

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
15	06/08/15	Open	Action	06/02/15

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, 2015 through July 1, 2016.

RECOMMENDED ACTION

Adopt Resolution No. 15-06-____, Authorizing Renewal of General Liability Coverage Including Public Officials Errors and Omissions, Property, Boiler & Machinery, Excess Workers' Compensation, Employment Practices Liability, Crime/Employee Dishonesty Insurance, Privacy & Network Liability and Underground Storage Tank Pollution Liability for the Period of July 1, 2015 through June 30, 2016.

FISCAL IMPACT

Budgeted:	Yes	This FY:	\$	2,928,687
Budget Source:	Operating	Next FY:	\$	
Funding Source:	Local/Federal	Annualized:	\$	
Cost Cntr/GL Acct(s) or Capital Project #:	47 660, 027, 040, 041, 043, 044, 047, 049, 060, 063	Total Amount:	\$	2,928,687
Total Budget:	\$ 2,928,687			

DISCUSSION

Consistent with the trend over the past couple of insurance cycles, the insurance marketplace is hardening in several areas. The biggest impact of the changing market is on the liability and employment practices liability sectors. Similar to the previous year, carriers are reducing capacity and increasing prices due to negative losses across the nation and overseas.

RT's staff and insurance broker, Aon, has continued to thoroughly re-examine RT's insurance and risk. A comprehensive report was compiled for the insurance markets that included discussions on the steps and actions RT continues to take to improve its operations and decrease risk.

Once renewal specifications were finished in February, Aon approached the global market on RT's behalf and negotiations began. Aon received quotes in April from multiple insurance carriers.

Approved:

Presented:

Final 06/02/15

General Manager/CEO

Chief Counsel

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General, Auto and Professional Liability:

RT must have \$200,000,000 in liability coverage per claim and \$400,000,000 in the aggregate due to contractual requirements with Union Pacific Railroad (UP). In order to obtain the full limit, multiple carriers put up various amounts of capacity. UP’s requirement represents a significant cost – without it, RT would likely adopt \$100,000,000/\$200,000,000 coverage limits and premiums would be substantially lower. RT continues to explore methods for reducing the cost associated with UP’s requirement.

Despite the hardening of the casualty market, RT was offered a lower premium this year due to positive claims handling and favorable settlements across RT’s claim portfolio.

Additionally, the carriers have agreed to add the new light rail line in the first quarter of the insurance policy for no additional premium. Staff evaluated lower retentions that were offered but opted not to select any for financial reasons.

Property:

Travelers, the current carrier on the property program, increased its rate by 4% for the FY 2016 renewal. This is the first rate increase in six years. In addition to the rate increase, the replacement cost values for the bus and light rail fleets were increased based on market surveys and recent acquisitions.

RT is currently investigating a potential error in the property insurance premium. This error, if verified, would result in a lower premium amount.

Aon and staff explored various limit and deductible options. However staff believes the current program structure is most advantageous and recommends maintaining the current program structure. One option considered was to increase the deductible on the buildings and personal property from \$100,000 to \$250,000 and increase the time element on the business interruption from 72 hours to 120 hours. This option reduced the premium by \$42,003, which when modeled was not significant enough to warrant the change.

Excess Workers’ Compensation:

The workers’ compensation rate was flat. However, a 5% increase in the estimated payroll budgeted for the 2015-2016 policy year resulted in a 5.3% increase in premium.

Employment Practice Liability:

Staff recommends renewing the Employment Practice Liability coverage with Zurich. Due to claims and rate increases in the California Employment Practice Liability Insurance market, RT’s premium increased \$20,750 (23%) and the self-insured retention increased from \$250,000 to \$500,000 for the FY 2015-2016 policy year.

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Boiler & Machinery:

Travelers has been the insurer for the boiler and machinery program for several years and consistently offers competitive terms and pricing. They offered a reduced premium this year providing a savings of 2.6% over the expiring policy.

Crime/Employee Dishonesty:

The crime premium was flat for the renewal. Staff explored various limit and deductible options but none was deemed as more advantageous to RT. Thus, staff recommends maintaining the current program structure.

Privacy & Network Liability:

The cyber liability premium was flat for the renewal. Staff explored various limit and deductible options but staff did not find any were more advantageous to RT. Consequently staff recommends maintaining the current program structure.

Underground Storage Tanks Pollution Liability:

There is a slight increase in the premium this year due to an adjustment in the schedule, which increased the number of tanks from 5 to 7.

Program Cost Comparison:

Policy Type	07/01/2015 – 07/01/2016 Renewal Program	07/01/14 – 07/01/15 Expiring Program	07/01/13 – 07/01/14	07/01/12 – 07/01/13
Excess Liability (GL/AL/PL/EPL)	\$2,009,035	\$2,041,460	\$2,086,460	\$1,589,701
Property & Inland Marine	\$600,049	\$507,342	\$508,051	\$450,023
Excess Workers' Compensation	\$138,459	\$131,488	\$121,631	\$98,362
Employment Practices Liability	\$110,000	\$89,250	\$85,000	\$112,000
Boiler & Machinery	\$12,680	\$13,324	\$13,012	\$13,977
Crime	\$8,787	\$8,578	\$8,040	\$6,670
Privacy & Network Liability	\$14,835	\$14,835	\$14,819	\$18,143
Underground Storage Tanks Pollution Liability		\$4,565	\$4,177	\$2,385

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	\$5,746			
Flood	\$29,096	\$29,096	\$44,520	\$43,201
Total	\$2,928,687	\$2,839,938	\$2,885,710	\$2,334,462

Coverage	Carrier(s)	Cost
General/Auto/Professional Liability	National Casualty, Berkley National, Endurance, XL Catlin, Allied World Assurance, XL, Canopus & Argo	\$2,009,035
Property and Inland Marine (excludes rail infrastructure)	Travelers	\$600,049*
Excess Workers' Compensation	Star	\$138,459
Employment Practices Liability	Zurich, National	\$110,000
Boiler & Machinery	Travelers	\$12,680
Crime/Employee Dishonesty	Chubb	\$8,787
Privacy & Network Liability	Ascent	\$14,835
Underground Storage Tank Pollution Liability	Liberty Mutual	\$5,746
Flood	Travelers/National Flood Insurance Program	\$29,096
TOTAL		\$2,928,687

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

* The premium cost may ultimately be lower than this amount subject to completion of RT's analysis of a potential error by the insurer in the premium calculation.

RESOLUTION NO. 15-06-_____

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

June 8, 2015

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, 2015 THROUGH JUNE 30, 2016

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 2016 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, 2015.

JAY SCHENIRER, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary

**Insurance Renewals
Exhibit A**

**Summary of Insurance Coverage
7/1/15 – 7/1/16**

**General(GL)/Automobile(AL)/Professional(PL)/Employment Practices Liability(EPL)
– 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 & Omissions (E&O/Professional Liability) Limited to \$50,000,000.
- Occurrence Form
- Admitted and Non-Admitted Carriers
- Self-Insured Retention:

Professional/GL	\$5,000,000
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 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)

- 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

XL Catlin (AL, GL)

- 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

Allied World Assurance Company (AL, GL)

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

Quota share (3 carriers): XL, Canopus, Argo (AL, GL)

- Double aggregate
- Limit: \$100,000,000 per occurrence / \$200,000,000 aggregate
- Excess of \$25,000,000 Allied World Assurance Company
- Excess of \$25,000,000 XL Catlin
- 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: \$2,009,035 + applicable taxes/fees

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
\$ 96,953,700	Blanket Building Loss Limit
\$ 2,079,000	Scheduled Buildings (vacant locations)
\$ 31,015,540	Blanket Business Personal Property Loss Limit
\$142,331,337	Revenue Vehicles – CNG Buses
\$ 2,786,000	Revenue Vehicles – other
\$ 915,000	Inactive Contingency Fleet
\$ 6,972,270	Non-Revenue Vehicles, Inactive/Contingency & Other Revenue
\$ 2,189,000	Specialty Vehicles
\$363,750,000	Light Rail Trains

* \$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): \$658,444,808

Premium: \$ 600,049*

* The premium cost may ultimately be lower than this amount subject to completion of RT's analysis of a potential error by the insurer in the premium calculation.

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
Estimated Payroll \$61,756,708
Rate: \$0.2242
Premium: \$ 138,459

Employment Practices Liability – Zurich:

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

Limit: \$5,000,000 Each Insured Event/Aggregate
Premium: \$ 110,000

Boiler & Machinery – Travelers

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

Limits:
\$10,000,000 Total breakdown limit
\$ 250,000 Utility interruption
\$ 250,000 Hazardous substance
\$ 500,000 Ordinance or law
\$ 250,000 Water damage

Premium: \$12,680

Crime/Employee Dishonesty – Federal (Chubb):

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

Limits:

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

Premium: \$ 8,787

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
\$2,000,000	Regulatory Proceeding

Premium: \$ 14,835

Underground Storage Tank Pollution Liability – Liberty Surplus Ins. Corp.:

- Exposure Basis: Number of tanks (7), capacity, contents and monitoring system
- Non-Admitted Carrier
- Deductible: \$5,000 Each Claim

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

Premium: \$ 5,746

Excess Flood – Travelers (NFIP):

- Exposure Basis: Statement of values for buildings and business personal property.
- Admitted Carrier
- Deductible: \$50,000

Limit: Varies (buildings \$0 - \$500,000, business personal property \$100,000-\$500,000)

Premium: \$29,096