



(For Board Meeting of June 10, 2005)

SUMMARY OF RECOMMENDATIONS
MEETING OF THE FINANCE-AUDITING COMMITTEE
THURSDAY, JUNE 9, 2005
(ACTING CHAIR BARBARA L. PAHRE)

Item No. 1

Approve renewal of the Liability Insurance Program, as outlined in the attached staff report.

Action by the Board – Resolution

Item No. 2

The final recommendation on this matter, *Approve Actions Relative to the FY 05/06 Operating and Capital Budget*, will be presented to the Board of Directors at its meeting of June 10, 2005.



Agenda Item No. 3

Revised

To: Finance-Auditing Committee/Committee of the Whole
Meeting of June 9, 2005

From: Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **DISCUSSION AND POSSIBLE ACTION RELATIVE TO RENEWAL OF
THE LIABILITY INSURANCE PROGRAM**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve the Liability Insurance Program, as follows:

- a. Renew the Excess General and Automobile Liability Insurance Program with American International Specialty Lines Insurance Company (ASLIC/AIG), Zurich, and ARCH/RSUI for a one-year term effective July 1, 2005, with a liability limit of \$75 million each occurrence/annual aggregate in excess of a self-insured retention of \$5 million each occurrence, for a total annual premium of \$1,651,600;
- b. Renew the Excess Workers' Compensation and Employers' Liability Insurance Program with AIG for a one-year term effective July 1, 2005 in excess of a self-insured retention of \$1 million each accident with a liability limit of \$10 million annual aggregate, for an annual premium of \$282,073;
- c. Renew the General Liability Insurance Program for the Northwestern Pacific Railroad Right-of-Way (from Tamalpais Drive, Corte Madera, to Novato Creek, Novato) with Steadfast Insurance Company, for a one-year term, effective July 1, 2005, with a liability limit of \$1 million each occurrence/annual aggregate and a deductible of \$10,000 per occurrence, for an annual premium of \$19,509;
- d. Renew the Public Officials' Liability Insurance Program, with AIG Insurance Company, for a one-year term, effective July 1, 2005, with a liability of \$5,000,000 each occurrence/annual aggregate and a self-insured retention of \$100,000 each claim, for an annual premium of \$73,724, excluding terrorism insurance; and
- e. Renew the Public Employees' Faithful Performance Bond and Comprehensive Dishonesty, Destruction and Disappearance Bond, with Fidelity and Deposit Company of Maryland, for a one-year term, effective July 1, 2005, with a liability limit of \$1,000,000

for employee dishonesty and computer fraud, subject to a \$25,000 deductible and \$5,000 deductible respectively, and a liability limit of \$500,000 for loss of money and securities at the Golden Gate Bridge Toll Plaza, subject to a \$5,000 deductible and \$15,000 limit at all other locations with a deductible of \$5,000, for an annual premium of \$14,885;

with the understanding the preliminary Operating Budget for FY 05/06 includes funds to cover the costs associated with the renewal of the entire insurance program. If the information provided meets with Finance-Auditing Committee approval, this matter may be presented to the Board of Directors at its June 10, 2005 meeting for appropriate action.

Summary

This report summarizes the staff recommendation for the yearly renewal of the liability insurance program. The liability insurance program covers the umbrella liability policy, and specific policies limiting liability in connection with the railroad, worker's compensation claims, and actions of public officials and employees. All of these policies expire on June 30, 2005. All of the recommended renewals are for one year. All actions by this Committee can be taken to the Board the next day, June 10th, or wait until the June 24th Board meeting.

The attached report contains detailed discussions of the renewal recommendations, alternative options, the overall insurance market condition, specifics on the premium cost, coverage limits and the work on the renewals for the liability insurance program performed by Marsh Risk and Insurance Services, the District's insurance broker.

Market Overview

As discussed with the Committee at previous renewals, the overall insurance market has softened in the last few years. This year's renewal should result in a 12% savings from last year's renewal premiums. That reduction is on top of a 10% reduction last year.

Umbrella Liability Policy

The umbrella liability policy currently provides \$75 million in coverage after a \$5 million retention for general liability and a \$5 million retention for bus fleet liability for \$1,904,810 in premium. Marsh aggressively shopped the District's policies, asking 32 companies for quotes. The cost of replicating this year's policy for next year's renewal is \$1,651,600, a 13% reduction in premium.

Excess Worker's Compensation Policy Indication

The excess workers' compensation policy currently provides \$10 million in coverage after retention of \$1 million per worker's compensation occurrence/case at a premium cost of approximately \$290,713. Marsh approached fifteen companies that provide this type of insurance; only two have submitted quotes which are detailed in the attachment. Firms have declined to provide the District with coverage for various reasons, mostly due to our employees' exposure to heights, water, earthquakes and terrorism.

The District has never used this insurance and no single injured worker case would likely hit the \$1 million retention. The coverage does cover the District in case of an occurrence such as earthquake where a number of employees are injured at once.

The recommended option is to continue the same coverage levels for a premium of \$282,074, or a 3% decrease.

Railroad Liability

The recommended renewal for the railroad liability is \$19,509, a 10% decrease from last year.

The railroad liability policy would remain in effect until the property is transferred to SMART II. On that date, the policy would be cancelled and a pro-rated share of the premium would be refunded to the District.

Public Officials Liability and Crime/Fidelity Bond

The recommended renewals under the same terms and conditions for Public Officials Liability and Crime/Fidelity Bond are \$73,724, a 1% increase from last year, and \$14,885, a 3% decrease from last year, respectively.

Fiscal Impact

The recommended renewal package for the liability insurance program costs \$2,041,792, a 12% decrease over the expiring package. The preliminary Operating Budget for Fiscal Year 05/06 includes funds to cover the costs associated with the renewal of the entire insurance program.

Attachment:

Renewal Report from Marsh Risk and Insurance Services dated July 1, 2005