

REGIONAL TRANSIT ISSUE PAPER

| Agenda Item No. | Board Meeting Date | Open/Closed Session | Information/Action Item | Issue Date |
|-----------------|--------------------|---------------------|-------------------------|------------|
| 7 | 05/24/10 | Open | Action | 05/10/10 |

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/Underground Storage Tank Liability, for the period of July 1, 2010 through June 30, 2011.

RECOMMENDED ACTION

Adopt Resolution No. 10-05-_____, 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 for the Period of July 1, 2010 through June 30, 2011.

FISCAL IMPACT

| | | | | |
|---|--|---------------|----|-----------|
| Budgeted: | Yes | This FY: | \$ | |
| Budget Source: | Operating | Next FY: | \$ | 2,412,674 |
| Funding Source: | Local/Federal | Annualized: | \$ | |
| Cost Cntr/GL Acct(s) or Capital Project #: | 47 660 027, 040, 041, 043, 044, 047, 049, 060, 061, 063 | Total Amount: | \$ | 2,412,674 |
| Total Budget: | \$ 2,412,674 | | | |

DISCUSSION

Each year RT renews its insurance coverages. In anticipation of such renewal, RT staff held a number of preliminary meetings with RT's insurance broker (Aon) where goals were set and timelines for securing insurance coverage was established. RT staff with Aon's input reviewed renewal specifications which were approved by staff, and subsequently sent to carriers writing these lines of coverage in the marketplace. Several meetings and conference calls between staff and the insurance carriers took place to explain the exposure in detail and attract bidders.

During the process of securing renewal of insurance coverage, RT staff learned that the market had changed and that securing the same level of coverage was going to be a challenge. In the past 24 months the nation has seen an increase in rail and light rail accidents that has in turn caused an increase in premium for rail coverage. These accidents have also resulted in carriers no longer willing to offer as much limit on rail exposure. For example, both Chartis and Arch wanted to significantly reduce the limit offered for this renewal. Arch (the insurance carrier for the third layer) lowered the limit they were willing to offer from \$25,000,000 last year to \$10,000,000 this year. Arch also doubled its price.

Approved:

Presented:

Final 5/18/10

General Manager/CEO

Chief Administrative Officer/EEO

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Chartis would no longer offer the \$45,000,000 excess of \$55,000,000 layer that it had offered in previous years. This left a significant hole that had to be filled by other carriers. With both Chartis and Arch out, RT's entire program had to be restructured.

Typically there are a very limited number of carriers willing to take on risk in the rail sector. RT's contract with Union Pacific governing the use of the JPA right of way mandates that carriers participating in the \$100,000,000 liability program be well rated by A.M. Best and other rating agencies. Aon approached all carriers writing rail exposures and restructured the program. The resulting pricing came in higher than last year by \$152,483.

Even though projected ridership and total miles driven is down, the liability premium still increased due to these factors. The light rail portion of Sacramento Regional Transit District's risk profile drives the premium on the program.

The good news is that other lines of coverage decreased dramatically, especially the property program. Intense competition between Hanover and Travelers on the property resulted in a savings from last year of \$148,081.

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 limit, multiple carriers put up various amounts of capacity. In 2009, Chartis was offering a primary \$5,000,000 layer; however, this year it decided it would not offer anything less than the first \$25,000,000. In addition to this restriction, Chartis increased its premium by 30%. In light of this change CV Starr quoted a competing \$25,000,000 primary layer. CV Starr's quote resulted in a 10% reduction from last years pricing.

Staff is recommending that CV Starr take the \$25,000,000 lead on the program with Zurich offering the next \$25,000,000 layer. Everest, AWAC and Westchester Fire and Casualty complete the final \$50,000,000 in limits. All of these carriers are financially secure and have experience with transit districts.

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 by \$148,081.

Employment Practice Liability:

Staff is recommending retaining the employment practices liability in a stand-alone program with Zurich. The renewal came in flat this year at \$112,000, which is very competitive with the recent and pending reduction in staff.

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Excess Workers' Compensation:

Republic Indemnity quoted a flat renewal rate this year with an annual premium of \$110,061 for a program identical to last years program. Given that reduction in staff often generates claims activity, this is seen as a favorable renewal.

Crime:

RT's current crime program is with Chubb. Aon is recommending that the coverage remain with Chubb for a program identical to last years program and the premium remains the same at \$6,695.

Pollution:

The premium for the Contractors Pollution decreased by \$2,101 from the expiring program. Chartis remains the most competitive carrier for this line of coverage. The underground storage tank policy is with Zurich and the renewal decreased by \$102.

As the construction has been completed on the Amtrak/UP expansion project, the policy for contractor's pollution need not be renewed this year.

Privacy & Network Liability:

The recommendation is to renew the current policy with ACE (Illinois Union) at the \$2,000,000 limit. The renewal came in \$3,191 higher due to a general pricing increase in this space; however, that premium also included increases in the Data Breach Fund coverage from \$25,000 to \$100,000 and network extortion from \$250,000 to \$2,000,000.

Program Cost Comparison:

| Policy Type | 2010-2011 Premium | 2009-2010 Premium | 2008-2009 Premium | 2007-2008 Premium |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Property | \$ 478,535 | \$ 626,616 | \$ 659,191 | \$ 641,279 |
| NFIP Flood | \$ 26,279 | \$ 26,279 | \$ 21,966 | \$ 21,966 |
| Boiler & Machinery | \$ 16,569 | \$ 16,569 | \$ 16,927 | \$ 16,927 |
| Crime | \$ 6,695 | \$ 6,695 | \$ 6,349 | \$ 6,349 |
| Employment Practices Liability | \$ 112,000 | \$ 112,000 | \$ 283,485 | \$ 309,493 |
| Liability (GL/Auto/Professional) | \$ 1,638,925 | \$ 1,486,442 | \$ 1,535,655 | \$ 1,625,689 |
| Excess Worker's Compensation | \$ 110,061 | \$ 113,960 | \$ 185,820 | \$ 216,264 |
| Privacy & Network Liability | \$ 21,448 | \$ 18,257 | not quoted | not quoted |
| Pollution Liability/ Contractors | \$ - | \$ 24,787 | \$ 32,890 | \$ 31,859 |
| Pollution Liability/ UST | \$ 2,162 | \$ 2,260 | \$ 1,948 | \$ 1,948 |
| Totals | \$ 2,412,674 | \$ 2,433,865 | \$ 2,759,216 | \$ 2,872,224 |

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Insurance Premiums 2010-2011:

| Coverage | Carrier | Cost |
|---|--|-----------------|
| General/Auto/Professional Liability | Everest National Starr Indemnity Zurich AWAC Ironshore Westchester Fire | \$1,638,925 |
| Property- \$227,200,000 Loss Limit | Travelers | \$478,535 |
| Excess Workers' Compensation | Republic Indemnity | \$110,061 |
| Employment Practices Liability | Zurich | \$112,000 |
| Boiler & Machinery | Travelers | \$16,569 |
| Crime/Employee Dishonesty | Federal Insurance/Chubb | \$6,695 |
| Privacy & Network Liability | Ace/Illinois Union | \$21,448 |
| Pollution/UST | Zurich American Insurance | \$2,162 |
| NFIP Flood | Travelers | <u>\$26,279</u> |
| TOTAL | | \$2,412,674 |

Additional information on coverage's is provided in Exhibit A

RESOLUTION NO. 10-05-_____

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

May 24, 2010

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; AND POLLUTION/UST INSURANCE FOR THE PERIOD OF JULY 1, 2010 THROUGH JUNE 30, 2011.

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; and Pollution/UST Insurance for FY 2011 to be provided by the insurance companies, for the insurance limits, with the coverages 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 coverages set out in Exhibit A, effective July 1, 2010.

STEVE MILLER, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

Summary of Insurance Coverages
Fiscal Year 2010-2011

Comprehensive General /Automobile/Professional Liability – Various Carriers

Bus and Light Rail Combined

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

| | |
|-----------------|-------------|
| Professional/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:

Everest National (CV Starr)

- Limits: \$10,000,000 per occurrence/aggregate
- Excess of the Split SIR’s

Starr Indemnity (CV Starr)

- Limits: \$15,000,000 per occurrence/aggregate
- Excess of the \$10,000,000 Everest National

Zurich

- Limits: \$25,000,000 per occurrence/aggregate
- Excess of the \$15,000,000 Starr Indemnity
- Excess of the \$10,000,000 Everest National

Allied World Assurance Company

- Limits: \$15,000,000 per occurrence/aggregate
- Excess of the \$25,000,000 Zurich
- Excess of the \$15,000,000 Starr Indemnity
- Excess of the \$10,000,000 Everest National

Ironshore

- Limits: \$10,000,000 per occurrence/aggregate
- Excess of the \$15,000,000 Allied World Assurance Company
- Excess of the \$25,000,000 Zurich
- Excess of the \$15,000,000 Starr Indemnity
- Excess of the \$10,000,000 Everest National

Westchester Fire

- Limits: \$25,000,000 per occurrence/aggregate
- Excess of the \$10,000,000 Ironshore
- Excess of the \$15,000,000 Allied World Assurance Company
- Excess of the \$25,000,000 Zurich
- Excess of the \$15,000,000 Starr Indemnity
- Excess of the \$10,000,000 Everest National

Total Limits: \$100,000,000

Total Premium: \$1,638,925.00

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 buses, 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 and business personal property, but earthquake coverage is provided for light rail vehicles, buses, paratransit buses, 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 and conditions
- Inland Marine is insured on a replacement cost basis, subject to the policy’s deductible, terms and conditions
- Domestic Admitted Carrier

| | | |
|----------------|---------------------------------------|---|
| \$ 227,200,000 | Loss Limit | Inland Marine Light Rail Vehicles, Buses, Paratransit Buses, Autos & Service Vehicles |
| \$ 10,000,000 | Earthquake & Flood | Light Rail Vehicles, Buses, Paratransit Buses, Autos & Service Vehicle |
| \$ 8,685,461 | Business Income & Extra Expense | Inland Marine Valued |
| \$ 3,200,000 | Newly Acquired Limit, per item | – Inland Marine |
| \$ 140,827,603 | Blanket Building Loss Limit | |
| \$ 10,692,599 | Business Personal Property Loss Limit | |
| \$ 2,500,000 | Valuable Papers | |

\$500,000 Flood - maximum coverage allowed for buildings and 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 - collision
\$250,000 - flood

Limits: \$227,200,000

Premium: \$478,535.00

Boiler & Machinery – Travelers

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

Limits:

| | | |
|----|------------|---|
| \$ | 25,000 | All electric motor/gear sets |
| \$ | 25,000 | All other property |
| \$ | 10,000,000 | Property damage – per breakdown |
| \$ | 100,000 | Expediting expense, ammonia contamination, hazardous substance and ordinance or law |

Premium: \$16,569.00

Workers' Compensation – Republic Indemnity

- Exposure Basis: 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: \$110,061.00

Employment Practices Liability – Zurich

- Exposure Basis: Number of Full-Time Employees Equivalent
- Claims-Made Coverage
- Domestic Non-Admitted and Admitted Carriers
- Self-Insured Retention: \$250,000 (Identifiable Loss), \$500,000 (Third Party)

Limits: \$8,000,000 Each Insured Event/Aggregate

Premium: \$112,000.00

Crime/Employee Dishonesty – Federal Insurance (Chubb)

- Exposure Basis: Internal controls
- Domestic Admitted Carrier
- Deductibles:
 - \$ 10,000 Public Employee Dishonesty
 - \$ 10,000 Forgery or Alteration
 - \$ 10,000 Theft, Disappearance and Destruction
 - \$ 10,000 Computer Fraud

Limits:

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

Premium: \$6,695.00

Pollution/UST – Zurich

- Exposure Basis: Number of tanks (5), capacity, contents and monitoring system
- Domestic Admitted Carrier

Deductible: \$5,000 Each Claim

Limits: \$1,000,000 Each Claim/Aggregate

Premium: \$2,162.00

Privacy & Network Liability – Illinois Union

- Exposure Basis: Revenues
- Domestic Non-Admitted Carrier

Deductible: \$250,000 Each Claim

Limits:

| | |
|--------------------|---|
| \$2,000,000 | Privacy Liability |
| \$ 100,000 | Data Breach Fund |
| \$2,000,000 | Network Security Liability |
| \$2,000,000 | Internet Media Liability |
| \$2,000,000 | Network Extortion Liability |
| \$ 250,000 | Regulatory Proceeding Sublimit of Liability |

Premium: \$21,448.00