

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
5	09/24/12	Open	Action	09/14/12

Subject: Excess Rail Liability Insurance

ISSUE

Whether to authorize the General Manager/CEO to purchase excess rail liability insurance to satisfy the Amended Operations and Maintenance Agreement with Union Pacific Railroad (UPRR).

RECOMMENDED ACTION

Adopt Resolution No. 12-09-_____, Authorizing the Purchase of Excess Rail Liability Insurance to Satisfy the Amended Operations and Maintenance Agreement with Union Pacific Railroad.

FISCAL IMPACT

Budgeted:	No	This FY:	\$ 401,546
Budget Source:	Operating	Next FY:	\$ N/A
Funding Source:	Operating Revenues	Annualized:	\$ 401,546
Cost Cntr/GL Acct(s) or Capital Project #:	CC 47 GL 660044	Total Amount:	\$ 401,546
Total Budget:	\$401,546 (estimate as of 9/5/12)		

DISCUSSION

As a result of negotiations with Union Pacific Railroad (UPRR) for the purchase of right of way needed for the South Sacramento Corridor Phase 2 project (Project), also known as Blue Line to Cosumnes River College, the December 10, 1999 "Operations and Maintenance Agreement Between Sacramento Regional Transit District (RT) and Union Pacific Railroad" (Agreement) for South Line Phase 1 (from R Street to Meadowview) was amended to include the Project area and modify several provisions. One of the provisions that was affected was Section 7, Insurance and Indemnity.

Under the First Amendment to the Agreement, executed in March 2012, RT is contractually bound to purchase and maintain \$200M per occurrence / \$400M aggregate excess rail liability insurance during operation anywhere on the south corridor. Because the South Line Phase 1 track is currently in operation, RT's insurance broker (Aon) has been asked to obtain additional excess insurance quotes to comply with the amended Agreement.

The same insurance provisions also apply to the newly-opened Green Line to the River District project as a result of RT's track crossing the UPRR Track 150.

Approved:

Presented:

Final 09/17/12

General Manager/CEO

Chief Administrative Officer

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The current excess liability insurance program consists of \$100M in limit (4 layers of \$25M each from 4 different carriers). Aon obtained an additional \$100M excess liability insurance quote from Lexington Insurance for an additional annual premium of \$401,546. This amount would be in addition to RT's current \$100M annual premium of \$1,589,701.

At the \$50 million coverage level, RT's current coverage includes four separate \$50 million "aggregate limits", one for each of the following four categories: products / completed operations, errors and omissions, employee benefits liability and employment practices liability so that the policies will pay up to \$200 million in occurrences (4 occurrences of \$50 million) in these four categories. There is no aggregate limit on claims that fall outside of these four categories. A rail accident would likely fall outside one of the four aggregate limits noted above. Consequently, RT could pay multiple rail-related claims of up to \$50 million without exhausting the current coverage.

Beyond the \$50 million aggregate limits, RT currently has an additional \$50 million in per occurrence coverage. If the additional \$100 million in per occurrence coverage is purchased, RT would be insured for a single \$200 million occurrence and multiple additional rail-related occurrences of up to \$50 million, to meet or exceed the aggregate requirement of \$400 million. RT believes that this coverage satisfies the requirements of the First Amendment.

Staff is asking the Board to authorize the General Manager/CEO to purchase the insurance required to comply with RT's obligations under the amended agreement.

RESOLUTION NO. 12-09_____

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

September 24, 2012

**AUTHORIZING THE PURCHASE OF EXCESS RAIL LIABILITY INSURANCE TO
SATISFY THE AMENDED OPERATIONS AND MAINTENANCE AGREEMENT
WITH UNION PACIFIC RAILROAD**

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

THAT, the General Manager/CEO or his designee is hereby authorized and directed to take such actions to purchase excess rail liability insurance as are necessary to satisfy the insurance requirements specified in the "First Amendment to Operations and Maintenance Agreement Between Sacramento Regional Transit District and Union Pacific Railroad" and "Track 150 Lease Agreement between Union Pacific Railroad and Sacramento Regional Transit District".

BONNIE PANNELL, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary