

**SAN DIEGO CONVENTION CENTER CORPORATION
AUDIT COMMITTEE MEETING
OF THE BOARD OF DIRECTORS**

**Director Will Rodriguez-Kennedy, Chair
Director Jaymie Bradford
Director Alyssa Turowski**

**MONDAY, APRIL 24, 2023, 10:00 A.M.
111 W. Harbor Drive, Executive Boardroom
San Diego, California 92101**

AGENDA

**Telephone number for members of the public
to observe, listen, and address the meeting telephonically:
1(888) 251-2909 – Access code is 6724115#**

1. **Call to order: Will Rodriguez-Kennedy, Chair**

2. **Non-Agenda Public Comment:**

This portion of the agenda provides an opportunity for members of the public to address the Board on items of interest within the jurisdiction of the Board that have not previously been before the Board. Pursuant to the Brown Act, no discussion or action shall be taken by the Board on items not posted on the agenda.

3. **Approve Minutes of January 18, 2023, Audit Committee Meeting**

4. **Chair's Report**

5. **Action Item(s):**

A. Recommendation to Authorize Placement of Property, General and Umbrella Liability, Workers' Compensation and Directors & Officers Insurance Through the Brokerage Services of Marsh & McLennan Agency

6. **Staff Updates:**

A. Management Update – Rip Rippetoe

B. CFO/Finance Update – Mardeen Mattix

(1) Review of Year- to-Date Financial Variances

(2) Review of Whistleblower Policy

(3) Continued Public Telephonic Access to Board/Committee Meetings

C. Human Resources Executive Director Update – Michael Milligan

(1) SDCCC Fraud/Complaints Update

7. **Urgent non-agenda items** (must meet the requirements of Government Code, Section 54954.2)
8. **Audit Committee Comment** [Govt. Code §54954.2(a)(2)]

Adjournment

This information is available in alternative formats upon request. To request an agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device ("ALD") for the meeting, please call Pat Evans at (619) 525-5131 at least five working days prior to the meeting to ensure availability. **Audio copies of Board of Director meetings are available upon request. Please contact Pat Evans at (619)525-5131 or pat.evans@visitsandiego.com to request a copy.**

In compliance with Government Code section 54957.5, non-exempt written material that is distributed to the Board prior to the meeting will be available at the meeting or it may be viewed in advance of the meeting at the corporation's offices at 111 West Harbor Drive, San Diego, CA. Materials distributed to the board after the posting of this agenda also will be available. Please contact Pat Evans at (619)525-5131 or pat.evans @ visitsandiego.com if you would like to pick up a copy of any material related to an item on this agenda.

Action items on this agenda may be consolidated for voting purposes into a single vote of the Board, to the extent they are routine or otherwise do not require further deliberation. A Board member may comment on an action item before it is voted upon as part of the consolidated vote; however, if a Board member wishes to discuss an action item, that item will not be included in the consolidated vote. If a member of the public wishes to comment upon an action item, they should so advise the Board chair at or before the public comment portion of the meeting, in which case that item will not be included in any consolidated vote.

Agenda Item 3

MINUTES

**SAN DIEGO CONVENTION CENTER CORPORATION
AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS**

**WEDNESDAY, JANUARY 18, 2023, 10:00 A.M.
111 W. Harbor Drive, 2nd Floor, Executive Boardroom
San Diego, California 92101**

**Director Will Rodriguez-Kennedy, Chair
Director Jaymie Bradford
Director Alyssa Turowski**

BOARD MEMBERS PRESENT: Chair Will Rodriguez-Kennedy, and Director Alyssa Turowski
BOARD MEMBERS ABSENT: Director Jaymie Bradford
STAFF PRESENT: Rip Rippetoe, Mardeen Mattix, Anastasia Rollins, and Pat Evans (Recorder)

ALSO PRESENT:

1. Call to Order:

Chair Will Rodriguez-Kennedy called the meeting to order at 10:00 a.m. in the Executive Conference Room of the San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, California.

Chair Rodriguez-Kennedy announced that since this meeting is being conducted on site with an open telephone line to the public, the first action is to perform a roll call to determine which Board members are present on this call.

Director Rodriguez-Kennedy - Present
Director Bradford- Absent
Director Turowski – Present

Chair Rodriguez-Kennedy noted that all of the Committee members were present except Director Bradford and all votes taken at today's meeting will be recorded via roll-call vote.

2. **Non-Agenda Public Comment** – Chair Rodriguez-Kennedy requested public comment regarding any non-agenda items. Hearing none, the meeting proceeded.

3. **Approve minutes of Audit Committee Meeting of October 17, 2022.**

Directors Turowski and Rodriguez-Kennedy moved and seconded, respectively, to approve the minutes of the meeting of October 17, 2022.

Director Rodriguez-Kennedy – Aye

Director Bradford – Absent

Director Turowski - Aye

Vote unanimous.

AYES: 2

NAYS: 0

ABSTENTIONS: 0

4. **Chairs Report:** None

5. **Action Item(s):**

Chair Rodriguez-Kennedy inquired if any member of the public wished to comment on Agenda Item 5.A. No members of the public responded to the request for comment.

(A) Recommendation to Approve Resolution No. 2023-01, Adoption of San Diego Convention Center Corporation, Inc. 403B Retirement Plan

After presentations by Staff, Directors Turowski and Rodriguez-Kennedy moved and seconded, respectively, to recommend Approval of Resolution No. 2023-01, Adoption of San Diego Convention Center Corporation, Inc. 403B Retirement Plan

Director Rodriguez-Kennedy – Aye

Director Bradford – Absent

Director Turowski – Aye

Vote unanimous.

AYES: 2

NAYS: 0

ABSTENTIONS: 0

6. **Staff Updates:**

A. Management Update

- Since Chair Rodriguez-Kennedy is new to his role as Audit Committee Chair, Mr. Rippetoe reviewed the information covered by staff during “Staff Updates,” and asked if there was any specific information the Chair would like reviewed during staff updates. Mr. Rippetoe informed Chair Rodriguez-Kennedy that he is welcome to add his input to what he would like staff to report on.
- Mr. Rippetoe provided an overview of the content of recent Town Hall sessions. Staff surveys have indicated that staff prefer the Town Hall sessions to take place at 6:30 a.m., 10:30 a.m. and 3:30 p.m. in order to accommodate all three staffing shifts. One of the Town Hall sessions is also recorded for later review by staff who are unable to attend one of the live sessions.
- The facility is geared up to accommodate several large events over the next few months and the management team always places an emphasis on the safety of staff and guests during events.
- Several staff members attended the PCMA conference in Ohio earlier this month and it was a wonderful experience and an opportunity to meet with many of the facilities’ major clients. The San Diego Convention Center is scheduled to host the PCMA event in January of 2024, and it will be a fantastic opportunity for the Board to see our team’s interaction with many of our top customers. The most recent study indicated that approximately 86% of the Center’s customers belong to PCMA so this event will be a target rich environment. Staff are working with the TMD, SDTA and the hotel community to determine the best way to promote next year’s event.
- Chair Rodriguez-Kennedy reported that he is in the process of reviewing documents related to the Audit Committee and once he has met with CFO Mattix, he may have requests for additional information during staff updates.

B. CFO/Finance Update– Ms. Mattix reported:

(1) Review of Year- to-Date Financial Variances

- The Corporation is doing better than originally projected from an overall budget perspective.
- Revenues, especially Food & Beverage, are coming in more strongly than projected. The Deloitte event was a huge surprise in terms of its success. Staff is in the process of evaluating the Deloitte event’s economic impact for the region and will have the information within a couple of months.
- From an expense standpoint, our personnel expense is right on track. Additional staff positions have been added (Electrical Engineer and Civil Engineer) due to the City asking the Center to do the primary planning for rehabilitation of the building. The Corporation is still looking to hire a Mechanical Engineer.
- The Engineering team will be primarily responsible for reviewing specifications and helping draft RFPs. While Staff will still work with the City with plans for major projects, the three on-site engineers will be primarily responsible for ensuring

that the maintenance staff has the resources and composition of staff and talent to be able to conduct better routine maintenance and Staff continues to develop a maintenance plan.

- The budget line item for non-represented staff is slightly over projections.
- The contract for the SEIU union is completed and negotiations should start soon for Teamsters. Staff will update the Board regarding the Teamsters' contract expectations once negotiations begin.
- The line items for full-time and part-time employees will be over budget. The line-item increase in the part-time line-item, in particular, is surprising. Our employee pools are low, and this is causing part-time employees to work longer hours due to strong event activity.
- Our Talent Acquisition staff member started last month, and she is working strenuously to fill open staff positions.
- Our utility line-item will also be over budget. Staff budgeted this item conservatively, anticipating a lower attendance; however, more electricity was used due to hotter than anticipated weather and the need to accommodate comfort levels of staff during event move-ins and move-outs. Clients would normally have to pay for the adjustment to the electrical use; however, the Corporation chose to absorb the electrical costs for worker safety.
- Supply chain issues are still affecting some orders so some repair and maintenance items will cross over into the next fiscal year.
- Ms. Mattix explained the principles of the Corporation's accrual-based accounting system.

C. H.R. Executive Director Update – Michael Milligan

(1) SDCCC Fraud/Complaint Update

- After an inquiry from Chair Rodriguez-Kennedy, staff explained how the fraud hotline is set up and how notifications regarding fraud and complaints are disseminated to the Committee members. Staff also explained the process under which confidentiality regarding specific matters would be enacted and how Board "closed sessions" can factor into confidential discussions.
- Mr. Milligan reported the "fraud line" has received no complaints related to SDCCC.
- Ms. Mattix reported that two policies will be discussed at the next Audit Committee meeting: (1) the "Whistleblower Policy and (2) Policy 105 – the Audit Committee Charter. In the absence of a Human Resource Director, Ms. Mattix temporarily oversaw the complaint/fraud lines.
- Ms. Mattix also reviewed the steps taken after the a "whistleblower" or a fraud complaint is received. Ms. Mattix will retest the lines to ensure that the process is working correctly. Once the tests are completed, the review process will be transferred back to the Human Resources Executive Director for oversight.
- Ms. Mattix also reported that the Corporation should establish protocols for complaints that are directed to outside agencies (OSHA, EEOC, etc.).

7. **Urgent non-agenda items** (must meet the requirements of Government Code, Section 54954.2) - **None**
8. **Audit Committee Comment:** **None**

There being no further business, the meeting adjourned at 10:48 a.m.

CERTIFICATION

I, Will Rodriguez-Kennedy, Chair of the Audit Committee of the Board of Directors of San Diego Convention Center Corporation, Inc., do hereby certify that the foregoing is a true and correct copy of the minutes of the business transacted by the Audit Committee of the Board of Directors of the San Diego Convention Center Corporation, Inc. at a duly noticed meeting held on January 18, 2023.

Will Rodriguez-Kennedy, Chair

Agenda Item 5.A

SAN DIEGO CONVENTION CENTER CORPORATION

M E M O R A N D U M

TO: Audit Committee

FROM: Mardeen Mattix, Chief Financial Officer

DATE: For the Agenda of April 24, 2023

RE: Recommendation to Review and Authorize Approval of Placement of Property, General and Excess Liability, Workers' Compensation, Cyber, Assailant, Auto, Underground Storage Tank and Directors & Officers Insurance through the Brokerage Services of Marsh & McLennan Agency

BACKGROUND

The Corporation's Property, General & Excess Liability, Workers' Compensation, and Directors & Officers insurance policies expire April 30, 2023.

Five years ago, the Corporation issued a formal Request for Proposal (RFP) to brokers and awarded Marsh & McLennan Agency (Marsh) an initial term of three years with the option to extend for two additional one-year periods. This is the final year of the contract term.

DISCUSSION

The Executive Director of HR and CFO reviewed the submitted quotes and evaluated package premium costs, claims and loss control services, risk, and financial stability.

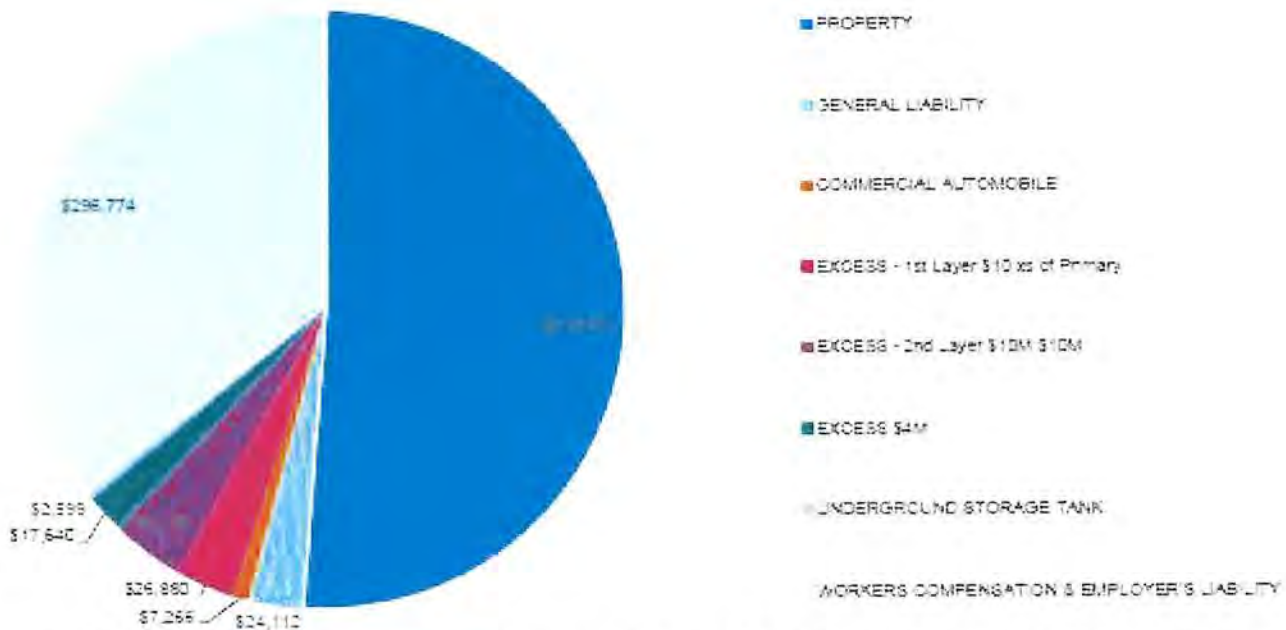
Below is an overview of our current program coverage, deductible limits, and incumbent carriers:

San Diego Convention Center 5/1/2022 - 5/1/2023

Excess Liability				Property		Cyber Liability		Underground Storage Tank		Crime		D & O, EPL & Fiduciary		Active Assailant	
Carrier: Capitol Specialty Limit: \$4,000,000 Premium: \$16,814				Carrier: Affiliated FM Total Insured Value: \$310,795,049		Carrier: Beazley Limit: \$3,000,000 various policy sublimits		Carrier: UCPM Environmental Limit: \$1,000,000		Carrier: Zurich Limit: \$250,000		Carrier: Zurich Limit: \$3,000,000 D & O + EPL Fiduciary \$2,000,000		Carrier: Hiscox Lead Limit: \$2,500,000	
Carrier: HDI Global Limit: \$10,000,000 Premium \$29,137				Carrier: National Casualty / K&K Limit: \$10,000,000 Premium \$24,328											
General Liability Carrier: Scottdale (K&K) Limit: GL - \$1,000,000/\$2,000,000 SIR: \$100,000	Automobile Liability Carrier: Scottdale (K&K) Limit: \$1,000,000 Deductible \$1,000 Comp. \$1,000 Coll	Directors & Officers Liability Carrier: K&K Limit: \$2,500,000 Deductible \$250,000	Employees Benefits Liability Carrier: Scottdale (K&K) Limit: \$1,000,000/\$2,000,000 Deductible \$1,000	Water Damage Deductible \$25,000	Flood Deductible \$50,000	Business Interruption- 48 HR Deductible \$100,000	Retention \$50,000	Deductible \$250,000	Tank 1- \$100,000 Tank 2 - \$25,000	Deductible \$15,000 Fiduciary \$10,000	Retention D & O \$100,000 EPL- \$250,000	No Deductible			
Premium \$23,318	Premium \$8,721	Premium incl. in WC	Premium incl. in GL	Premium \$387,285	Premium \$30,954	Premium \$229,164	Premium \$2,140.15	Premium \$1,842	Premium \$65,654	Premium \$28,394					

Overview of Current Coverage

COVERAGE POLICY TERM	EXPIRING		RENEWAL		CHANGE
	05/01/22	05/01/23	05/01/23	05/01/24	
PROPERTY	\$	387,265	\$	428,830	10.73%
GENERAL LIABILITY	\$	23,318	\$	24,112	3.41%
COMMERCIAL AUTOMOBILE	\$	8,721	\$	7,266	-16.68%
EXCESS - 1st Layer \$10 xs of Primary	\$	24,328	\$	26,880	10.49%
EXCESS - \$10M	\$	29,136	\$	32,801	12.58%
EXCESS \$4M	\$	16,814	\$	17,640	4.91%
UNDERGROUND STORAGE TANK	\$	2,097	\$	2,599	23.92%
WORKERS COMPENSATION & EMPLOYER'S LIABILITY	\$	229,164	\$	296,774	29.50%
CYBER	\$	30,954	\$	19,359	-37.46%
ACTIVE ASSAILANT	\$	28,394	\$	36,138	27.27%
EXECUTIVE LIABILITY	\$	66,654	\$	66,939	1.96%
BROKER FEE*	\$	81,250	\$	81,250	
TOTAL PROGRAM COST	\$	927,115	\$	1,040,588	12.24%



*Broker Fee - Per the Client Service Agreement, MMA takes commission on the D & O, Cyber, UST, Active Assailant and Property. The Property Commission is rebated back to SDCC.

Property

Property markets are experiencing increases in rate due to supply constraints, legal system abuse, inflation, and catastrophic losses such as hurricanes, floods, and fires. Carriers looked for property valuation increases due to the higher inflation significantly impacting replacement cost for buildings. SDCC increased their building value by 5%.

PROPERTY	EXPIRING		RENEWAL		CHANGE
	Affiliated FM		Affiliated FM		
Coverage Term	05/01/22 - 05/01/23		05/01/23 - 05/01/24		
Personal Property	\$	5,125,000	\$	5,125,000	
Electronic Data Property	\$	1,500,000	\$	1,500,000	
Building	\$	772,373,805	\$	810,992,495	5.00%
Business Income	\$	7,000,000	\$	7,000,000	
Leasehold Rental Payments	\$	24,296,244	\$	30,000,000	23.48%
DEDUCTIBLE					
All other Perils not specifically listed	\$	25,000	\$	25,000	
Earthquake Sprinkler Leakage	\$	25,000	\$	25,000	
Flood	\$	100,000	\$	100,000	* see note
Business Interruption		2 day equivalent		2 day equivalent	
Premium	\$	422,299	\$	475,897	12.69%
Terrorism	\$	50,000	\$	47,067	-5.87%
Premium	\$	472,299	\$	522,964	10.73%
Engineering Fee	\$	-	\$	-	
Commission		18%		18%	
RATING BASIS					
Total Insurable Values	\$	810,295,049	\$	854,617,495	5.47%
Rate for Comparison - per \$100 of Values		0.0478		0.0502	4.96%
Premium (NET)	\$	387,285	\$	428,830	10.73%

Affiliated FM (Incumbent) submitted a comprehensive all risk property package, with a total insured value of \$834,617,495. Total premiums (before allocations to the City of San Diego and the Port of San Diego) are \$428,830, which is \$41,545, or 10.73% higher than the expiring policy. The Corporation's share of net premium (after deducting for amounts to be billed back to the City and the Port) is \$341,830. Coverage terms remain unchanged from the previous year.

Staff recommends authorizing Marsh to renew property policy with the incumbent, Affiliated FM.

General Liability & Excess Liability

The **General Liability** premium is based on Rental revenue and Admissions. Rental revenue remained unchanged, but attendance increased by nearly 80% due to high event activity and more festival-type shows.

GENERAL LIABILITY	EXPIRING		RENEWAL		CHANGE
	K & K-Scottsdale		K & K-Scottsdale		
Coverage Term	05/01/22 - 05/01/23		05/01/23 - 05/01/24		
General Aggregate	\$	5,000,000	\$	5,000,000	
Products Completed Operations Aggregate Limit	\$	2,000,000	\$	2,000,000	
Personal and Advertising Injury	\$	1,000,000	\$	1,000,000	
Each Occurrence Limit	\$	1,000,000	\$	1,000,000	
Damage to Premises Rented to You Limit	\$	300,000	\$	300,000	
Medical Expense		Excluded		Excluded	
Self Insured Retention	\$	100,000	\$	100,000	
EMPLOYEE BENEFITS LIABILITY - CLAIMS MADE Retro Date: 5/1/2006 \$1,000 ded		\$1,000,000/\$2,000,000		\$1,000,000/\$2,000,000	
RATING BASIS					
Admissions		415,980		750,000	80.30%
Gross Revenue	\$	31,000,000	\$	40,000,000	29.03%
TPA Fee	\$	1,500	\$	1,500	
Premium	\$	21,818	\$	22,807	4.53%
Total Premium - Includes TRIA	\$	23,318	\$	24,112	3.41%

Scottsdale Indemnity (Incumbent) includes \$1,000,000 base general liability coverage including a single occurrence deductible of \$100,000, for a premium cost of \$24,112 – a 3.4% increase above last year’s expense.

The **Excess Liability** coverage market is still limited in the capacity to insure as rates are increasingly driven by nuclear verdicts and severity of automobile liability losses.

Historically, the Corporation has been required to maintain comprehensive excess liability insurance with limits of \$50 million. For the third year, SDCC requested the City of San Diego and the Unified Port District to agree to reduce the liability limit to \$25 million through an Operating Memorandum. Marsh proposed the 1st layer \$10 million excess policy renewal for \$26,880 (an increase of 10.49% from the prior year) from National Casualty, a 2nd layer equal excess policy from HDI Global Specialty for \$32,801 (an increase of 12.58% from last year), and a 3rd layer \$4 million excess policy from Capitol Specialty for \$17,640 (a change of 4.91% over last year).

GL Liability Coverage

Primary	\$	1,000,000	K&K - Scottsdale
1st layer	\$	10,000,000	National Casualty Co.
2nd layer	\$	10,000,000	HDI Global Specialty
3rd layer	\$	4,000,000	Capitol Specialty
Total GL coverage	\$	25,000,000	

	EXPIRING	RENEWAL	CHANGE
EXCESS - 1st Layer \$10 xs of Primary	National Casualty Co	National Casualty Co	
Coverage Term	05/01/22 - 05/01/23	05/01/23 - 05/01/24	
Each Occurrence	\$ 10,000,000	\$ 10,000,000	
General Aggregate	\$ 10,000,000	\$ 10,000,000	
Premium	\$ 24,328	\$ 26,880	10.49%
EXCESS - 2nd Layer \$10M	HDI Global Specialty SE	HDI Global Specialty SE	
Coverage Term	05/01/22 - 05/01/23	05/01/23 - 05/01/24	
Each Incident Limit	\$ 10,000,000	\$ 10,000,000	
Aggregate Limit	\$ 10,000,000	\$ 10,000,000	
RATING BASIS			
Premium with commission	\$ 27,000	\$ 30,500	12.96%
Commission	0%	0%	
Policy Fee	\$ 275	\$ 275	
Surplus Lines Fees	\$ 886	\$ 923	
TRIA	\$ 975	\$ 1,103	
Total Estimated Annual Premium	\$ 29,136	\$ 32,801	12.58%
EXCESS - 3rd Layer \$4M	Capitol Specialty	Capitol Specialty	
Coverage Term	05/01/22 - 05/01/23	05/01/23 - 05/01/24	
Each Incident Limit	\$ 4,000,000	\$ 4,000,000	
Aggregate Limit	\$ 4,000,000	\$ 4,000,000	
RATING BASIS			
Premium with commission	\$ 16,200	\$ 17,000	
Commission	0%	0%	
Policy Fee			
Surplus Lines Fees	\$ 527	\$ 541	
TRIA	\$ 87	\$ 99	
Total Estimated Annual Premium	\$ 16,814	\$ 17,640	4.91%

Staff recommends authorizing Marsh to renew general liability and excess coverage policies with the incumbent carriers for total annual cost of \$101,433 – 8.4% above last year’s expense.

Workers’ Compensation

Workers’ Compensation premiums are based on claims history (severity and frequency of claims) as well as expected payroll. This year’s premium rates remained flat after further negotiation (rate per \$100/payroll remained the same) however increased payroll costs pushed the renewal cost up by 4% over the prior year.

The recommended workers compensation program is written through incumbent, Travelers. As with the current year’s program, the proposed Travelers program is a self-funded, high deductible (\$250,000 per claim) program requiring a fixed base of non-refundable premiums, assessments, and fees totaling \$296,774, an increase of \$67,610, or 29.5% higher, than the expiring program. Additionally, the Travelers package requires an additional \$300,000 Letter of Credit contribution due to long-standing claim costs, for a total Collateral Requirement of \$1,650,000. Including a budgeted claim costs reserve of \$350,000, the overall program costs are expected to be \$646,774 – 11.7% above last year’s expense.

WORKERS COMPENSATION & EMPLOYER'S LIABILITY	EXPIRING	RENEWAL	CHANGE	OPTION
	TRAVELERS	TRAVELERS		Berkshire/Cypress
Coverage Term	05/01/22 - 05/01/23	05/01/23 - 05/01/24		05/01/23 - 05/01/24
WORKERS COMPENSATION	Statutory - CA	Statutory - CA		Statutory - CA
EMPLOYER'S LIABILITY				
Bodily Injury by Accident -Each Accident	\$ 1,000,000	\$ 1,000,000		\$ 1,000,000
Bodily Injury by Disease - Each Employee	\$ 1,000,000	\$ 1,000,000		\$ 1,000,000
Bodily Injury by Disease Policy Limit	\$ 1,000,000	\$ 1,000,000		\$ 1,000,000
Deductible Plan Amount	\$250,000	\$250,000		\$250,000
Class Code	Classification			
9015 Building Operations	\$ 9,185,000	\$ 14,000,000	\$	\$ 14,000,000
8742 Outside Sales	\$ 583,000	\$ 612,150	\$	\$ 612,150
8810 Clerical	\$ 3,432,000	\$ 2,000,000	\$	\$ 2,000,000
RATING BASIS				
Estimated Annual Payroll	\$ 13,200,000	\$ 16,612,150	25.85%	\$ 16,612,150
Rate for Comparison - per \$100 of Payroll	\$ 1,4850	\$ 1,4850	0.00%	\$ 1,8043
Total Estimated Annual Premium	\$ 196,020	\$ 246,690		\$ 299,738
Surcharges	\$ 33,144	\$ 50,084		\$ 55,955.00
Loss Control	Not included	Not included	Not included	Not included
Commission Rebate				
Total Premium	\$ 229,164	\$ 296,774	29.50%	\$ 355,693
Loss Fund	\$ 65,000	\$ 65,000		\$ -
Collateral Requirement	\$ 1,350,000	\$ 1,650,000	\$ 300,000	\$ 400,000

As a comparison to the high deductible program, we received competing quotes for a guaranteed premium package of \$893,212. Additionally, staff reviewed other options including comparisons in changing the high deductible limit. Historically, claims have been unpredictable and further review is needed before changing programs.

Staff recommends authorizing Marsh to renew workers' compensation policy with the incumbent, Travelers.

Directors & Officers (Including Employment Practice, Fiduciary Liability, and Crime)

Marsh submitted a package written through the incumbent, Zurich. The one-year policy provides a \$3,000,000 coverage limit, a \$100,000 retention for Directors & Officers, and \$250,000 for Employment Practice.

EXECUTIVE LIABILITY	EXPIRING	RENEWAL	CHANGE
	ZURICH	ZURICH	
COVERAGE TERM	05/01/2022 - 05/01/2023	05/01/2023 - 05/01/2024	
Directors & Officers Liability Limit - Each Claim and Aggregate	\$ 3,000,000	\$ 3,000,000	
Employment Practices Liability Limit - Each Claim and Aggregate	\$ 3,000,000	\$ 3,000,000	
Fiduciary Liability - Each Claim and Aggregate	\$ 2,000,000	\$ 2,000,000	
Additional Limit for Defense Costs	\$ 500,000	\$ 500,000	
Policy Aggregate Limit	\$ 3,500,000	\$ 3,500,000	
Retentions (Per Loss)			
D&O Non-Indemnified Claims	\$ -	\$ -	
D&O Corporate Reimbursement for Indemnified Claims	\$ 100,000	\$ 100,000	
D&O Corporate Reimbursement for Entity-Related Claims	\$ 100,000	\$ 100,000	
Employment Practices Liability Claims	\$ 250,000	\$ 250,000	
Employment Practices Liability - 3rd Party Claims	\$ 250,000	\$ 250,000	
Fiduciary Liability Claims	\$ 10,000	\$ 10,000	
DIRECTORS & OFFICERS LIABILITY			
Additional Side A Limit	\$ 1,000,000	\$ 1,000,000	
FIDUCIARY LIABILITY			
HIPAA Penalties Sublimit	\$ 100,000	\$ 100,000	
Total Estimated Annual Premium (Includes Crime)	\$ 65,654	\$ 66,939	1.96%

Staff recommends authorizing Marsh to renew the Directors & Officers policy with the incumbent, Zurich, for a total premium of \$66,939, an increase of nearly 2% compared to the expiring policy.

Active Assailant

Due to unfortunate increases in incidents across the country, the rate for this coverage is increasing. Active Assailant coverage — also known as active shooter coverage or deadly weapons coverage — through Hiscox, offers a combination of property and casualty coverage to complement the general liability and property coverage by layering protection against the threat of assailants.

ACTIVE ASSAILANT	New		Renewal		
	Hiscox Lead		Hiscox Lead		
Coverage Term	05/01/22 - 05/01/23		05/01/23 - 05/01/24		
Liability Combined Single Limit and Aggregate	\$	2,500,000	\$	2,500,000	
Physical Damage	Excluded		Excluded		
Business Interruption	\$	2,500,000	\$	2,500,000	
Loss of Attraction	\$	500,000	\$	500,000	
Extra Expense	\$	2,500,000	\$	2,500,000	
Crisis Response Company Fees	\$	250,000	\$	250,000	
Deductible	No deductible		No deductible		
Total Estimated Annual Premium	\$	27,500	\$	35,000	
Surplus Lines Tax & Stamping Fee	\$	894	\$	1,138	
Grand Total	\$	28,394	\$	36,138	27.27%

Staff recommends authorizing Marsh to renew Active Assailant coverage with Hiscox at a premium cost of \$36,138, a 27.3% increase over prior year expenses.

Cyber Privacy/Data Liability

Cyber rates are decelerating due to new entrants in the marketplace which is providing capacity in the market.

CYBER PRIVACY / DATA LIABILITY	EXPIRING	RENEWAL	
	BEAZLEY	BEAZLEY	
COVERAGE TERM	05/01/22 - 05/01/23	05/01/23 - 05/01/24	
POLICY AGGREGATE LIMIT OF LIABILITY	\$ 3,000,000	\$ 3,000,000	
FIRST PARTY COVERAGE			
Breach Response	Outside and separate	Outside and separate	
Cyber Incident Response Team	\$ 1,000,000	\$ 1,000,000	
Notified Individuals	100,000 notified individuals	100,000 notified individuals	
Business Interruption Loss and Extra Expenses	\$ 3,000,000	\$ 3,000,000	
Contingent Business Interruption Loss and Extra Expenses	\$ 100,000	\$ 1,000,000	
Cyber Extortion Loss	\$ 3,000,000	\$ 3,000,000	
Data Recovery Costs	\$ 3,000,000	\$ 3,000,000	
THIRD PARTY COVERAGE			
Data and Network Liability	\$ 3,000,000	\$ 3,000,000	
Regulatory Defense & Penalties	\$ 3,000,000	\$ 3,000,000	
Payments Cards Liabilities & Costs	\$ 3,000,000	\$ 3,000,000	
Media Liability	\$ 3,000,000	\$ 3,000,000	
Claim Prep	\$ 50,000	\$ 50,000	
Post Breach Remediation Costs	100 hours	100 hours	
eCrime			
Fraudulent Instruction	\$ 250,000	\$ 250,000	
Funds Transfer Fraud	\$ 250,000	\$ 250,000	
Telephone Fraud	\$ 250,000	\$ 250,000	
RETENTIONS			
Each Incident, Claim or Loss	\$ 50,000	\$ 25,000	
Waiting Period	10 Hours	10 Hours	
Estimated Annual Premium	\$ 29,980	\$ 18,750	
Surplus Lines Fees	\$ 974	\$ 609	
Policy Fee			
Total Premium	\$ 30,954	\$ 19,359	-37.46%

The recommended package is written through the incumbent, Beazley for \$3,000,000 policy coverage including a reduced single occurrence deductible of \$25,000, down from \$50,000 in the prior year.

Staff recommends authorizing Marsh to renew Cyber policy with the incumbent, Beazley for a premium cost of \$19,359 – 37.5% reduction from last year’s expense.

Underground Storage Tank

The SDCC Storage Tanks continue on a path to higher risk due to their age (34 and 23 years). Due to their age, the deductibles will march higher a bit every year with no alternative markets for coverage.

Staff must renew coverage for underground storage tank with incumbent carrier, Liberty Surplus, for a total premium of

\$2,599, an 11% increase over last year's expense. The most notable change from last year's policy is the additional \$1,000,000 deductible during removal or investigation claims.

UNDERGROUND STORAGE TANK	EXPIRING	RENEWAL	OPTION
	Liberty Surplus Ins. Corp	Liberty Surplus Ins. Corp	Mt. Hawley
Coverage Term	05/01/22 - 05/01/23	05/01/23 - 05/01/24	05/01/23 - 05/01/24
Storage Tank Incident Limit of Liability	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Aggregate Limit of Liability for all Storage Tank Incidents	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Aggregate Limit of Liability for all Legal Defense Expenses	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Total Policy Aggregate Limit of Liability for all Storage Tank Incidents	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Deductible per Storage Tank Incident - Tank 1*	\$ 100,000	\$ 100,000	\$ 50,000
During Removal or Investigation		\$ 1,000,000	
Deductible per Storage Tank Incident - Tank 2	\$ 25,000	\$ 25,000	\$ 10,000
Retro Date Tank 1	8/1/2005	8/1/2005	8/1/2005
Retro Date Tank 2	5/1/2005	5/1/2005	5/1/2005
Premium	\$ 2,097	\$ 2,349	\$ 4,590
Program Fee	\$ 175	\$ 175	\$ 200
Surplus Lines	\$ 68	\$ 75	\$ 147
Total Premium	\$ 2,340	\$ 2,599	\$ 4,937

Commercial Auto

Automobile rates continue to increase due to nuclear verdicts and higher physical damage repair costs along with increased vehicle purchase costs.

Staff recommends renewing coverage for automobile coverage with incumbent carrier, Scottsdale Indemnity for \$7,266, a 16.7% decrease from last year's expense due to one less automobile coverage.

COMMERCIAL AUTOMOBILE	EXPIRING	RENEWAL	CHANGE
	Scottsdale Indemnity	Scottsdale Indemnity	
Coverage Term	05/01/22 - 05/01/23	05/01/23 - 05/01/24	
Liability – Any One Accident or Loss	Symbol #1 \$ 1,000,000	\$ 1,000,000	
Uninsured/Underinsured Motorists	Symbol #2 \$ 1,000,000	\$ 1,000,000	
Medical Payments	Symbol #2 \$ 5,000	\$ 5,000	
Comprehensive Deductible	Symbol #7 \$ 1,000	\$ 1,000	
Collision Deductible	Symbol #7 \$ 1,000	\$ 1,000	
Hired Auto Liability- Excess	Symbol #8 \$ 1,000,000	\$ 1,000,000	
Hired Auto Physical Damage	Symbol #8 \$ 50,000	\$ 50,000	
Non-Owned Liability	Symbol #9 \$ 1,000,000	\$ 1,000,000	
RATING BASIS			
# Autos	\$ 4	\$ 3	-25.00%
Average Rate per Vehicle	\$ 2,180.25	\$ 2,422.00	11.09%
Premium	\$ 8,721	\$ 7,266	-16.68%

STAFF RECOMMENDATION

Audit Committee recommends that the Board authorize placement of Property, General and Excess Liability, Workers' Compensation, Cyber, Assailant and Directors & Officers Insurance through the brokerage services of Marsh & McLennan Agency as detailed in the discussion above. The costs outlined above total \$1,303,588, inclusive of an estimated claims cost of \$350,000 as well as \$81,250 in brokerage fees. FY2024 total budgeted value of all costs were approved of \$1,563,000.

Mardeen Mattix
Chief Financial Officer

Agenda Item 6.B.2

San Diego Convention Center Corporation PERSONNEL POLICY

Subject: WHISTLEBLOWER POLICY
Policy No.: 719
Issue No.: 5
Date: April 2023
Supersedes: January 2014

- 1 The San Diego Convention Center Corporation (SDCCC) requires its directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities, and to comply with all applicable federal, state and local laws, rules and regulations.
- 2 A whistleblower, as defined by this policy, is an employee of SDCCC who reports an activity that he/she considers to be illegal or dishonest to one or more of the parties specified in this policy.
- 3 Should you become aware of, or suspect: (1) a violation of federal, state, or local laws, rules or regulations; or (2) an instance of fraud, corruption, theft of Corporation property or other illegal or unethical activity, you must immediately report the incident.
- 4 You may report the incident to Corporation Management, to the Executive Director of Human Resources, to the Board Audit Committee via email to whistleblower@visitsandiego.com, via the online Whistleblower Report Form, which is located under the policy section on the front page of UKG, to the Fraud Hotline via email to fraud.hotline@visitsandiego.com, or to the confidential employee Fraud Hotline by calling (619) 525-5161. The following parties will receive Whistleblower incident reports via the aforementioned methods: The Board Audit Committee and the Executive Director of Human Resources. The following parties will receive Fraud incidents reports via the aforementioned methods: The Board Audit Committee, The President & CEO, The Chief Financial Officer, the Chief Operating Officer and the Executive Director of Human Resources.
- 5 Generally, any suspected misconduct covered by this Policy should be reported, either to the Fraud Hotline or by written report, within thirty (30) days of becoming aware of the facts of the suspected misconduct.
- 6 You do not have to identify yourself to the Fraud Hotline or on the written report; however, if you do not identify yourself, the Corporation cannot follow up with additional questions or seek clarification from you if needed to complete the investigation. Your identity and the fact of your complaint/report will be protected to the extent permitted by law.
- 7 Aside from your own contact with the Corporation's investigator(s), you may or may not know what else is being done to investigate your complaint or the final disposition of the matter. To protect the privacy and confidentiality rights of every employee, investigations are conducted in confidence, and the development of the facts and the results of the investigation will be disclosed only to the extent required by law.

Agenda Item 6.B.2

8 The law expressly protects employees who make a good faith report or complaint of misconduct from retaliation. However, employees whose reports are found to have been made without a good faith belief in their truth are potentially subject to discipline, up to and including termination.

9 Rights and protections are set forth in the Federal and State notices, which are posted on bulletin boards in the employee break rooms. Notices containing the Corporate Fraud Hotline and Employee Hotline numbers are posted throughout the facility. (See notice following this policy).

10 Upon receiving a report, the Corporation will conduct a thorough investigation and will take appropriate action to correct the offense and prevent similar occurrences, including disciplinary action and disclosure of the offense to the proper authorities.

11 Actions preventing any employee from disclosing information to a “person with authority over the employee” or other employee who has the authority to investigate, discover, or correct an alleged violation is prohibited. No director, officer or employee shall be penalized or retaliated against in any respect for reporting any offense or potential offense in which the director, officer or employee is not engaged. However, anyone filing a complaint must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Allegations that prove to be knowingly untrue and made maliciously or with knowledge they were false or without a reasonable belief in their truth will be viewed as a serious disciplinary offense.

12 The Board Administrator shall ensure all incoming and existing Audit Committee members receive and read this policy when joining the Audit Committee and every year thereafter.

NEED TO REPORT A CONCERN?

Fraud Hotline: 619.525.5161

For reporting suspected misconduct, such as fraud, corruption, theft of company property or other illegal or unethical activity.

Employee Hotline: 619.525.5160

For reporting general workplace environment or discrimination complaints.

Please note: Regular business issues and matters should be directed to the employee's supervisor or HR department.



SAN DIEGO
convention center
CORPORATION




Whistleblower Report Form

Today's Date: 4/19/2023

Full Name (optional)

Email Address (optional)

Phone Number (optional)

When did you become aware of the concern?* 4/19/2023 

Where did you witness the concern?*

Please describe the concern. Be as detailed as possible, including how you became aware of this information.*

The law expressly protects employees who make a good faith report or complaint of misconduct. However, employees whose reports are found to have been made without a good faith belief in their truth are subject to discipline, up to and including termination.

Submit