

STAFF REPORT

DATE: June 10, 2024
TO: Sacramento Regional Transit Board of Directors
FROM: Jason Johnson, VP, Finance/CFO
SUBJ: FY 24-25 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, 2024, through June 30, 2025.

Authorize the General Manager/CEO to approve the renewal of insurance coverages at a not to exceed amount of \$14,563,398 for the period of July 1, 2024, through June 30, 2025, and negotiate the renewal of the Inland Marine Property Insurance at a not to exceed amount of \$2,800,000 for the period of July 1, 2024, through June 30, 2025.

FISCAL IMPACT

FY24-25 Insurance Renewal Policy Coverages and Costs are summarized below for easy reference as Attachment 1. Attachment 1 includes a fiscal year historical comparison of insurance policy premium costs by coverage type.

FY24-25 Insurance Renewal Premium Summary						Exhibit 1
Policy Coverage Type	FY 24-25	FY 23-24	FY 22-23	FY 21-22	FY 20-21	FY 19-20
	Premium	Premium	Premium	Premium	Premium	Premium
Excess General Liability	11,132,550	9,718,725	8,977,044	8,420,507	5,650,899	2,480,000
Employment Practices	81,710	79,379	79,379	75,524	73,321	73,154
Property, Buses, LRVs, Equip,	2,800,000	2,442,432	2,600,647	2,523,616	1,500,000	716,777
Boiler & Machinery	18,410	16,512	14,239	11,999	10,817	11,205
Excess Workers' Compensation	349,000	243,462	242,000	217,692	184,632	159,087
Crime, Errors & Omissions	14,002	14,681	15,454	16,266	17,123	18,024
Cyber Privacy & Network	133,103	150,074	149,507	93,529	25,080	23,690
Pollution Liability -Tanks	7,510	6,906	6,017	5,527	5,025	4,876
Pollution Liability -EG	7,331	7,331	3,614	3,614	3,606	3,612
Flood	19,782	19,772	12,345	12,345	12,346	12,500
Total Premium	\$ 14,563,398	\$ 12,699,274	\$ 12,100,246	\$ 11,380,619	\$ 7,482,849	\$ 3,502,925

Attachment 1 represents estimated not to exceed amounts totaling \$14,563,398 that are included in the proposed FY24-25 Operating Budget.

DISCUSSION

Alliant Insurance Services, Inc. (“Alliant”) 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 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 FY24-25 insurance placements.

Excess General Liability Insurance:

SacRT purchases commercial liability coverage inclusive of auto liability, general liability (including rail), and professional liability, renewed on an annual basis. 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), 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 dollar cap amount that a railroad is liable for passenger injuries incurred in a single occurrence. There is no cap or maximum claim amount set on a federal or state level for liabilities incurred by pedestrians or bus passengers.

No one insurer can provide a policy meeting the FAST Act limit, and multiple carriers in the global markets are engaged to secure the amount of limits required. Meeting UP’s requirement represents approximately 15% of SacRT’s total annual excess liability premium cost, a significant amount.

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.

The liability market continues to be very challenging, largely driven by unpredictable and proportionally larger jury verdicts and settlement amounts, particularly in California. Insurance carriers continue to reduce the coverage limits offered or have exited the state marketplace. Some insurers have stopped writing public entity business altogether.

Few new carriers have entered the excess commercial general liability class given the overall adverse loss experience. The entire global insurance market was accessed for FY25 replacement quotes again this year, and SacRT was able to retain most incumbent carriers, including US, London, and Bermuda carriers.

SacRT bus ridership continues to rebound, with ridership estimates having increased 14%, along with an 8.3% rail ridership increase, which drove a 12-13% premium increase coupled with the adverse liability market conditions.

Despite the continued and increasing potential for claims to exceed SacRT’s \$2,000,000 self-insured retention (SIR), SacRT have been able to maintain the desired retention level again this year with its longstanding lead partner, Munich Re. The value of SacRT’s long-term partnership, communications, and familiarity of operations with Munich Re cannot be overstated, as they would not be willing to offer a \$2,000,000 SIR for new California transit accounts. Also, again for the FY25 renewal year, SacRT was able to maintain non-aggregated limits for auto liability, an uncommon California policy provision.

SacRT insurance layers up to \$50,000,000 limits are formally quoted while the layers above that are not. To provide a Not-To-Exceed number to complete all FY25 liability placements, an estimated 15% increase on coverage layers above \$50,000,000 is included. Insurance negotiations are ongoing, and it is fully anticipated that the final excess liability premium to be within the Not-To-Exceed estimate.

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 layer on the program.

FY24-25 Excess Liability Renewal Premium: \$11,132,550

Employment Practices Liability (EPL):

Arch Insurance Company continues to offer competitive quotes and proves to be a stable partner. EPL provides a \$2,000,000 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 2.94% premium increase from FY23-24. EPL is written on a Claims-Made, not occurrence coverage basis.

EPL Limit of Insurance & Deductible

EPL Limit of Insurance per Claims Made	\$2,000,000
Basic Deductible	\$250,000

FY24-25 Employment Practices Liability Renewal Premium: \$81,710

Property Insurance (Non-LRVs):

The current property policy was re-evaluated and moved in FY23-24 to Allianz from Travelers based on competitive quotes and coverage terms. SacRT increased its *Total Insured Value* (TIV) for buses by 21% during FY23-24, to account for 41 new GILLIG buses and CNG fleet re-tanking upgrades. These new 41 GILLIG buses and upgrades increased the TIV by \$35,000,000. To offset additional premiums, SacRT retired 24 ORION buses and began self-insuring vehicles for individual values below the \$500,000 policy deductible.

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

Property: Buildings, Business Personal Property, Personal Property of Others:

Buildings	\$105,475,174
Business Personal Property Contents	\$71,101,961
Extra Expense	\$8,818,461
Buildings and BPP Deductible	\$250,000

Property Coverage Limits of Insurance & Deductibles

Revenue Vehicles: buses (electric, CNG, Elk Grove) and light-rail specialty vehicles. Includes short-term leased or rented vehicles not specifically listed on the master vehicle fleet schedule. No coverage provided for light-rail trains railroad rolling stock, as trains are insured under separate Property-Inland Marine policies. SacRT is self-insured for its Paratransit fleet and non-revenue vehicles having values under the policy deductible.

Total Insured Vehicle Value	\$227,805,250
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	\$750,000
Earth Movement Deductible	\$750,000
Windstorm Deductible	\$500,000
No Coinsurance	

FY24-25 Property (Buildings, Buses) Premium: \$1,007,302

Property Insurance – Railroad Rolling Stock (LRVs):

For the prior FY23-24 coverage year, SacRT reduced TIV on 41 light rail vehicles to their book values from \$5,500,000 to \$2,500,000. From November 2023 through March 2024, SacRT added 20 new S700 low floor LRVs with a TIV of \$5,500,000 each.

For the FY24-25 Property insurance renewal of light rail vehicles, the impending markets of Mitsui Inland Marine, Old Republic, and Chubb have offered renewals providing up to \$100,000,000 of property coverage limits. To compete with the incumbent market, Allianz has also quoted the light rail vehicle property coverage. Switching LRV property coverage from incumbent markets to Allianz provides discounted rates and would place all property coverages under one insurer.

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

FY24-25 Property-IM-Rolling Stock Premium: \$1,758,389

Boiler & Machinery Insurance:

Travelers has been the insurer for Boiler & Machinery coverage for several years and consistently offers competitive terms and pricing. This year Allianz has offered to add boiler coverage to the current property policy 35% below Travelers CY23-24 Rate. 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 per occurrence	\$10,000,000
Utility interruption	\$250,000
Hazardous substance	\$250,000
Ordinance or Law	\$500,000
Water Damage	\$250,000
Deductible	\$25,000

FY24-25 Boiler & Machinery Premium: \$18,410

Excess Workers' Compensation:

SacRT changed Workers' Compensation providers during FY21-22, from a traditional insurer offering a \$25,000,000 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 Workers' 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

FY24-25 Workers' Comp Excess Premium: \$349,000

Crime/Errors and Omissions:

FY24-25 was a favorable renewal year for E&O insurance. SacRT maintains a

\$3,000,000 limit for this coverage with a premium decrease of 4.63% 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.

Crime, Errors and Omissions Limits of Insurance & Deductibles

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	
Funds Transfer & Computer Fraud	
Money Orders & Counterfeit Money	

FY24-25 Crime Premium: \$14,002

Cyber Privacy & Network Liability:

This coverage line has stabilized over the last two terms. The incumbent insurers have offered favorable renewal terms this year due to SacRT implementing Multi-Factor Authentication (MFA). The total cyber liability insurance placement provides up to \$4,000,000 aggregate coverage with a \$2,000,000 per occurrence limit.

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

FY24-25 Cyber Privacy & Network Liability Premium: \$133,103

Pollution Liability – Storage Tanks:

Coverage will be renewed with Liberty at an 8.75% premium rate increase due to the age of the storage tanks, additional years of retroactive date coverage, standard inflation/market rate increases, and the addition of a new 500 gallon above ground storage tank at the light rail operations and maintenance facility.

Pollution Liability (Tanks) Limits of Insurance & Deductibles

Exposure Basis: Number of tanks (10), capacity, contents, monitoring, and type containment system.	
Deductible Each AST	\$5,000
Deductibles A/USTs Vary by Tank Age	\$25,000 & 100,000
Deductible for 1985 Storage Tank	\$250,000

Insured Limit per occurrence \$1,000,000

FY24-25 Pollution (Tanks) Premium: \$7,510

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
Insured Limit per occurrence	\$1,000,000

FY22-25 Pollution (EG) Premium: \$7,330

Flood:

Switching the primary property policy to Allianz increased the flood deductible from \$500,000 to \$750,000. SacRT purchased a secondary buy-down policy to cover buildings with a \$250,000 deductible gap. 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, 2024, through June 30, 2025.

Flood Limits of Insurance & Deductibles (Primary)

Exposure Basis	Based on Schedule of Total Insured Values for buildings and business personal property.
Buildings Property	\$2,500,000
Business Personal Property/Contents	\$1,412,000
Business Income & Extra Expense	\$0
Deductible	\$50,000

Flood Limits of Insurance & Deductibles (Secondary)

Buildings Property	\$1,250,000
Business Personal Property/Contents	\$ 500,000
Business Income & Extra Expense	\$ 0
Deductible	Exhaustion of Primary Limits

FY24-25 Primary Flood Premium:	\$12,345
FY24-25 Secondary Flood Premium:	<u>\$ 7,437</u>
FY24-25 Total Flood Premium:	\$19,772

RESOLUTION NO. 2024-06-065

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

June 10, 2024

FY 24-25 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 and Liability, Elk Grove Pollution Liability, and Flood Insurances for the period commencing July 1 2024, through June 30, 2025.

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 \$1,765, 668 for the period commencing July 1, 2024, through June 30, 2025.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Tabetha Smith, Assistant Secretary