



March 8, 2007
(For Board: March 23, 2007)

REPORT OF THE FINANCE-AUDITING COMMITTEE

Honorable Board of Directors
Golden Gate Bridge, Highway
and Transportation District

Honorable Members:

A meeting of the Finance-Auditing Committee was held in the Board Room, Administration Building, Toll Plaza, San Francisco, California, on Thursday, March 8, 2007, at 10:25 a.m., Acting Chair Middlebrook presiding.

Committee Members Present (6): Acting Chair Middlebrook; Directors Boro, Cochran, Eddie and Grosboll; President Moylan (Ex Officio)

Committee Members Absent (3): Chair Stroeh; Vice Chair Pahre; Director Reilly

Other Directors Present (0): None

Staff Present: General Manager Celia G. Kupersmith; District Engineer Denis J. Mulligan; Secretary of the District Janet S. Tarantino; Attorney David J. Miller; Deputy General Manager/Bridge Kary H. Witt; Division Deputy General Manager/Bus Division Susan C. Chiaroni; Deputy General Manager/Ferry Division James P. Swindler; Deputy General Manager/Administration and Development Teri W. Mantony; Acting Auditor-Controller and Procurement and Retail Operations Director Lori Murray; Deputy District Engineer Ewa Z. Bauer; Executive Assistant to the General Manager Amorette Ko; Assistant Clerk of the Board Karen B. Engbretson

Visitors Present: Anthony R. Withington, President, Amalgamated Transit Union, Local No. 1575

1. Status Report on the Renewal of the Property Insurance Program

In a memorandum to Committee, Director of Risk Management/Safety William Stafford, Auditor-Controller Joseph Wire and General Manager Celia Kupersmith provided a status report on the District's Property Insurance Program, which renews on April 8, 2007. The report stated that the Property Insurance Program is comprised of District Facilities Insurance, Boiler & Machinery Insurance and the newly established Bridge Self-Insurance Loss Reserve.

The report described the current market conditions for property insurance, noting that premiums for this category of insurance have increased substantially during the past two years due to catastrophic hurricanes during 2005 and 2006. In addition, the fact that the District's facilities are located in an earthquake catastrophe zone also contributed to increased premiums. As a result, staff has requested that Marsh Risk & Insurance Services (Marsh), the District's insurance broker, obtain quotes for a higher deductible during the marketing phase of the Property Insurance Program renewal.

The report also described the current District Facilities Insurance policy, which provides \$45 million in coverage for all risks of physical loss or damage coverage, including flood, and \$20 million in coverage for earthquake loss, with a \$250,000 deductible. The premium for the 2006 renewal of the District Facilities Insurance was \$549,536. For the 2007 renewal, Marsh has been asked to obtain premium quotes for a \$500,000 deductible, in order to more closely approximate the District's deductibles for its Liability and Workers' Compensation insurance programs and to minimize premium increases.

The report further described the District's Bridge Self-Insurance Loss Reserve (Reserve), which was approved by the Board of Directors at the time of the 2006 Property Insurance Program renewal, due to the high cost of Bridge Property and Loss of Use coverage and the lack of coverage and limits afforded by the policy. The policy had covered Bridge physical damage and loss of use, and had excluded losses caused by earthquake and terrorism. The report noted that the Reserve is a District-managed fund, which would pay for a loss due to Bridge physical damage and/or loss of revenue. The Reserve was set up with strict rules of governance and would be available in losses exceeding \$10 million. In FY 06/07, \$1.3 million was allocated to the Reserve, with the understanding that funds in this approximate amount would be allocated to this account each year thereafter. It is anticipated that a similar request for funding will be made for FY 07/08, due to possible premium increases for Bridge Property and Loss of Use coverage. The District has requested Marsh to obtain quotes, if markets are available for this coverage, to help the District determine what should be the appropriate level of funding of the Reserve. A copy of the staff report is available in the Office of the District Secretary and on the District's web site.

At the meeting, Celia Kupersmith summarized the staff report, noting that staff will provide a recommendation for renewal of the Property Insurance Program at the March 22, 2007 meeting of the Finance-Auditing Committee.

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Discussion ensued, including the following:

- President Moylan inquired regarding the contractual relationship with Marsh. In response, Ms. Kupersmith stated that the District has one year remaining in the current contract with Marsh, which was executed in 2003. She further stated that when the current litigation with Marsh was initiated, it was determined that the District would continue the insurance broker services with Marsh, due to the excellent service provided to the District by the representatives in Marsh's San Francisco office.

Action by the Board – None Required

2. Public Comment

There was no public comment.

3. Adjournment

All business having been concluded, the meeting was adjourned at 10:35 a.m.

Respectfully submitted,

Maureen Middlebrook, Acting Chair
Finance-Auditing Committee

MM:JST:KBE:kbe