

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
9	06/11/12	Open	Action	05/14/12

Subject: Insurance Renewals

ISSUE

Renewal of General Liability Insurance Coverage including Public Officials Professional Liability, Auto, 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, 2012 through July 1, 2013.

RECOMMENDED ACTION

Adopt Resolution No. 12-06-_____, Authorizing Renewal of General Liability Insurance Coverage, Including Public Officials Errors and Omissions; Property; Boiler and Machinery; Excess Workers' Compensation; Employment Practices Liability; Crime/Employee Dishonesty Insurance; Privacy and Network Liability; and Underground Storage Tank Pollution Liability for the Period of July 1, 2012 through July 1, 2013.

FISCAL IMPACT

Budgeted:	Yes	This FY:	\$ 2,334,462.34
Budget Source:	Operating	Next FY:	\$ N/A
Funding Source:	Local/Federal	Annualized:	\$ 2,334,462.34
Cost Cntr/GL Acct(s) or Capital Project #:	47 660 027,040, 041, 043, 044, 047, 049, 060, 063	Total Amount:	\$ 2,334,462.34
Total Budget:	\$ 2,334,462.34		

DISCUSSION

For this renewal, staff and RT's insurance broker (Aon) had preliminary meetings to go over RT's underwriting specifications, obtain updated information and complete renewal applications. During these meetings, the current marketplace was a main topic of discussion. In California, workers' compensation, excess workers' compensation and, flood and employment practices liability rates are increasing as much as 20%-25% due to high loss ratios in these lines of coverage. Despite these headwinds, we were successful in maintaining a near flat overall renewal program.

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. In order to obtain the full limit, multiple carriers put up various amounts of capacity. One goal that staff and Aon discussed was reducing the number of layers in the GL / Auto program from four to three. Due to very limited capacity in the insurance marketplace and the continuous increase in rates, RT was not able to combine carriers in the excess program. The

Approved:

Presented:

Final 5/31/12

General Manager/CEO

Chief Administrative Officer/EEO

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proposed coverage is the same excess liability program as last year with one exception. Aon was successful in obtaining Professional Liability and Employment Practices Liability coverage all the way through the second layer of liability (up to \$50,000,000 in limit), whereas last year those coverages were capped at \$25,000,000. This was achieved at no additional charge to RT for increasing the limit from \$25,000,000 to \$50,000,000.

Staff recommends that CV Starr/Starr Indemnity take the \$25,000,000 lead on the program with Endurance 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 program is Travelers Insurance. This year the building and business personal property/contents values were increased slightly. This policy also includes flood insurance (excess of the National Flood Insurance Program policies put in place for 23 locations). The flood insurance marketplace has seen rate increases in the Sacramento Region this year that in turn caused a slight increase in the premium. Premium is up by \$6,857.

For the property, the bulk of the premium comes from the rolling stock (light rail vehicles, buses, etc.). The total inland marine loss limit remains at \$250,000,000. Given the hardening in the flood insurance marketplace, a slight increase in premium is favorable.

Excess Workers' Compensation:

Star Insurance/Republic Indemnity quoted a flat renewal rate this year. Because payrolls are up by \$916,536, the annual premium is up by \$1,698.00. The program remains identical to last year's program, with an each occurrence limit of \$1,000,000 and an aggregate of \$25,000,000. The self insured retention also remains the same at \$2,000,000. This is another flat renewal and a successful one given that workers' compensation and excess workers' compensation rates in California have increased by as much as 20%-25%.

Employment Practice Liability:

Like last year, staff recommends RT keep the employment practices liability in a stand-alone program with Zurich. The renewal came in flat for the fourth consecutive year.

California is a leader in employment practices-related claims in the country. This has driven rates to increase as much as 20%-25%. The limit was increased this year from \$25,000,000 to \$50,000,000 at no cost to RT.

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Boiler & Machinery:

Travelers has been the insurer for the boiler and machinery program for several years and has consistently offered competitive terms and pricing. Because the property program increased, Aon pushed the boiler underwriter to apply maximum credit to this program. The annual premium has gone down by \$3,090. In addition to the premium savings on this renewal, Travelers enhanced its boiler form by increasing some of the policy sublimits.

Crime/Employee Dishonesty:

RT's current crime program is with Chubb and has been with Chubb since 2009. Staff recommends that the coverage remain with Chubb with a program almost identical to last year's program. The policy was enhanced with the addition of credit card fraud coverage at no additional charge. The premium was down by \$25 which is due to a rounding change in the rating model.

Privacy & Network Liability:

Staff recommends renewing coverage with the incumbent, Illinois Union/Ace Insurance. Not only did Ace decrease the premium by \$2,068, but they provide stellar claims service and 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. The premium remains virtually flat (up by \$64).

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Program Cost Comparison:

Policy Type	Insurance Carriers	7/1/12 - 7/1/13 Renewal Program	7/1/11 - 7/1/12 Expiring Program	7/1/10 - 7/1/11	7/1/09 - 7/1/10	7/1/08 - 7/1/09
Property & Inland Marine	Travelers	\$450,023.00	\$443,166.00	\$478,535.00	\$626,616.00	\$659,191.00
Floods	Travelers (National Flood Insurance Program)	\$43,201.00	\$42,987.00	\$39,131.00	\$26,279.00	\$21,966.00
Boiler & Machinery	Travelers	\$13,977.00	\$17,067.00	\$16,569.00	\$16,569.00	\$16,927.00
Crime	Federal (Chubb)	\$6,670.00	\$6,695.00	\$6,695.00	\$6,695.00	\$6,349.00
Employment Practices Liability	Zurich	\$112,000.00	\$112,000.00	\$112,000.00	\$112,000.00	\$283,485.43
Excess Liability (GL/AL/PL/EPL/EBL)	Starr Indemnity / Endurance / AWAC / Westchester Fire	\$1,589,701.25	\$1,574,837.50	\$1,638,925.00	\$1,486,442.00	\$1,535,655.00
Excess Workers' Compensation	Star Insurance	\$98,362.00	\$96,664.00	\$110,061.00	\$113,960.00	\$185,820.00
Underground Storage Tanks Pollution Liability	Zurich	\$2,385.00	\$2,321.00	\$2,162.00	\$2,260.00	\$2,058.00
Privacy & Network Liability	Illinois Union (Ace)	\$18,143.09	\$20,211.19	\$21,448.13	\$18,257.41	N/A
Totals		\$2,334,462.34	\$2,315,948.69	\$2,425,526.13	\$2,409,078.41	\$2,711,451.43

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Insurance Premiums

Coverage	Carrier(s)	Cost
General/Auto/Professional Liability	Starr Indemnity	\$1,589,701.25
	Endurance	
	AWAC	
	Westchester Fire (Ace)	
Property (\$250,000,000 Loss Limit)	Travelers	\$450,023.00
Excess Workers' Compensation	Star/Republic Indemnity	\$98,362.00
Employment Practices Liability	Zurich	\$112,000.00
Boiler & Machinery	Travelers	\$13,977.00
Crime/Employee Dishonesty	Federal (Chubb)	\$6,670.00
Privacy & Network Liability	Illinois Union (Ace)	\$18,143.09
Underground Storage Tank Pollution Liability	Zurich	\$2,385.00
Flood	Travelers/NFIP	<u>\$43,201.00</u>
TOTAL		\$2,334,462.34

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

**Insurance Renewals
Exhibit A**

Summary of Insurance Coverage
7/1/12 – 7/1/13

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

Endurance

- 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 Endurance
- Excess of \$25,000,000 Starr Indemnity

Westchester Fire

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

Total Limits: \$100,000,000

Total Premium: \$1,589,701.25

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

\$ 16,144,468 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 (primary flood coverage provided by the National Flood Insurance Program - NFIP).

Deductible: \$100,000 - all perils; all coverages combined
\$250,000 - inland marine
\$500,000 - per occurrence - collision
\$250,000 - flood (property)
\$500,000 - flood (inland marine)

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

Premium: \$450,023.00

Excess Workers' Compensation – Star Insurance:

- 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
Rate: \$0.1852
Premium: \$98,362.00

Employment Practices Liability – Zurich:

- Exposure Basis: Number of Full-Time Employees Equivalent
- Claims-Made Coverage
- Admitted Carrier
- Self-Insured Retention: \$250,000 (Indemnifiable 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: \$13,977.00

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:

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

Premium: \$6,670.00

Privacy & Network Liability – Illinois Union (Ace):

- Exposure Basis: Revenues
- 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: \$18,143.09

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: \$2,385.00

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: \$43,201.00

RESOLUTION NO. 12-06-_____

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

June 11, 2012

AUTHORIZING RENEWAL OF GENERAL LIABILITY INSURANCE COVERAGE, INCLUDING PUBLIC OFFICIALS ERRORS AND OMISSIONS; PROPERTY; BOILER AND MACHINERY; EXCESS WORKERS' COMPENSATION; EMPLOYMENT PRACTICES LIABILITY; CRIME/EMPLOYEE DISHONESTY INSURANCE; PRIVACY AND NETWORK LIABILITY; AND UNDERGROUND STORAGE TANK POLLUTION LIABILITY FOR THE PERIOD OF JULY 1, 2012 THROUGH JULY 1, 2013

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 and Network Liability; and Underground Storage Tank Pollution Liability FY 2013 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, 2012.

BONNIE PANNELL, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary