

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
7	05/22/17	Open	Action	05/17/17

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, 2017 through July 1, 2018.

RECOMMENDED ACTION

Adopt Resolution No. 17-05-____, Authorizing 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, 2017 through July 1, 2018.

FISCAL IMPACT

Budgeted:	Yes	This FY:	\$	N/A
Budget Source:	Operating	Next FY:	\$	2,914,478
Funding Source:	Local/Federal	Annualized:	\$	2,914,478
Cost Cntr/GL Acct(s) or Capital Project #:	47 660, 027, 040, 041, 043, 044, 047, 049, 060, 063	Total Amount:	\$	2,914,478
Total Budget:	\$ 2,914,478			

Note: This is a cost savings from the prior year of approximately \$325,000.

DISCUSSION

Staff conducted a Request for Proposals for Insurance Brokerage services last year and selected Alliant Insurance Services, Inc. to be RT's new insurance broker. Alliant thoroughly examined RT's insurance and risk exposures and conducted extensive marketing of RT's insurance placements to a number of insurers. In many cases, this resulted in more competitive options both from a coverage and pricing standpoint. In some cases, RT's current insurers have responded by enhancing coverage and/or reducing pricing on renewal terms. Staff continues to identify, quantify and evaluate areas of risk exposure.

Once renewal specifications were completed in February, Alliant approached the global market on RT's behalf and negotiations began. Alliant received quotes from multiple insurance carriers. The following are staff's recommendations for RT's insurance program.

Approved:

Presented:

Final 05/17/17

General Manager/CEO

Chief Counsel

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General, Auto and Professional Liability:

RT is required to provide a \$295,000,000 per occurrence limit and a minimum of either a double aggregate, or no rail aggregate to comply with Union Pacific (UP) contractual requirements. No one insurer can provide a single policy meeting this limit; therefore, multiple carriers were engaged to secure the capacity required. UP’s requirement represents a significant cost, and in the absence of it, RT would elect to purchase limits of just \$100,000,000, resulting in a significant premium savings. In light of this, RT staff requested that Alliant pursue bifurcating the limits over \$100,000,000 to cover only the portion of track subject to the UP requirement.

The liability program has undergone significant changes this year. The current lead insurer has left the marketplace and had to be replaced. Alliant successfully pursued bifurcated limits over \$100,000,000. Alliant aggressively marketed the entire program both to incumbent and new markets to achieve the maximum premium savings at renewal. Lastly, due to the \$2,000,000 decrease in the self-insured retention, to continue to meet UP limit requirements of 295M, the top layer increased from \$90,000,000 to \$92,000,000 for an additional premium of \$5,000.

The attached premium summary contemplates the following:

- SIR lowered on master liability program for all coverages from 5M to 3M.
- Employment Practices Liability buy-down policy limit lowered from 5M to 3M in light of lowered SIR, resulting in additional savings of \$19,887.
- Coverage on entire system up to 100M now, with coverage applying only as contractually obligated under UP contracts above that; final policy language is pending underwriters’ approval.
- Tower expanded to 292M limit from 290M limit to meet Federally Mandated Limit, given lower SIR.
- Addition of terrorism covered as defined by TRIA on entire system to 100M limit.
- Employment Practices Liability covered up to \$100M limit.
- Public Officials and Law Enforcement E&O covered up to \$60M limit.
- Overall premium savings of \$300,603 on master liability program, and EPLI program inclusive of above noted expansions, FET and surplus lines taxes/fees.

Property:

Travelers, the current carrier on the property program, provided more competitive terms and pricing as a result of aggressive marketing of the program. Most notably, they decreased the Collision deductible for buses from \$500,000 to \$100,000, increased various coverage sub-limits, and decreased the premium by \$34,719 (-6%).

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Excess Workers' Compensation:

The Workers' Compensation rate is unchanged (in a marketplace where rate increases are the standard), but the premium has increased 8% due to an increase in RT's payroll.

Employment Practices Liability (EPL):

Because of our ability to lower the Self-Insured Retention (SIR) on the liability coverage, RT needs to buy only \$3,000,000 in EPL coverage, saving \$19,887 (-22%) overall. The carrier, Arch, has also agreed to lower the third-party coverage deductible from \$350,000 to \$250,000 and decrease the cost of coverage for the Extended Reporting Provisions.

Boiler & Machinery:

Travelers has been the insurer for Boiler & Machinery coverage for several years and consistently offers competitive terms and pricing. Through Alliant's marketing efforts they agreed to reduce the premium 13.5% and keep all other terms and conditions the same.

Crime/Employee Dishonesty:

The Crime coverage was marketed to various insurers this year and RT is now able to maintain the current \$1,000,000 limit, reduce the deductible from \$25,000 to \$2,500 per claim, add several coverage enhancements and reduce the premium slightly.

Privacy & Network Liability:

Ascent/Lloyds remains competitive on the renewal, though the premium increased \$1,161 due to a number of factors. The coverage is becoming more popular with insureds, so the carriers are seeing more claims activity, and RT's revenues increased by 10%. However, the renewal policy now includes \$100,000 limits for Computer Fraud and Social Engineering Fraud, where RT did not have coverage previously. And, the limit for Reputational Damage increased from \$50,000 to \$2,000,000.

Underground Storage Tanks Pollution Liability:

Coverage will renew with Liberty as a very competitive renewal quote was provided, down 9%, and options are limited due to the age of one tank.

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Program Cost Comparison:

Policy Type	07/01/17 - 07/01/18 Renewal Program	07/01/16 - 07/01/17 Expiring Program	07/01/15 - 07/01/16 Expiring Program	07/01/14 - 07/01/15
Excess Liability (GL/AL/PL/EPL)	\$2,095,799	\$2,376,515	\$2,051,435	\$2,041,460
Property & Inland Marine	\$ 538,069	\$ 572,788	\$ 600,049	\$ 507,342
Excess Workers' Compensation	\$ 150,902	\$ 139,508	\$ 138,459	\$ 131,488
Employment Practices Liability	\$ 70,163	\$ 90,050	\$ 90,050	\$ 89,250
Boiler & Machinery	\$ 10,158	\$ 11,749	\$ 12,680	\$ 13,324
Crime	\$ 10,830	\$ 10,875	\$ 8,787	\$ 8,578
Privacy & Network Liability	\$ 15,996	\$ 14,835	\$ 14,835	\$ 14,835
Underground Storage Tanks Pollution Liability	\$ 5,329	\$ 5,776	\$ 5,746	\$ 4,565
Flood	\$ 17,232	\$ 17,232	\$ 45,809	\$ 29,096
Total	\$2,914,478	\$3,239,328	\$2,967,850	\$2,839,938

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Coverage	Carrier(s)	Cost
General/Auto/Professional Liability	Various Admitted and Non-Admitted Insurers	\$2,095,799
Property and Inland Marine (excludes rail infrastructure)	Travelers	\$ 538,069
Excess Workers' Compensation	State National	\$ 150,902
Employment Practices Liability	Arch	\$ 70,163
Boiler & Machinery	Travelers	\$ 10,158
Crime/Employee Dishonesty	AIG	\$ 10,830
Privacy & Network Liability	Ascent/Lloyds	\$ 15,996
Underground Storage Tank Pollution Liability	Liberty Mutual	\$ 5,329
Flood	Travelers/National Flood Insurance Program	\$ 17,232
TOTAL		\$2,914,478

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

RESOLUTION NO. 17-05-_____

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

May 22, 2017

AUTHORIZING 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, 2017 THROUGH JULY 1, 2018

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 2018 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, 2017.

ANDREW J. MORIN, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary

**Insurance Renewals
Exhibit A**

Summary of Insurance Coverage

7/1/17 – 7/1/18

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

Bus and Light Rail Combined

- \$292,000,000 limit pursuant to RT's contractual obligations with Union Pacific Railroad.
- Includes Public Officials Errors & Omissions (E&O/Professional Liability) Limited to \$60,000,000.
- Occurrence Form
- Admitted and Non-Admitted Carriers
- Self-Insured Retention:

Professional/GL	\$3,000,000
Bus	\$3,000,000
Light Rail	\$3,000,000

Total limit of \$292,000,000 met through provision of layered insurance as follows:

\$10M Lead Policy

Munich Re/Princeton E&S (AL, GL, PL, EPL)

- Limit: \$10,000,000 per occurrence; no aggregate
- Excess of SIR's

\$90M in excess (xs) \$10M

Berkley

- Underlying follow form
- Limit \$15,000,000 per occurrence
- Excess of \$10,000,000 Munich Re/Princeton

Great American

- Underlying follow form
- Limit \$15,000,000 per occurrence
- Excess of \$10,000,000 Munich Re/Princeton
- Excess of \$15,000,000 Berkley

Lloyds: Hiscox and ATL

- Underlying follow form
- Limit \$20,000,000 per occurrence
- Excess of \$10,000,000 Munich Re/Princeton
- Excess of \$15,000,000 Berkley
- Excess of \$15,000,000 Great American

Swiss Re & Great American

- Underlying follow form
- Limit \$40,000,000 per occurrence
- Excess of \$10,000,000 Munich Re/Princeton
- Excess of \$15,000,000 Berkley
- Excess of \$15,000,000 Great American
- Excess of \$20,000,000 Lloyds: Hiscox and ATL

\$100M xs \$100M

Canopus (Bda)

XL Bermuda

Argo Re

ESIL

Hamilton

XL Bermuda

\$90M xs \$200M

Aon UK

\$2M xs of \$200M

Lloyds Syndicate 33

Total Limits: \$292,000,000 occurrence / \$400,000,000 aggregate

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): \$623,558,862

Excess Workers' Compensation – State National:

- 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 \$66,800.479
Rate: \$0.2259

Employment Practices Liability – Arch:

- Exposure Basis: Number of Full-Time Employees Equivalent
- Claims-Made Coverage
- Admitted Carrier
- Self-Insured Retention: \$250,000

Limit: **\$3,000,000** Each Insured Event/Aggregate

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

Crime/Employee Dishonesty – National Union (AIG):

Government Crime Policy on Discovery form including the following coverages:

- Employee Theft – Per Loss Coverage
- Forgery or Alteration
- Inside the Premises – Theft of Money and Securities
- Inside the Premises – Robbery & Safe Burglary of Other Property
- Outside the Premises (Money, Securities and Other Property)
- Computer Fraud
- Funds Transfer Fraud
- Money Orders & Counterfeit Money

Carrier: Admitted
Limits \$1,000,000

Deductible : \$2,500

Privacy & Network Liability – Ascent/Lloyd:

- 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

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

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)