which event you must assign to us all your rights, title and interest in and to those “securities” or 3) pay the cost of any Lost Securities Bond required in connection with issuing duplicates of the “securities”. However, we will be liable only for the payment of so much of the cost of the bond as would be charged for a bond having a penalty not exceeding the lesser of
 - (1) the value of the “securities” at the close of business on the day the loss was discovered; or
 - (2) the Limit of Coverage.
 - c. loss or damage to “other property” or loss from damage to the “premises” or its exterior for the replacement cost of the property without deduction for depreciation, subject to 2. below. However, we will not pay for more than the lesser of
 - (1) the Limit of Coverage applicable to the lost or damaged property; or
 - (2) the cost to replace the lost or damaged property with property of comparable material and quality and used for the same purpose; or
 - (3) the amount that you actually spend that is necessary to repair or replace the lost or damaged property.
2. We will not pay on a replacement cost basis for any loss or damage

- a. until the lost or damaged property is actually repaired or replaced; and
- b. unless the repair or replacement is made as soon as reasonably possible after the loss or damage.

If the lost or damaged property is not repaired or replaced, we will pay based on actual cash value.

3. We may, at our option, pay for loss of or damage to property other than “money” in the “money” of the country in which the loss occurred; or in the United States of America dollar equivalent of the “money” of the country where the loss occurred determined by the rate of exchange on the day the loss was discovered. Any property that we pay for or replace becomes our property.
4. Loss of or loss from damage to any books or records of account or other records, tapes, disks, or electronic media used by you in the business but only if such books, records, tapes or disks are actually reproduced and then only for not more than the blank books, pages, tapes and disks or other materials plus the cost of labor for the actual transcription or copying of data which you shall furnish to reproduce such books, records, tapes or disks.
5. Actual cash value is calculated as the amount it would cost to repair or replace “other property”, at the time of loss or damage, with material of like kind and quality, subject to a deduction for deterioration, depreciation and obsolescence. Actual cash value applies to valuation of “other property” regardless of whether that property has sustained partial or total loss or damage.

The actual cash value of the lost or damaged property may be significantly less than its replacement cost.

ACWA JPIA
Difference in Conditions Group Purchase Program
February 6, 2017

BACKGROUND

The Property Program Committee meets annually to discuss and review group purchase programs that the JPIA offers its members.

CURRENT SITUATION

The Memorandum of Property Coverage provides earthquake and flood coverage as follows:

<u>Coverage</u>	<u>Aggregate Limit</u>	<u>Deductible</u>
Earthquake	\$ 2,500,000	5% of TIVs, subject to \$75,000 minimum
Flood	\$ 25,000,000 *	
	*\$5,000,000 maximum limit for Flood zones A or V;	\$75,000 per occurrence
	\$10,000,000 maximum limit for Flood zones B, C, or X	\$250,000 per occurrence

For those members who desire higher limits, the ACWA JPIA offers a group purchase earthquake and flood (DIC) program with a \$25 million limit through Landmark American Insurance Company and Essex Insurance Company. The deductibles are: earthquake, 5% of the total insurable value subject to a \$25,000 minimum per occurrence; flood, \$25,000 per occurrence. Currently, there are seven members participating in this program, and each pays its allocated premium.

<u>Member</u>	<u>TIV</u>	<u>Premium</u>
Borrego Water District	\$ 9,530,477	\$ 21,831
Castaic Lake Water Agency	\$ 2,485,422	\$ 5,678
La Puente Valley CWD	\$ 8,721,493	\$ 19,276
Pebble Beach CSD	\$ 5,483,322	\$ 12,346
Pico Water District	\$ 3,336,381	\$ 7,570
Tahoe City PUD	\$ 4,064,444	\$ 9,190
WRD of Southern California	\$ 11,370,539	\$ 25,833

This renewal period staff will be alerting all members of the Property Program that this program is available.

RECOMMENDATION

None, informational only.

ACWA JPIA
Natural Disaster Fund
February 6, 2017

BACKGROUND

Beginning with the inception of 4/1/15-16 policy year, the JPIA established the Natural Disaster Fund. The Fund is designed to protect members from events in excess of the JPIA self insured retention or for events in excess of the reinsurer's sublimits, including, but not limited to, earthquake and flood. The Fund is expected to increase \$500,000 per year with a target amount of \$5 million. At the end of the current policy year, there will be \$1 million in the Fund.

At the February 8, 2016, Property Program Committee meeting staff was directed to develop a draft policy for the Natural Disaster Fund.

CURRENT SITUATION

Staff is reviewing the interplay between the Natural Disaster Fund, developed for the purpose of funding earthquake and flood losses in excess of the \$2.5 M limits found in the excess property policy, and the earthquake and flood policies that some members purchase to provide catastrophic coverage for these types of events.

This policy requires additional analysis because the language found in the excess policies and the language in any proposed JPIA Natural Disaster Fund policy must be in concert with one another, and not ambiguous as the intent of the Fund.

Staff will bring forward a plan at the 2018 meeting, or sooner if the Committee chooses.

RECOMMENDATION

None, informational only.

ACWA JPIA
Memorandum of Property Coverage
February 6, 2017

BACKGROUND

The Property Program Committee meets annually to discuss coverage issues and potential revisions to the JPIA's Memorandum of Property Coverage (MOPC).

CURRENT SITUATION

Over the last several months, staff has undergone a thorough review of the MOPC to identify opportunities to improve the document. The MOPC was reviewed by the professionals at Aon as well. Staff is proposing the following changes to the MOPC to be effective April 1, 2017.

- Definition section moved to the beginning of the document
- Add definition for Aircraft, Page 44
- Add definition of Cyber – Impairment of Computer Services, Page 44
- Add definition of Employee Personal Property, Page 45
- Revise definition of Extra Expense to clarify it does not include Member Agency employees' normal wages. In this situation, Extra Expense means overtime pay. Page 45
- Add definition of Personal Property, Page 47
- Add a definition for Unmanned Aircraft, Page 48
- Revise Exclusion A. 1. Aircraft with an exception for Unmanned Aircraft, Page 52
- Revise Exclusion A. 5 to include underground pipe up to 1,000 feet of a covered location, Page 52
- Revise Exclusion A. 11 to include power transmission and feeder lines up to 1,000 feet, Page 53
- Add an Exclusion A. 21 for Employee Personal Property, Page 54
- Add Exclusion A. 22 excluding Contractors Equipment and Tools. The MOPC is silent but it should be specifically excluded to align with our reinsurance, Page 54
- Revise Additional Coverages, M, to read Cyber – Impairment of Computer Services, Page 67
- Revise Section VII – Conditions to include Member Agency must report claims within 30 days of loss, Page 73

For ease of reading, all additions and revisions are highlighted in yellow.

RECOMMENDATION

That the Property Program Committee recommend that the Executive Committee approve the proposed revisions to the Memorandum of Property Coverage, effective April 1, 2017.

MEMORANDUM OF PROPERTY COVERAGE

For The

**Association of California Water Agencies
Joint Powers Insurance Authority**

DECLARATIONS

FORM NUMBER: MOPC-040117

MEMBER AGENCY: Member Agency

MAILING ADDRESS: P.O. Box 123
Anytown, CA 95432-0123

COVERAGE PERIOD: April 1, 2017 to April 1, 2018
12:01 A.M. Pacific Standard Time

CLASSIFICATIONS OF PROPERTY COVERED

DEDUCTIBLES

Buildings, Personal Property, Fixed Equipment, Other Coverage and Catastrophic Coverage	\$ 1,000
Mobile Equipment	\$ 1,000
Vehicles	\$ 500
Boiler & Machinery	Various – refer to Addendum
Flood	Various – refer to Addendum
Earthquake	5% per unit of insurance, subject to \$75,000 minimum-refer to Addendum

Signed by: _____
(Authorized Representative)

Date: March 28, 2017

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PROPERTY COVERAGE PROVISIONS

This **Memorandum of Coverage** includes the DECLARATIONS and all addenda and schedules attached to it. It is a contract of coverage between you (the Member Agency named in the DECLARATIONS) and us (the Authority). The only agreements relating to this coverage are stated in this **Memorandum**.

Neither the terms nor conditions of this **Memorandum** may be changed, except by addendum issued by us to become part of this **Memorandum**.

Throughout this **Memorandum**, words and phrases that appear in **bold** have special meaning. They are defined in Section II, Definitions.

Words that appear in CAPITAL LETTERS have reference to the like titled section in the **Memorandum**.

In return for the payment of the premium and subject to all terms and conditions of this **Memorandum**, we (the **Authority**) agree with you (the **Member Agency** named in the DECLARATIONS) as follows:

SECTION I – GENERAL

- A. The following are Covered Parties under this **Memorandum**:
1. The **Member Agency** named in the DECLARATIONS and all affiliated, associated or subsidiary organizations;
 2. Any organizations which are under the management or operating control of any of the organizations designated in the above paragraph;
 3. Any partnership or joint venture under the management or operating control of any of the organizations designated in the first paragraph above, unless specifically excluded;
 4. Lessors, mortgagors and other parties having an interest in buildings, fixed equipment, **mobile equipment, vehicles, personal property** or rental income of any of the above designated organizations, partnerships or joint ventures but only for their respective rights and interests, it being understood that the inclusion hereunder of more

than one Covered Party shall not increase the **Authority's** Limit of Coverage; and

5. Each of the above designated organizations, partnerships or joint ventures as it may hereafter be constituted.

B. Territory

This **Memorandum** provides coverage only within the 50 states comprising the United States of America and the District of Columbia.

SECTION II – DEFINITIONS

Accounts Receivable means all sums due the Covered Party from customers provided the Covered Party is unable to effect collection thereof as the direct result of **loss** or damage by the perils covered to records of **Accounts Receivable**.

Aircraft means any machine that is able to fly by gaining support from the air.

Authority means the Association of California Water Agencies Joint Powers Insurance Authority.

Catastrophic Coverage provides coverage for damage to any **vehicles** resulting from a covered peril, other than collision, whenever the **vehicles** are parked/stored on a Covered Party's premises.

Cyber – Impairment of Computer Services means any liability arising out of or related to the acquisition, storage, security, use, misuse, disclosure, or transmission of electronic data of any kind, including, but not limited to, technology errors and omissions, information security and privacy, privacy notification cost, penalties for regulatory defense or penalties, website media content, disclosure or misuse of confidential information, failure to prevent unauthorized disclosure or misuse of confidential information, improper or inadequate storage or security of personal or confidential information, unauthorized use, unauthorized access to computer systems containing confidential information, or transmission or failure to prevent transmission of a computer virus or other damaging material.

Electronic **Data** means software, data or other information in electronic form.

Earthquake means **loss** caused by, resulting from, contributed to or aggravated by volcanic activity or seismic earth movement, meaning the natural faulting of land masses, not including subsidence, landslide, rockslide, mudflow, earth rising, earth

shifting or settling; unless as a direct result of such volcanic activity or seismic earth movement.

Earthquake sprinkler leakage means damage caused by the escape of water or other materials from a fire suppression or plumbing system as the result of any type of earth movement or volcanic activity.

Employee Personal Property is property that is an employee's personal items that have been brought to the work place.

Extra Expense is defined as the excess (if any) of the total cost incurred during the period of restoration chargeable to the operation of the Covered Party's business, over and above the total cost that would normally have been incurred to conduct the business during the same period had no damage or destruction occurred. Any salvage value of property obtained for temporary use during the period of restoration, which remains after the resumption of normal operations, shall be taken into consideration in the adjustment of any **loss** hereunder. **Extra Expense does not mean Covered Party's employees' normal wages.**

Fine Arts shall mean paintings, etchings, pictures, tapestries, art glass windows, valuable rugs, statuary, marbles, bronzes, antique furniture, and silver, rare books, manuscripts, porcelains, rare glass, bric-a-brac, curios, and other similar property, all of which have the quality or rarity, historical value or artistic merit.

Flood shall mean waves, tidal waves or waters, tsunamis, the overflowing or breaking of boundaries of lakes, ponds, reservoirs, rivers, streams, harbors, oceans or similar bodies of water caused by rain, snow, or ice immediately derived from storm run-off, all whether driven by wind or not.

Fungus means any:

1. mildew, mold or other fungi;
2. other microorganisms; or
3. any mycotoxins, spores, or other by-products of the foregoing; or
4. colony or group of any of the foregoing.

Geomembrane Covers shall mean the rubber or polymeric cover of a water storage or treatment facility which is exposed to the elements. It shall also include rubber or polymeric water storage structures which are of single-piece construction if the surface is exposed to the elements. It does not include the lining of such structures or facilities if constructed or installed separately from the cover.

Hostile Fire shall mean a fire which becomes uncontrolled or breaks out from where it was intended to be.

Loss means the **loss** by any covered peril or combination of covered perils insured against arising out of a single **occurrence**. **Loss** resulting from windstorm or **earthquake** shall be held to include those **losses** occurring or commencing during a period of 72 consecutive hours.

Loss of Income means the **Loss of Income** resulting directly from necessary interruption of business caused by direct physical **loss** or damage, as covered by this **Memorandum**, to real and/or **personal property** covered under this **Memorandum**.

Media is the material on which **data** is recorded, such as magnetic tapes, disk packs, drums, paper tapes, cards and programs. Media does not include the **electronic data** stored on the material on which data is recorded.

Member Agency means the local public agency, designated in the DECLARATIONS, which is a party signatory to the Joint Powers Agreement creating the Association of California Water Agencies Joint Powers Insurance Authority and is a participant in its Property Program.

Memorandum means this document, the MEMORANDUM OF PROPERTY COVERAGE.

Mobile Equipment means implements, watercraft, and equipment of every kind and description. However, **mobile equipment** does not include:

1. **Aircraft.**
2. **Vehicles**, except equipment licensed by the Government of the United States which would not otherwise require licensing under the provisions of the Motor Vehicle Code of the State of California.
3. Plans, blueprints, designs or specifications.
4. Property while underground, underwater, airborne, or waterborne (except while being transported on a regular ferry line). This does not apply to watercraft.
5. Property which has become a part of any structure.

6. Property while leased, loaned or rented to others, unless such lease, loan or rental includes an equipment operator employed by the Covered Party.
7. Shop tools, hand tools, or portable tools of any description.

Money means currency, coins and bank notes in current use and having a face value; and travelers checks, register checks and money orders held for sale to the general public.

Occurrence means a **loss**, incident, or series of **losses** or incidents immediately arising out of a single event or originating cause and includes all resultant or concomitant insured **losses**, except as modified herein:

1. In respect of insured **losses** arising from Earthquake, or Flood, riot, riot attending a strike or civil commotion the term “**Occurrence**” shall mean the sum total of all the **Member Agency’s losses** sustained during any one period of seventy-two (72) consecutive hours commencing within the term of the **Memorandum**.
2. In respect of insured **losses** arising from Coastal Windstorm, tornado, cyclone, hurricane, windstorm or hail, the term “**Occurrence**” shall mean the sum total of all of the **Member Agency’s losses** sustained during any one period of seventy-two (72) consecutive hours commencing within the term of the **Memorandum** under the foregoing perils arising out of or caused by the same atmospheric disturbance.

The **Member Agency** may elect the moment from which any period of seventy-two (72) consecutive hours shall be deemed to have commenced, the **Authority** being responsible only for its proportion of the **loss** to the **Member Agency** in respect to the said elected period of seventy-two (72) hours. No single elected seventy-two (72) hour period shall overlap any other elected seventy-two (72) hour period. The **Authority** shall not be liable for any **loss** occurring before the effective date and time of the **Memorandum**, nor for any **loss** occurring after the expiration date and time of the **Memorandum**. The expiration of the **Memorandum** shall not reduce the seventy-two (72) hour period.

Penstock means a conduit constructed of manmade materials, built for the purpose of conveying water to a hydroturbine. However, **penstock** does not include tunnels, canals, aqueducts or similar excavations, or costs of these excavations, which are excavated from or consist of natural materials.

Personal Property means all tangible property not classified as real property.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including but not limited to smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste material (whether such materials are intended to be or have been recycled, reconditioned or reclaimed) which are designated as **pollutants** in listings published by the United States Environmental Protection Agency (U.S.E.P.A.) or by any other governmental authority, or if unlisted, exhibits to the characteristics of ignitability, corrosivity, reactivity, or toxicity to a degree which would cause them to be so listed if the subject were to be addressed by the U.S.E.P.A. or by any other governmental authority.

Rental Value is defined as the sum of:

- a. The total anticipated gross rental income from tenant occupancy of the described property as furnished and equipped by the Covered Party; and
- b. The amount of all charges which are the legal obligations of the tenant(s) and which would otherwise be obligations of the Covered Party; and
- c. The fair **Rental Value** of any portion of said property which is occupied by the Covered Party. In determining **Rental Value**, due consideration shall be given to the rental experience before the date of damage or destruction and the probable experience had no **loss** occurred.

Securities means negotiable or non-negotiable instruments or contracts representing either **money** or property and includes tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and, evidences of debt issued in connection with credit or charge cards, which cards are not issued by you; but does not include **money**.

Unmanned Aircraft means an **aircraft**, aerial system or device that is not designed, manufactured, or modified after manufactured to be controlled directly by a person from within or on the **aircraft**, aerial system or device.

Valuable Papers and Records, means written, printed or otherwise inscribed documents and records including, but not limited to, books, **media**, **electronic data**, maps, films, drawings, abstracts, deeds, mortgages, and manuscripts. However, **Valuable Papers and Records** does not mean money or securities. Money includes currency, coins, bank notes, travelers checks, register checks and money orders. Securities includes negotiable and non-negotiable instruments or contracts representing either money or other property, such as tokens, tickets,

revenue and other stamps, and evidences of debt issued in connection with credit or charge cards.

Vehicles means **vehicles** licensed for highway use, including permanently attached equipment, except equipment licensed by the Government of the United States which would not otherwise require licensing under the provisions of the Motor Vehicle Code of the State of California.

SECTION III – COVERAGE

A. Perils Which Are Covered

This **Memorandum** covers all risks of direct physical **loss** or damage to the property and interest in Paragraph B below, including general average and salvage charges, except as hereinafter excluded.

B. **Property Covered**

Except as otherwise excluded by this **Memorandum** the following types of property shall be covered by this **Memorandum**, provided the property is timely reported to the **Authority** in the Schedule of Values and an appropriate premium is paid thereon:

1. Real and **personal property** of the Covered Party usual to the conduct of the Covered Party's business or organization, including the Covered Party's interests in improvements and betterments to buildings occupied but not owned by the Covered Party.
2. Real and **personal property** of others which is directly connected with the Covered Party's business or organization while in the care, custody or control of the Covered Party, and for which the Covered Party is legally liable.
3. The following are covered to the limit indicated in the SUMMARY OF COVERAGE or to the limit reported in the Schedule of Values, whichever is higher:
 - a. **Loss of Income**, including **Rental Value**
 - b. **Extra Expense**
 - c. **Accounts Receivable**

- d. **Valuable Papers and Records**
 - e. **Catastrophic Coverage**
 - f. **Money and Securities**
 - g. **Claims Preparation Expense**
 - h. **Landscaping**
 - i. **Premises Improvements**
4. **Mobile Equipment.**
 5. **Vehicles.**
 6. Aboveground piping.
 7. **Penstocks.**
 8. **Vehicles** rented from rental agencies for or on behalf of a Covered Party for which the Covered Party is legally responsible, subject to the deductible selected for **vehicles** or \$500, whichever is greater.
 9. **Mobile equipment** rented or borrowed from others for or on behalf of a Covered Party for which the Covered Party is legally responsible, subject to the deductible selected for **mobile equipment** or \$1,000, whichever is greater. The most the **Authority** will pay for **loss** to **mobile equipment** rented or borrowed from others is \$250,000 unless a higher amount is reported to the **Authority** and an appropriate premium paid thereon.
 10. Property in the course of construction at any one location, but not exceeding the limit shown in the Schedule of Covered Values or the SUMMARY OF COVERAGE, whichever is less.

C. **Additional Properties**

If CLASSIFICATION OF PROPERTY COVERED as indicated on the DECLARATIONS page indicates that a deductible has been selected for that classification, then properties acquired after the inception of this coverage will automatically be covered until the next anniversary date of this **Memorandum**, without additional premium being required, except for:

1. Any newly acquired single piece of property whose value exceeds \$5,000,000.
2. Any property in the course of construction whose completed value exceeds \$10,000,000.

These two types of properties must be reported within 30 days of acquisition or start of construction, and any premium due thereon, commencing the date of acquisition or start of construction, must be paid in order for them to be covered.

The most the **Authority** will pay for **loss** to newly acquired **vehicles** or **mobile equipment** is \$1,000,000 unless such property has been reported and an appropriate premium paid thereon.

If CLASSIFICATION OF PROPERTY COVERED as indicated on the DECLARATIONS page indicates that a deductible has *not* been selected for that classification, then properties acquired after the inception of this coverage will *not* be covered, until reported to the **Authority** and a deductible for that classification of property is selected and premium timely paid, if required.

Properties automatically covered under this section during the remainder of the coverage period in which they were acquired, will *not* continue to have coverage under a subsequent coverage period, unless included in the Schedule of Values at the coverage anniversary date.

D. Application of Deductible

We will not pay for **loss** or damage in any one **occurrence** until the amount of **loss** or damage exceeds the deductible shown in the DECLARATIONS. Each claim for **loss** or damage, as a result of one **occurrence** covered under this **Memorandum**, shall be subject to one deductible. When more than one classification of property is involved in one **occurrence**, the deductible shall be the highest amount indicated in the DECLARATIONS for any classification of property involved in the **occurrence**.

In the event of **loss** or damage in any one **occurrence** that involves coverage under both this **Memorandum** and the Boiler and Machinery Coverage Addendum, the deductible applicable to each coverage shall be applied as if the **loss** under each coverage was caused by a separate **occurrence**. However, the total deductible to be applied shall not exceed the highest deductible applicable to either coverage.

SECTION IV – EXCLUSIONS

A. Property Excluded

This **Memorandum** does not cover:

1. **Aircraft.** This exclusion does not apply to claims arising out of the ownership, operation, use, maintenance or entrustment to others of any **Unmanned Aircraft** owned or operated by or rented to or loaned by or on behalf of any **Member Agency** if operated in accordance with all applicable federal, state, and local laws, rules, and regulations, including but not limited to Federal Aviation Administration (FAA) Rules and Regulations for **Unmanned Aircraft** detailed in part 107 of Title XIV of the Code of Federal Regulations.
2. Standing timber, growing crops and animals.
3. Saltwater piers, docks and wharves.
4. Dams.
5. Wells and underground pipelines, except underground pipelines on the premises of the **Covered Party** or within 1,000 feet thereof that are used by the **Covered Party** in active business operations during the coverage period.
6. Ditches, canals, embankments, dikes, levees, flumes, aqueducts or any other types of water or wastewater conveyances.
7. Water or wastewater storage and/or treatment facilities, unless the applicable value of any such property has been timely reported to the **Authority** in the Schedule of Values and an appropriate premium has been paid thereon.
8. Land, atmosphere, ponds or lakes, or any watercourse or body of water, whether above or below ground.
9. Property in due course of ocean marine transit.
10. Shipment by mail after delivery into the custody of the U.S. Postal Service.

11. Power transmission and feeder lines **except while on the premises of the Covered Party and within 1,000 feet thereof.**
12. Property of others in the actual or constructive custody of a Covered Party while the Covered Party is acting as a warehouseman or bailee for hire or carrier for hire.
13. Property sold by the Covered Party under a conditional sale, trust agreement, installment payment or other deferred payment plan after delivery to customers.
14. Property that is separately described and specifically covered in whole or in part, by any insurance.
15. Furs, fur garments, jewels, jewelry, watches, pearls, precious and semi-precious stones, gold, silver, platinum, other precious metals and alloys.
16. Excavations, underground flues or drains.
17. Brick, stone or concrete foundations, piers or other supports of the building or its equipment which are below the under-surface of the lowest basement floor, or where there is no basement, which are below the surface of the ground.
18. Any Real or **Personal Property** that has not been reported to the **Authority** in the Schedule of Values, and with respect to which an appropriate premium has not been paid thereon, except as provided for in this **Memorandum**, Section III – Coverage, C. Additional Properties.
19. **Vehicles**, unless reported to the **Authority** and an appropriate premium paid thereon, except as provided for in this **Memorandum**, Section III – Coverage, C. Additional Properties. This exclusion shall not apply to **vehicles** rented from rental agencies described in Section III – Coverage, B. 8. of this **Memorandum**.
20. **Mobile equipment**, unless reported to the **Authority** and an appropriate premium paid thereon, except as provided for in this **Memorandum**, Section III – Coverage, C. Additional Properties. This exclusion shall not apply to **mobile equipment** rented or borrowed from others as described in Section III – Coverage, B.9. of this **Memorandum**.

21. Any loss or damage to an **employee's personal property** including property used for enhancing the work environment or to make their job easier is excluded from coverage under this **Memorandum**. The primary source of replacement or recovery resides with the employee.
 22. **Contractors' Equipment and Tools**
- B. Perils Excluded

This **Memorandum** does not cover:

1. **Loss** or damage caused by or resulting from moths, vermin, termites or other insects, inherent vice, latent defect, wear, tear or gradual deterioration, contamination, rust, corrosion, wet or dry rot, unless caused by a peril not otherwise excluded, or **loss** or damage by normal settling, shrinkage or expansion in the building or foundation.
2. Delay or **loss** of markets (this exclusion shall be inapplicable to the extent inconsistent with any coverage provided elsewhere in this **Memorandum**).
3. Breakdown or derangement of machinery and/or steam boiler explosion, unless **loss** not otherwise excluded herein ensues and then only for such ensuing **loss**. (Steam boiler exclusion is applicable only to boilers owned or controlled by a Covered Party.)
4. **Loss** or damage caused by or resulting from misappropriation, conversion, inventory shortage, unexplained disappearance, infidelity or any dishonest act on the part of a Covered Party or other party of interest, their employees or agents or others to whom the property may be entrusted (bailees and carriers for hire excepted).
5. **Loss** or damage caused by or resulting from electrical injury or disturbance from artificial causes to electrical appliances, devices of any kind or wiring, unless **loss** not otherwise excluded herein ensues and then only for such ensuing **loss**. This exclusion does not apply to data processing equipment, telemetry systems or **media**.

6. **Loss** or damage to **personal property** resulting from shrinkage, evaporation, loss of weight, leakage, breakage of fragile articles, marring, scratching, exposure to light or change in color, texture or flavor, unless such **loss** is caused directly by fire or the combating thereof, lightning, windstorm, hail, explosion, strike, riot, civil commotion, **aircraft, vehicles**, breakage of pipes or apparatus, sprinkler leakage, vandalism and malicious mischief, theft, or attempted theft, in which case coverage under this **Memorandum** is not excluded pursuant to this Section IV – Exclusions, B.6.
7. Loss or damage resulting from error in machine programming or instructions to machine unless such loss is caused directly by fire or the combating thereof, lightning, windstorm, weight of snow, freezing, hail, explosion, strike, riot, civil commotion, **aircraft**, falling objects, vehicles, breakage of pipes or apparatus, sprinkler leakage, vandalism, and malicious mischief, theft, or attempted theft, in which case coverage under this Memorandum is not excluded pursuant to this Section IV – Exclusions, B.7.
8. **Loss** or shortage disclosed upon taking inventory or mysterious disappearance of property (except property in the custody of carriers or bailees for hire).
9. **Loss** or damage caused by rain, sleet or snow to **personal property** in the open (except in the custody of carriers or bailees for hire).
10. **Loss** caused directly or indirectly, by:
 - a. hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack;
 - i. by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces; or
 - ii. by military, naval or air forces; or
 - iii. by an agent of any such government, power, authority or forces;

- b. any weapon of war employing atomic fission, fusion or radioactive force whether in time of peace or war;
 - c. insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority or hindering combating or defending against such an **occurrence**, seizure or destruction under quarantine or customs regulations, confiscation or defending against such an **occurrence**, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
11. **Loss** by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such **loss** be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to or aggravated by the peril(s) insured against in this **Memorandum**.
12. **Loss** or damage due to the weight of the load imposed on a machine exceeding the capacity for which such machine was designed.
13. **Loss** or damage to crane or derrick boom(s) or jib(s) of lattice construction, including extensions of booms or jibs, while being operated unless directly caused by fire, lightning, hail, windstorm, explosion, riot, riot attending a strike, civil commotion, actual physical contact with an **aircraft** or airborne missile including objects falling therefrom, collision with other **vehicles** or other **mobile equipment** whether or not such other equipment is covered hereunder, or upset of the unit of which it is a part.
14. **Loss** to **vehicles** caused by:
- a. Wear and tear, freezing, mechanical or electrical breakdown, unless first caused by other **loss** covered by this **Memorandum**; and
 - b. Blowouts, puncture or other road damage to tires, unless first caused by other **loss** covered by this **Memorandum**.

15. **Loss**, damage or expense caused by or resulting from the following, unless direct physical **loss**, damage or expense from a peril otherwise covered by this **Memorandum** ensues, in which case the **Authority** will pay for such ensuing **loss**.
- a. Defective, faulty or inadequate:
 - i. planning, zoning, development, surveying, siting, construction, building codes, ordinances, or building inspections;
 - ii. design, specifications, workmanship, repair, construction, renovation, remodeling, grading, or compaction;
 - iii. materials, parts or equipment used in repair, construction, renovation or remodeling; or
 - iv. maintenance;of part or all of any property wherever located.
 - b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
 - c. Weather conditions, but this exclusion shall only apply if weather conditions contribute concurrently or in any sequence to the perils of **earthquake, flood**, or the perils excluded by Section IV – Exclusions, B.10., War Risk, and Section IV - Exclusions, B.11., Nuclear Risk.
 - d. Collapse of all or part of a building or other structure, but this exclusion shall apply only if collapse contributes concurrently or in any sequence to the perils of **earthquake, flood**, or the perils excluded by Section IV – Exclusions, B.10., War Risk, and Section IV – Exclusions, B.11., Nuclear Risk.
16. **Loss** or damage resulting from water that is below the surface of the ground, including that which exerts pressure on or flows, seeps or leaks through sidewalks, driveways, foundations, walls, basements or other floors, or through doors, windows or

other openings in such sidewalks, driveways, foundations, walls or floors.

17. **Loss**, damage, or expense arising from or in any way related to the following:

a. The actual, alleged, or threatened release, discharge, escape, seepage, migration or dispersal of **pollutants**, whether direct or indirect, proximate or remote, sudden, accidental or gradual. However, the **Authority** will pay for direct physical damage to covered property by fire and/or explosion if the fire and/or explosion is caused by the release, discharge, escape, seepage, migration or dispersal of **pollutants**.

In addition, the **Authority** will pay for **loss** or damage directly caused by the actual contact of covered property with **pollutants** when such actual contact results directly from: a **hostile fire**; smoke from a **hostile fire**; lightning; explosion; **aircraft** and objects falling therefrom; leakage; or collision, upset or overturn of a transporting conveyance; but only to the extent that these perils are not otherwise excluded by this **Memorandum**.

b. The enforcement, direction or request of any civil or governmental authority regulating the testing for, monitoring, prevention, control, removal, tearing down, demolition, disposal, treatment, clean-up, decontamination, detoxification, neutralization or containment of **pollutants**, or the restoration, construction, reconstruction or replacement of property contaminated by **pollutants**.

c. Any fines, penalties, compensatory damages, punitive damages or any other damages, awards or settlements adjudged against the Covered Party by any civil or judicial body, or board of arbitration, nor any sums which the Covered Party shall voluntarily agree to pay to any third party(ies), nor any legal fees or other costs of defense of legal actions, claim, or proceedings and appeals arising out of or attributed to any **loss**, damage or expense caused by or resulting from **pollutants**.

18. Interference at the Covered Party's premises covered under this **Memorandum** with rebuilding, repairing, or replacing the property or with the resumption or continuation of business; or any increase of **loss** which may be occasioned by:
- a. The suspension, lapse or cancellation of any lease, contract or order unless such suspension, lapse or cancellation results directly from the interruption of business, and then the **Authority** shall be liable for only such **loss** as affects the Covered Party's **Extra Expense** during, and limited to, the period of indemnity covered under this **Memorandum**; or
 - b. **Loss of Income** or any other consequential or remote **loss**, unless specifically covered herein.
19. This **Memorandum** does not cover and specifically excludes **loss** or damage to property caused by or resulting from **earthquake** and/or **flood**. However, direct physical damage or **loss** to covered property from fire, theft and/or explosion caused by or resulting from **earthquake** or **flood** is covered.

This exclusion does not apply to direct physical damage or **loss** to **mobile equipment** or **vehicles** licensed for highway use, subject to the **Authority's** Annual Aggregate Limit of Loss shown in the SUMMARY OF COVERAGE.

- b. This exclusion does not apply to **loss** resulting from **earthquake sprinkler leakage**.
20. **Loss** or damage:
- a. which is **fungus**; or
 - b. which is in anyway attributed to the presence of **fungus**; or
 - c. caused by or resulting from **fungus**;
- regardless of any other cause or event that directly or indirectly:
- a. contributes concurrently to; or

b. contributes in any sequence to,

the **Loss** or damage even if such cause or event would otherwise be covered.

However, this exclusion does not apply:

a. when the presence of **fungus** results from:

- i. explosion;
- ii. fire or efforts to extinguish a fire;
- iii. leakage from fire protection equipment;
- iv. lightning; or

b. to the extent coverage is provided under the **Fungus Clean-up or Removal Coverage**.

21. **Loss** or damage to electronic **data** or a system caused by or resulting from an illegal or malicious entry into electronic data or a system which results in functions that distort, corrupt, manipulate, copy, delete, destroy or slow down such electronic data or system.

SECTION V – ADDITIONAL COVERAGES

This **Memorandum** also covers:

A. **Loss of Income, Including Rental Value**

In the event of a **Loss of Income** or **Rental Value**, the **Authority** shall be liable for the actual **loss** sustained by the Covered Party during the term of this **Memorandum** resulting directly from such interruption of business or untenability of the covered property caused by damage or destruction by the perils(s) covered. Such **loss** shall not exceed the reduction in gross earnings less charges and expenses which do not necessarily continue during the interruption of business or untenability, for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been damaged or destroyed commencing with the date of such damage or destruction and not limited by the date of expiration of this **Memorandum**. Due consideration

shall be given to the continuation of normal charges and expenses, including payroll expenses, to the extent necessary to resume operations of the Covered Party with the same quality of service which existed immediately preceding the **loss**.

B. Extra Expense

The necessary **Extra Expense** incurred by the Covered Party in order to continue as nearly as practicable the normal operation of the Covered Party's business following damage to or destruction of real or **personal property, vehicles or mobile equipment** covered under this **Memorandum** as a direct result of a covered peril. In the event of such damage or destruction, the **Authority** shall be liable for such necessary expense incurred for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been damaged or destroyed, commencing with the date of damage or destruction and not limited by the date of expiration of the **Memorandum**.

C. Accounts Receivable

1. When there is proof that a **loss** has occurred but the Covered Party cannot accurately establish the total amount of **Accounts Receivable** outstanding as of the date of such **loss**, such amount shall be based on the Covered Party's monthly statements and shall be computed as follows:
 - a. Determine the amount of all outstanding **Accounts Receivable** at the end of the same fiscal month in the year immediately preceding the year in which the **loss** occurs;
 - b. Calculate the percentage of increase or decrease in the average monthly total of **Accounts Receivable** for the twelve months immediately preceding the month in which the **loss** occurs, or such part thereof for which the Covered Party has furnished monthly statements to the **Authority**, as compared with such average for the same months of the preceding year;
 - c. The amount determined under (a.) above, increased or decreased by the percentage calculated under (b.) above, shall be the agreed total amount of **Accounts Receivable** as of the last day of the fiscal month in which said **loss** occurs;

- d. The amount determined under (c.) above shall be increased or decreased in conformity with the normal fluctuations in the amount of **Accounts Receivable** during the fiscal month involved, due consideration being given to the experience of the business since the last day of the last fiscal month for which statement has been rendered.

There shall be deducted from the total amount of **Accounts Receivable**, however established, the amount of such accounts evidenced by records not lost or damaged, or otherwise established or collected by the Covered Party, and an amount to allow for probable bad debts which would normally have been uncollectible by the Covered Party. On deferred payment **Accounts Receivable**, unearned interest and service charges shall be deducted.

2. The monthly amount of **Accounts Receivable** shall be further adjusted in accordance with any demonstrable variance from the average for the particular month in which the **loss** occurred, due consideration also being given to the normal fluctuations in the amount of **Accounts Receivable** within the fiscal month involved. There shall be deducted from the total amount of **Accounts Receivable**, however established, the amount of such accounts as evidenced by records, not lost or damaged, or otherwise established or collected by the Covered Party and an amount to allow for probable bad debts which would normally have been uncollectible by the Covered Party.

This **Memorandum** also covers:

- a. Interest charges made on any loan made to the Covered Party to offset impaired collection, pending repayment of such sums, of **Accounts Receivable** because of **loss** or damage to records of **Accounts Receivable**; and
- b. Collection expenses in excess of normal collection costs which are made necessary by **loss** or damage to records of **Accounts Receivable**; and
- c. Other expenses, when reasonably incurred by the Covered Party, in re-establishing records of **Accounts Receivable** following **loss** or damage.

D. **Valuable Papers and Records**

Loss or damage by the perils covered to **Valuable Papers and Records**.

With respect to the Basis of Loss Payment, payment shall not exceed the actual cash value of the property at time of **loss** nor what it would then cost to repair or replace the property with other of like kind and quality. As respects property specifically described, the amount per article specified is the agreed value thereof for the purpose of this coverage.

E. Towing and Transportation Expense

We will pay up to \$5,000 for towing or recovery of a covered **vehicle** or **mobile equipment** item after it is disabled due to a covered **loss**.

F. Demolition and Increased Cost of Construction

The **Authority** will pay, within the limits:

1. The cost of demolishing the undamaged facility including the cost of clearing the site;
2. The value of such undamaged part of the facility which must be demolished;
3. The increased cost of repair or reconstruction of the damaged and undamaged facility on the same or another site limited to the minimum requirements of such law or ordinance regulating the repair or reconstruction of the damaged property and the cost thereof on the same site; however, the **Authority** shall not be liable for any increased cost of construction unless the damaged facility is actually rebuilt or replaced within two years; and
4. Any increase in the **Loss of Income, Extra Expense** or **Rental Value Loss** arising out of the additional time required to comply with said law or ordinance compared with the time it would have taken to replace the **loss** with materials of like kind and quality.

G. Debris Removal

The **Authority** will pay, within the limits, expenses incurred in the removal of debris of the property covered hereunder which may be destroyed or damaged by a covered peril.

1. This coverage does not apply to costs to:
 - a. extract or remove **pollutants** from land, atmosphere, or any watercourse or body of water, whether above or below ground; or
 - b. extract or remove **pollutants** from the debris; or
 - c. remove, restore or replace contaminated or polluted land, atmosphere, or any watercourse or body of water, whether above or below ground; or
 - d. remove or transport property or debris to a site for storage or decontamination required because the property or debris is affected by **pollutants**, whether or not such removal, transportation or decontamination is required by law or regulation; or
 - e. store any property or debris requiring specialized storage because the property or debris is affected by **pollutants**, whether or not such storage is required by law or regulation;

regardless of any other cause or event, whether or not dominant, which contributes concurrently to or in any sequence to the **loss**, damage or expense.

H. Preservation of Property

If it is necessary to remove covered property to preserve it from **loss** or damage by a covered peril, the **Authority** will pay for any direct physical **loss** or damage to the covered property:

1. While it is being moved or while temporarily stored at another location; and
2. Only if the **loss** or damage occurs within ten days after the property is first moved.

I. Fire Brigade Charges and Extinguishing Expenses

If covered property is destroyed or damaged by a covered peril, this **Memorandum** shall cover, up to \$10,000:

1. Fire brigade charges and other extinguishing expenses for which the Covered Party may be assessed;
2. The cost of fire extinguishing materials expended.

J. Pollutant Clean Up and Removal

The **Authority** will pay the expense to extract **pollutants** from land or water at premises owned by or leased to a Covered Party if the discharge, dispersal, seepage, migration, release or escape of the **pollutants** is caused by or results from a covered peril that occurs during the covered period. The expenses will be paid only if they are reported to the **Authority** in writing within 180 days of the date on which the covered **loss** occurs.

This coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of **pollutants**. However, the **Authority** will pay for testing which is performed in the course of extracting **pollutants** from the land or water.

The most the **Authority** will pay under this coverage for each premises is \$250,000 for the sum of all covered expenses arising out of a covered **loss** occurring during each separate coverage period, subject to the **Authority's** Annual Aggregate Limit of Loss shown in the SUMMARY OF COVERAGE.

K. Terrorism

The **Authority** will pay, within the limit shown in the SUMMARY OF COVERAGE for **loss**, damage or expense directly or indirectly caused by, resulting from, contributed to or made worse by any act of terrorism, as defined herein.

Terrorism, meaning:

Any actual or attempted malicious or violent act by any person, group, organization or government (whether de jure or defacto):

1. declared by any United States governmental authority to be or to involve terrorism or terrorist conduct; and
2. which has the effect of:
 - a. influencing, intimidating or coercing a government; or

- b. causing fear among a general population to advance an ideology; or,
 - c. disrupting any segment of any economy; or
3. is in any way designed to:
- a. retaliate against a government (whether de jure or de facto);
 - b. influence, intimidate or coerce any government (whether de jure or de facto);
 - c. cause fear among a general population to advance an ideology; or,
 - d. disrupt any segment of any economy.

Nothing contained herein shall operate to prevent coverage for acts of vandalism or malicious mischief which have not been declared by any United States Governmental Authority to be or involve terrorism.

L. Fungus Clean-up or Removal

1. The **Authority** will pay the costs incurred by the **Member** to clean up, remove, restore or replace covered property because of the presence of **fungus** at premises reported in the Schedule of Values.
2. The most the **Authority** will pay at any covered premises for the sum of all such covered costs that occur during the coverage period is the applicable Limit of Coverage for **Fungus** Clean-up or Removal shown in the SUMMARY OF COVERAGE.
3. The **Authority** will not pay for the costs to test for, monitor, contain, treat, detoxify, or neutralize, or in any way respond to or assess the effects of **fungus**, other than payment for testing that is performed during the clean-up or removal of **fungus**.
4. This Additional Coverage does not apply if the presence of **fungus**:
 - a. is caused by or results from:
 - i. a peril that is excluded under this **Memorandum**; or

- ii. moisture, other than “water” or **flood**, if the **flood** would be covered under this **Memorandum**;
- b. existed prior to the Coverage Period shown in the Declarations.
- c. is not reported to the **Authority** as soon as possible after the **Member** first becomes aware, or in the exercise of reasonable care, should have become aware, of the presence of **fungus**; or
- d. is at a premises that has not been reported in the Schedule of Values or has been excluded by an addenda to this **Memorandum**.

As used within this Additional Coverage, “water” means water that:

- a. escapes from processing equipment, plumbing systems, refrigeration systems, cooling systems or heating systems (other than underground storage tanks, underground piping or underground tubing) provided water is intended to be contained in such processing equipment, plumbing systems, refrigeration systems, cooling systems or heating systems;
- b. backs up or overflow through sewers drains or sumps;
- c. seeps or leaks through basements, foundations, roofs, walls, floors or ceiling of any building or other structure; or
- d. enters doors, windows or other opening in any building or other structure.

M. **Cyber** – Impairment of Computer Services

- 1. Inside Attack
 - a. The **Authority** will pay for the actual “electronic data recovery costs”, **loss of income**, and **extra expense** incurred by a Covered Party due to actual impairment of the Covered Party’s “operations” during the “period of recovery of computer service”, not to exceed the applicable Limit of Coverage for Impairment of Computer Services – Inside Attack shown in the SUMMARY OF COVERAGE.

The actual impairment of “operations” must be caused by or result from actual loss to “electronic data” or a “system” due to “malicious programming” by a person, organization or computer expressly authorized to access the Covered Party’s “system”.

2. Outside Attack

- a. The **Authority** will pay for the actual “electronic data recovery costs”, **loss of income**, and **extra expense** incurred by a Covered Party due to actual impairment of the Covered Party’s “operations” during the “period of recovery of computer service”, not to exceed the applicable Limit of Coverage for Cyber - Impairment of Computer Services – Outside Attack shown in the SUMMARY OF COVERAGE.

The actual impairment of “operations” must be caused by or result from actual loss to “electronic data” or a “system” due to “malicious programming” by a person, organization or computer not authorized to access the Covered Party’s “system”.

Subject to the Limit of Coverage for Cyber - Impairment of Computer Services – Outside Attack, the most the **Authority** will pay in any one **occurrence** for the sum of electronic data recover costs, **loss of income** and **extra expense** due to “malicious programming” by a person, organization or computer not authorized to access a Covered Party’s “system” during the coverage period is the Aggregate Limit of Coverage for Cyber - Impairment of Computer Services – Outside attack shown in the SUMMARY OF COVERAGE.

3. Limitations

- a. The **Authority** will not pay for any **loss of income** or **extra expense** caused by or resulting from “malicious programming” if direct physical **loss** or damage contributes concurrently to or in any sequence to such **loss of income** or **extra expense**.
- b. The **Authority** will not pay that part of any **loss of income** or **extra expense** a Covered Party incurs to respond to extortion or other similar threat.

- c. The **Authority** will not pay for any **loss** that results from loss of market, loss of use or delay.
- d. If a “system” is protected by security software, the Covered Party is required to maintain and, as necessary, upgrade at the Covered Party’s own cost such software so that it provides a technologically credible level of security.

The **Authority** will not pay for any **loss** caused by “malicious programming” if, prior to the “malicious programming”, the Covered Party:

- i. knew of any defect or deficiency in the security software and failed to correct it;
 - ii. failed to maintain the security software in complete working order; or
 - iii. knew of technologically credible upgrades to the security software that could have prevented the “malicious programming”, and failed to make them.
 - e. The **Authority** will not pay for any loss caused by or resulting from any “malicious programming” by a person, organization or computer expressly authorized to access the Covered Party’s system which:
 - i. is not specifically directed at a system;
 - ii. is designed or intended to affect more than one computer system or network; or
 - iii. actually affects more than one computer system or network.
4. Definitions used in this Additional Coverage:
- a. “Electronic data” means software, data or other information that is in electronic form.
 - b. “Electronic data recovery costs” means the reasonable and necessary cost the Covered Party incurs to:

- i. copy, recreate, replace or retrieve electronic data the Covered Party owns or uses, or which resides on a "system" owned or leased by the Covered Party; and
- ii. restore a "system" the Covered Party owns or leases to the functionality that existed prior to the "malicious programming".

"Electronic data recovery costs" does not include the cost to repair or replace electronic data processing equipment.

- c. "Malicious Programming" means an illegal or malicious entry into "electronic data" or a "system" which results in functions that distort, corrupt, manipulate, copy, delete, destroy or slow down such "electronic data" or "system".

"Malicious Programming" does not mean theft of telephone services or direct physical loss or damage to "electronic data processing property or mobile communication property.

- d. "Operations" means the Covered Party's business activities occurring at the Covered Party's premises, including the Covered Party' activities as a lessor of premises, prior to the **loss** or damage.
- e. "Period of recovery of computer service" means the period of time that:
 - i. for electronic data recovery costs and **extra expense**, begins immediately after the "malicious programming" occurs; and
 - ii. for **loss of income** begins twenty four (24) normal business hours after the "malicious programming" occurs.

"Period of recovery of computer service" will continue until the earlier of: the following:

- (a) The date your "operations" are restored, with due diligence and dispatch, to the condition that

would have existed had there been no malicious programming; or

- (b) sixty (60) days after the date you restore, with due diligence and dispatch, a “system” to the functionality that existed prior to the “malicious programming”.

In determining the condition of “operations” that would have existed had there been no “malicious programming”, no consideration will be given to unfavorable market conditions or competitive advantage gained by others as a result of such “malicious programming”.

- f. “System” means a computer and all input, output, processing, storage, off-line media library, and system communication facilities which connected to such computer, provided such computer and facilities are owned and operated by a Covered Party, or leased and operated by a Covered Party, or utilized by a Covered Party pursuant to a written contract.

N. Money and Securities

The **Authority** will pay, subject to the limit shown on the SUMMARY OF COVERAGE, for the theft, damage or destruction of **Money** or **Securities** by a peril covered by this **Memorandum**.

O. Claims Preparation Expense

The **Authority** will pay, subject to the limit shown on the SUMMARY OF COVERAGE, the additional expenses incurred by a Covered Party to investigate, document and prepare a claim that is covered by this **Memorandum**. Such expenses may include, but are not limited to, costs for auditors, accountants, forensic experts and consultants. However, the expenses of public adjusters are specifically excluded.

P. Landscaping

The **Authority** will pay, subject to the limit shown on the SUMMARY OF COVERAGE, for the damage or destruction of grass, trees, plants, shrubs and materials such as mulch, irrigation systems, containers or lighting systems whose position and planting were undertaken by human effort for cosmetic effect. Such damage or destruction must result from a peril

covered by this **Memorandum**. The **Authority's** liability for such damage or destruction shall not exceed the actual size of the destroyed plant, tree or shrub at the time of loss up to a maximum container size of 50 gallons or \$10,000 per item, whichever is less. Growing crops and standing timber are specifically excluded from coverage under this paragraph.

Q. Premises Improvements

The **Authority** will pay, subject to the limit shown on the SUMMARY OF COVERAGE, for the damage or destruction of exterior improvements on premises owned by a Covered Party resulting from a peril covered by this **Memorandum**. Covered improvements are limited to exterior signs, lights and light poles, fences, gates, perimeter walls, retaining walls, sidewalks, steps and railings, paving, curbs, drains, culverts and vehicle barriers.

SECTION VI – BASIS OF LOSS PAYMENT

A. Buildings, Other Structures, Fixed Equipment

The **Authority** will pay the full cost to replace buildings, other structures, or fixed equipment without deduction for depreciation.

1. The **Authority** shall not be liable for **loss** on a replacement cost basis until the property is actually repaired or replaced. The Covered Party must repair or replace the covered property within two years. Property not repaired, replaced, or restored within two years of loss shall be valued on an actual cash value basis.

B. **Personal Property**

1. With reported values of 90% or greater than the actual cost to replace such property, the **Authority** will pay the full cost to repair or replace, but not more than the reported value.
2. With reported values of less than 90% of the actual cost to replace such property, the **Authority** will pay only that portion of the **loss** equal to the ratio of reported value to actual replacement cost, but not more than the reported value.
 - a. The **Authority** shall not be liable for **loss** on a replacement cost basis until the property is actually repaired or replaced. The Covered Party must repair or replace the covered property within two years. Property not repaired, replaced, or

restored within two years of loss shall be valued on an actual cash value basis.

- b. Replacement cost coverage does not apply to **Fine Arts**, manuscripts, works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac. We will only pay for **loss** to such property on the basis of its actual cash value.

C. Vehicles Licensed for Highway Use, Geomembrane Covers and Mobile Equipment

With respect to **vehicles, geomembrane covers** and **mobile equipment**, we will pay for **loss** or damage on the basis of the actual cash value of the property at the time of **loss**.

D. Parts or Sets

In case of **loss** or damage by covered perils to any part of a machine or unit consisting of two or more parts when complete, the liability of the **Authority** shall be limited to the value of the part or parts lost or damaged. At the Covered Party's option, the **Authority** will pay the cost and expense to replace or duplicate the lost or damaged part or parts, or repair the machine or unit. No such option shall exceed 125% of the lowest of the above.

SECTION VII - CONDITIONS

A. Duties in the Event of Loss or Damage

After any **loss** or damage to property covered under this **Memorandum** becomes known to the Covered Party, the Covered Party shall:

1. Notify the appropriate law enforcement body if a law may have been broken.
2. **Immediately (but in no event later than thirty (30) days)** provide the **Authority** notice of the loss or damage, including a description of the property involved.
3. Provide the **Authority** a description of how, when and where the **loss** or damage occurred.

4. Take all reasonable steps to protect the Covered Property from further damage, and keep a record of the expenses necessary to protect the Covered Property.
 5. If requested, provide a complete inventory of the damaged and undamaged property, including quantities, costs, values, and amount of loss claimed.
 6. As often as may be reasonably required, permit the **Authority** or its appointed representative to inspect the property proving the **loss** or damage and examine your books and records. In addition, permit the **Authority** to take samples of damaged and undamaged property for inspection, testing and analysis, and permit the **Authority** to make copies from your books and records.
 7. It shall be necessary for the Covered Party, within 90 days following demand thereof by the **Authority**, to render a signed and sworn proof of **loss** to the **Authority** or its appointed representative stating: the place, time and cause of **loss**, damage or expense; the interest of the Covered Party and all others in the damaged or destroyed property; value of the property involved in the **loss**, and the amount of **loss**, damage or expense.
 8. Cooperate with the **Authority** in the investigation or settlement of the claim.
- B. Loss to Property of Others

In case of **loss** or damage to property of others held by the Covered Party, for which claim is made upon the **Authority**, the right to adjust such claim with the owner or owners of the property is reserved to the **Authority** and the receipt of such owner or owners in satisfaction thereof shall be in full satisfaction of any claims of the Covered Party for which such payment has been made. If legal proceedings be taken to enforce a claim against the Covered Party as respects any such **loss** or damage, the **Authority** reserves the right at its option without expense to the Covered Party, to conduct and control the defense on behalf of and in the name of the Covered Party. No action of the **Authority** in such regard shall increase the liability of the **Authority** under this **Memorandum**.

C. Other Coverage

1. The Covered Parties may have other coverage(s) subject to the same plan, terms, conditions and provisions as the coverage under

this **Memorandum**. If so, the **Authority's** liability to pay for covered **loss** or damage will be limited to the proportion that the applicable Limit of Coverage under this **Memorandum** bears to the total Limit of Coverage of all coverage(s) covering on the same basis.

2. If the Covered Party has other coverage(s) covering the same **loss** or damage, other than that described in the above paragraph, the **Authority** will pay only for the amount of covered **loss** or damage in excess of the amount due from that other coverage(s), whether collectible or not. However, the **Authority** will not pay more than the applicable Limit of Coverage.
- D. Subrogation
1. Any release from liability entered into in writing by the Covered Party prior to **loss** hereunder shall not affect this **Memorandum** or the right of the Covered Party to recover hereunder. The right of subrogation against any of the Covered Party's subsidiary or affiliated companies or any other companies associated with the Covered Party through ownership or management is waived.
 2. In the event of any payment under this **Memorandum**, the **Authority** shall be subrogated to the extent of such payment to all the Covered Party's rights of recovery therefor and the Covered Party shall execute all papers required and shall do anything that may be necessary to secure such right. The **Authority** will act in concert with all other interests concerned (including the Covered Party) in the exercise of such rights of recovery. If any amount is recovered as a result of such proceedings such amount shall be distributed as follows:
 - a. The expense of all proceedings necessary for the recovery of any such amount shall first be reimbursed.
 - b. Any interest (including the Covered Party) suffering **loss** (excluding the amount of deductible), in excess of payment made under this **Memorandum** shall first be reimbursed up to the amount of said excess payment.
 - c. Out of the balance remaining, each interest shall be reimbursed in the same proportion as its proportionate share of the total payments in settlement of the **loss**, including any deductibles imposed.

- d. The balance then remaining shall be disbursed to the Covered Party.

E. Salvage and Recoveries

All salvages, recoveries and payments, excluding proceeds from subrogation recovered or received subsequent to a **loss** settlement under this **Memorandum**, shall be applied as if recovered or received prior to the said settlement and all necessary adjustments shall be made to the parties involved.

F. Resolution of Coverage Disputes

1. General

The following procedures shall be followed in resolving any dispute, claim, or controversy arising out of or connected with the agreements set forth in this **Memorandum**. Such disputes shall be resolved by either administrative proceedings or binding arbitration as provided for herein. The parties in these proceedings shall be the **Authority** and the **Member Agency** and are hereinafter referred to as "party" or "parties".

2. Initiation of Proceedings

Either party shall give written notice to the other party of its intent to initiate proceedings to resolve any dispute covered by this **Memorandum**. Such notice shall contain a statement setting forth the nature of the dispute, the amount involved, and the remedy sought.

3. Administrative Procedures for Resolving Disputes Between the **Member Agency** and the **Authority**:

All disputes subject to these proceedings shall first be submitted to the Property Program Committee of the **Authority**.

a. Administrative Hearings

Administrative hearings before the committees shall be conducted in an informal manner with the Chair of the Committee presiding. They shall be conducted in accordance with procedures determined by the Committee except as follows:

i. List of Witnesses and Documents

If either party wishes a list of the other party's witnesses and documents, it may demand it in accordance with the procedures set forth in California Code of Civil Procedure, Section 1282.2. However, the failure to list a witness or a document shall not bar the testimony of the unlisted witness or the introduction of an undesignated document, provided that good cause for the omission is shown as determined by the Committee.

ii. Presentation of Evidence

Each party shall present its evidence in an informal manner. The Chair of the Committee shall rule on the admission and exclusion of evidence, but the Chair need not follow the rules of evidence or rules of judicial procedures.

iii. Cross-Examination

Each party shall be permitted to cross-examine witnesses.

iv. Testimony Under Oath

The testimony of witnesses shall be given under oath.

v. Representation by Counsel

Parties have the right to be represented by counsel.

vi. Stenographic Record

Either party wishing a stenographic record shall make arrangements directly with a stenographer and shall notify the other party of such arrangements in advance of the hearing. The requesting party shall pay the cost of recording the hearing if no transcript is ordered. If a transcript is ordered, the cost of the transcript and of recording the hearing shall be prorated equally among the parties ordering copies.

vii. Place of Hearing

Unless otherwise agreed to by the parties, administrative hearings shall be held at the general office of the **Authority**.

viii. Time of Decisions

Decisions shall be made promptly by the Committee in writing and, unless otherwise agreed by the parties or specified by law, no later than ten days from the date of the close of the hearing.

ix. Costs and Expenses

Each party shall bear its own expenses.

b. Time and Method of Appealing Administrative Decisions

Either party may appeal the decision of the Property Program Committee. Notice of such appeal shall be submitted in writing within ten days of receipt of the Committee's decision. The appeal shall be submitted to the Executive Committee of the **Authority** for final binding determination and heard in accordance with the procedures set forth in Section VII – Conditions, F.3.a.

4. Arbitration Procedures for Resolving Disputes Between the **Member Agency** and/or the **Authority** and the **Authority's** Reinsurer(s):

In the event of a disagreement as to the interpretation of this **Memorandum**, the disagreement shall be submitted to binding arbitration before a panel of three arbitrators. A request for binding arbitration may be initiated by either the **Member Agency**, the **Authority**, or the **Authority's** property reinsurer. Within 30 days of a written request for arbitration by either party, each party will choose an arbitrator. If the two arbitrators are unable to agree within one month upon the third arbitrator, such arbitrator shall be selected by the American Arbitration Association in accordance with its rules and procedures.

The parties shall submit their cases to the panel by written and oral evidence at a hearing time and place selected by the third arbitrator.

The panel shall be relieved of all judicial formality, shall not be obligated to adhere to the strict rule of law or of evidence, shall seek to enforce the intent of the parties hereto and may refer to, but are not limited to, relevant legal principles. The decision of at least two of the three panel members shall be binding and final and not subject to appeal except for grounds of fraud and gross misconduct by the arbitrators. The decision will be issued within 30 days of the close of the hearings. Each party shall bear the expenses of its designated arbitrator and shall jointly and equally share with the other the expense of the third arbitrator and of the arbitration.

The arbitration proceedings shall take place in the State of California. The procedural rules applicable to this arbitration shall, except as provided otherwise herein, be in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

G. Assistance and Cooperation of the Covered Party

The Covered Party shall cooperate with the **Authority** and, at the **Authority's** request and expense, shall attend hearings and trials and shall assist in effecting settlements, in securing and giving evidence, in obtaining the attendance of witnesses, and in conducting suits.

H. Payment of Loss

All adjusted claims shall be due and payable 60 days after the presentation and acceptance of satisfactory Proofs of Loss at the office of the Association of California Water Agencies Joint Powers Insurance Authority, P.O. Box 619082, Roseville, California 95661.

I. Reinstatement

Any **loss** hereunder shall not reduce the amount of coverage under this **Memorandum**.

J. Abandonment

There can be no abandonment to the **Authority** of the covered property.

K. Protection of Damaged Property

The Covered Party shall take all reasonable steps to protect the covered property from further damage, and shall keep a record of expenses for

emergency or temporary repairs for consideration in the settlement of the claim. This will not increase the limit.

L. Waiver of Premium

The **Authority** shall make no adjustment in the premium charged for any property added or deleted during the coverage period unless the total amount of the reported addition or deletion exceeds \$5,000,000. However, if a new CLASSIFICATION OF PROPERTY COVERED is added during the coverage period, then the appropriate premium must be timely paid.

M. Suit Against the Authority

No suit or action under this **Memorandum** for the recovery of any claim shall be sustainable in any court of law or equity unless the **Member Agency** shall have fully complied with all the requirements of this **Memorandum**, and unless commenced within 18 months next after inception of the **loss**.

N. Titles of Paragraphs

The several titles of the various sections and paragraphs of this **Memorandum** (and of addenda, certificates and supplemental contracts, if any, now or hereafter attached to this **Memorandum**) are inserted solely for convenience of reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

SUMMARY OF COVERAGE

FOR COVERAGE PERIOD 4/1/17 to 4/1/18

\$150,000,000 Program Limit of Coverage per Loss

Including, but not limited to:

Course of Construction	\$ 10,000,000
Loss of Income and Rental Value	\$ 10,000,000
Extra Expense	\$ 10,000,000
Accounts Receivable	\$ 150,000,000
Valuable Papers and Records	\$ 150,000,000
Catastrophic Coverage	\$ 100,000
Unmanned Aircraft	\$ 100,000
Money and Securities	\$ 1,000,000
Residences owned by Member Agency:	
per structure	\$ 1,000,000
per occurrence	\$ 2,500,000
Terrorism	\$ 150,000,000
Demolition and Increased Cost	
Of Construction	\$ 30,000,000
Debris Removal	\$ 30,000,000
Earthquake or Flood Damage	
to Vehicles or Mobile Equipment	\$ 5,000,000 *
Fire Brigade Charges &	
Extinguishing Expenses	\$ 1,000,000
Pollutant Cleanup and Removal	\$ 500,000 *
Fungus Cleanup and Removal	\$ 100,000
Landscaping	\$ 500,000
Premises Improvements	\$ 500,000
Claims Preparation Expense	\$ 500,000
Cyber - Impairment of Computer Services	
Inside Attack	\$ 1,000,000
Outside Attack per occurrence	\$ 60,000
Outside Attack Aggregate Limit	\$ 300,000 *

*Program Aggregate Limit for Coverage Period

Coverage renews and expires at 12:01 a.m. Standard Time at Roseville, California.

BOILER AND MACHINERY COVERAGE ADDENDUM

This addendum modifies coverage provide under the following:

Property Coverage Provisions

A. Coverage Agreement

1. Subject to all terms stated herein and in the **Memorandum** of Coverage to which this BOILER AND MACHINERY COVERAGE ADDENDUM is attached, not in conflict herewith, coverage is extended to include liability for:
 - a. Direct physical loss to **Property Covered** as described in Section III – Coverage, B. 1 and B. 2 of the **Memorandum**;
 - b. **Loss of Income** including **Rental Value**;
 - c. **Extra Expense**;
 - d. **Valuable Papers and Records**;
 - e. **Accounts Receivable**;
 - f. **Money and Securities**;
 - g. **Claims Preparation Expense**;

all solely resulting from an **Accident** to an **Object** as defined and limited in this BOILER AND MACHINERY COVERAGE ADDENDUM.

2. An **Object** must be in use or connected ready for use at the location specified for it at the time of the **Accident**.

B. Coverage Extensions

1. **Expediting Expense**

As a result of an **Accident** to an **Object** under this BOILER AND MACHINERY COVERAGEADDENDUM, we will pay the reasonable extra cost to:

- a. Make temporary repairs;

- b. Expedite permanent repairs; and
- c. Expedite permanent replacement.

We restrict the amount payable for Expediting Expenses as explained in the Limits of Coverage section of this BOILER AND MACHINERY COVERAGE ADDENDUM.

2. **Ammonia Contamination**

Solely with respect to coverage provided by this BOILER AND MACHINERY COVERAGE ADDENDUM, Section IV – Exclusions, A. 6 of the **Memorandum** is hereby amended to include:

However if, as a result of an **Accident** to an **Object** as defined under the BOILER AND MACHINERY COVERAGE ADDENDUM, **Property Covered** is contaminated by ammonia, we will pay for such contamination up to the maximum limit shown in the Limit of Coverage section of the BOILER AND MACHINERY COVERAGE ADDENDUM. This limit shall include salvage and/or disposal expenses except to the extent otherwise limited by this **Memorandum**.

3. **Spoilage**

Solely with respect to coverage provided by this BOILER AND MACHINERY COVERAGE ADDENDUM, Section IV – Exclusions, A. 6 of the **Memorandum** is hereby amended to include:

However, if, as a result of an **Accident** to an **Object** as defined under the BOILER AND MACHINERY COVERAGE ADDENDUM, **Property Covered** spoils from a lack of power, light, heat, steam or refrigeration, we will pay for such spoilage up to the maximum limit shown in the Limit of Coverage section of the BOILER AND MACHINERY COVERAGE ADDENDUM. This limit shall include salvage and/or disposal expenses except to the extent otherwise limited by this **Memorandum**.

4. Hazardous Substances

The following applies despite the operation of Section IV – Exclusions, A. 17 of the **Memorandum** of Property Coverage to which this addendum is attached:

If, as a result of an **Accident** to an **Object** under this BOILER AND MACHINERY COVERAGE ADDENDUM, **Property Covered** is damaged, contaminated or polluted by a substance declared to be hazardous to health by a governmental agency, the most we will pay for any additional loss or expenses incurred by you as a result of clean-up, repair or replacement or disposal of that property is the maximum limit shown in the Limit of Coverage section of the BOILER AND MACHINERY COVERAGE ADDENDUM. As used here, “additional loss or expenses” shall mean expenses incurred beyond those for which the **Authority** would have been liable if no substance hazardous to health had been involved in the **Accident**.

C. Limits of Coverage

The most we will pay for loss and expense arising from any **One Accident** is the amount shown in the SUMMARY OF COVERAGE section of the **Memorandum** to which this BOILER AND MACHINERY COVERAGE ADDENDUM is attached.

1. Coverage Extension Limitations

The following limitations apply to coverage as described in Section B. Coverage Extensions of this BOILER AND MACHINERY COVERAGE ADDENDUM:

- a. Expediting Expenses: Our payment for Expediting Expenses will be limited to the lesser of \$2,000,000 or what is left of the Limit Per **Accident** after we pay your loss for **Property Covered** damaged by an **Accident**.
- b. Ammonia Contamination: \$ 2,000,000
- c. Spoilage: \$ 1,000,000
- d. Hazardous Substance: \$ 2,000,000

These limits are part of, and not in addition to the applicable limit described in Section VI – Basis of Loss Payment of the **Memorandum** to which this BOILER AND MACHINERY COVERAGE ADDENDUM is attached.

2. Water Damage Limitation

If **Covered Property** is damaged by water as a result of an **Accident** to covered refrigerating or air conditioning vessels and piping, the most we will pay for this kind of damage, including salvage expense, is \$2,000,000. This limit is part of, and not in addition to the applicable limit described in Section VI – Basis of Loss Payment of the **Memorandum** to which this BOILER AND MACHINERY COVERAGE ADDENDUM is attached.

D. Deductibles

There shall first be deducted the amount(s) shown below for the applicable coverage parts from a loss for which the **Authority** becomes liable under this BOILER AND MACHINERY COVERAGE ADDENDUM:

1. Property Covered:

- a. **Turbine Units** and Associated Equipment, including **Electrical Generators**, Electrical Power Distribution and Turbine Controls - \$50,000 or \$5 per kilowatt, whichever is greater.
- b. **Internal Combustion Engines** and Driven Engines - \$25,000 or \$10 per horsepower, whichever is greater.
- c. **Electrical Generators** driven by **Internal Combustion Engines** - \$50,000 or \$5 per kilowatt, whichever is greater.
- d. **Pumps** and Pump Shafts - \$25,000 or \$10 per horsepower, whichever is greater.
- e. **Electric Motors** and Motor Controllers - \$25,000 or \$8 per horsepower, whichever is greater.
- f. **Transformers** - \$25,000 or \$25 per kilovolt-ampere based upon largest voltage, whichever is greater.
- g. All other **Objects** - \$25,000.

2. **Loss of Income, Rental Value and Extra Expense*:**

- a. **Turbine Units** and Associated Equipment, including **Electrical Generators**, Electrical Power Distribution and Turbine Controls – 30 times 100% of the Average Daily Value.
- b. All other **Objects** – 1 times 100% of the Average Daily Value.

*If a period of time is shown, the **Authority** will first subtract from the total amount it would otherwise pay, a dollar amount that is equal to the average daily value during the period of interruption at the location(s) where the loss occurred, multiplied by the multiple specified. The average daily value is the amount of actual loss that would have been earned had no **Accident** occurred.

E. Exclusions

As respects coverage provided by this BOILER AND MACHINERY COVERAGE ADDENDUM, we will not pay for **Loss** caused by or resulting from:

1. An explosion. However, we will pay for loss caused by or resulting from an explosion of an **Object** of a kind described below and only to "objects" covered by this addendum:
 - a. Explosion of any:
 - i. Steam boiler;
 - ii. Electric steam generator;
 - iii. Steam piping;
 - iv. Steam turbine;
 - v. Steam engine;
 - vi. Gas turbine; or
 - vii. Moving or rotating machinery caused by centrifugal force or mechanical breakdown;

- b. Fire or explosion that occurs at the same time as an **Accident** or that ensues from an **Accident**;
 - c. Explosion of gas or unconsumed fuel within the furnace of any boiler or fired vessel or within the passages from that furnace to the atmosphere, whether or not the explosion is:
 - i. Contributed to or aggravated by an **Accident** to any part of an **Object** that contains steam or water; or
 - ii. Caused in whole or in part directly or indirectly, by an **Accident** to an **Object** or part of an **Object**.
2. An **Accident** that is the direct or indirect result of an explosion or fire;
 3. Water or other means used to extinguish a fire, even when the attempt is unsuccessful;
 4. Lightning;
 5. **Flood**;
 6. Wind, hail, weight of snow, ice or sleet, riot, civil commotion, vandalism, **vehicles**, falling objects, **aircraft**, smoke, collapse, or water damage;
 7. Freeze arising from weather conditions;
 8. Lack of power, light, heat, steam or refrigeration, except as provided in Section VI – Conditions, C. of the **Memorandum** and in the Coverage Extension - Spoilage of this addendum;
 9. Damage to property contaminated by Ammonia, except as provided in the Coverage Extension - Ammonia Contamination of this addendum;
 10. An **Accident** to an **Object** while undergoing any of the following tests:
 - a. A hydrostatic, pneumatic or gas pressure test of any boiler, fired vessel or electrical steam generator; or

- b. An insulation breakdown test of any type of electrical or electronic **Object**.
11. With respect to the Coverage Extension - Spoilage, we will not pay for loss or damage as a result of your failure to use all reasonable means to protect the perishable goods from damage following an **Accident**.
 12. Any earth movement, including but not limited to earthquake, landslide, mudslide, subsidence or volcanic eruption.
 13. Nuclear reaction or radiation or radioactive contamination, however caused.
 14. War and Military Action:
 - a. War, including undeclared or civil war;
 - b. Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
 - c. Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

F. Boiler and Machinery Conditions - Valuation

1. We will pay you the amount you spend to repair or replace your property directly damaged by an **Accident**. Our payment will be the smallest of:
 - a. The Limit per **Accident**;
 - b. The cost at the time of the **Accident** to repair the damaged property with property of like kind, capacity, size and quality;
 - c. The cost at the time of the **Accident** to replace the damaged property on the same site with other property:
 - i. Of like kind, capacity, size and quality; and
 - ii. Used for the same purpose;

- d. The amount you actually spend that is necessary to repair or replace the damaged property.
2. As respects any **Object**, if the cost of repairing or replacing only a part of the **Object** is greater than:
 - a. The cost of repairing the **Object**; or
 - b. The cost of replacing the entire **Object** on the same site;we will pay only the smaller of (a) or (b).
3. The repair parts or replacement **Object** must be:
 - a. Of like kind, capacity, size and quality; and
 - b. Used for the same purpose.
4. We will not pay you
 - a. If the loss or damage is to property that is obsolete or useless to you; or
 - b. For any extra cost if you decide to repair or replace the damaged property with property of a better kind or quality or of larger capacity; or
 - c. If you do not repair or replace the damaged property within 18 months after the date of the **Accident**, then we will pay only the smaller of the:
 - i. Cost it would have taken to repair; or
 - ii. Actual cash value at the time of the **Accident**.

Paragraph (4) does not apply to any time period beyond the 18 months that we agree to in writing.

G. Boiler and Machinery Conditions – Inspection and Suspension

1. Inspection

We shall be permitted, but not obligated, to inspect, at all reasonable times, any **Object**. Neither our right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking, on behalf of or for the benefit of you or others, to determine or warrant that the **Object** is safe or healthful.

2. Suspension

Whenever an **Object** is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the coverage for loss from an **Accident** to that **Object**. This can be done by delivering or mailing a written notice of suspension to:

- a. Your last known address; or
- b. The address where the **Object** is located.

Once suspended in this way, your coverage can be reinstated only by an addendum for that **Object**.

If we suspend your coverage, you will get a pro rata refund of premium for that **Object**. But the suspension will be effective even if we have not yet made or offered a refund.

H. Boiler and Machinery Definitions

The following definitions are hereby added to Section II - Definitions of the **Memorandum**:

1. **Accident** means a sudden and accidental breakdown of the **Object** or a part of the **Object**. At the time the breakdown occurs, it must manifest itself by physical damage to the **Object** that necessitates repair or replacement.

Accident does not mean any:

- a. Depletion, deterioration, corrosion or erosion;
- b. Wear and tear;

- c. Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
 - d. Breakdown of any vacuum tube, gas tube or brush;
 - e. Breakdown of any electronic computer or electronic data processing equipment;
 - f. Breakdown of any structure or foundation supporting the **Object** or any of its parts; or
 - g. The functioning of any safety or protective device.
 - h. The cracking of any part of gas turbine exposed to the products of combustion.
2. **Electrical Generator** means any rotating electrical generator and also includes any:
- a. Exciter that is:
 - i. Mechanically connected to that machine; and
 - ii. Used solely for excitation of that machine;
 - b. Shaft of that machine and any gear wheel or magnetic brake mechanism on the shaft or on the frame of that machine, if the shaft does not form an integral part of any other machine;
 - c. Continuous shaft that:
 - i. Forms an integral part of that machine; and
 - ii. Also forms an integral part of another rotating electric machine including any gear wheel or magnetic brake mechanism on the shaft or on the frame of that machine;
 - d. Shaft coupled to that machine including the couplings and bearings on it, if there is no mechanism other than a coupling on the shaft; and

- e. Non-rotating equipment used solely to start, stop or control any motor including all electrical conductors connecting such equipment with that motor provided that control equipment does not form a part of a switchboard, cubicle or bus structure controlling any electrical machine other than the motor.

Electrical Generator does not include any:

- a. Electrical conductor or piping leading to or from the **Object**, or
- b. Electronic computer or electronic data processing equipment.

3. **Electric Motor** means any rotating electric motor and also includes any:

- a. Exciter that is:
 - i. Mechanically connected to that machine; and
 - ii. Used solely for excitation of that machine;
- b. Shaft of that machine and any gear wheel or magnetic brake mechanism on the shaft or on the frame of that machine, if the shaft does not form an integral part of any other machine;
- c. Continuous shaft that:
 - i. Forms an integral part of that machine; and
 - ii. Also forms an integral part of another rotating electric machine including any gear wheel or magnetic brake mechanism on the shaft or on the frame of that machine;
- d. Shaft coupled to that machine including the couplings and bearings on it, if there is no mechanism other than a coupling on the shaft; and
- e. Non-rotating equipment used solely to start, stop or control any motor including all electrical conductors connecting such

equipment with that motor provided that control equipment does not form a part of a switchboard, cubicle or bus structure controlling any electrical machine other than the motor.

Electric Motor does not include any:

- a. Electrical conductor or piping leading to or from the **Object**, or
- b. Electronic computer or electronic data processing equipment.

4. **Internal Combustion Engine** means any machine that is an internal combustion engine including any:

- a. Auxiliary or control apparatus mounted on that machine or the bed or frame of that machine;
- b. Auxiliary **electric motor** or other apparatus used solely to rotate that machine for starting or maintenance purposes; and
- c. Lubricating oil pump or fuel pump and its driving electric motor if used solely for that machine.

However, **Internal Combustion Engine** does not include any:

- a. Apparatus connected to the machine, other than auxiliary or control apparatus included under 4.(a) above;
- b. Electrical apparatus other than **electric motors** included under 4.(b) and 4.(c) above;
- c. Air tank;
- d. Electronic computer or electronic data processing equipment;
- e. Condenser or its adapter;
- f. Piping or duct leading to or from the machine; or
- g. Well casing.

5. **Object** means any of the following, unless otherwise excluded:
- a. Boiler, fired vessel, unfired vessel normally subjected to vacuum or internal pressure other than weight of its contents, refrigerating and air conditioning vessels, and any metal piping and its accessory equipment;
 - b. Mechanical or electrical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power;
 - c. Any of the following vessels listed below are included within the provisions of this section when used with an **Object**:
 - i. Condensate return tank;
 - ii. Cushion or expansion tank used with a hot water heating boiler.
 - d. Fiber optic cable.

Object does not mean any:

- a. Part of a boiler, fired vessel or electric steam generator that does not contain steam or water;
- b. Insulating or refractory material;
- c. Non-metallic vessel, unless it is constructed and used in accordance with the American Society of Mechanical Engineers Code (A.S.M.E.);
- d. Catalyst;
- e. Buried or underground vessel or piping; buried or underground power transmission cables.
- f. Sewer piping, piping forming part of a fire protection system or water piping other than:
 - i. Feed water piping between any boiler and its feed pump or injector; or
 - ii. Boiler condensate return piping; or

- iii. Water piping forming a part of refrigerating and air-conditioning vessels and piping used for cooling, humidifying or space heating purposes;
- g. Part of a vessel that is not under pressure of the contents of the vessel or internal vacuum;
- h. Oven, stove, furnace, incinerator, pot or kiln;
- i. Structure, foundation, cabinet or compartment containing the **Object**;
- j. Power shovel, dragline, excavator, **vehicle**, **aircraft**, floating vessel or structure, **mobile equipment** or structure, **penstock**, draft tube or well-casing;
- k. Conveyor, crane, elevator, escalator or hoist, but not excluding any electrical machine or electrical apparatus mounted on or used with this equipment;
- l. **Media** used with any electronic computer or electronic data processing equipment;
- m. Machine or apparatus that is used for research, medical, diagnostic, surgical, dental or pathological purposes;
- n. Felt, wire, screen, die, extrusion plate, swing hammer, grinding disc, cutting blade, cable, chain, belt, rope, clutch plate, brake pad, non-metallic part or any part or tool subject to frequent, periodic replacement;
- o. **Object** manufactured by you for sale.

For any boiler or fired vessel, the furnace of the **Object** and the gas passages from there to the atmosphere will be considered as outside the **Object**.

When a vessel uses a heat transfer medium other than water or steam, we will consider the medium or its vapor as substitutes for the words water or steam.

For any gas turbine, **Accident** does not include the cracking of any part of the **Object** exposed to the products of combustion.

The connected ready for use requirement is by any **Object** if it is:

- a. periodically filled, moved, emptied and refilled in the course of its normal service; and
- b. used for the storage of a gas or liquid.

6. **One Accident** means if an initial **Accident** causes other **Accidents** all will be considered **One Accident**. All **Accidents** at any one location that manifest themselves at the same time and are the result of the same cause will be considered **One Accident**.

7. **Pump** means any separately driven pump including any:

- a. Auxiliary or control apparatus mounted on that machine or the bed or frame of that machine;
- b. Other apparatus used solely to rotate that machine for starting or maintenance purposes;
- c. Lubricating oil pump or fuel pump and its driving electric motor if used solely for that machine; and
- d. When the machine is a reciprocating pump and:
 - i. Forms an integral part of a steam engine or **internal combustion engine**; or
 - ii. Is connected to such an engine by a coupling clutch or gear set;

then **Pump** also includes the driving engine and any interconnecting coupling, clutch or gear set.

Pump does not include any:

- a. Apparatus connected to the machine, other than auxiliary or control apparatus included under 7.(a) above;
- b. Electrical apparatus other than that included under 7.(b) and 7.(c) above;
- c. Air tank;

- d. Electronic computer or electronic data processing equipment;
- e. Condenser or its adapter;
- f. Piping or duct leading to or from the machine; or
- g. Well casing.

8. **Transformer** means any power or distribution transformer.

Transformer does not include any:

- a. Auto transformer used exclusively for starting electric motors;
- b. Electrical conductor or piping leading to or from the **Object**;
- c. Electronic computer or electronic data processing equipment; or
- d. Cabinet or compartment in which any part of the apparatus is installed.

9. **Turbine Unit** means any turbine unit including any:

- a. Turbine;
- b. Combustor, precooler, intercooler, regenerator or heat exchanger of a gas turbine unit;
- c. Electric generator, pump, compressor, fan, blower, wheel or gear on:
 - i. Any shaft of the driving turbine or turbines; or
 - ii. A shaft connected to any of the driving turbines by a coupling, clutch or gear set;
- d. Mechanical or hydraulic governing mechanism together with any electric motor used solely with the governing mechanism;

- e. Auxiliary apparatus mounted on the unit or the bed or frame of the unit;
- f. Lubricating oil pump, fuel pump or pump for circulating coolant, if used solely for the unit and any machine driving such a pump;
- g. Auxiliary electric motor, steam turbine or other apparatus used solely to rotate the driving turbine or turbines for starting or maintenance purposes;
- h. Apparatus used solely to scavenge a gas turbine unit;
- i. Shaft that forms a part of the unit or connects parts of the unit together with any coupling, clutch, bearing, gear or gear set on such a shaft; and
- j. Interconnecting wiring, piping or ducts between parts of the unit and mounted on the unit.

Turbine Unit does not include any:

- a. Machines or other apparatus other than those included in paragraphs 9.(a) through 9.(j) above;
- b. Electronic computer or electronic data processing equipment;
- c. Wiring, piping or ducts leading to or from the unit;
- d. Condenser, its connecting pipe or adapter;
- e. Penstock or draft tube; or
- f. Boiler using exhaust gases from any gas turbine unit.

**SUMMARY OF COVERAGE
BOILER & MACHINERY ADDENDUM**

FOR COVERAGE PERIOD 4/1/17 TO 4/1/18

\$150,000,000 Program Limit of Coverage per Accident

Including, but not limited to:

Loss of Income & Rental Value	\$ 10,000,000
Extra Expense	\$ 10,000,000
Accounts Receivable	\$ 150,000,000
Valuable Papers and Records	\$ 150,000,000
Money and Securities	\$ 1,000,000
Demolition and Increased Cost of Construction	\$ 30,000,000
Ammonia Contamination	\$ 2,000,000
Expediting Expense	\$ 2,000,000
Hazardous Substance	\$ 2,000,000
Water Damage	\$ 2,000,000
Spoilage	\$ 1,000,000
Consequential Damage	\$ 1,000,000

Coverage renews and expires at 12:01 a.m. Standard Time at Roseville,
California

ADDENDUM

EXCLUSION OF CERTAIN COMPUTER RELATED LOSSES DUE TO DATES OR TIMES

This addendum modifies coverage provided under the following:

Property Coverage Provisions Boiler and Machinery Coverage Addendum

- I. This **Memorandum** does not cover **loss** or damage caused directly or indirectly by any of the following. Such **loss** is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the **loss**.
 - A. The failure, malfunction or inadequacy of:
 1. Any of the following, whether belonging to the Covered Party or others:
 - a. computer hardware, including microprocessors;
 - b. computer application software;
 - c. computer operating system and related software;
 - d. computer networks;
 - e. microprocessors (computer chips) not part of any computer system;
 - f. any other computerized or electronic equipment or components; or
 2. Any other products or services that directly or indirectly use or rely upon, in any manner, any of the items listed in paragraph I.A.1. of this addendum;

due to the inability of those products or services described in paragraphs I.A.1. and I.A.2. of this addendum to correctly recognize, distinguish, interpret or accept one or more dates or times.
 - B. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair or supervision done by or for the Covered Party to determine, rectify or test, any potential or actual failure, malfunction or inadequacy described in paragraph I.A. of this addendum.

- C. If an excluded cause of **loss** as described in paragraph I. of this addendum results:
1. In an accident to an object under the Boiler and Machinery Addendum; or
 2. The following covered causes of **loss** under the Property Coverage Provisions:
 - a. Fire;
 - b. Lightning;
 - c. Wind or hail;
 - d. Leakage from fire protective equipment;
 - e. Explosion;
 - f. Smoke;
 - g. **Aircraft or vehicles**;
 - h. Riot or civil commotion;
 - i. Vandalism;
 - j. Water damage; or
 - k. Theft.

The **Authority** shall pay only for the **loss** or damage caused by such covered cause of **loss**.

- II. The **Authority** shall not be liable for the costs to repair or modify any items described in paragraphs I.A.1. and I.A.2. of this addendum to correct any deficiencies or change any features of logic or operation.

FLOOD AND EARTHQUAKE COVERAGE ADDENDUM

This addendum modifies coverage provided under the following:

Property Coverage Provisions Boiler and Machinery Coverage Addendum

A. Coverage Agreement

1. Subject to all terms stated herein and in the **Memorandum** of Coverage to which this FLOOD AND EARTHQUAKE COVERAGE ADDENDUM is attached, not in conflict herewith, coverage is extended to include liability for:
 - a. Direct physical loss to **Property Covered** as described in Section III. – Coverage, B.1 and B.2 of the **Memorandum**;
 - b. **Loss of Income** including **Rental Value**;
 - c. **Extra Expense**;
 - d. **Valuable Papers and Records**;
 - e. **Accounts Receivable**;
 - f. **Money and Securities**;
 - g. **Claims Preparation Expense**;
 - h. **Landscaping**;
 - i. **Premises Improvements**;
 - j. **Penstocks**;
 - k. Aboveground piping;
 - l. Property in the course of construction at any one location, but not exceeding the limit shown in the Schedule of Covered Values or the SUMMARY OF COVERAGE, whichever is less;

all solely resulting from a **Flood** or an **Earthquake** as defined and limited in this FLOOD AND EARTHQUAKE COVERAGE ADDENDUM.

B. Coverage Extensions

1. **Flood**

a. Limit of Coverage

Subject to the **Authority's** annual aggregate limit of coverage of \$25,000,000 and the applicable deductibles and waiting periods as shown below, the most that will be paid at all locations reported to the **Authority** in the Schedule of Covered Values for all **Member Agencies** in any one **occurrence** for direct physical loss or damage to property and **loss of income, rental value** and **extra expense** caused by or resulting from **flood** shall be as follows:

- i. \$5,000,000 per **occurrence** and annual aggregate limit of coverage for locations situated in **flood zones** designated A, or V;
- ii. \$10,000,000 per **occurrence** and \$10,000,000 annual aggregate limit of coverage for locations situated in **flood zones** designated B, C or X;

regardless of any other cause or event that directly or indirectly contributes concurrently to, or contributes in any sequence to the loss or damage, even if such other cause or event would otherwise be covered.

b. Deductibles

The **Authority** will not pay for direct physical **loss** or damage to covered property at the locations shown in the most recent Schedule of Covered Values resulting from any one **occurrence** until the amount of **loss** or damage exceeds the deductible shown below. Each claim for **loss** or damage, as a result of one **occurrence** covered under this ADDENDUM, shall be subject to one deductible:

- i. \$75,000 for property situated in **flood zones** designated B, C or X.

- ii. \$250,000 for property situated in **flood zones** designated A, or V.

Following direct physical **loss** or damage that is covered under this ADDENDUM, to covered property at locations shown in the most recent Schedule of Covered Values, the **Authority** will pay the amount of **Loss of Income, Rental Value** and **Extra Expense** loss that is covered under this ADDENDUM, after the applicable waiting period shown below, not to exceed the applicable limit of coverage:

- i. Twenty-four (24) hours for property situated in **flood zones** designated B, C or X.
- c. Definitions
- i. **Flood**, as respects coverage provided by this ADDENDUM, shall mean waves, tidal waves or waters, tsunami, the overflowing or breaking of boundaries of lakes, ponds, reservoirs, rivers, streams, harbors, oceans or similar bodies of water caused by rain, snow, or ice immediately derived from storm run-off, all whether driven by wind or not.
 - ii. **Flood zone** designations for locations reported in the current Schedule of Covered Values shall be determined by the most recent flood maps published by the Federal Emergency Management Agency (FEMA) for each location.

2. **Earthquake**

- a. Limit of Coverage

Subject to the Authority's annual aggregate limit of coverage of \$2,500,000 and the applicable deductibles and waiting periods as shown below, the most that will be paid at all locations reported to the **Authority** in the Schedule of Covered Values for all **Member Agencies** in any one **occurrence** for direct physical loss or damage to property and **loss of income, rental value** and **extra expense** caused by or resulting from **earthquake** shall be \$2,500,000.

b. Deductibles

- i. In determining the amount, if any, that will be paid for direct physical **loss** or damage of covered property resulting from **earthquake**, for each of the locations shown in most recent Schedule of Covered Values, the **Authority** will apply a five percent (5%) deductible to the sum of:
- (a) 100% of the values shown in the Schedule of Covered Values for the types of covered property that sustained direct physical **loss** or damage; and
 - (b) 100% of the values shown in the Schedule of Covered Values for the types of covered property that did not sustain direct physical **loss** or damage, but are located at the same premises that sustained direct physical **loss** or damage.

The **Authority** will pay the **loss** or damage in excess of such deductible amount determined above, subject to a minimum of deductible amount of \$75,000 and subject to the limit of coverage for such covered property.

- ii. Following direct physical **loss** or damage that is covered under this ADDENDUM, to covered property at locations shown in the most recent Schedule of Covered Values, the **Authority** will pay the amount of **Loss of Income, Rental Value** and **Extra Expense** loss sustained after a waiting period of forty eight (48) hours, not to exceed the limit of coverage shown above.

c. Definition

- i. **Earthquake**, as respects coverage provided by this ADDENDUM, means **loss** caused by, resulting from, contributed to or aggravated by volcanic activity or seismic earth movement, meaning the natural faulting of land masses, not including subsidence, landslide, rockslide, mudflow, earth rising, earth shifting or settling; unless as a direct result of such volcanic

activity or seismic earth movement all occurring within any period of 168 hours.

ACWA JPIA
Excess/Reinsurance Coverage Renewal
February 6, 2017

BACKGROUND

The Property Program renews April 1, 2017 which includes the pooled portion as well as the reinsurance layer. XL Catlin is the JPIA's reinsurance partner and we are entering the third and last year of a contract.

CURRENT SITUATION

This renewal cycle has been exceptionally productive. With Aon's assistance, notably Karen Cangemi, Senior Property Broker, the JPIA received a flat rate for the upcoming program year. Achieving a flat rate was a success because our reinsurance agreement allows for a rate increase if a specific loss ratio is exceeded. That ratio has been surpassed.

In addition, staff and Aon are continuing negotiations to include underground piping within 1,000 feet of an insured's operation for no additional costs; adding this coverage puts us in line with our competitors. Price stability and coverage enhancements for this renewal is the main objective for the JPIA's All-Risk coverage. That being said, a group purchase earthquake and a flume coverage program are also under review and will be discussed at the meeting.

Lastly, XL Catlin continues to provide value added services to the JPIA. Our members receive loss control services within the Global Asset Protection Services (GAPS) program, hydroelectric equipment inspections, and pressure vessel inspections. Our members appreciate these loss control services which ensures our programs run well and we receive positive pricing as a result.

RECOMMENDATION

That the Property Program Committee recommend that the Executive Committee approve XL Catlin's renewal terms and pricing to be effective April 1, 2017.

ACWA JPIA
Renewal Pricing
February 6, 2017

BACKGROUND

Deposit premiums for the 4/1/17-18 policy year are to be mailed to the members at the end of February. The last member premium rate change was for the 4/1/15-16 policy year, where the premium rates were reduced by 10%.

CURRENT SITUATION

The Property Program Expected Revenue/Expense & Funding Requirement report provides a breakdown for the expected revenues and expenses for the 4/1/17-18 policy year. The total estimated premium is approximately \$5.2 million based on \$5.5 billion in TIVs. The premium is based on an estimated excess insurance cost of \$1.6 million (includes an allocation for brokers expense) and claims expense of approximately \$1 million. The 2016 actuary report projects a \$.0193, per \$100 of value, loss rate for the 4/1/17-18 policy year. The recommended renewal for excess insurance will continue the self insured retention level of \$100,000 using XL Catlin as our reinsurer.

RECOMMENDATION

That the Property Program Committee recommend that the Executive Committee approve no change in the following rates:

Real and Personal Property	\$.09
Mobile Equipment	\$ 135
Automobiles	\$.765

ACWA JPIA**PROPERTY PROGRAM****EXPECTED REVENUE/EXPENSE & FUNDING REQUIREMENTS COMPARISON****OPTION 1 - NO RATE CHANGE**

As of October 31, 2016

	Policy Year 4/1/2015-16 Actual	Policy Year 4/1/2015-16 Budget	Policy Year 4/1/2016-17 Projection	Policy Year 4/1/2017-18 Budget	% Change 4/1/2016-17 to 4/1/2017-18
1 REVENUE:					
2 Deposit Premiums Earned (Note 1)	\$ 4,991,249	\$ 4,724,915	\$ 5,005,576	\$ 5,252,025	4.92%
3 Net Investment Income	70,606	94,498	100,112	105,040	4.92%
4 Total Revenue	\$ 5,061,855	\$ 4,819,413	\$ 5,105,688	\$ 5,357,065	4.92%
5 EXPENSE:					
6 Paid Claims and Reserves	\$ 867,742	\$ 1,067,069	\$ 1,252,497	\$ 1,069,696	-14.59%
7 Purchased Excess Insurance	1,527,000	1,652,501	1,545,000	1,545,000	0.00%
8 Natural Disaster Fund	500,000	500,000	500,000	500,000	0.00%
9 General & Admin. Expenses	1,624,404	1,372,144	1,534,962	1,632,780	6.37%
10 Total Expenses	4,519,146	4,591,714	4,832,459	4,747,476	-1.76%
11 RETROSPECTIVE PREMIUM ADJ	\$ 542,709	\$ 227,699	\$ 273,229	\$ 609,590	123.11%
12 Number of Program Members	262	263	262	265	1.15%
13 Insured Values (000's omitted)	\$ 5,245,219	\$ 4,988,636	\$ 5,278,835	\$ 5,533,862	4.83%
14 Net Premium Cost / \$100 of Value	\$ 0.0848	\$ 0.0901	\$ 0.0896	\$ 0.0839	-6.42%
15 Premium Rate					
Real and Personal Property	\$ 0.090	\$ 0.090	\$ 0.090	\$ 0.090	0.00%
Mobile Equipment	\$ 0.135	\$ 0.135	\$ 0.135	\$ 0.135	0.00%
Automobiles	\$ 0.765	\$ 0.765	\$ 0.765	\$ 0.765	0.00%
16 District Deductibles	\$500 - 25,000	\$500 - 25,000	\$500 - 25,000	\$500 - 25,000	
17 Pooled Layer	Ded. to \$100,000	Ded. to \$100,000	Ded. to \$100,000	Ded. to \$100,000	
18 Program Limit	\$100,000,000	\$ 100,000,000	\$ 150,000,000	\$ 100,000,000	

CALCULATIONS

Line #

- 2 Deposit Premium - See Note 1 following page
- 3 Interest Income - 2.0% of Deposit Premium
- 6 Claims Expense - Actuarially generated Loss Rate times insured values / 100
- 7 Excess Insurance - Excess Rate times Total Insured Values / 100
- 9 G&A Expenses - 17% of Budgeted G&A (9,604,589)
- 11 RPA - Calculated to balance budget

	CURRENT PROJECTION	BUDGET
<u>VARIABLES</u>	<u>2016/17</u>	<u>2017/18</u>
TOTAL INSURED VALUES	\$5,278,835	\$5,533,862,492
EXCESS RATE per \$100 OF INSURED VALUE	\$0.0302	\$0.0302
LOSS RATE PER \$100 OF INSURED VALUES	0.03035	0.0193

ACWA JPIA**PROPERTY PROGRAM****EXPECTED REVENUE/EXPENSE & FUNDING REQUIREMENTS COMPARISON****OPTION 2 - 5% DECREASE**

As of October 31, 2016

	Policy Year 4/1/2015-16 Actual	Policy Year 4/1/2015-16 Budget	Policy Year 4/1/2016-17 Projection	Policy Year 4/1/2017-18 Budget	% Change 4/1/2016-17 to 4/1/2017-18
1 REVENUE:					
2 Deposit Premiums Earned (Note 1)	\$ 4,991,249	\$ 4,724,915	\$ 5,005,576	\$ 4,989,423	-0.32%
3 Net Investment Income	70,606	94,498	100,112	99,788	-0.32%
4 Total Revenue	\$ 5,061,855	\$ 4,819,413	\$ 5,105,688	\$ 5,089,212	-0.32%
5 EXPENSE:					
6 Paid Claims and Reserves	\$ 867,742	\$ 1,067,069	\$ 1,252,497	\$ 1,069,696	-14.59%
7 Purchased Excess Insurance	1,527,000	1,652,501	1,545,000	1,545,000	0.00%
8 Natural Disaster Fund	500,000	500,000	500,000	500,000	0.00%
9 General & Admin. Expenses	1,624,404	1,372,144	1,534,962	1,632,780	6.37%
10 Total Expenses	4,519,146	4,591,714	4,832,459	4,747,476	-1.76%
11 RETROSPECTIVE PREMIUM ADJ	\$ 542,709	\$ 227,699	\$ 273,229	\$ 341,736	25.07%
12 Number of Program Members	262	263	262	265	1.15%
13 Insured Values (000's omitted)	\$ 5,245,219	\$ 4,988,636	\$ 5,278,835	\$ 5,533,862	4.83%
14 Net Premium Cost / \$100 of Value	\$ 0.0848	\$ 0.0901	\$ 0.0896	\$ 0.0840	-6.31%
15 Premium Rate					
Real and Personal Property	\$ 0.090	\$ 0.090	\$ 0.090	\$ 0.086	-5.00%
Mobile Equipment	\$ 0.135	\$ 0.135	\$ 0.135	\$ 0.128	-5.00%
Automobiles	\$ 0.765	\$ 0.765	\$ 0.765	\$ 0.727	-5.00%
16 District Deductibles	\$500 - 25,000	\$500 - 25,000	\$500 - 25,000	\$500 - 25,000	
17 Pooled Layer	Ded. to \$100,000	Ded. to \$100,000	Ded. to \$100,000	Ded. to \$100,000	
18 Program Limit	\$100,000,000	\$ 100,000,000	\$ 150,000,000	\$ 100,000,000	

ACWA JPIA**PROPERTY PROGRAM****EXPECTED REVENUE/EXPENSE & FUNDING REQUIREMENTS COMPARISON****OPTION 3 - 10% DECREASE**

As of October 31, 2016

	Policy Year 4/1/2015-16 Actual	Policy Year 4/1/2015-16 Budget	Policy Year 4/1/2016-17 Projection	Policy Year 4/1/2017-18 Budget	% Change 4/1/2016-17 to 4/1/2017-18
1 REVENUE:					
2 Deposit Premiums Earned (Note 1)	\$ 4,991,249	\$ 4,724,915	\$ 5,005,576	\$ 4,726,822	-5.57%
3 Net Investment Income	70,606	94,498	100,112	94,536	-5.57%
4 Total Revenue	\$ 5,061,855	\$ 4,819,413	\$ 5,105,688	\$ 4,821,359	-5.57%
5 EXPENSE:					
6 Paid Claims and Reserves	\$ 867,742	\$ 1,067,069	\$ 1,252,497	\$ 1,069,696	-14.59%
7 Purchased Excess Insurance	1,527,000	1,652,501	1,545,000	1,545,000	0.00%
8 Natural Disaster Fund	500,000	500,000	500,000	500,000	0.00%
9 General & Admin. Expenses	1,624,404	1,372,144	1,534,962	1,632,780	6.37%
10 Total Expenses	4,519,146	4,591,714	4,832,459	4,747,476	-1.76%
11 RETROSPECTIVE PREMIUM ADJ	\$ 542,709	\$ 227,699	\$ 273,229	\$ 73,883	-72.96%
12 Number of Program Members	262	263	262	265	1.15%
13 Insured Values (000's omitted)	\$ 5,245,219	\$ 4,988,636	\$ 5,278,835	\$ 5,533,862	4.83%
14 Net Premium Cost / \$100 of Value	\$ 0.0848	\$ 0.0901	\$ 0.0896	\$ 0.0841	-6.21%
15 Premium Rate					
Real and Personal Property	\$ 0.090	\$ 0.090	\$ 0.090	\$ 0.081	-10.00%
Mobile Equipment	\$ 0.135	\$ 0.135	\$ 0.135	\$ 0.122	-10.00%
Automobiles	\$ 0.765	\$ 0.765	\$ 0.765	\$ 0.689	-10.00%
16 District Deductibles	\$500 - 25,000	\$500 - 25,000	\$500 - 25,000	\$500 - 25,000	
17 Pooled Layer	Ded. to \$100,000	Ded. to \$100,000	Ded. to \$100,000	Ded. to \$100,000	
18 Program Limit	\$100,000,000	\$ 100,000,000	\$ 150,000,000	\$ 100,000,000	

MEETING DATES	BOARD OF DIRECTORS	EXECUTIVE	PERSONNEL	FINANCE & AUDIT	PROGRAMS				RISK MGMT
					Emp. Benefits	Liability	Property	Work Comp	
JAN 31			11:00 AM ONTARIO						
FEB 6				1:00 PM			3:00 PM		
FEB 7		8:30 AM							
MAR 20				1:00 PM				3:00 PM	10:00 AM
MAR 21		8:30 AM							
APR 4					1:00 PM	9:00 AM			
APR 20			11:00 AM ONTARIO						
MAY 8	1:30 PM	10:15 AM							
MAY 9	ACWA CONFERENCE MAY 9 TO 12 – MONTEREY MARRIOTT								
MAY 31		11:00 AM							
JUN 27		1:00 PM			9:00 AM				
JUL 17	STRATEGIC PLANNING SESSION – JULY 17-18								
JUL 20			11:00 AM ONTARIO						
AUG 29			10:00 AM	1:00 PM		3:00 PM			
AUG 30		8:30 AM							
SEP 12	CAJPA CONFERENCE SEPTEMBER 12 TO 15 – SOUTH LAKE TAHOE CA								
OCT 31		11:00 AM	9:00 AM						
NOV 27 ANAHEIM	1:30 PM	10:15 AM							
NOV 28	ACWA CONFERENCE NOVEMBER 28 TO DECEMBER 1 – ANAHEIM MARRIOTT								

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
JPIA CLOSED	2/16	20			29		4		4		23/24	25/26
MGR MEETINGS	6	3	3	7	3	2	7	4	1	6	3	6
STAFF Q&A	11	8	8	12	18	14	12	9	6	11	15	7
RM @ JPIA		8-9		12-13		14-15		9-10		11-12		7-8