

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
6	06/23/14	Open	Action	06/16/14

Subject: Insurance Renewals

ISSUE

Renewal of General Liability 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, 2014 through June 30, 2015.

RECOMMENDED ACTION

Adopt Resolution No. 14-06-___, Authorizing Renewal of General Liability Coverage 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, 2014 through June 30, 2015.

FISCAL IMPACT

Budgeted:	Yes	This FY:	\$2,839,938
Budget Source:	Operating	Next FY:	\$2,839,938
Funding Source:	Local / Federal	Annualized:	\$2,839,938
Cost Cntr/GL Acct(s) or Capital Project #:47 660 027,040, 041, 043, 044, 047, 049, 060, 063		Total Amount:	\$2,839,938
Total Budget:	\$ 2,839,938		

DISCUSSION

The insurance marketplace is hardening in several areas, but the biggest impact of the changing market is in the liability sector, including both light rail and bus exposure. Carriers are reducing capacity and increasing prices due to negative loss development across the nation and overseas. To mitigate possible premium increases, RT's Insurance Broker, Aon, brought on additional resources to assist in the marketing process. This new team has over 20 years' experience working with both light and heavy rail. The team's carrier relationships, especially overseas, were a key part of this decision. The market was also showing increases in property (3-5%), excess workers' compensation (10-20%) and employment practices liability (8-15%).

Over the past year, RT's staff and insurance broker, Aon, undertook a comprehensive re-examination of RT's entire portfolio of insurance and risk. Together the team developed a new marketing approach so that the insurance markets could fully understand the underlying exposure

Approved:

Presented:

Final 06/17/14

General Manager/CEO

Chief Administrative Officer

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that they are underwriting. A detailed report was compiled for the markets that included discussions on the steps and actions RT has taken to improve the operation and employ systematic loss control. The report highlighted the changes that improve RT's risk profile. Qualitative and quantitative information were provided around each risk area to the underwriters. The goal was to stem possible increases from market forces by demonstrating that RT's profile risk is superior and should warrant lower premiums.

Once renewal specifications were finished in March, Aon approached the global market and negotiations began in earnest. Aon received quotes in early May from multiple insurance carriers. Overall the focus on RT's improved risk profile was successful. Several lines of coverage decreased and increases were below budget on those lines of coverage where decreases were not achieved.

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. To obtain the full limit, multiple carriers provide various amounts of capacity. Last year two major carriers, AIG and Starr, pulled back capacity in this space and there continues to be a very limited number of carriers writing business in the transit district space.

Given the limited number of insurers writing coverage for transit risks (bus & light rail) and the upward pressure on rates and premiums, RT's broker negotiated with insurers to construct a program that satisfies RT's contractual obligations, provides the required scope of coverage and has pricing within the budget. Coverage was secured with expiring coverage for a reduction of \$45,000 in premium.

Property:

The current carrier on the property program is Travelers Insurance. A broad range of alternate carriers and program structures were evaluated, but none were able to improve upon the rate and program structure being provided by Travelers. Travelers' advantage is that they put up the full limit for the program. This allows RT to avoid having to set up a layered program similar to the liability. Minimum premiums on the excess property layers make a layered approach more expensive.

Travelers offered a slight premium reduction this year in the amount of \$7,107. Total renewal premium is \$507,342.

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.

Excess Workers' Compensation:

The excess workers' compensation market in California is hardening significantly. There is a lack

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of carriers writing excess coverage and the losses are increasing for the carriers still in the market. Star Insurance won RT's business two years ago when Republic Insurance pulled out of the market. Since then Star has been requesting small but reasonable increases. The overall premium is up 8% for 2015, 3% of that increase is due to a payroll increase. Taking the payroll increase into account, the actual rate is up 5%, which was 10% below budget. Terms and conditions remain the same.

Employment Practice Liability:

Zurich has been the carrier for RT's EPLI (employment practices liability insurance) policy for over ten years. That long-term relationship has been very beneficial in the past few years as rates have been going up. Rather than see the 10-15% increase typical in this space, Zurich has been flat to down in terms of rate. This year Zurich quoted a 5% increase in premium. The exposure base was up 3% so the net increase was 2%. The premium for the renewal is quoted at \$89,250 for a \$5,000,000 limit. Terms and conditions remain the same.

Boiler & Machinery:

Travelers has been the insurer for the boiler and machinery program for several years and has consistently offered competitive terms and pricing. The annual premium increased this year by \$312 to \$13,234. Terms and conditions remain the same.

Crime/Employee Dishonesty:

The current crime program has been with Chubb since 2009. Staff recommends that the coverage remain with Chubb. The premium was increased this year by \$535 to \$8,578.

Privacy & Network Liability:

Ascent Underwriters is the Lloyds of London Syndicate that underwrites the network security and privacy policy for RT. The renewal premium was flat this year and there were no changes in coverage. Ascent did agree to change the law firm that would represent RT in the event of a claim for 2015, which was requested by staff.

Underground Storage Tanks Pollution Liability:

Liberty Mutual increased the premium on the UST policy by \$388 to \$4,565. The market is limited for underground storage tank pollution liability and Liberty Mutual was able to provide a renewal with the same terms and conditions as expiring.

Flood:

The flood program is with Travelers and the National Flood Program. The rates change based on the mandated rates per flood zone. The premiums in RT's primary zones of operation decreased in 2015. The premium was down by \$12,351 for a total of \$32,169.

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Policy Type	07/01/14 – 07/01/15 Renewal Program	07/01/13 – 07/01/14 Expiring Program	07/01/12 – 07/01/13	07/01/12 – 07/01/11
Excess Liability (GL/AL/PL/EBL)	\$2,041,460	\$2,086,460	\$1,589,701	\$1,574,838
Property & Inland Marine (Travelers)	\$507,342	\$508,051	\$450,023	\$443,166
Excess Workers' Compensation (Star)	\$131,488	\$121,631	\$98,362	\$96,664
Employment Practices Liability (Zurich)	\$89,250	\$85,000	\$112,000	\$112,000
Boiler & Machinery (Travelers)	\$13,324	\$13,012	\$13,977	\$17,067
Crime (Chubb)	\$8,578	\$8,040	\$6,670	\$6,695
Privacy & Network Liability (Ascent)	\$14,835	\$14,819	\$18,143	\$20,211
Underground Storage Tanks Pollution Liability (Liberty Mutual)	\$4,565	\$4,177	\$2,385	\$2,321
Flood (Travelers/NFIP)	\$29,096	\$44,520	\$43,201	\$42,987
Total	\$2,839,938	\$2,885,710	\$2,334,462	\$2,315,949

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Insurance Premiums

Coverage	Carrier(s)	Cost
General/Auto/Professional Liability	Various	\$2,041,460
Property and Inland Marine (excludes rail infrastructure)	Travelers	\$507,342
Excess Workers' Compensation	Star	\$131,488.00
Employment Practices Liability	Zurich	\$89,250.00
Boiler & Machinery	Travelers	\$13,324.00
Crime/Employee Dishonesty	Chubb	\$8,578.00
Privacy & Network Liability	Ascent	\$14,835.00
Underground Storage Tank Pollution Liability	Liberty Mutual	\$4,565.00
Flood	Travelers/NFIP	<u>\$29,096.00</u>
TOTAL		\$2,839,938

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

RESOLUTION NO. 14-06-_____

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

June 23, 2014

AUTHORIZING RENEWAL OF GENERAL LIABILITY COVERAGE 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, 2014 THROUGH JUNE 30, 2015

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 Insurance; Underground Storage Tank Pollution Liability FY 2015 to be provided by the insurance companies for the insurance limits, with the coverage and premium amounts set out in the 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, 2014.

PHILLIP R. SERNA, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

**Insurance Renewals
Exhibit A**

**Summary of Insurance Coverage
7/1/14 – 7/1/15**

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

Catlin Insurance (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 Catlin Insurance
- 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 Catlin Insurance
- 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: \$2,041,460

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 are 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

\$ 104,432,641 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 – CNG Buses
\$ 3,125,000	Revenue Vehicles – other
\$ 6,085,195	Non-Revenue Vehicles, Inactive/Contingency & Other Revenue
\$ 3,996,000	Specialty Vehicles
\$310,400,000	Light Rail Vehicles

* \$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 coverage’s 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 employee’s tools (no earth movement coverage on property)

Total insurable value (excludes rail infrastructure): \$ 565,501,492

Premium \$ 507,342.00

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: \$0.2239

Premium: \$131,488.00

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

Premium: \$89,250.00

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, and hazardous substance
\$ 500,000	Ordinance or law

Premium: \$13,324.00

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: \$8,578.00

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: \$14,835.00

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: \$4,565.00

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: \$29,096.00