

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
10	06/24/2013	Open	Action	06/03/2013

Subject: Insurance Renewals

ISSUE

Renewal of General Liability 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, 2013 through July 1, 2014.

RECOMMENDED ACTION

Adopt Resolution No. 13-06-_____, Authorizing Renewal of General Liability Including Public Officials Errors and Omissions, Property, Boiler & 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, 2013 through June 30, 2014.

FISCAL IMPACT

Budgeted:	Yes	This FY:	\$ N/A
Budget Source:	Operating	Next FY:	\$ 2,893,668
Funding Source:	Local/Federal	Annualized:	\$ 2,893,668
Cost Cntr/GL Acct(s) or Capital Project #:	47 660 027,040, 041, 043, 044, 047, 049, 060, 063	Total Amount:	\$ 2,893,668
Total Budget:	\$2,893,668.00		

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. Staff spent significant time understanding and updating the exposure base utilized by the insurance companies. Property schedules, covered equipment and liability exposures were all updated. For example, Sacramento County Assessors' records were reviewed to ensure that all properties owned by RT were on the insurance schedule. Appraisals were performed by experts to ensure that values were set properly in the event of loss. A flood analysis was performed to quantify the exposure RT faces at each of its locations.

Insurance specifications were rewritten to encompass the new exposure data. The market for transit districts has hardened significantly in the past six months due to a rash of large losses. RT had two significant loss payments due to bus accidents during the renewal process that resulted in the current primary liability carrier not renewing the current in-force primary liability policy. Aon and RT Staff met with carriers from domestic and international markets to provide alternative

Approved:

Presented:

Final 06/19/13
General Manager/CEO

Chief Administrative Officer/EEO

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options.

Several carriers provided options for coverage. To keep premiums flat, RT has an option to increase the amount of self-insurance. Actuarial reports and analysis of these options shows that by taking a small amount of additional risk, large premium savings can be achieved. Staff recommends this strategy given the hardening market.

General, Auto and Professional Liability:

RT is required to have \$200,000,000 in liability coverage per claim and \$400,000,000 in the aggregate due to contractual requirements with Union Pacific Railroad. In order to obtain the full limit, multiple carriers put up various amounts of capacity. One of the main goals during this renewal was to find a carrier(s) to replace the primary policy with Starr Indemnity. Starr Indemnity did not renew the policy midway through the renewal process due to claims. Starr was within its rights to non-renew. Another difficulty is that AIG, one of the largest carriers in this space, also pulled out of the market and declined to quote the primary for RT. Both carriers have experienced significant adverse losses for both bus and rail throughout the industry.

Another goal was to replace the \$100,000,000 x \$100,000,000 that was previously through Lexington Insurance Company (AIG) as they were not willing to renew the policy. Aon was successful in obtaining quotes from 3 other carriers who were willing to share this capacity and maintain the double aggregate limit required by UP.

Staff is recommending that National Casualty take the first \$10,000,000 lead on the program with Berkley National offering the next \$15,000,000 to replace the Starr Indemnity layer. Endurance would then take the next \$25,000,000 layer; AWAC the next \$25,000,000, and Westchester Fire the next \$25,000,000 to complete the first \$100,000,000 layer. XL, Canopus, and Argo would replace Lexington to complete the final \$100,000,000 over \$100,000,000 layer. All of these carriers are financially secure and familiar with transit districts.

The proposed coverage is very similar to the current program, with one exception. The self-insured retention for National Casualty is \$5,000,000 for bus claims. Starr's self-insured retention for bus claims was \$2,000,000.

To keep pricing similar to RT's current coverage, staff is recommending increasing the bus liability self-insured retention (SIR) from \$2,000,000 per claim to \$5,000,000 per claim. The current program with Starr has a \$2,000,000 bus liability SIR. Starr did not renew and National Indemnity will not quote anything lower than a \$5,000,000 SIR for both bus and rail claims.

There is an option to reduce the bus SIR from \$5,000,000 to \$3,000,000 which would cost \$515,217. The \$515,217 would be for a special "buffer policy" that would provide a \$3,000,000 limit under the National Indemnity \$5,000,000 SIR. The \$3,000,000 limit would only be paid after \$3,000,000 in claims are paid within the SIR. The actuarially determined losses within this layer make this option not attractive.

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Property:

The current carrier on the property program is Travelers Insurance. This year the building and business personal property/contents and fleet values were amended significantly after a thorough review of all inventory and premises. This policy also includes flood insurance (excess of the National Flood Insurance Program policies put in place for various locations).

For the property insurance coverage, the bulk of the premium comes from rolling stock (light rail vehicles, buses, etc.). The total inland marine loss limit remains at \$250,000,000. The premium difference from 2012 to 2013 is \$58,028. Travelers provided a favorable renewal premium that reflects a slight rate increase and a premium increase due to the adjustments in the total insurable values and a hardening market.

Staff is recommending that high value specialty vehicles such as ballast regulators and cranes be included in this years renewal at a premium of \$43,524.00 with a \$25,000 deductible.

The premium to insure the light rail infrastructure did not make financial sense given the claims history and cost to repair track and overhead lines. Staff is recommending that the property program not include coverage for light rail infrastructure.

Excess Workers' Compensation:

Star Insurance/Republic Indemnity quoted a small increase on the renewal rate this year. As the workers' compensation market hardens, rates have been increasing. Because the payrolls are up by \$3,965,941 and the rate has also increased slightly, the annual premium is up by \$23,269.00. 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 a successful renewal given that workers' compensation and excess workers' compensation rates in California have increased by as much as 20%-25%.

Employment Practice Liability:

The employment practices liability (EPLI) program has a primary EPLI only policy with Zurich. The layered excess liability program includes EPLI coverage giving RT a higher available limit.

The proposed new primary excess liability carrier is attaching EPLI coverage at \$5,000,000 in lieu of Starr's attachment at \$8,000,000. This allows RT to reduce the limit on this primary policy from \$8,000,000 to \$5,000,000. The annualized premium for a limit of \$5,000,000 is \$85,000, a \$27,000 saving from last year.

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

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decreased this year by \$965. In addition to the premium savings on this renewal, Travelers enhanced its boiler form by increasing the ordinance or law coverage from \$250,000 to \$500,000 for no additional premium.

Crime/Employee Dishonesty:

The current crime program has been with Chubb since 2009. Aon and staff recommend that the coverage remain with Chubb with a program almost identical to last year's program with the exception of an increased deductible from \$10,000 to \$25,000. The premium was increased this year from \$6,670 to \$8,040. The cause for the increased deductible and premium was due to an employee theft claim that was closed in 2012. The market is also hardening due to an overall increase in employee thefts.

Privacy & Network Liability:

Aon and staff recommend changing carriers from Ace to Ascent. The Ascent coverage form is superior to that of the incumbent, Ace, for nearly the same premium. Ascent includes a \$2,000,000 data breach fund limit. The current carrier, Ace, has a \$100,000 limit. Ascent includes a \$2,000,000 business interruption limit. Ace did not include this coverage. Ascent also included a \$50,000 retention (12 hours for business interruption), where Ace has a \$100,000 retention.

Underground Storage Tanks Pollution Liability:

RT's underground storage tank policy was with Zurich and was not renewed. Zurich is withdrawing from this line of business. Aon obtained another quote from Liberty Mutual with a \$1,000,000 limit. This is the same coverage as RT's expiring coverage. The premium has increased from Zurich at \$2,385 to Liberty Mutual at \$4,177. The markets are limited for underground storage tank pollution liability and Liberty Mutual was able to provide a renewal with similar terms as Zurich for a reasonable premium.

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Policy Type / Carrier(s)	07/01/13 - 07/01/14 Renewal Program	7/1/12 - 7/1/13 Expiring Program	7/1/11 - 7/1/12	7/1/10 - 7/1/11	7/1/09 - 7/1/10
Excess Liability (GL/AL/PL/EPL/EBL) (National Casualty, Berkley National, Endurance, AWAC, ACE Westchester Fire, XL/Canopious/Argo)	\$2,089,645.00	\$1,589,701.25	\$1,574,837.50	\$1,638,925.00	\$1,486,442.00
Property & Inland Marine (Travelers)	\$508,051.00 (excludes rail infrastructure)	\$450,023.00	\$443,166.00	\$478,535.00	\$626,616.00
Excess Workers' Compensation (Starr)	\$121,631.00	\$98,362.00	\$96,664.00	\$110,061.00	\$113,960.00
Employment Practices Liability (Zurich)	\$85,000.00	\$112,000.00	\$112,000.00	\$112,000.00	\$112,000.00
Boiler & Machinery (Travelers)	\$13,012.00	\$13,977.00	\$17,067.00	\$16,569.00	\$16,569.00
Crime (Chubb)	\$8,040.00	\$6,670.00	\$6,695.00	\$6,695.00	\$6,695.00
Privacy & Network Liability (Ascent)	\$19,592.00	\$18,143.09	\$20,211.19	\$21,448.13	\$18,257.41
Underground Storage Tanks Pollution Liability (Liberty Mutual)	\$4,177.00	\$2,385.00	\$2,321.00	\$2,162.00	\$2,260.00
Floods (various policy terms) (Travelers National Flood Insurance Program)	\$44,520.00	\$43,201.00	\$42,987.00	\$39,131.00	\$26,279.00
Totals:	\$2,893,668.00	\$2,334,462.34	\$2,315,948.69	\$2,425,526.13	\$2,409,078.41

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Insurance Premiums

Coverage	Carrier(s)	Cost
General/Auto/Professional Liability	National Casualty Berkley National Endurance AWAC Westchester Fire (Ace) XL/Canopus, Argo	\$2,089,645.00
Property and Inland Marine (excludes rail infrastructure)	Travelers	\$508,051.00
Excess Workers' Compensation	Star/Republic Indemnity	\$121,631.00
Employment Practices Liability	Zurich	\$85,000.00
Boiler & Machinery	Travelers	\$13,012.00
Crime/Employee Dishonesty	Federal (Chubb)	\$8,040.00
Privacy & Network Liability	Illinois Union (Ace)	\$19,592.00
Underground Storage Tank Pollution Liability	Liberty	\$4,177.00
Flood	Travelers/NFIP	<u>\$44,520.00</u>
TOTAL		<u>\$2,893,668.00</u>

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

RESOLUTION NO. 13-06-_____

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

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, 2013 THROUGH JULY 1, 2014

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 2014 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, 2013.

PATRICK HUME, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

**Insurance Renewals
Exhibit A**

Summary of Insurance Coverage
7/1/13 – 7/1/14

General/Automobile/Professional/Employment Practices Liability – Various Carriers:

Bus and Light Rail Combined

- \$200,000,000 limit pursuant to RT's contractual obligations with Union Pacific Railroad.
- Includes Public Officials Errors and Omissions (E&O/Professional Liability) Limited to \$50,000,000.
- Occurrence Form
- Admitted and Non-Admitted Carriers
- Self-Insured Retention:

Professional/GL	\$2,000,000
Bus	\$5,000,000
Light Rail	\$5,000,000

Total limit of \$200,000,000 met through provision of layered insurance as follows:

National Casualty (AL, GL, PL, EPL)

- Limit: \$10,000,000 per occurrence/aggregate where applicable
- Excess of split SIR's

Berkley National (AL, GL, PL, EPL)

- Underlying follow form
- Limit: \$15,000,000 per occurrence/aggregate where applicable
- Excess of \$10,000,000 National Casualty

Endurance (AL, GL, PL, EPL)

- Underlying follow form
- Limit: \$25,000,000 per occurrence/aggregate where applicable
- Excess of \$15,000,000 Berkley National
- Excess of \$10,000,000 National Casualty

Allied World Assurance Company (AWAC) (AL, GL only)

- Underlying follow form
- Limit: \$25,000,000 per occurrence/aggregate where applicable
- Excess of \$25,000,000 Endurance
- Excess of \$15,000,000 Berkley National
- Excess of \$10,000,000 National Casualty

ACE Westchester Fire (AL, GL only)

- Underlying follow form
- Limit: \$25,000,000 per occurrence/aggregate where applicable
- Excess of \$25,000,000 Allied World Assurance Company (AWAC)
- Excess of \$25,000,000 Endurance
- Excess of \$15,000,000 Berkley National
- Excess of \$10,000,000 National Casualty

Quote to share (3 carriers): XL, Canopus, Argo

- Double aggregate
- Limit: \$100,000,000 per occurrence / \$200,000,000 aggregate
- Excess of \$25,000,000 ACE Westchester Fire
- Excess of \$25,000,000 Allied World Assurance Company (AWAC)
- Excess of \$25,000,000 Endurance
- Excess of \$15,000,000 Berkley National
- Excess of \$10,000,000 National Casualty

Total Limits: \$200,000,000 occurrence / \$400,000,000 aggregate

Total Premium: \$2,089,645.00

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, 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, 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, Autos & Service Vehicles

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

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

\$ 106,808,641 Blanket Building Loss Limit

\$ 2,376,000 Scheduled Buildings (vacant locations)

\$ 26,901,195 Blanket Business Personal Property Loss Limit

\$ 99,500,000 Revenue Vehicles
\$ 9,544,000 Non-Revenue Vehicles, Inactive/Contingency & Other Revenue
\$ 3,996,000 Specialty Vehicles
\$310,400,000 Light Rail Trains

\$ 1,438,529 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 - property - all perils; all coverages combined
\$250,000 - inland marine
\$500,000 - per occurrence – collision
\$ 25,000 - specialty vehicles
\$250,000 - flood (property)
\$500,000 - flood (inland marine, except employee tools)
\$ 5,000 - flood, earth movement and basic deductible – employee tools only.
72 hours - business income & utility services on property form.
72 hours - subject to a \$250,000 minimum – valued business income (inland marine)
\$500,000 - earth movement – inland marine, except for employees tools (no earth movement coverage on property)

Total insurable value (excludes rail infrastructure): \$ 567,835,297.00

Premium \$ 508,051.00

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: \$0.2131

Premium: \$121,631.00

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: \$5,000,000 Each Insured Event/Aggregate

Premium: \$85,000.00

Boiler & Machinery – Travelers

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

Limits:

\$ 25,000 Electronic Data or Media
\$10,000,000 Property damage – per breakdown
\$ 250,000 Expediting expense, ammonia contamination, and hazardous substance
\$ 500,000 Ordinance or law

Premium: \$13,012.00

Crime/Employee Dishonesty – Federal (Chubb):

- Exposure Basis: Internal controls
- Admitted Carrier
- Deductibles:
 - \$ 25,000 Public Employee Dishonesty
 - \$ 25,000 Forgery or Alteration
 - \$ 25,000 Theft, Disappearance and Destruction
 - \$ 25,000 Computer Fraud

Limits:

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

Premium: \$8,040.00

Privacy & Network Liability – Ascent:

- Exposure Basis: Revenues
- Non-Admitted Carrier
- Deductible: \$50,000 Each Claim & 12 hours for business interruption

Limits:

\$2,000,000	Privacy Liability
\$2,000,000	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: \$19,592.00

Underground Storage Tank Pollution Liability – Liberty Mutual:

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

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

Premium: \$4,177.00

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 \$100,000-\$500,000)

Premium: \$44,520.00