

# STAFF REPORT

**DATE:** June 12, 2023  
**TO:** Sacramento Regional Transit Board of Directors  
**FROM:** Jamie Adelman, VP, Procurement, Real Estate and Special Projects  
**SUBJ:** FY23-24 INSURANCE RENEWALS

## RECOMMENDATION

Adopt the Attached Resolution.

## RESULT OF RECOMMENDED ACTION

Approval of the renewal of the Excess General Liability, Employment Practices Liability, Property and LRV Coverage, Boiler & Machinery, Excess Workers' Compensation, Crime/Errors and Omissions (E&O), Cyber Privacy & Network Liability, Storage Tank Pollution Liability, Elk Grove Pollution Liability, and Flood Insurances for the period of July 1, 2023, through June 30, 2024.

Authorize the General Manager/CEO to approve the renewal of insurance coverages at a not to exceed amount of \$13,772,771 for the period of July 1, 2023, through June 30, 2024 and negotiate the renewal of the Inland Marine Property Insurance at a not to exceed amount of \$2,278,588 for the period of July 1, 2023, through June 30, 2024.

## FISCAL IMPACT

FY23-24 Insurance Renewal Policy Coverages and Costs are summarized below and attached for easy reference as Attachment 1. Attachment 1 includes a fiscal year historical comparison of insurance policy premium costs by coverage type.

FY23-24 Insurance Renewal Premium Summary						Attachment 1
Policy Coverage Type	FY 23-24	FY 22-23	FY 21-22	FY 20-21	FY 19-20	FY 18-19
	Premium	Premium	Premium	Premium	Premium	Premium
Excess General Liability	9,928,672	8,977,044	8,420,507	5,650,899	2,480,000	2,095,799
Employment Practices	79,379	79,379	75,524	73,321	73,154	70,163
Property, Buses, LRVs, Equip,	3,316,588	2,600,647	2,523,616	1,500,000	716,777	564,711
Boiler & Machinery	16,512	14,239	11,999	10,817	11,205	10,632
Excess Workers' Compensation	244,000	242,000	217,692	184,632	159,087	150,139
Crime, Errors & Omissions	14,681	15,454	16,266	17,123	18,024	8,664
Cyber Privacy & Network	150,074	149,507	93,529	25,080	23,690	23,690
Pollution Liability -Tanks	6,906	6,017	5,527	5,025	4,876	4,798
Pollution Liability -EG	3,614	3,614	3,614	3,606	3,612	n/a
Flood	12,345	12,345	12,345	12,346	12,500	12,338
<b>Total Premium</b>	<b>\$ 13,772,771</b>	<b>\$ 12,100,246</b>	<b>\$ 11,380,619</b>	<b>\$ 7,482,849</b>	<b>\$ 3,502,925</b>	<b>\$ 2,940,934</b>

Attachment 1 represents estimated not to exceed amounts that are included in the proposed FY23-24 Operating Budget.

FY23-24 Fiscal Impact: \$13,772,771

## DISCUSSION

Alliant Insurance Services, Inc. has been Sacramento Regional Transit District's ("SacRT") insurance broker since 2017. With direction from SacRT, Alliant continues to examine the district's insurance coverage needs, contractual obligations, and risk exposures. Alliant Insurance Services conducts extensive marketing of SacRT's insurance placements to current and prospective insurers worldwide. This results in more competitive proposals containing multiple options both from a coverage and pricing standpoint.

The following is a summary of the significant changes, coverages, and premiums for SacRT's FY23-24 insurance placements.

### **Excess General Liability Insurance:**

SacRT annually purchases commercial general liability coverage inclusive of auto and professional liability coverage. SacRT is required to maintain a per occurrence limit up to the Federal FAST Act rail passenger transportation liability cap (inclusive of a \$2,000,000 Self-Insured Retention), with no less than a double aggregate limit to comply with Union Pacific (UP) contract requirements. The FAST Act limit was raised to \$322,864,228 from \$294,278,983 on February 25, 2021. The cap is adjusted per the consumer price index every five years. This limit is the federal cap amount that a railroad is liable for passenger injuries incurred in a single occurrence. There is no cap, or maximum amount, set on a federal or state level for liabilities incurred by pedestrians, or bus passengers. No one insurer can provide a policy meeting this limit, so multiple carriers are engaged to secure the amount required. UP's requirement represents 25% of the total general liability premium cost, a significant amount even under less extreme market conditions.

At SacRT's request, Alliant successfully bifurcated the excess general liability limits over \$100,000,000 in 2017 to cover only the portion of track subject to the UP requirement up to the federal cap for passenger liability. This proved to be a valuable and cost-effective strategy in the past that has resulted in more accurate risk assessment and significant savings for SacRT.

This is the third consecutive year of uncertain and historically unpredictable insurance market conditions for this line of coverage. Driven in part by the COVID pandemic and by significant exposure to increased jury verdict awards in California. The lack of predictability in outcomes has driven many carriers to avoid the California general liability market altogether.

Few new carriers have entered the excess commercial general liability class given the overall adverse loss experience. The entire global market of carriers was accessed for replacement quotes again this year and SacRT was able to retain most incumbent carriers. Thirty-five (35) carriers were marketed across the United States, London, and

Bermuda. As of June 3, 2023, the entire \$322,864,228 that SacRT is again required to purchase, is formally quoted.

Despite the continued potential for claims to exceed the \$2,000,000 self-insured retention we have been able to maintain that desired retention level again this year with the lead insurer, Munich.

Ridership estimates are up 21%, which drove a rate increase along with generally poor market conditions. However, while not all insurance pricing has been confirmed, we are able to confirm an overall premium increase of 11% at a not to exceed amount equal to \$9,928,672 vs \$8,977,044, an overall annual premium increase of \$951,628.

As in previous years, coverage for Errors & Omissions, Employment Practices Liability, Employee Benefits Liability and Sexual Molestation coverage is not available in the market excess of the \$40,000,000 limit being offered.

FY23-24 Excess Liability Renewal Premium: \$9,928,672

**Employment Practices Liability (EPL):**

Arch Insurance Company continues to offer competitive quotes and proves to be a stable partner. EPL provides a \$2 million limit and \$250,000 deductible (essentially “buying down” the self-insured retention for EPL claims under the master GL program). SacRT was able to retain current limits and deductible with 0% premium increase from 22-23. EPL is written on a Claims-Made, not occurrence coverage basis.

Limit of Insurance per Claims-Made/Aggregate	\$2,000,000
Basic Deductible	\$250,000

FY23-24 Employment Practices Liability Renewal Premium: \$79,379

**Property Insurance (Non-LRVs):**

To account for new 2023 Gillig buses and for fleet CNG re-tanking upgrades, SacRT increased its total insured value for vehicles by 21%. Property premium increases over the prior three renewal periods have prompted the need to re-market and plan for future sustainable property insurance protections, including the possibility of SacRT exploring a self-insured funding option and reducing replacement cost coverage for low risk, small value asset classes.

As a result, SacRT requested its insurance broker to market additional coverage terms and conditions for non-LRV vehicle property resulting in a Risk Department recommendation for the proposal offered through Allianz.

Property coverage is underwritten on Deluxe Property Form Coverage, allowing SacRT to consolidate multiple property coverage provisions and property types under one blanket policy.

**Property Coverage Limits of Insurance & Deductibles**

Buildings, Business Personal Property, Personal Property of Others:

Buildings	\$105,475,174
Business Personal Property Contents	\$70,001,961
Extra Expense	\$8,818,461
Buildings and BPP Deductible	\$250,000

Property Coverage Limits of Insurance & Deductibles

Revenue vehicles: buses (Electric, CNG, Elk Grove), not inclusive of Paratransit fleet, non-revenue vehicles, and light-rail specialty vehicles. Includes, short term leased or rented vehicles not listed on the vehicle schedule. No coverage is provided for light rail trains railroad rolling stock, as they are insured under separate Property-Inland Marine policies. SacRT will be self-insured for its Paratransit fleet and non-revenue vehicles.

Total Insured Vehicle Value	\$247,903,724
Property Limit of Insurance per Occurrence	\$20,000,000
Flood Limit & Flood Aggregate of Insurance	\$10,000,000
Earth Movement Limit & Aggregate of Insurance	\$10,000,000
Basic Deductible, except as noted	\$500,000
Flood Deductible	\$500,000
Earth Movement Deductible	\$500,000
Windstorm Deductible	\$500,000
No Coinsurance	

FY23-24 Property (Buildings, Buses) Premium: \$1,038,000

**Property Insurance – Railroad Rolling Stock (LRVs):**

For FY23-24 Property insurance renewal of light rail vehicles, Mitsui Inland Marine, Chubb, and a consortium of inland marine carriers provide up to \$100,000,000 of property insurance coverage for LRVs. While SacRT has agreement on the scope of coverage and costs of Railroad Rolling Stock (LRVs) insurance at a not to exceed amount of \$2,278,588, there may be need to negotiate terms for inland marine renewal.

Property Coverage Limits of Insurance & Deductibles

**IM Railroad rolling stock (LRVs)**

Inland Marine Limits of Insurance per Occurrence	\$100,000,000
Flood Limit & Flood Aggregate of Insurance	\$10,000,000
Track bed and Catenary	\$10,000,000
Earth Movement Limit & Aggregate of Insurance	\$10,000,000
Deductible, comprehensive	\$500,000
Deductible, collision, overturn	\$1,000,000
Collision (LRV vs. LRV)	\$2,000,000
Flood Deductible	\$500,000
Earth Movement Deductible	\$500,000
Windstorm Deductible	\$500,000

FY23-24 Property-IM-Rolling Stock Premium: \$2,089,349 up to \$2,278,588

### **Boiler & Machinery Insurance:**

Travelers has been the insurer for Boiler & Machinery coverage for several years and consistently offers competitive terms and pricing. This year the premium is increasing 16% inclusive of a 10% increase in the insured values. All other terms and conditions are the same.

#### **Boiler & Machinery Limits of Insurance & Deductibles**

Comprehensive Coverage per SacRT Scheduled Statement of Values:

Limits of Insurance:	\$10,000,000
Utility interruption	\$250,000
Hazardous substance	\$250,000
Ordinance or Law	\$500,000
Water Damage	\$250,000
Deductible	\$25,000

FY23-24 Boiler & Machinery Premium: \$16,512

### **Excess Workers' Compensation:**

SacRT changed Workers' Compensation providers during FY21-22, from a traditional insurer offering a \$25M limit, to PRISM, a risk pooling JPA offering California Statutory limits coverage needed to meet various contract requirements. PRISM continues to be a cost effective, service-oriented provider of Statutory Excess Workers' Compensation coverage and services. PRISM has improved program integrity with utilization of its claims audit division in conjunction with SacRT's third party claims administrator. In addition to the increased statutory limits, membership in PRISM comes with resources including extensive online training, crisis incident management, actuarial analyses subsidies, and discounts on goods and services.

#### **Excess Work Comp Limits of Insurance & Deductibles**

Limit of Insurance per each Occurrence:	Statutory Limits
Employers' Liability Limit	\$5,000,000
Exposure Basis	Payroll (per \$100)
Self-Insured Retention	\$2,000,000

FY23-24 Workers' Comp Excess Premium: \$244,000

### **Crime/Errors and Omissions:**

FY23-24 was a very favorable renewal year for E&O insurance. SacRT maintains a \$3 million limit for this coverage with a premium decrease of 5% from the prior year. The deductible remains \$2,500 which is no longer offered to new clients; however, the carrier has agreed to grandfather the deductible for SacRT.

Government Crime Policy and Errors and Omissions includes the following coverages:

Limits of Insurance each Occurrence:	\$3,000,000
Deductible:	\$2,500
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	

FY23-24 Crime Premium: \$14,681

### **Cyber Privacy & Network Liability:**

This coverage line continues to be the most volatile the past few renewal cycles, with rate increases quoted above 100% for most placements, although some increases have leveled out for those with strong network security measures. The incumbent insurers have offered favorable renewal terms this year but with subjectivities for a SacRT timeline to implement Multi-Factor Authentication (MFA). The total cyber liability placement provides up to \$4 million in coverage with a \$500,000 deductible with a total premium of \$150,074, a 1% increase over expiring.

#### **Cyber Privacy & Network Liability Limits of Insurance & Deductibles**

Security & Privacy Liability	\$2,000,000
Network Interruption & Recovery	\$2,000,000
Multimedia & Intellectual Property Liability	\$2,000,000
Network Extortion	\$2,000,000
Privacy Regulatory Defense and Penalties	\$2,000,000
Notification Expenses	\$2,000,000
PCI Fines	\$2,000,000
18 hours for Business Interruption	\$2,000,000
Deductible:	\$250,000

FY23-24 Cyber Privacy & Network Liability Premium: \$150,074

### **Pollution Liability – Storage Tanks:**

Coverage will be renewed with Liberty with a 15% premium rate increase due to the age of the storage tanks, additional years of retroactive date coverage, and standard inflation/market rate increases. The underwriter noted that the 1985 tank should have a \$1,000,000 deductible but agreed to keep it at \$500,000 again for 23-24.

#### **Pollution Liability (Tanks) Limits of Insurance & Deductibles**

Exposure Basis:	Number of tanks (9), capacity, contents, monitoring, and containment system.
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Deductible Each AST:	\$5,000
Deductibles A/USTs Vary by Tank Age:	\$25,000 & \$100,000
Deductible for 1985 Storage Tank:	\$500,000
Insured Limit:	\$1,000,000 per occurrence

FY23-24 Pollution (Tanks) Premium: \$6,906

**Pollution Liability – Elk Grove:**

The contract with Elk Grove requires SacRT to provide a specialized pollution policy to cover potential pollutants on or migrating off-site arising from SacRT’s use of Elk Grove’s bus maintenance facility. The carrier has offered a flat renewal and discounted premiums for the second year of a three-year flat rate policy.

**Pollution Liability (EG) Limits of Insurance & Deductibles**

Exposure Basis: Statement of values for buildings and business personal property.

Deductible:	\$5,000
Limit:	\$1,000,000

FY23-24 Pollution (EG) Premium: \$3,614

**Primary Flood:**

Current insurer, Tokio Marine Specialty, has indicated a renewal submission was not needed this year and offered a flat premium renewal for the Flood coverage effective July 1, 2023 thru June 30, 2024.

**Flood Limits of Insurance & Deductibles**

Exposure Basis: Based on Schedule of values for buildings and business personal property.

Limits of Insurance per occurrence:	
Buildings Property:	\$2,500,000
Business Personal Property/Contents:	\$1,412,000
Business Income & Extra Expense	\$0
Deductible:	\$50,000

FY23-24 Primary Flood Premium: \$12,345

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**FY23-24 EXCESS GENERAL LIABILITY INSURANCE COVERAGES**

**Attachment 2**

<b>COVERAGE LAYER</b>	<b>GENERAL LIABILITY COVERAGE LINE</b>	<b>INSURANCE LIMITS</b>	<b>CARRIER</b>	<b>TOTAL PREMIUM 23-24</b>	<b>TOTAL PREMIUM 22-23</b>
1	Excess Liab- 5M xs 2M SIR	5,000,000	Munich Re/ The Princeton Excess & Surplus Lines Ins. Co.	1,441,800	\$1,340,082
2	Excess Liab- 1.5M (part of 3M xs 5M)	1,500,000	Genesis / General Star Indemnity Company - AmWins	400,000	\$371,477
2	Excess Liab- 1.5M (part of 3M xs 5M)	1,500,000	SiriusPoint Bermuda Insurance Company Ltd./Arcadian	400,000	\$384,969
3	Excess Liab- 10M xs 8M	10,000,000	Allied World National Assurance Company (AWAC) -AmWins	1,496,110	\$1,342,250
4	Excess Liab- 7M (part of 10M xs 18M)	7,000,000	Lloyds: Inigo/MAP/ Canopus Price Forbes	689,758	\$621,565
4	Excess Liab- 3M (part of 10M xs 18M)	3,000,000	Group Ark Insurance, Ltd. - AmWins	306,555	\$276,060
5	Excess Liab- 15M (part of 20M xs 28M)	15,000,000	Great American Security Ins. Company	933,752	\$835,763
5	Excess Liab- 5M (part of 20M xs 28M)	5,000,000	TBD	305,503	\$273,456
6	Excess Liab- 11.5M (part of 20M xs 48M)	11,500,000	Lloyds: Hiscox/ Convex/ Canopus Price Forbes	549,764	\$490,861
6	Excess Liab- 8.5M (part of 20M xs 48M)	8,500,000	Watford Re Ltd./Helix - AmWins Bermuda	406,347	\$362,810
7	Excess Liab- 32M xs 68M	32,000,000	Lloyds: Ascot/ Hiscox/ Aspen/ Markel Price Forbes	1,035,787	\$924,810
<i>*Insurance below only apply to Union Pacific RR Agreement*</i>					
8	Excess Liab- 100M ( 100M Occ/ 200M Agg xs 100M)	100,000,000	Argo Re Ltd. Price Forbes	984,486	\$879,005
9	Excess Liab- 123M (123M Occ/ 246M Agg xs 200M Occ/300M Agg)	123,000,000	Lloyds Consortium: Hiscox/ Apollo/ Inigo/Aspen/XL/Hamilton/Convex	978,809	\$873,937
	<b>TOTAL LIMITS PURCHASED</b>	<b>323,000,000</b>		<b>\$ 9,928,672</b>	<b>\$ 8,977,044</b>

RESOLUTION NO. 2023-06-069

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

June 12, 2023

**FY23-24 INSURANCE RENEWALS**

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

THAT, the Board hereby approves the renewal of the Excess General Liability, Employment Practices Liability, Property, Boiler & Machinery, Excess Workers' Compensation, Crime, Cyber Privacy & Network Liability, Underground Storage Tank Pollution Liability, Elk Grove Pollution Liability, and Flood Insurances for the period of July 1, 2023, through June 30, 2024.

THAT, the Board hereby authorizes the General Manager/CEO to negotiate the renewal of the Property Insurance – Railroad Rolling Stock (LRVs) insurance at a not to exceed amount of \$2,278,588 for the period of July 1, 2023, through June 30, 2024.

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PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: \_\_\_\_\_  
Tabetha Smith, Assistant Secretary