

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
21	06/10/19	Open	Action	06/04/19

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, 2019 through July 1, 2020.

## RECOMMENDED ACTION

Adopt Resolution No. 19-06-\_\_\_\_, 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, 2019 through July 1, 2020.

## FISCAL IMPACT

GL Account	Description	SacRT Risk cc47 FY 2020 Budget	Elk Grove cc641 FY 2020 Budget	Total
660027	Employment Practices	\$ 66,931	\$ 6,223	\$ 73,154
660040	Crime	17,082	942	18,024
660041	Boiler & Machinery	11,205	-	11,205
660043	Excess WC	147,060	12,027	159,087
660044	Excess Liability	3,045,677	238,342	3,284,019
660049	Property Premium	700,766	29,234	730,000
660060	Pollution/UST Prem	4,876	3,612	8,488
660062	Flood Premium	12,500	-	12,500
660063	Privacy/Cyber Liab	22,452	1,238	23,690
	<b>Total Operating Cost</b>	<b>\$ 4,028,549</b>	<b>\$ 291,618</b>	<b>\$ 4,320,167</b>

## DISCUSSION

Alliant Insurance Services, Inc. has been Sacramento Regional Transit (SacRT) District's insurance broker since 2017. Alliant continues to thoroughly examine SacRT's insurance and risk exposures and conducts extensive marketing of SacRT's insurance placements to current and prospective insurers. This results in more competitive options both from a coverage and pricing standpoint.

Approved:

Presented:

Final 06/05/19

General Manager/CEO

VP, Finance/CFO

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This year’s goals included maintaining the liability and property coverage placements as close to expiring as possible in light of an increasingly hard market. The London market for liability coverage in particular has constricted further and faster than it has in decades, with underwriters looking to increase rates on accounts with minimum premiums like SacRT has enjoyed. On top of the market uncertainties, this has been an especially challenging year in marketing the coverages due to the increased exposure of the Folsom annexation and Elk Grove service. The following is a summary of the significant changes, coverages and premiums for SacRT’s Fiscal Year (FY) 19-20 insurance placements.

**General, Auto, and Professional Liability:** SacRT is required to provide a \$295,000,000 per occurrence limit with no less than a double aggregate limit to comply with Union Pacific (UP) contract requirements. No one insurer can provide a policy meeting this limit, so multiple carriers are engaged to secure the amount required. UP’s requirement represents a significant cost, and in the absence of it SacRT would elect to purchase limits of \$100,000,000.

Formal quotes have been confirmed as of May 13, 2019 up to \$100M, with the bifurcated layers above that pending. Note though that the top layers are going to be the most problematic as these are below general industry minimum premiums, and are all in the London/Bermuda market that has hardened faster and more significantly than the domestic markets. The market has contracted considerably in the past 6 months to the worst it’s been since 1985, largely driven by significantly increased settlements on auto liability cases, particularly in California (CA). Claims that would have previously settled for \$5M-10M, are now regularly settling for \$30M (CA), \$42M (CA), \$45M (CA), and \$75M (NY).

Many carriers in London have ceased writing business in CA because of this, and some have pulled out of the United States market entirely. SacRT is losing \$65M of our \$200M capacity this year, and for this reason alone that we have to replace. Pricing on these top layers is highly variable, as underwriters are evaluating their capacity deployment on a rate per million basis; accounts like ours that have a very small rate on line compared to other accounts are the first that are shed. Our estimate is high for this reason, and we are continuing to strive to place coverage as close to expiring as possible.

Even in this market, SacRT’s year over year pricing without the additional Elk Grove exposures is only \$15,000 higher than expiring for the first \$100M. Including Elk Grove, the premium is up 14% over expiring, which given the increased bus fleet exposure is a very positive result.

**Employment Practices Liability (EPL):** Arch Insurance Company continues to be a stable partner, providing a \$3 M and \$250,000 deductible with a 4% increase in the premium for FY 19/20. This is a very reasonable reflection of the increased exposure with the addition of Folsom and the Elk Grove contract, particularly given our claims frequency in this area.

**Property:** Travelers, the current carrier on the property program, has conservatively increased the rate by 3% in a marketplace that is seeing large increases due to recent catastrophic losses. SacRT’s long relationship with the Travelers underwriter and the placement within their Inland

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Marine group is working to the District's advantage in maintaining stable pricing and coverage in a hardening market.

The total premium has increased due to increases in SacRT's Total Insured Values (TIV), up 18% in total, due to the additions of Folsom and Elk Grove, and due to increases in the values for SacRT's own buses and light rail vehicles. The TIV for revenue vehicles, not including Elk Grove, increased by 316% at an increased rate of 4%.

**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 rate 4% and keep all other terms and conditions the same.

**Excess Workers' Compensation:** The Workers' Compensation rate is unchanged (in a marketplace where rate increases are the standard), but the premium has increased 6% due to a corresponding increase in SacRT's projected payroll, largely due to the Elk Grove contract.

**Crime/Employee Dishonesty:** The rates for the Crime coverage program increased for FY 19/20 but the underwriters agreed to keep SacRT's premium flat for this renewal. However, SacRT chose to increase the limit from \$1 million to \$3 million for a total premium of \$18,024, while maintaining a \$2,500 deductible.

**Privacy & Network Liability (Cyber):** This coverage is becoming more popular, with carriers seeing more claims activity. And though SacRT's revenues are increasing with the additions of Folsom and Elk Grove, Ascent/Lloyds remains competitive on the renewal with a flat rate and improved coverages.

**Underground Storage Tanks Pollution Liability:** Coverage will renew with Liberty with a 2% increase in the rate and increases in most of the underground tanks' deductibles, from \$10,000 to \$15,000. The oldest tank's deductible is increasing from \$25,000 to \$50,000, while the one above ground tank will keep a \$5,000 deductible.

**Pollution Liability – Elk Grove:** The contract with Elk Grove requires SacRT to provide a specialized pollution policy to cover potential on or migrating off-site pollutants arising from SacRT's use of Elk Grove's bus maintenance facility.

**Flood:** Coverage was restructured last year to reduce and combine all covered locations into one policy. The policy renews 9/2/19 and we are working to change the renewal to 7/1/19 to align with other policies. We expect no change in the rate or the values insured, so the premium is expected to be flat.

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## Renewal Program Pricing History

Policy Type	07/01/19 - 07/01/20 Renewal Program	07/01/18 - 07/01/19 Expiring Program	07/01/17 - 07/01/18 Expired Program	07/01/16 - 07/01/17 Expired Program
Excess Liability (GL/AL/PL/EPL)	\$3,284,019*	\$2,095,799**	\$2,095,799**	\$2,376,515**
Employment Practices Liability	\$73,154	\$70,163	\$70,163	\$90,050
Property & Inland Marine	\$730,000	\$564,711	\$537,883	\$572,788
Boiler & Machinery	\$11,205	\$10,632	\$10,158	\$11,749
Excess Workers' Compensation	\$159,087	\$150,139	\$150,902	\$139,508
Crime	\$18,024*	\$8,664	\$8,664	\$10,875
Privacy & Network Liability	\$23,690	\$23,690	\$15,996	\$14,835
Underground Storage Tanks Pollution Liability	\$4,876	\$4,798	\$5,329	\$5,776
Pollution Liability – Elk Grove	\$3,612	n/a	n/a	n/a
Flood	\$12,500	\$12,338	\$14,735	\$17,232
<b>Total</b>	<b>\$4,320,167</b>	<b>\$2,940,934</b>	<b>\$2,909,629</b>	<b>\$3,239,328</b>

\*This is an estimate as of June 3, 2019. This also represents the change to a \$2M Self Insurance Retention (SIR).

\*\*The SIR for these fiscal years was \$3M.

Note: Excess Liability costs have increased as a result of three factors: new service in Elk Grove, deteriorating market conditions and electing a lower Self Insured Retention (SIR). As a result of the three factors mentioned above, Excess Liability increased from the prior year by approximately \$1.2 Million, or 57%.

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

RESOLUTION NO. 19-06-\_\_\_\_\_

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

June 10, 2019

**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, 2019 THROUGH JULY 1, 2020**

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 2020 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 SacRT to the coverage set out in Exhibit A, effective July 1, 2020.

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PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary

Insurance Renewals  
Exhibit A

Summary of Insurance Coverage  
7/1/19 – 6/30/20

Liability – Coverage Towers and Pricing Comparison:

Layer	Carrier	2018 Premium Including Taxes/Fees 3M SIR	2019 Premium Including Taxes/Fees 3M SIR	Elk Grove Portion of 2019 Gross Total 3M SIR	Estimated Premium Increase for 2M SIR	2019 Total <b>Gross</b> Premium Including Increase for lower 2M SIR
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**10 M Lead**

	Munich RE	\$703,824	\$808,711	\$120,498	\$436,706	\$1,365,915
10M xs 15M	Berkley	\$326,767	\$381,802	\$37,836	\$190,901	\$610,539
15M xs 25M	Great American	\$160,000	\$179,376	\$19,376	\$35,875	\$234,627
20M xs 40M	PEELS (UK)	\$147,060	\$163,237	\$17,630	\$16,324	\$197,191
40M xs 60M	Swiss Re/Great American	\$210,000	\$231,834	\$25,502	\$0	\$257,336
<b>100M Subtotals:</b>		\$1,547,651	\$1,764,960	\$220,842	\$679,806	\$2,665,608

**Bifurcated**

**Layers:**

<b>100M xs 100m</b>	UK/Bda	\$309,600	\$340,560	\$10,000	\$0	\$350,560
50M p/o 100M	XLC				\$0	n/a
15M p/o 100M	Endurance				\$0	n/a
10M p/o 100M	Hamilton Re				\$0	n/a
25M p/o 100M	Argo				\$0	n/a

90M xs 200M	UK/Bda	\$232,200	\$278,640	\$7,500	\$0	\$286,140
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<b>Approximate offset to reduce Arch EPLI Limit from 3M to 2M:</b>					(\$18,289)	(\$18,289)
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<b>Total Premium:</b>		\$2,089,451	\$2,384,160	\$238,342	\$661,517**	\$3,284,019
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**\*\* This is an estimated increase, as of June 3, 2019. Should the liability Coverage Towers Premium exceed the June 3, 2019 estimate above by \$38,465 or more, then SacRT will elect to retain the \$3M SIR.**

**EMPLOYMENT PRACTICES LIABILITY – ARCH INSURANCE COMPANY**

- Exposure Basis: Number of Full-Time Employees Equivalent
- Claims-Made Coverage

**CARRIER:** Admitted  
**LIMITS:** \$3,000,000 Each Insured Event/Aggregate  
**SELF-INSURED**  
**RETENTION:** \$250,000  
**PREMIUM:** **\$73,154**

**PROPERTY/INLAND MARINE – TRAVELERS INSURANCE COMPANY**

**DELUXE PROPERTY COVERAGE FORM**

**COVERAGES AND LIMITS OF INSURANCE - DESCRIBED PREMISES**

Insurance applies on a BLANKET basis only to a coverage or type of property for which a Limit of Insurance is shown below.

<b>Blanket Description of Coverage or Property</b>	<b>Limits of Insurance</b>
Buildings	\$81,711,585
Your Business Personal Property	\$55,020,159
Personal Property of Others	\$100,000

**DELUXE BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM - DESCRIBED PREMISES**

<b>Premises Location No.</b>	<b>Building No.</b>	<b>Limits of Insurance</b>
ALL	ALL	\$8,718,461

90 % Coinsurance Applies. See Business Income – Coinsurance

Rental Value: Included  
Ordinary Payroll: Included

**DEDUCTIBLES:**  
**BY “FLOOD”:**

At the premises location(s) of the following Building(s)  
numbered: 001-028

in any one occurrence: \$250,000

As respects Business Income Coverage a 72 hour deductible applies at all locations

**TO UTILITY SERVICES:**

Direct Damage, in any one occurrence: \$100,000

Time Element, in any one occurrence: 72 Hours

**BUSINESS INCOME:**

As respects Business Income Coverage, for which no other deductible is stated above or in the coverage description, a 72 hour deductible applies.

**ANY OTHER COVERED LOSS:**

in any one occurrence: \$100,000

**IM PAK SCHEDULED PROPERTY COVERAGE - VEHICLES**

Coverage	Limits of Insurance & Deductibles
Scheduled property: non-revenue vehicles, revenue vehicles, short term leased or rented vehicles that are not Included on the vehicle schedule, light rail specialty vehicles and miscellaneous scheduled property No coverage is provided for light rail trains.	\$250,000,000
Flood Limit of Insurance (Included in inland marine coverage part limit)	\$10,000,000
Flood Annual Aggregate Limit of Insurance (Included in inland marine coverage part limit)	\$10,000,000
Earth Movement Limit of Insurance (Included in inland marine coverage part limit)	\$10,000,000
Earth Movement Annual Aggregate Limit of Insurance (Included in inland marine coverage part limit)	\$10,000,000
Basic Deductible	
- Basic Deductible, except as noted	\$100,000
- Specialty Vehicles	\$25,000
- Police Vehicles	\$10,000
Flood Deductible	\$500,000
Earth Movement Deductible	\$500,000
Windstorm Deductible	\$500,000
Coinsurance	N/A
Valuation	Replacement Cost



## RAILROAD ROLLING STOCK

Coverage	Limits of Insurance & Deductibles
Covered Property: light rail trains.	\$250,000,000
Flood Limit of Insurance (Included in inland marine coverage part limit)	\$10,000,000
Flood Annual Aggregate Limit of Insurance (Included in inland marine coverage part limit)	\$10,000,000
Earth Movement Limit of Insurance (Included in inland marine coverage part limit)	\$10,000,000
Earth Movement Annual Aggregate Limit of Insurance (Included in inland marine coverage part limit)	\$10,000,000
Basic Deductible	
- Basic Deductible, except as noted	\$250,000
- Collision	\$500,000
Flood Deductible	\$500,000
Earth Movement Deductible	\$500,000
Windstorm Deductible	\$500,000
Coinsurance	N/A
Valuation	Replacement Cost

**Premium: \$730,000**

### **Boiler & Machinery – Travelers**

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

#### Limits:

<b>\$ 10,000,000</b>	Total breakdown limit
<b>\$ 250,000</b>	Utility interruption
<b>\$ 250,000</b>	Hazardous substance
<b>\$ 500,000</b>	Ordinance or Law
<b>\$ 250,000</b>	Water Damage

**Premium: \$11,205**

### **EXCESS WORKERS' COMPENSATION – STATE NATIONAL 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        \$70,423,681 (incl. Elk Grove)  
 Rate:                        \$0.2259  
**Premium:**                **\$159,087**

**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:**                    \$3,000,000  
**DEDUCTIBLE:**            \$2,500  
**PREMIUM:**                **\$18,024**

**PRIVACY & NETWORK LIABILITY (CYBER) – ASCENT/LOYDS**

- Exposure Basis: Revenues
- Non-Admitted Carrier
- Deductible: \$50,000 Each Claim & 12 hours for business interruption
- **\$5,000,000 Aggregate Limit**

<b>Limits</b>	<b>Insuring Module</b>
\$5,000,000	Security & Privacy Liability
\$5,000,000	Network Interruption & Recovery
\$5,000,000	Multimedia & Intellectual Property Liability
\$5,000,000	Network Extortion
\$5,000,000	Privacy Regulatory Defense and Penalties
\$5,000,000	Notification Expenses
\$5,000,000	PCI Fines

**Coverage Enhancements for FY 19/20:**

- Electronic Theft, Computer Fraud & Telecommunications Fraud
  - Limit was \$100,000 on expiring and has been increased to \$250,000
- Social Engineering Fraud

- Limit was \$100,000 on expiring and has been increased to \$250,000
- Dependent Network Interruption & Recovery- new coverage with a \$250,000 limit
- Bricking- new coverage with a \$250,000 limit

Premium: **\$23,690** including surplus lines taxes and fees

**UNDERGROUND STORAGE TANK POLLUTION LIABILITY – LIBERTY SURPLUS INS. CORP.**

- Exposure Basis: Number of tanks (9), capacity, contents and monitoring system
- Non-Admitted Carrier
- Deductible Each Claim: AST \$5,000  
USTs Varies by Tank Age – \$15,000 & \$50,000 Each Claim

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

Premium: **\$4,876** including surplus lines taxes and fees

**PRIMARY FLOOD – TOKIO MARINE SPECIALTY INS. CO.**

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

Limit: Varies –

Buildings \$0 - \$500,000

Business Personal Property \$100,000 - \$500,000

Premium: **\$12,500** including surplus lines taxes and fees