



**Item #9C**

**November 2 , 2012**

**MEMO TO: VENTURA COUNTY TRANSPORTATION COMMISSION**

**FROM: SALLY DEGEORGE**

**SUBJECT: INSURANCE COVERAGE**

**RECOMMENDATION:**

- Amend the VCTC 2012/2013 operating budget increasing the insurance line item by \$57,725 for a total insurance line item of \$187,725. The increased expenditure will be offset first by other indirect operating items that are expended under budget at yearend and then from the Local Transportation Fund (LTF) reserve not to exceed \$57,725.

**BACKGROUND:**

Over the normal course of business, the Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and natural disasters. The Commission protects itself against such losses by a balanced program of risk retention, risk transfer and the purchase of commercial insurance. Capital projects and rail properties are protected through a combination of commercial insurance, insurance required by Commission consultants and a self-insurance fund established by the Southern California Regional Rail Authority (SCRRA). The Commission's worker's compensation insurance is covered through the State Compensation Insurance Fund.

VCTC's insurance policies with Scottsdale Insurance Company for its property and electronic data processing, general liability, excess liability and crime insurance and with Westchester Surplus Lines Insurance Company for its public entity errors and omissions and employment practices liability insurance expired on November 20, 2012. Costs for insurance from November 2011 to November 2012 totaled \$123,583.

In anticipation of the new insurance period and to evaluate the insurance brokerage services available to VCTC, staff issued a request for proposals in June 2012 for insurance brokerage services. In September 2012 the Commission engaged Alliant Insurance Services, Inc. because of its significant public entity insurance experience including transit, transportation and rail experience throughout California.

As staff reported at the November meeting, due to Scottsdale Insurance Company deciding not to renew VCTC's coverage and recent claims from Tillery and Beserra, staff was prevented from presenting a final insurance proposal to the Commission before the renewal period. At the meeting, staff updated the Commission on the status of the insurance proposals received to-date, the anticipated increased costs and answered Commissioner's questions along with Mr. Seth Cole from Alliant Insurance Services, Inc. who was present. Staff informed the Commission that an item would be brought back in December to indicate the insurance purchased, final costs and funding to cover the additional costs.

### **DISCUSSION:**

Alliant Insurance Services, Inc. aggressively marketed VCTC's insurance coverage to over 30 insurance agencies with the general and excess liability insurances being the most challenging. Alliant worked hard to obtain coverage for VCTC that was comparable and in some cases improved to what VCTC previously had.

Alliant received and presented to VCTC staff proposals for General liability, Excess liability, Public Officials Liability and Employment Practices Liability, Crime, Property, Terrorism and Railroad Owners Insurance. In consultation with Alliant Insurance Services, VCTC's current insurance broker, it was concluded that terrorism insurance was not necessary so coverage was not purchased. It was also decided that VCTC would not purchase a railroad owners policy since VCTC is covered for rail operations on the Moorpark Line by Metrolink, covered on the Santa Paula Branch Line by contract requirements with Fillmore and Western to carry \$1 million/\$2million aggregate limits and \$5 million limits of coverage and because the premium was quite expensive at \$46,463.

The cost for the new insurance policies is \$187,725.96. The VCTC operating budget only includes \$130,000 for insurance. The \$57,725 increase in expenditures will first be covered by other indirect operating line items that come in under budget at yearend with any remaining balance covered by the LTF reserve.

Below is a summary of the insurance policies obtained by VCTC (a detailed proposal is included as a separate attachment).

- **General Liability** – The new general liability policy is with Navigators Specialty Insurance through November 20, 2013. Of the available options, this policy was the most comprehensive and comparable to VCTC's previous coverage. This policy excludes claims arising out of train operations, but VCTC is covered through Metrolink and Fillmore and Western's policies. This general liability policy includes assault and battery coverage which the previous policy lacked. The premium is \$82,440, an increase of \$34,274 from the previous year primarily due to the issues mentioned above.
- **Excess Liability** – The new excess liability policy is with American Safety Indemnity Company through November 20, 2013. Of the available options, this policy was the best match for VCTC balancing needs against cost. This policy is for \$10 million in excess coverage as opposed to \$15 million last year. The premium is \$41,300, an increase of \$25,816 the previous year primarily due to the issues mentioned above.
- **Public Officials Liability and Employment Practices Liability** – The policy was renewed with ACE Westchester through November 20, 2013. They continue to be the most competitive option for VCTC's public official's liability and employment practices liability insurance. Although ACE Westchester increased their renewal premium to \$58,784 (previously \$56,578), Alliant was able to negotiate several enhancements including inclusion of general counsel and non cancellable clause except for nonpayment.

- Crime – The new crime policy is with National Union Fire Insurance Company through November 20, 2013. Of the available options, this policy was the best fit for VCTC with improved coverage including funds transfer fraud, forgery and additional fraud coverage. The premium is \$2,442, an increase of \$1,277.
- Property Insurance – The new property policy is with Lexington Insurance Company through July 1, 2013 as this policy runs on the fiscal year. This policy now includes the Santa Paula Mill Building, a historical building, which contributed to the challenge of finding coverage and increased the total insured value from \$396,000 to \$2,596,000. Alliant's Special Property Insurance Program was the best option with a prorated premium of \$2,759.