

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
4	05/14/18	Open	Action	05/07/18

Subject: FY 2019 Insurance Renewals

ISSUE

Renewal of the Excess General Liability Insurance Policies Including Public Officials Professional Liability and Auto Liability and the Employment Practices Liability Policy for the period of July 1, 2018 through July 1, 2019.

RECOMMENDED ACTION

Adopt Resolution No. 18-05-_____, Delegating Authority to the General Manager/CEO to Bind Renewal of the Excess General Liability Insurance Policies (Including Public Officials Professional Liability), Auto Liability, and Employment Practices Liability Policy, for the Period of July 1, 2018 through July 1, 2019.

FISCAL IMPACT

Budgeted: Yes FY: 2019 \$ 2,315,000
Budget Source: Operating
Funding Source: Local/Federal
Cost Cntr/GL Acct(s) or C.C. 47 GL: 660044: \$2,240,000
Capital Project #: GL: 660027 \$75,000
Total Budget: \$ 2,315,000

DISCUSSION

SacRT conducted a Request for Proposals (RFP) last year for brokerage services and engaged Alliant Insurance Services and Bedford Falls Insurance Services (for liability insurance only). After a comprehensive evaluation of the 2016/17 program, and discussions with SacRT staff regarding internal objectives, a comprehensive marketing plan was crafted, engaging all potential domestic and international markets to compete on both policy language and price. The goal was to negotiate with all markets to set up long-term relationships with the carriers, allowing both SacRT and the carriers to know the costs/premiums in advance, and lock in the best terms available in the market so SacRT could renew the program at existing terms in what has become a deteriorating market.

General, Auto and Professional Liability:

Alliant and Bedford Falls achieved the objectives for the 2017/18 term, including:

- Successfully replaced lead market (National Casualty,) which had non-renewed as it exited California, with Munich Re, a leader in the public agency space.

Approved:

Presented:

Final 05/09/18

General Manager/CEO

Acting Risk Administrator

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- Lowered self-insured retention from \$5M to \$3M for Bus and Light Rail Excess Liability.
- Reduced the Employment Practices Liability Insurance (EPLI) buy-down limit from \$5M to \$3M, saving an additional \$19,057 for SacRT.
- Added Terrorism Risk Insurance Act (TRIA) coverage to \$100M, and Terrorism Risk Insurance Program Reauthorization Act (TRIPPA) coverage to \$200M, which is widely considered to be a significant exposure for transit systems.
- Maintained un-aggregated rail and auto form, with excess following form up to \$100M.
- Public Officials/Law Enforcement/Errors & Omissions (E&O) covered to \$60M rather than expiring \$25M.
- Employment Practices Liability Insurance (EPLI) covered to \$100M.
- Successfully bifurcated the Excess Liability program excess of \$100M to cover only those operations SacRT is required to provide under Union Pacific (UP) contract. Successfully negotiated double annual policy aggregate on layers over \$100M.
- Top excess layer expanded by \$2M to accommodate lower Self Insurance Retention (SIR) and continue to meet Union Pacific (UP) federally-mandated limit requirements.
- Through aggressive remarketing and bifurcating excess limits, lowered overall premium by \$304,885, even including reduction in SIR from \$5M to \$3M, and addition of TRIA coverage.

The goal for the 2018/19 term is to retain the terms, conditions and pricing from last year. SacRT has formal quotes on an as-expiring basis on the first five layers for the Excess Liability which provides the first \$100,000,000 of coverage for the \$292,000,000 program. The expectation is that the layers above them will follow their lead and also quote on an as-expiring basis.

However, the market continues to become more restrictive. If SacRT incurs a large loss between now and July 1, 2018, the renewal terms could change, as they are not locked in until the quotes are accepted with a formal bind order. Staff recommends authorizing coverage to be bound early this year. Staff is expecting the layers not formally quoted yet to stay at expiring premium levels; however, to ensure the necessary authority to bind the policies, Staff suggest adding a 5% cushion (\$104,790) to the expected total of \$2,095,799 as a fail-safe measure if it becomes necessary to negotiate placement of the outstanding policies. In the event of an adverse claim or insurance market change causing the premiums to exceed the not to exceed amount of \$2,200,589, authority will be requested with the actual figures at the June Board meeting.

Staff requested alternative quotes to lower the SIR from \$3,000,000 to \$2,000,000. Munich would not consider lowering the retention on rail operations or lower the bus SIR to \$1,000,000. It did, however, provide an alternative SIR option of \$2,000,000 on bus operations for an additional premium of \$346,000; Staff and Alliant deemed this amount too high to accept.

Employment Practices Liability Insurance (EPLI)

Staff secured an as-expiring quote from Arch, retaining the current \$250,000 deductible and \$3,000,000 limit to effectively lower SacRT's EPLI retention from the \$3,000,000 in the master program to \$250,000, at the expiring premium level of \$70,163. Please note also that the Arch

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deductible limit is in addition to the policy limit of \$3,000,000, which is atypical for a deductible program, and essentially provides an additional \$250,000 limit that a normal deductible scenario would not. Staff recommends binding the EPLI coverage early as well.

Property, Boiler & Machinery, Excess Workers' Compensation, Crime/Employee Dishonesty, Privacy & Network Liability and Storage Tank Pollution Liability

The Alliant Team continues to work on securing renewal quotes for the Property, Boiler & Machinery, Excess Workers' Compensation, Crime/Employee Dishonesty, Privacy & Network Liability and Storage Tank Pollution Liability coverages. While market conditions for the Excess Liability and Employment Liability placements are unstable, the marketplace for the remaining coverages is not as volatile at this time. The renewal for the Property, Boiler & Machinery, Excess Workers' Compensation, Crime/Employee Dishonesty, Privacy & Network Liability and Storage Tank Pollution Liability coverages will be presented at the June 11, 2018 Board Meeting.

RESOLUTION NO. 18-05-_____

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

May 14, 2018

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO BIND
RENEWAL OF THE EXCESS GENERAL LIABILITY INSURANCE POLICIES
(INCLUDING PUBLIC OFFICIALS PROFESSIONAL LIABILITY), AUTO LIABILITY,
AND EMPLOYMENT PRACTICES LIABILITY POLICY, FOR THE PERIOD OF JULY
1, 2018 THROUGH JULY 1, 2019**

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

THAT, the General Manager/CEO is authorized to bind renewal of the Excess
General Liability Insurance Policies (Including Public Officials Professional Liability), Auto
Liability, and Employment Practices Liability Policy for the period of July 1, 2018 through
July 1, 2019 for the coverage and limits set out in Exhibit A for a total overall premium
amount not-to-exceed \$2,270,752.00.

PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Cindy Brooks, Assistant Secretary

Insurance Renewal
Exhibit A

Summary of Insurance Coverages
7/1/18 – 7/1/19

**Insurance Renewal
Exhibit A**

Summary of Insurance Coverage
7/1/18 – 7/1/19

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

Bus and Light Rail Combined

- 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 \$100,000,000 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

Total Limits: \$100,000,000 per occurrence