

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
10	06/08/09	Open	Action	05/20/09

Subject: Insurance Renewals

## ISSUE

Renewal of General Liability including Public Officials Errors and Omissions; Property, Boiler and Machinery; Excess Workers' Compensation; Employment Practices Liability; Crime/Employee Dishonesty; Privacy & Network Liability and Pollution/UST Insurance; and Pollution – Contractors/Amtrak Union Pacific for the period of July 2, 2009 through June 30, 2010.

## RECOMMENDED ACTION

Adopt Resolution No. 09-06-\_\_\_\_\_, Authorizing Renewal of General Liability including Public Officials Errors and Omissions; Property, Boiler and Machinery; Excess Workers' Compensation; Employment Practices Liability; Crime/Employee Dishonesty; Privacy and Network Liability and Pollution/UST Insurance; and Pollution – Contractors/Amtrak Union Pacific for the Period of July 2, 2009 through June 30, 2010.

## FISCAL IMPACT

Budgeted:	Yes	This FY:	\$
Budget Source:	Operating	Next FY:	\$2,500,671
Funding Source:	Local/Federal	Annualized:	\$
Cost Cntr/GL Acct(s) or	47 660 027, 040, 041, 043, 044,	Total Amount:	\$2,500,671
Capital Project #:	047, 049, 060, 061, 063		
Total Budget (FY 09):	\$ 2,972,700		

## DISCUSSION

Preliminary meetings were held between staff and RT's insurance broker (Aon) where goals were set and a timeline established. Renewal specifications were reviewed, approved by staff, and subsequently sent to carriers writing these lines of coverage in the marketplace. Several meetings between staff and the insurance carriers took place to explain the exposure in detail and attract bidders.


The insurance market is beginning to harden, with prices going up. There are also concerns regarding the solvency of several insurance carriers, including AIG. AIG is currently RT's primary and excess carrier for General Liability, Employment Practices Liability (EPLI) and Pollution/UST policies.

Given the situation with AIG, Aon had senior AIG management travel to Sacramento and meet with Sacramento Regional Transit District. Despite the poor press, AIG insurance companies remain very strong. AIG is one of the most solid companies in the country right now in terms of

Approved:

  
General Manager/CEO

Presented:

  
Chief Administrative Officer/EEO

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excess reserves and ability to pay claims. Aon's recommendation was to not move from AIG unless price and terms were more advantageous elsewhere. Aon will continue to monitor the situation.

AIG has spun off its property and casualty insurance division which is now called AIU. Insurance Company of PA is a subsidiary of AIU. Insurance Company of PA is being recommended to provide the first \$5,000,000 of coverage for the auto and general liability. Neither the rating companies (AM Best / Standard and Poor) nor Aon are concerned about the stability of AIU and its holdings. This will be reviewed again next year.

Given the unique situation with AIG/AIU several carriers in the marketplace are attempting to compete with AIG's market share. Despite the hardening market, this resulted in an opportunity for RT to create a competitive bidding situation. Typically there are a limited number of carriers willing to take on risk on the rail sector. Given the competitive quotes that were received, Aon is recommending that RT move the excess coverage for the auto and general liability as well as the EPLI program from AIG to Chubb.

The other challenge faced by RT and Aon is the increased exposure base. Ridership count is up significantly from last year; this typically drives premiums up as well. Aon was under very clear instruction to reduce premiums as much as possible given the severe budget constraints within which RT must operate.

The Aon team took the challenge seriously and proceeded to perform an aggressive marketing effort.

The results of this effort were excellent. Goals were met and exceeded in terms of coverage and budgeting. RT's overall premium decreased by \$258,547 from the current rates with coverage improving in most cases.

## Liability

RT's liability program must have \$100,000,000 in coverage due to contractual requirements with Union Pacific Railroad. In order to obtain the full coverage, multiple carriers put up various layers of capacity. In 2008, AIG was able to put up most of the \$100,000,000 with its various subsidiaries. This year Aon is recommending that RT change excess carriers in order to reduce costs.

Competition between carriers this year resulted in \$44,464 savings for the overall liability program. Over the past two years the premium has dropped by \$321,000. Two carriers, AIG and C.V. Starr, competed for the excess liability program which, despite the increase in ridership, resulted in yet another year of reduction for RT. To achieve the \$44,464 in savings, Aon is recommending that Lexington, (an AIG company) be replaced by C.V. Starr (Everest) on the second excess layer.

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C.V. Starr (Everest) attempted to compete on the primary layer, however they were higher than AIG's pricing. AIG's premium increased by \$37,379 from last year.

## Property

Multiple carriers were approached for the property program. Travelers has been on the program for several years and has consistently offered a competitive program. Travelers reduced the premium by \$32,575.

## Employment Practice Liability

The Employment Practice Liability premium is the most significant decrease from last year. Chubb (Federal Insurance Company) came in with the best quote. Aon is recommending moving the EPLI out of the AIG program and into a stand-alone program with Chubb. The overall savings by making this change is \$108,485.

## Excess Workers' Compensation

Republic Indemnity quoted \$113,960 for a program identical to last year's program. This is a savings of \$86,846. The current limit is \$25,000,000.

## Crime

The current crime program is with Zurich (Fidelity and Deposit). Aon is recommending that the coverage be moved to Chubb in order to save \$294 and to increase the coverage. The forgery or alteration coverage was increased from \$250,000 to \$500,000. The coverage for cash and securities was increased from \$50,000 to \$500,000.

## Pollution

The premium for the Contractors Pollution decreased by \$5,976 from the expiring program. AIG remains the most competitive carrier for this line of coverage. The underground storage tank policy is a multi-year policy with Zurich, the increase in the premium of \$316 over last year was a scheduled premium increase.

## Network Liability / Privacy Coverage

Privacy and network liability exposures are becoming the largest risk to organizations today. These types of claims are more likely to put an organization's balance sheet at risk than a fire or bus accident. This policy would cover claims in the event personal or confidential information is accidentally released or stolen. This would include employee or client information. The lost information could be in electronic format, a laptop or paper files. Typical claims result from hackers stealing credit card numbers or employee Social Security Numbers from a system or from

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erroneously discarded files in a dumpster. The coverage also includes cyber extortion and electronic media liability. Currently RT carries no coverage for these types of exposures.

The recommendation is to purchase a policy with a \$2,000,000 limit and increase that limit over time as budgets allow. The price for a \$2,000,000 policy with \$250,000 deductible is \$18,257 with Ace (Illinois Union). This is the superior coverage form to the other quotes received and is a necessary step towards protecting RT from a large privacy / credit card / network liability claim.

## Insurance Premiums 2009-2010

Coverage	Carrier	Cost
General Liability	Insurance Co. of the State of PA Excess Layers = Various	\$1,491,192.00
Property (\$227 mil Loss Limit)	St Paul Travelers	\$626,616.00
NFIP Primary Flood	Travelers Flood Insurance Company	\$26,000.00
Workers' Compensation	Midwest Employers Casualty	\$113,960.00
Employment Practices Liability	Federal Insurance	\$175,000.00
Boiler & Machinery	St. Paul Travelers	\$16,569.00
Crime/Employee Dishonesty	Federal Insurance	\$6,025.00
Privacy and Network Liability	Ace/Illinois Union	18,257.41
Pollution/UST	Zurich American Insurance	2,264.00
Pollution / Amtrak-UP	American Specialty Lines Ins. Co.	<u>\$24,787.42</u>
	Total:	\$2,500,670.83

## Program Cost Comparison:

Policy Type	2009-2010 Premium	2008-2009 Premium	2007-2008 Premium	2006-2007 Premium
Property	\$ 626,616	\$ 659,191	\$ 641,729	\$ 537,500
NFIP Flood	\$ 26,000	\$ 21,966	\$ 21,966	\$ 18,615
Boiler & Machinery	\$ 16,569	\$ 16,927	\$ 16,927	\$ 15,998
Crime	\$ 6,025	\$ 6,349	\$ 6,349	\$ 6,349
Employment Practices Liability	\$ 175,000	\$ 283,485	\$ 309,493	\$ 346,723
Liability (GL/Auto/Professional)	\$ 1,491,192	\$ 1,535,656	\$ 1,625,689	\$ 1,836,379
Excess Worker's Compensation	\$ 113,960	\$ 200,806	\$ 216,264	\$ 211,074
Privacy & Network Liability	\$ 18,257	not quoted	not quoted	not quoted
Pollution Liability/ Contractors	\$ 24,787	\$ 32,890	\$ 31,859	\$ 35,185
Pollution Liability/ UST	\$ 2,264	\$ 1,948	\$ 1,948	\$ 1,930
Totals	\$ 2,500,671	\$ 2,759,216	\$ 2,872,224	\$ 3,009,753

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Subject: Insurance Renewals

*Additional information on coverage's is provided in Exhibit A, which is attached.*

*\* While coverages were either enhanced or remained flat, overall premiums decreased by \$258,547 from the current rates.*

RESOLUTION NO. 09-06-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

June 8, 2009

**AUTHORIZING RENEWAL OF GENERAL LIABILITY, INCLUDING PUBLIC OFFICIALS ERRORS AND OMISSIONS; PROPERTY; BOILER AND MACHINERY; EXCESS WORKERS' COMPENSATION; EMPLOYMENT PRACTICES LIABILITY; CRIME/EMPLOYEE DISHONESTY INSURANCE; PRIVACY & NETWORK LIABILITY; POLLUTION/UST INSURANCE; AND POLLUTION – CONTRACTORS / AMTRAK UNION PACIFIC FOR THE PERIOD OF JULY 1, 2009 THROUGH JUNE 30, 2010**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, insurance binders for General Liability Insurance, including Public Officials Errors and Omissions; Property Insurance; Boiler and Machinery Insurance; Excess Workers' Compensation Insurance; Employment Practices Liability Insurance; Crime/Employee Dishonesty Insurance; Privacy & Network Liability; Pollution/UST Insurance; and Pollution – Contractors / Amtrak Union Pacific Insurance for FY 2009 to be provided by the insurance companies, for the insurance limits, with the coverage and premium amounts set out in attached Exhibit A, are hereby approved.

THAT, the General Manager/CEO or his designee is hereby authorized and directed to take such actions as are necessary to bind RT to the coverage set out in Exhibit A, effective July 1, 2009.

\_\_\_\_\_  
STEVE COHN, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary

**Summary of Insurance Coverage's**  
**Fiscal Year 2009-2010**

**Comprehensive General /Automobile Liability**

Bus and Light Rail Combined

- \$100,000,000 limit pursuant to RT's contractual obligations with Union Pacific
- Includes Public Officials Errors and Omissions (E&O)
- Occurrence Form
- No Aggregate Limit
- Domestic, Admitted & Non-Admitted Carriers
- Self-Insured Retention:

E&O / GL	\$2,000,000
Bus	\$2,000,000
Light Rail	\$5,000,000

Total limit of \$100,000,000 met through the provision of layered insurance as follows:

Insurance Company of the State of Pennsylvania

- **Limits: \$5,000,000 (Includes Acts of Terrorism) per occurrence/aggregate**  
Excess of the Split SIR's

Everest National Insurance Company

- **Limits: \$25,000,000 per occurrence/aggregate**
- Excess of the \$5,000,000 Insurance Company of the State of Pennsylvania

Arch Specialty Insurance Company

- **Limits: \$25,000,000 per occurrence/aggregate**
- Excess of the \$25,000,000 Lexington Insurance Company
- Excess of the \$ 5,000,000 Insurance Company of the State of Pennsylvania

Starr Excess Insurance Company

- **Limits: \$45,000,000 per occurrence/aggregate**
- Excess of the \$25,000,000 Arch Insurance Company
- Excess of the \$25,000,000 Lexington Insurance Company
- Excess of the \$ 5,000,000 Insurance Company of the State of Pennsylvania

**Total Limits: \$100,000,000**

**Total Premium: \$ 1,491,192.00**

**Property / Inland Marine Coverage (Travelers)**

- Exposure Basis: Statement of Values for buildings and business personal property  
Maximum forcible loss for the inland marine equipment (light rail vehicles, buses, paratransit busses, autos and service vehicles).
- "All Risk", including Earthquake Sprinkler Leakage, Flood, excess of the National Flood Insurance Program policies, Collision on Vehicles and Rail Vehicles, Excluding Earthquake on Buildings & Business Personal Property, but Earthquake coverage is provided for Light Rail Vehicles, Buses, Paratransit busses, Autos and Service Vehicles
- Buildings, Business Personal Property and Electronic Data Processing Equipment is insured on a Replacement Cost basis, subject to the policy's deductible, terms & conditions
- Inland Marine is insured on an Replacement Cost basis, subject to the policy's deductible, terms & conditions
- Domestic Admitted Carrier

\$227,500,000	Loss Limit	Inland Marine Light Rail Vehicles, Buses, Paratransit busses, Autos & Service Vehicles) pending reinsurance negotiations for higher limits
\$10,000,000	Earthquake & Flood	Light Rail Vehicles, Buses, Paratransit busses, Autos & Service Vehicle
\$22,000,000	Business Income	Inland Marine Valued
\$ 3,200,000	Newly Acquired Limit, per item	– Inland Marine
\$30,430,574	Blanket Building Loss Limit	
\$15,234,650	Business Personal Property Loss Limit	
\$ 8,685,461	Extra Expense Limit	
\$ 1,438,529	Valuable Papers	

\$500,000 Flood - maximum coverage allowed for Buildings & Business Personal Property, with equivalent or higher values. Coverage provided by the National Flood Insurance Program (NFIP)

**Deductible:** \$250,000 All Perils, all coverage's combined  
 \$500,000 Per occurrence on Collision  
 \$ 50,000 NFIP Flood Deductible only

**Limits: \$227,500,000 per occurrence**

**Premium: \$626,616.00**



**Boiler & Machinery** (Travelers)

- Exposure Basis: Statement of Values
- Comprehensive
- Domestic Admitted Carrier

\$ 25,000 All Electric Motor/Gear Sets

\$ 25,000 All Other Property

Limits: \$10,000,000 Property Damage, per breakdown  
\$ 100,000 Expediting Expense, Ammonia Contamination,  
Hazardous Substance & Ordinance of Law

**Premium: \$16,569.00**

**Workers' Compensation** (Republic Indemnity Ins. Co)

- Exposure: Payroll (per \$100)
- Coverage as Required by Law
- Domestic Admitted Carrier
- Self Insured Retention \$ 2,000,000

**Limits: \$25,000,000 each accident/employee for disease**

**Premium: \$113,960.00**

**Employment Practices Liability** (Federal Insurance Company)

- Exposure: # of Full Time Employees Equivalent
- Claims Made Coverage
- Domestic, Non-Admitted & Admitted Carriers
- Self-Insured Retention: \$500,000

**Limits: \$8,000,000 each insured event/annual aggregate**

**Premium: \$175,000.00**

**Crime/Employee Dishonesty** (Federal Insurance Company)

- Exposure: Internal controls
- Domestic, Admitted Carrier
- Deductible:

\$5,000	Public Employee Dishonesty
\$2,500	Forgery or Alteration
\$2,500	Theft, Disappearance and Destruction
\$5,000	Computer Fraud

**Limits:**

500,000	Public Employee Dishonesty
250,000	Forgery or Alteration
50,000	Theft, Disappearance and Destruction
500,000	Computer Fraud

**Premium: \$ 6,025.00**

**Pollution/UST** (Zurich Insurance Company)

- Exposure: # of tanks (5), capacity, contents & monitoring system
- Domestic, Admitted Carrier

Deductible: \$5,000 Each claim

**Limits: \$1,000,000 Each claim  
\$1,000,000 Total for all claims**

**Premium: \$ 2,264.00**

**Pollution-Contractors/Amtrak-Union Pacific** (American International Ins.)

- Exposure: Cost of construction project
- Domestic, Non-Admitted Carrier

Deductible: \$500,000 Each claim

**Limits: \$10,000,000 Each Loss  
\$10,000,000 Aggregate**

**Premium: \$ 24,787.42**

# REGIONAL TRANSIT ISSUE PAPER

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11	06/08/09	Open	Action	05/12/09

Subject: Sale of Surplus Buses to the City of Woodland and the California Fire and Rescue Training Authority

## ISSUE

Whether to sell surplus buses to the City of Woodland and the California Fire and Rescue Training Authority.

## RECOMMENDED ACTION

- A. Adopt Resolution No. 09-06-\_\_\_\_\_ Authorizing the Sale of Five Surplus Buses to the City of Woodland; and
- B. Adopt Resolution No. 09-06-\_\_\_\_\_ Authorizing the Sale of One Surplus Bus to the California Fire and Rescue Training Authority.

## FISCAL IMPACT

The sale will result in a net income of \$10, 800.

## DISCUSSION

RT is in the process of selling the remaining 1993 and 1996 Orion buses that were permanently removed from service and declared surplus as a result of receiving 91 new Orion low floor buses.

The City of Woodland, acting on the behalf of its sister city in La Predad, Mexico, is interested in purchasing five of RT's surplus buses to be operated in La Predad.

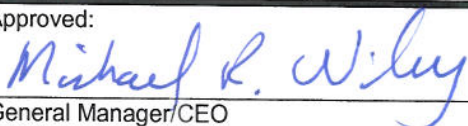
The California Fire and Rescue Training Authority, which is part of a joint powers authority comprised of the State of California Governor's Office of Emergency Services, Sacramento Metropolitan Fire District, and the Sacramento Fire Department, has expressed an interest in purchasing one bus for transporting fire recruits and fire fighters.

Section 2.102 of RT's Procurement Ordinance requires that surplus property be sold through a sealed bid or public auction process. Section 2.104 contains an exemption to this requirement and allows, with Board approval, the sale of surplus property directly to another public agency. This exemption has been used in prior years to sell buses to UC Davis and El Dorado Transit.

On March 31, 2009, RT sold 17 surplus Orion buses of various models/ages and in different states of mechanical condition in a publicly advertised surplus property sale. The total proceeds from this sale amounted to \$21,220. Based on the bids submitted at that sale, a 1996 Orion V (the same model and vintage as buses being requested by the City of Woodland and the California Fire and Rescue Training Authority) has a fair market value of \$1,800.

Staff is recommending the Board grant an exemption to the competitive bid process for the sale of surplus property and allow the City of Woodland and the California Fire and Rescue Training Authority to purchase the buses each requires at the fair market value of \$1,800 each.

Approved:

  
General Manager/CEO

Presented:

  
Director, Procurement Services

RESOLUTION NO. 09-06-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

June 8, 2009

**AUTHORIZING THE SALE OF FIVE SURPLUS BUSES TO THE CITY OF WOODLAND**

WHEREAS, Sacramento Regional Transit District has Orion V coaches that the General Manager/CEO has declared to be surplus property; and

WHEREAS, the City of Woodland has an immediate need for five coaches; and

WHEREAS, based on bids from a publicly advertised surplus property sale, the fair market value for a 1996 Orion V coach in running condition and without tires is \$1,800; and

WHEREAS, the City of Woodland desires to purchase five coaches at fair market value; and

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, this Board finds the fair market value of a 1996 Orion V coach in running condition to be \$1,800.

THAT, this Board finds the recent determination of fair market value for this series of Orion coaches an appropriate basis upon which to authorize an exemption to the competitive bid process for the sale of the aforementioned Orion coaches.

THAT, the sale to the City of Woodland "as is, where is" of five 1996 Orion V coaches without tires for a total price of \$9,000, is hereby approved.

THAT, the General Manager/CEO is hereby authorized to take the actions required to effectuate the sale of five 1996 Orion V coaches to the City of Woodland under the foregoing terms and conditions.

\_\_\_\_\_  
STEVE COHN, Chair

ATTEST:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary

RESOLUTION NO. 09-06-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

June 8, 2009

**AUTHORIZING THE SALE OF ONE SURPLUS BUS TO THE THE CALIFORNIA FIRE AND RESCUE TRAINING AUTHORITY**

WHEREAS, Sacramento Regional Transit District has Orion V coaches that the General Manager/CEO has declared to be surplus property; and

WHEREAS, the California Fire and Rescue Training Authority has an immediate need for one coach; and

WHEREAS, based on bids from a publicly advertised surplus property sale, the fair market value for a 1996 Orion V coach in running condition and without tires \$1,800; and

WHEREAS, the California Fire and Rescue Training Authority desires to purchase one coach at fair market value.

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, this Board finds the fair market value of a 1996 Orion V coach in running condition to be \$1,800.

THAT, this Board finds the recent determination of fair market value for this series of Orion coaches an appropriate basis upon which to authorize an exemption to the competitive bid process for the sale of the aforementioned Orion coaches.

THAT, the sale to the California Fire and Rescue Training Authority "as is, where is" of one 1996 Orion V coach without tires for a total price of \$1,800, is hereby approved.

THAT, the General Manager/CEO is hereby authorized to take the actions required to effectuate the sale of one 1996 Orion V coach to the California Fire and Rescue Training Authority under the foregoing terms and conditions.

\_\_\_\_\_  
STEVE COHN, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary