

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
15	05/23/11	Open	Action	05/13/11

Subject: Insurance Renewals

## ISSUE

Renewal of General Liability including Public Officials Errors and Omissions, Property, Boiler & Machinery, Excess Workers' Compensation, Employment Practices Liability, Crime/Employee Dishonesty, Privacy & Network Liability and Underground Storage Tank Pollution Liability for the period of July 1, 2011 through June 30, 2012.

## RECOMMENDED ACTION

Adopt Resolution No. 11-05-\_\_\_\_\_, Authorizing Renewal of General Liability Including Public Officials Errors and Omissions, Property, Boiler & Machinery, Excess Workers' Compensation, Employment Practices Liability, Crime/Employee Dishonesty, Privacy & Network Liability and Underground Storage Tank Pollution Liability for the Period of July 1, 2011 through June 30, 2012.

## FISCAL IMPACT

Budgeted:	Yes	This FY:	\$ 2,312,092.68
Budget Source:	Operating	Next FY:	\$ N/A
Funding Source:	Local/Federal	Annualized:	\$ 2,312,092.68
Cost Cntr/GL Acct(s) or Capital Project #:	47 660 027,040, 041, 043, 044, 047, 049, 060, 063	Total Amount:	\$ 2,312,092.68
Total Budget:	\$ 2,312,092.68		

## DISCUSSION

For this renewal, staff and RT's insurance broker (Aon) held preliminary meetings much earlier than past years in order to discuss changes at RT and strategies for a difficult insurance marketplace. Due to budget constraints there was a strong need to decrease risk costs for this renewal.

Additional consideration needed to be given to decreases in RT payroll and cuts in routes. The cuts presented a difficulty in that a decrease in staff usually results in additional claims from employees. These claims can be in the form of workers' compensation or employment type claims (wrongful termination, discrimination, etc). Many meetings with carriers were held where detailed analyses of RT's exposures were discussed. Emphasis on RT's positive claim trends, details on RT's claim control, and RT's safe workplace practices were examined and communicated to the insurers within the marketplace

Approved:

Presented:

Final 5/17/11

General Manager/CEO

Chief Administrative Officer/EEO

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An additional challenge was that the market for rail in 2010 hardened in terms of pricing and restricted coverage. This trend is due to several large rail and light rail accidents in the U.S. and Europe that were over \$100,000,000 in total payouts. Additionally, several older accidents settled this year which resulted in claim payouts that far exceeded reserves. Since there are a limited number of carriers writing rail liability, premiums trended upward. Multiple claims over \$200,000,000 hit some of these excess carriers hard.

At staff's request, an appraisal was performed earlier this year which revealed that RT was underinsured at several property locations. Based on the results of that appraisal, the property limit was increased by \$22,800,000 at renewal. Despite the increase in coverage levels, RT was able to negotiate a lower premium than last year from Travelers.

Because Aon was able to identify two insurers willing to underwrite a privacy/cyber liability policy for RT, Aon was able to negotiate a significant reduction in RT's liability premium by leveraging the companies against on another. Not only is the premium lower, but RT's deductible will go down from \$250,000 to \$100,000.

Overall, Aon was successful in obtaining an annual premium savings of \$113,433.45 for the upcoming fiscal year. The majority of the savings came from combining layers on the excess liability program (reducing six excess policies down to four) and from a competitive property quote from Travelers.

General, Auto and Professional Liability:

RT is required to have \$100,000,000 in liability coverage due to contractual requirements with the Union Pacific Railroad (UPRR). In order to obtain the full limit, multiple carriers put up various amounts of capacity. This year Aon was successful in obtaining four quotes from carriers each offering to put up \$25,000,000 in coverage.

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

Property:

The current carrier on the property / boiler program is Travelers Insurance. Travelers sponsored an appraisal on most of RT's properties. RT staff, Aon and Travelers staff toured every property with the appraiser.

At RT's 2750 Academy Way location (MHRF heavy equipment repair facility), the values were found to be far below the actual exposure by the appraiser. The appraisal was done on the buildings and equipment, including the cranes and heavy machinery. The wide variety and sheer volume of equipment and parts at Academy made it very difficult and time consuming to arrive at an appropriate limit of insurance. The appraisal found that the coverage for those locations should be increased substantially or RT could be in a situation without adequate coverage. The total

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amount that the appraiser recommended that the insurance coverage limit be increased by is \$22,800,000.

Travelers was able to reduce the annual premium by \$35,369, yet increase the total insured value by \$22,800,000 (from \$227,200,000 to \$250,000,000). This gives RT the protection needed and provides much needed premium relief. The reduction in premium was due to aggressive marketing to multiple carriers. Interest by insurers in RT's program is limited due to the wide array of exposures. These exposures include the natural gas fueling station, rolling stock, buses, buildings in various conditions and occupancy and equipment.

Options for willing insurers for RT's program came down to a choice between Hanover and Travelers. Although both were competitive, Travelers had broader coverage and a slightly lower price.

Excess Workers' Compensation:

Republic Indemnity quoted a flat rate again this year with an annual premium of \$96,664 for a program identical to last year's program. The premium is down by \$13,397 because the payroll has decreased significantly. Given that reduction in staff often generates claims activity, this is seen as a favorable renewal. Additionally, Republic Indemnity has agreed to a rate lock through 2013.

Employment Practice Liability:

Staff recommends RT keep 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 reduction in staff. Staff reductions are the largest driver of employment type claims and typically drive rates up.

Boiler & Machinery:

Travelers has been the insurer for the boiler and machinery program for several years and has consistently offered competitive terms and pricing. Although the premium is slightly higher (by \$498), staff recommends keeping this line of coverage with Travelers as they also write the property program. The property and the boiler program must be placed with the same carrier.

Crime/Employee Dishonesty:

The current crime program is with Chubb. Staff recommends that the coverage remain with Chubb for a program identical to last year's program.

Privacy & Network Liability:

Multiple carriers were approached for the privacy and network program. Illinois Union (Ace), which

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is the incumbent, and Lloyd's of London both offered \$2,000,000 limits with competitive terms and pricing. Although Ace's renewal offer is \$2,900 more in premium compared to Lloyd's offer, which is \$17,270.00, staff recommends staying with the incumbent as they have the local advantage when it comes to claims issues. Lloyd's of London is a financially strong company, but they do not have a strong local claims presence.

Underground Storage Tanks Pollution Liability:

RT's underground storage tank policy is with Zurich. With a \$1,000,000 limit, this program remains the most competitive. Although the premium is higher slightly (by \$159), staff recommends staying with Zurich.

Excess Flood:

The current ~~crime~~ excess flood program is with Travelers. Staff recommends that the coverage remain with ~~Chubb~~ Travelers for a program identical to last year's program. (Revised)

Program Cost Comparison:

Policy Type	Insurance Carriers	2011 - 2012 Renewal	2010 - 2011 Expiring	2009 - 2010	2008 - 2009	2007 - 2008
Property & Inland Marine	Travelers	\$443,166.00	\$478,535.00	\$626,616.00	\$659,191.00	\$641,729.00
Flood	Travelers (NFIP)	\$39,131.00	\$39,131.00	\$26,279.00	\$21,966.00	\$21,966.00
Boiler & Machinery	Travelers	\$17,067.00	\$16,569.00	\$16,569.00	\$16,927.00	\$16,927.00
Crime	Chubb	\$6,695.00	\$6,695.00	\$6,695.00	\$6,349.00	\$6,349.00
Employment Practices Liability	Zurich	\$112,000.00	\$112,000.00	\$112,000.00	\$283,485.43	\$309,492.84
Excess Liability (GL/Auto/Professional)	Starr Indemnity / Steadfast / AWAC / Westchester Fire	\$1,574,837.50	\$1,638,925.00	\$1,486,442.00	\$1,535,655.00	\$1,625,689.00
Excess Workers' Compensation	Republic Indemnity	\$96,664.00	\$110,061.00	\$113,960.00	\$185,820.00	\$216,264.00
Underground Storage Tanks Pollution Liability	Zurich	\$2,321.00	\$2,162.00	\$2,260.00	\$2,058.00	\$1,948.00
Privacy & Network Liability	Ace	\$20,211.18	\$21,448.13	\$18,257.41	N/A	N/A
Totals		\$2,312,092.68	\$2,425,526.13	\$2,409,078.41	\$2,711,451.43	\$2,840,364.84

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Insurance Premiums FY 2012

Coverage	Carrier(s)	Cost
General/Auto/Professional Liability	Starr Indemnity Steadfast (Zurich) AWAC Westchester Fire (Ace)	\$1,574,837.50
Property (\$250,000,000 Loss Limit)	Travelers	\$443,166.00
Excess Workers' Compensation	Republic Indemnity	\$96,664.00
Employment Practices Liability	Zurich	\$112,000.00
Boiler & Machinery	Travelers	\$17,067.00
Crime/Employee Dishonesty	Federal (Chubb)	\$6,695.00
Privacy & Network Liability	Illinois Union (Ace)	\$20,211.18
Underground Storage Tank Pollution Liability	Zurich	\$2,321.00
Flood	Travelers/NFIP	\$39,131.00
<b>TOTAL</b>		<b>\$2,312,092.68</b>

**Additional information on coverage is provided in Exhibit A attached to the Resolution.**

RESOLUTION NO. 11-05-\_\_\_\_\_

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

May 23, 2011

**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 UNDERGROUND STORAGE TANK POLLUTION LIABILITY FOR THE PERIOD OF JULY 1, 2011 THROUGH JUNE 30, 2012**

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; Underground Storage Tank Pollution Liability FY 2012 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, 2011.

\_\_\_\_\_  
DON NOTTOLI, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

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

**Insurance Renewals  
Exhibit A**

**Summary of Insurance Coverage  
Fiscal Year 2012**

**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
- 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 provision of layered insurance as follows:

Starr Indemnity

- Limit: \$25,000,000 per occurrence/aggregate
- Excess of split SIR's

Steadfast (Zurich)

- Limit: \$25,000,000 per occurrence/aggregate
- Excess of \$25,000,000 (Starr Indemnity)

Allied World Assurance Company (AWAC)

- Limit: \$25,000,000 per occurrence/aggregate
- Excess of \$25,000,000                      Steadfast
- Excess of \$25,000,000                      Starr Indemnity

Westchester Fire (Ace)

- Limit: \$25,000,000 per occurrence/aggregate
- Excess of \$25,000,000                      Allied World Assurance Company
- Excess of \$25,000,000                      Steadfast
- Excess of \$25,000,000                      Starr Indemnity

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

**Total Premium:                      \$1,574,837.50**

**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
- Admitted Carrier

\$ 250,000,000 Loss Limit Inland Marine Light Rail Vehicles, Buses, Paratransit Buses, Autos & Service Vehicles

\$ 10,000,000 Flood\* Light Rail Vehicles, Buses, Paratransit Buses, Autos & Service Vehicle (\*excess of NFIP flood policies)

\$ 8,685,461 Business Income & Extra Expense

\$ 151,899,738 Blanket Building Loss Limit

\$ 16,311,543 Blanket 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.

\*Excess coverage provided by the National Flood Insurance Program (NFIP), see below for coverage and costs.

Deductible: \$100,000 - all perils; all coverage’s combined  
\$250,000 - inland marine  
\$500,000 - per occurrence - collision  
\$250,000 - flood

**Total Insured Value Limit: \$250,000,000**

**Premium: \$443,166.00**



**Excess Workers' Compensation – Republic Indemnity:**

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

**Limit: \$25,000,000 Each Accident/Employee for Disease**  
**Premium: \$96,664.00**

**Employment Practices Liability – Zurich:**

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

**Limit: \$8,000,000 Each Insured Event/Aggregate**  
**Premium: \$112,000.00**

**Boiler & Machinery – Travelers**

- Exposure Basis: Statement of Values
- Comprehensive
- Admitted Carrier
- Deductible: \$25,000

**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: \$17,067.00**

**Crime/Employee Dishonesty – Federal (Chubb):**

Exposure Basis: Internal controls  
Admitted Carrier  
Deductibles:

**\$ 10,000** Public Employee Dishonesty  
**\$ 10,000** Forgery or Alteration  
**\$ 10,000** Theft, Disappearance and Destruction  
**\$ 10,000** Computer Fraud

**Limits:**

<b>\$500,000</b>	<b>Public Employee Dishonesty</b>
<b>\$500,000</b>	<b>Forgery or Alteration</b>
<b>\$500,000</b>	<b>Theft, Disappearance and Destruction</b>
<b>\$500,000</b>	<b>Computer Fraud</b>

**Premium: \$6,695.00**

**Privacy & Network Liability – Illinois Union (Ace):**

- Exposure Basis: Revenues
- Non-Admitted Carrier
- Deductible: \$250,000 Each Claim

**Limits:**

<b>\$2,000,000</b>	<b>Privacy Liability</b>
<b>\$ 100,000</b>	<b>Data Breach Fund</b>
<b>\$2,000,000</b>	<b>Network Security Liability</b>
<b>\$2,000,000</b>	<b>Internet Media Liability</b>
<b>\$2,000,000</b>	<b>Network Extortion Liability</b>
<b>\$ 250,000</b>	<b>Regulatory Proceeding Sublimit of Liability</b>

**Premium: \$20,211.18**

**Underground Storage Tank Pollution Liability – Zurich:**

- Exposure Basis: Number of tanks (5), capacity, contents and monitoring system
- Admitted Carrier
- Deductible: \$5,000 Each Claim

**Limit: \$1,000,000 Each Claim/Aggregate**

**Premium: \$2,321.00**

**Excess Flood – Travelers (NFIP):**

- Exposure Basis: Statement of values for buildings and business personal property
- Admitted Carrier
- Deductible: \$50,000
- Limits: Varies (buildings \$0-\$500,000, business personal property \$80,000-\$500,000)

**Premium: \$39,131.00**