



STAFF REPORT

DATE: May 10, 2021
TO: Sacramento Regional Transit Board of Directors
FROM: Brent Bernegger, VP, Finance/CFO
SUBJ: APPROVAL TO JOIN PUBLIC RISK, INNOVATION, SOLUTIONS AND MANAGEMENT (PRISM) INSURANCE GROUP AND BIND EXCESS WORKERS' COMPENSATION INSURANCE COVERAGE

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

SacRT will join PRISM Insurance Group and bind excess workers' compensation insurance through this program in an amount not to exceed \$225,000.00.

FISCAL IMPACT

Total FY21-22 Operating Cost to bind PRISM excess workers' compensation insurance not to exceed: \$225,000.00.

DISCUSSION

For the last eleven years, SacRT has purchased excess workers' compensation coverage through United States Specialty Underwriters (USSU) in the amount of \$25,000,000.00 with a self-insured retention rate of \$2,000,000.00. SacRT's total premium for coverage for fiscal year 2021 was \$184,632.00, which represented a 16% increase from fiscal year 2020 due primarily to SacRT's growth. When renewing the insurance for FY 2022 (assuming our insurance levels are increased to the statutorily required limits), the cost is anticipated to increase by \$151,858, which is 82% more than the prior year's premium amount.

As a result, Staff recommends that SacRT join PRISM Insurance Group and obtain excess workers' compensation insurance coverage through this insurance pool. PRISM Insurance Group, formerly known as CSAC Excess Insurance Authority, is a member driven Joint Powers Authority (JPA) insurance pool formed in 1979 with the sole purpose of finding cost-effective insurance solutions and risk management services. PRISM membership is comprised of 95% of California's counties, 70% of California's cities, 26 California transit agency districts, and 27 other Joint Powers Authorities. The excess workers' compensation program consists of 181 public entity members comprising \$36 billion of payroll, making it one of the largest and financially secure insurance pooling groups in the nation.

SacRT has traditionally carried excess workers' compensation insurance in the amount of \$25,000,000.00. Staff recommends increasing this coverage amount to the statutory limits. Statutory limits refer to the amount of liability under the excess policy which is capped at the maximum allowed by statute. This recommendation is based on the continued growth of the agency and expansion of service. Additionally, some of SacRT's contracts require us to carry workers' compensation coverage to the statutory limits.

In addition to providing SacRT with the best rate on workers' compensation coverage, PRISM membership includes access and utilization of programs and services not available through the incumbent provider including but not limited to:

-) Claims Audits
-) Actuarial Analysis Subsidy
-) ISO Index Reporting Services
-) Crisis Incident Counseling Services
-) eLearning Management System
-) Employer Pull Notice Program

PRISM excess workers' compensation coverage also includes a coverage limit increase for Employer's Liability of \$5,000,000 compared to a \$1,000,000 limit through the incumbent provider. Employer's liability insurance covers legal defense costs when negligence is alleged for an employment related work injury or illness.

The following chart provides a cost comparison of insurance premiums between the incumbent provider USSU and PRISM Insurance Group.

2021-2022 Excess Workers' Compensation Premium Cost Comparison

\$2M (SIR)	Insurance Costs for Selected Limits			Employer's Liability Limit
	Prior Year (20-2021)	25,000,000 Limit (21-2022)	Statutory Limit (21-2022)	
PRISM	(N/A)	\$ 225,000.00	\$ 225,000.00	\$5M
USSU	\$ 184,632.00	\$ 187,409.00	\$ 336,490.00	\$1M

To join PRISM and bind excess workers' compensation through this program, SacRT must execute a Joint Powers Agreement and Excess Workers' Compensation Memorandum of Understanding (MOU) and adopt the attached Resolution.

The MOU is entered into by member public agencies to jointly develop and fund insurance programs as determined. PRISM's Board of Directors consist of one member from each county and ten directors from other public entity members. The Board of Directors will exercise all powers and conduct all business of PRISM including electing officers and appointing staff, adopting annual operating budgets of PRISM, and approving insurance program premiums.

As PRISM is an insurance pooling group, program premiums are determined differently than prior workers' compensation excess placements. PRISM insurance program premiums and any surplus funding adjustments are assessed and based on actuarial analysis that determines necessary funding rates. This premium amount will be collected

from members at the beginning of the policy period and actual payroll for the period will be determined after completion of the policy period with adjustment to each member's pool contribution for the difference between the estimated and actual payroll.

Per the MOU, excess workers' compensation program assessments and contributions could be collected or returned after the completion of the policy period depending on positive or negative payroll actual results.

However, risk of an assessment should not be a major concern where District's participation in PRISM's excess workers' compensation program is concerned. PRISM's excess workers' compensation program is in a stable financial position and is funded at an 86% confidence level and rising consistently over the last 7 years. PRISM has used reinsurance in this program to limit uncertainty since 2012 and has fully funded its limited retained risk each year. This program continues to add new members each year and has strong relationships with a number of insurance partners. PRISM's EWC program is in a very healthy position and there is really not a reason for assessment to be a concern for this program.

Although there is no assessment risk for the program currently due to the strong financial position, it does help to know how PRISM would assess the members if it came to that last resort option. Assessments are determined based on pool contributions over the last 10 years since pool contributions (premium) are a function of the members' retention and losses contributed to the pool. SacRT would have a very small portion of any assessment due to several factors: time in the program and pool premium size. Based on the SacRT's SIR of \$2M, we would contribute a smaller share of premium than members with lower retentions. Hypothetically, if PRISM were to declare an assessment following the first year of participation in the program, conservatively, SacRT would be liable for no more than 0.05% of the overall assessment.

Each member must appoint an officer or employee to be responsible for the risk management function for that member and to serve as a liaison between the member and PRISM for all matters relating to risk management.

After becoming a participant in any PRISM insurance program, a member may withdraw from that program at the end of a policy year, and by providing PRISM at least sixty (60) days advance written notice of such action.

In order for Sacramento Regional Transit District to join PRISM Insurance Group, the following documents must be executed:

- 1.) Adopt the attached Resolution;
- 2.) Approve the Joint Powers Agreement authorizing District to join the PRISM JPA;
- 3.) Approve the Excess Workers' Compensation Memorandum of Understanding; and
- 4.) Approve Authorization to Obtain Loss Data Form.

It should be noted that Alliant serves as the broker for both SacRT and PRISM. SacRT approached Alliant and directed Alliant to pursue membership with PRISM on behalf of SacRT. Alliant complied with our request and also sought premium quotes from our current excess insurer. If SacRT elects to join PRISM, Alliant will receive financial remuneration from PRISM due to the addition of a new member to the pool. Neither SacRT's broker fees nor the quote for workers' compensation coverage will be impacted

by SacRT's decision to join PRISM. SacRT's broker fee is determined by the current five-year contract between SacRT and Alliant. The PRISM premium costs are determined by PRISM's board of directors. If SacRT chooses to join PRISM, SacRT will be one of approximately fifteen (15) California transit agency members who maintain excess workers' compensation through PRISM. The following transit agencies were listed as members of PRISM's workers' compensation program as of 2020:

Amador Transit
Gold Coast Transit District
Golden Empire Transit District
Humboldt Transit Authority (HTA)
Kings County Area Public Transit Agency
Monterey Salinas Transit
Morongo Basin Transit Authority
Omnitrans
Riverside Transit Agency
San Luis Obispo RTA (SLORTA)
Santa Barbara Metropolitan Transit District
Santa Cruz Metro Transit District
South County Area Transit
Tahoe Transportation District

In addition to these transit members, there are approximately one thousand five hundred (1500) non-transit public entity members.

RESOLUTION NO. 21-05-0054

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

May 10, 2021

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT
TO JOIN PUBLIC RISK INNOVATION, SOLUTIONS, AND MANAGEMENT**

WHEREAS, Article 1, Chapter 5, Division 7, Title 1 of the California Government Code (Section 6500 et seq.) permits two or more public agencies by agreement to exercise jointly powers common to the contracting parties; and

WHEREAS, the Sacramento Regional Transit District desires to join together with the members of the Public Risk Innovation, Solutions, and Management (PRISM) for the purpose of jointly funding and/or establishing excess and other insurance programs as determined; and

WHEREAS, PRISM has determined that it is necessary for each member of PRISM to delegate to a person[s] or position[s] authority to act on the member's behalf in matters relating to the member and PRISM;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Board hereby approves becoming a member of the Public Risk Innovation, Solutions, and Management (PRISM) group.

THAT, the Board hereby authorizes the General Manager/CEO to execute the Public Risk Innovation, Solutions, and Management Joint Powers Agreement, between Sacramento Regional Transit District and PRISM.

THAT, the Board hereby delegates authority to the General Manager/CEO to execute and submit to PRISM and Alliant any and all forms, applications, agreements, or necessary documents to effectuate SacRT's membership in the workers' compensation pool managed by PRISM.

THAT, except as to actions that must be approved by the Board of Directors, the General Manager/CEO is hereby appointed to act in all matters relating to the member and PRISM.

STEVE MILLER, Chair
Sacramento Regional Transit District
Board of Directors

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary