



(For Board Meeting of February 22, 2008)

SUMMARY OF RECOMMENDATIONS
MEETING OF THE FINANCE-AUDITING COMMITTEE/
COMMITTEE OF THE WHOLE
THURSDAY, FEBRUARY 21, 2008
(CHAIR J. DIETRICH STROEH)

Item No. 1

Approve renewal of the Marine Insurance Program, in the amount of \$362,678, effective February 28, 2008, as outlined in the staff report.

Action by the Board – Resolution

Item No. 2

Approve a Labor Management Trust Fiduciary Liability policy with Chubb Insurance relative to the Public Officials Fiduciary Liability Insurance Program for OPEB (Other Post-Employment Benefits) Retirement Investment Trust Board members, in the amount of \$2,400, effective March 1, 2008.

Action by the Board – Resolution



Agenda Item No. 4

To: Finance-Auditing Committee/Committee of the Whole
Meeting of February 21, 2008

From: William Stafford, Director of Risk Management/Safety
Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **APPROVE RENEWAL OF THE MARINE INSURANCE PROGRAM**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve the following actions relative to the renewal of the District's Marine Insurance Program:

- a. Approve the Hull & Machinery/Protection & Indemnity Insurance with St. Paul Travelers at an annual premium of \$245,000. Terrorism Risk Insurance Act (TRIA) is included in the premium for the 2008 Policy Year;
- b. Approve the Vessel Pollution Liability Policy at an annual premium of \$4,194; and,
- c. Approve the Excess Marine Liability Program with AIG and various underwriters at an annual premium of \$113,484. TRIA is included in the coverage premium for the 2008 Policy Year. This policy has coverage limits to \$100 million.

These recommendations come with the understanding that sufficient funds, totaling \$362,678, are available in the FY 07/08 Ferry Division budget to cover the premium payments in FY 07/08 and funds for FY 08/09 will be included in the FY 08/09 budget.

Summary

Overview of Marine Insurance Program

The District's Marine Insurance Program, which renews on February 28, 2008, is comprised of the Hull & Machinery/Protection & Indemnity Insurance and Marine Liability Insurance (including Terminal Operator's Legal Liability and Excess Insurance).

Currently, the District purchases Hull & Machinery/Protection & Indemnity Insurance in amounts equal to the approximate replacement costs of the ferry vessels along with primary Protection & Indemnity limits of \$1 million.

The limits of liability for the excess Protection & Indemnity and Marine Liabilities currently total \$100 million.

Marine Insurance Market Conditions

Following two years of dramatic premium decreases of approximately 35 percent in the District's marine insurance premiums in the Hull & Machinery/Protection & Indemnity classes of business, we are still seeing a very competitive marketplace. However, declines have moderated significantly as minimum premiums begin to be quoted specifically in the Marine Excess coverage layers. For accounts which have a favorable loss history, such as the District's Ferry operation, premiums remain very favorable. According to Marsh Risk and Insurance Services (Marsh), premium renewals have declined in the marine insurance coverage lines by 0 to 5 percent range for accounts with a favorable loss history.

Operations Experience

The District's Hull & Machinery and Protection & Indemnity loss experience has continued to improve. The number and severity of hull and machinery damage claims, as well as the amounts paid for crew injuries, has been dramatically reduced. This is due to Ferry and District Management actively controlling hazards and mitigating areas of potential risk, including ferry maintenance.

There have been no claims that have reached the deductible of \$350,000, in the last five years.

Proposed Renewal

Hull & Machinery/Protection & Indemnity Insurance

This renewal period, the District obtained two competitive quotes including the current carrier, St. Paul Travelers, and another from AIG. A total of eight carriers were approached by Marsh. The five existing excess layer carriers quoted but did not reduce premiums. Three carriers did not offer favorable quotes or wanted only limited participation in the District's Marine Insurance Program.

The St. Paul Travelers quote is \$245,000 and the AIG quote is \$246,831. Both quotes include Terrorism Risk Insurance Act (TRIA) coverage.

The recommended option is to enter into an agreement with St. Paul Travelers for the complete Marine Insurance package. The renewal price of \$245,000 coverage is an approximate 3 percent decrease from 2007.

Pollution

The renewal quote for the District's Vessel Pollution with Great American is \$4,194. This premium is the same as 2007's.

Excess Marine Liability Program 1st Excess-5th Excess Marine Layer

Starr Marine and various existing insurers on the Marine Excess Liability program will renew at the existing rate, with a total premium of \$113,484. There is no decrease in premium from the prior year with TRIA included in the premiums in 2008/2009.

Conclusion

The total cost for renewal of the Marine Insurance Program, including terrorism insurance, based upon the above-recommended quotes is \$362,678 an overall decrease of 2 percent; however, the District actually changed program structure slightly by increasing the hull value of the M.V. Marin by \$1 million, due to the vessel's recent refurbishment.

The letter from the Marsh is attached and includes the following exhibits:

- Exhibit I –Hull /P&I Insured Values 2008
- Exhibit II- 5-Year Premium and Loss History
- Exhibit III Marine Renewal Marketing Results 2008
- Exhibit IV- Renewal Recommended Program

District Insurance Renewal Calendar for 2008

The following is a timetable for all the insurance renewals for the District which will be brought forward to the Finance-Auditing Committee the month prior to the renewal date.

Renewal Date	Insurance Policy
2/28/2008 3/1/2008	<ul style="list-style-type: none">• Marine Insurance Renewal• OPEB Fiduciary Insurance
4/8/2008	<ul style="list-style-type: none">• Property• Boiler & Machinery• Bridge Restricted Contingency Reserve
7/1/2008	<ul style="list-style-type: none">• Commercial Crime• Umbrella/Excess Liability• Railroad Liability• Excess Workers Compensation• Public Officials Liability

Fiscal Impact

Approval of the recommendation would cost the District \$362,678. Sufficient funds are available in the FY 07/08 Ferry Division budget to cover the premium payments in FY 07/08, and will be included in the FY 08/09 budget to cover FY 08/09 premium payments.

Attachment



Agenda Item No. 5

To: Finance-Auditing Committee/Committee of the Whole
Meeting of February 21, 2008

From: William Stafford, Director of Risk Management/Safety
Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **APPROVE PUBLIC OFFICIALS FIDUCIARY LIABILITY INSURANCE
PROGRAM FOR OPEB (OTHER POST-EMPLOYMENT BENEFITS)
RETIREMENT INVESTMENT TRUST BOARD MEMBERS**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve the purchase of a Labor Management Trust Fiduciary Liability policy with Chubb Insurance for the annual amount of \$2,400, effective March 1, 2008, relative to the District's Other Post-Employment Benefits (OPEB) Public Officials Fiduciary Liability Program, with the understanding that funds in the amount of \$2,400 are available in the FY 07/08 in the District budget to cover the premium.

Summary

Overview of OPEB Public Officials Fiduciary Liability Program

At the Board of Directors Meeting of August 24, 2007, the District's Board of Directors (Board): (1) authorized the execution of the Trust Agreement creating the Golden Gate Bridge, Highway and Transportation District OPEB Trust for purposes of funding GASB 45 retiree health care and OPEB liabilities; (2) approved the Charter for the creation of the Trust Board to oversee the investment of trust assets, with the understanding that all who serve on the Trust Board will be provided with legal defense and indemnity protection by the District for acts or omissions taken within the scope of their duties and responsibilities; and (3) authorized the transfer of \$3.5 million from reserves that the Board previously designated for funding retiree benefits costs, as the first step in partially pre-funding the Trust.

The District's OPEB Public Officials Fiduciary Liability Program is new and was brought about by the creation of the OPEB Retirement Investment Trust Board (Trust Board), comprised of the members of the Finance-Auditing Committee with the Auditor-Controller serving as an *ex officio* member in a non-voting capacity. The Trust Board is responsible for oversight of Trust assets and direction of asset management including evaluating the performance of the Trust

Administrator/Investment Advisor, reviewing and setting the investment policy, and periodically reviewing investment performance. The purpose of the OPEB Public Officials Fiduciary Liability Program is to fulfill the Board's approval to provide the members of the Trust Board legal defense and indemnity protection by the District for acts or omissions taken within the scope of the these duties and responsibilities.

Marketing

The District's Broker, Marsh Risk and Insurance Services (Marsh) marketed the Public Officials Fiduciary Liability to two insurance carriers, Chubb and AIG, as there is a limited market place willing to write this coverage. Quotes for a \$2 million limit with no deductible for a \$2 million limit with a \$25,000 deductible were requested. As the Trust grows in value due to future funding, the limits of liability will be increased from the current \$2 million.

The current contract with Marsh specifies that no commissions will be taken and all remuneration will be made in the form of fees. The marketing of the Public Officials Fiduciary Liability was not included in the current contract from 2003. Marsh presented an itemized fee which they reduced to \$4,000, less commission to be added in 2009. The District agreed to this proposal.

Presented below are the quotations and options presented by Marsh:

	Limit	Deductible	Annual Premium
Option 1 AIG	\$2 million	\$0.00	\$7,883
Option 2 AIG	\$2 million	\$25,000	\$6,589
Option 3 Chubb	\$2 million	\$0.00	\$2,400
Option 4 Chubb	\$2 million	\$25,000	\$2,100

Recommendation

The recommended option is Option 3 to enter into an agreement with Chubb for the OPEB Public Officials Fiduciary Liability Coverage. The price of \$2,400 with no deductible is significantly less than the pricing options submitted by AIG.

Fiscal Impact

Approval of the recommendation would cost the District \$2,400. Sufficient funds are available in the FY 07/08 District Division budget to cover the premium payment.