

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
5	06/13/16	Open	Action	06/06/16

Subject: Insurance Renewal

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, 2016 through June 30, 2017.

RECOMMENDED ACTION

Adopt Resolution No. 16-06-____, 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, 2016 through June 30, 2017.

FISCAL IMPACT

Budgeted:	Yes	This FY:	\$ N/A
Budget Source:	Operating	Next FY:	\$3,256,710
Funding Source:	Local/Federal	Annualized:	\$3,256,710
Cost Cntr/GL Acct(s) or Capital Project #:	47 660, 027, 040, 041, 043, 044, 047, 049, 060, 063	Total Amount:	\$3,256,710
Total Budget:	\$3,256,710		

DISCUSSION

The insurance market has softened slightly in the past two quarters. Large rail losses have been less frequent and there are several new carriers participating in the marketplace. The property market has become more stable, but flood exposure continues to be an issue in the Sacramento region.

Staff and RT's insurance broker, Aon, have continued to thoroughly re-examine RT's insurance and risk exposure. Aon compiled a comprehensive report for the insurance markets that included a strategy for all areas of risk. Staff continues to identify, quantify and evaluate areas of risk exposure. This includes vacant property exposures and rail service expansions like the Blue Line.

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. The following is staff's recommendation for RT's insurance program.

Approved:

Presented:

Final 06/07/16

General Manager/CEO

Chief Counsel

J:\Board Meeting Documents\2016\10 June 13, 2016\FY 2017 Insurance Renewal Issue Paper.cb.doc

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General, Auto and Professional Liability:

RT must have \$295,000,000 in liability coverage per claim and \$400,000,000 in the aggregate due to contractual requirements with Union Pacific Railroad (UP). No one insurer can provide a single policy providing RT’s coverage requirements therefore, 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 staff continues to explore methods for reducing the cost associated with UP’s requirement.

In addition to this year’s renewal, the limit was increased by \$90,000,000 due to an increase in the Federal Statutory Maximum Aggregate Limit. RT purchased an excess policy with a \$90,000,000 limit over the current \$200,000,000 limit. This new limit was put into place mid-term, and the premium was pro-rated to the 7/1/16 effective date of the master program.

Property:

Travelers, the current carrier on the property program, presented flat rates for the FY 2017 renewal. This continues to be the best structure and pricing in the marketplace based on RT’s needs. Travelers is a leader in this space and their claim service has been excellent.

Excess Workers’ Compensation:

The workers’ compensation rate had a minimal increase leaving the premium close to flat.

Employment Practice Liability:

Arch has issued a flat renewal for the 2016-2017 policy period as there has been no change in exposure.

Boiler & Machinery:

Travelers has been the insurer for the boiler and machinery program for several years and consistently offers competitive terms and pricing.

Crime/Employee Dishonesty:

Staff explored various limit options for the employee dishonesty policy. The current limit was deemed too low and below peers (\$500,000). Consequently, RT secured coverage with a \$1,000,000 limit. The new policy which doubled the limit from \$500,000 to \$1,000,000 came in \$2,088 over the expiring amount. Despite the increase in cost, staff believes RT needs to increase its coverage and recommends the higher limit.

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Privacy & Network Liability:

Ascent remains competitive on the renewal providing a flat renewal. Additional limits were explored given the publicity Network Security/Privacy Liability has received in 2016. The increase in limits will be determined upon the underlying exposure.

Underground Storage Tanks Pollution Liability:

Coverage will renew with Liberty Mutual as a very competitive renewal quote was provided.

Program Cost Comparison:

Policy Type	07/01/16 - 07/01/17 Renewal Program	07/01/15 – 07/01/16 Expiring Program	07/01/14 – 07/01/15	07/01/13 – 07/01/14
Excess Liability (GL/AL/PL/EPL)	\$2,376,515	\$2,051,435	\$2,041,460	\$2,086,460
Property & Inland Marine	\$572,788	\$600,049	\$507,342	\$508,051
Excess Workers' Compensation	\$139,508	\$138,459	\$131,488	\$121,631
Employment Practices Liability	\$90,050	\$90,050	\$89,250	\$85,000
Boiler & Machinery	\$11,749	\$12,680	\$13,324	\$13,012
Crime	\$10,875	\$8,787	\$8,578	\$8,040
Privacy & Network Liability	\$14,835	\$14,835	\$14,835	\$14,819
Underground Storage Tanks Pollution Liability	\$5,776	\$5,746	\$4,565	\$4,177
Flood	\$49,449	\$45,809	\$29,096	\$44,520
Total	\$3,256,710	\$2,967,850	\$2,839,938	\$2,885,710

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Coverage	Carrier(s)	Cost
General/Auto/Professional Liability	National Casualty, Berkley National, Endurance, XL Catlin, Allied World Assurance, XL, Canopus & Argo	\$2,376,515
Property and Inland Marine (excludes rail infrastructure)	Travelers	\$572,788
Excess Workers' Compensation	Star	\$139,508
Employment Practices Liability	Zurich, National	\$90,050
Boiler & Machinery	Travelers	\$11,749
Crime/Employee Dishonesty	Chubb	\$10,875
Privacy & Network Liability	Ascent	\$14,835
Underground Storage Tank Pollution Liability	Liberty Mutual	\$5,776
Flood	Travelers/National Flood Insurance Program	\$49,449
TOTAL		\$3,256,710

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

RESOLUTION NO. 16-06_____

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

June 13, 2016

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, 2016 THROUGH JUNE 30, 2017

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 2017 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, 2016.

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
7/1/16 – 7/1/17

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

Bus and Light Rail Combined

- \$290,000,000 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 \$290,000,000 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, 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

Quota Share (4 carriers): XL, Torus, Apollo, Berkshire (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

Quota share (6 carriers): Novae, Apollo, XL, Starstone, ANV, Hiscox (AL, GL)

- Underlying follow form
- Limit: \$90,000,000 per occurrence / \$200,000,000 aggregate
- Excess of \$100,000,000 Quote Share (3 carriers)
- 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: \$290,000,000 occurrence / \$400,000,000 aggregate

Total Premium: \$2,376,515

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	
\$ 2,429,000	Scheduled Buildings (vacant locations)	
\$ 31,283,040	Blanket Business Personal Property Loss Limit	
\$114,856,000	Revenue Vehicles – CNG Buses	
\$ 3,879,904	Revenue Vehicles – other	
\$ 962,000	Inactive Contingency Fleet	
\$ 5,062,782	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): \$490,480,686

Premium: \$ 572,788

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 \$61,756,705
 Rate: \$0.2259

Premium: **\$139,508**

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: **\$90,050**

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: **\$11,749**

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:

\$1,000,000	Employee Dishonesty
\$1,000,000	Forgery or Alteration
\$1,000,000	Theft, Disappearance and Destruction
\$1,000,000	Computer Fraud

Premium: \$10,875

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: \$5,776

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: \$49,449