



Date: May 31, 2007
 Committee Meeting Date: N/A
 Board Meeting Date: June 21, 2007
 ACTION X DISCUSSION INFO

BOARD MEMORANDUM

TO: Santa Clara Valley Transportation Authority
 Board of Directors

THROUGH: Michael T. Burns
 General Manager *Michael T. Burns*

FROM: Bill Lopez *Bill Lopez*
 Chief Administrative Officer

SUBJECT: Annual Renewal of Operations Property and Casualty Insurance Coverage

Policy-Related Action: No **Government Code Section 84308 Applies:** No

RECOMMENDATION:

Authorize the General Manager to purchase insurance coverage for Excess Liability, General and Auto Liability, Public Officials Errors and Omissions Liability, Property/ Boiler and Machinery, Inland Marine for Buses, Vans and Mobile Equipment, Inland Marine for Light Rail Vehicles, and Flood exposures, for the FY 2008 annual Operations Program insurance renewal for an amount not to exceed \$1,810,435.

BACKGROUND:

VTA's Property and Casualty insurance coverage renews annually on July 1. Each spring VTA's contract insurance broker, currently Alliant Insurance Services, develops VTA's insurance program by requesting competing premium quotes from a broad range of carriers in the insurance marketplace.

Carriers are selected on the basis of premium cost, coverage criteria, and underwriting background. In addition, carriers are required to have a proven track record with governmental agencies, adequate reserves, and a minimum A.M. Best rating of Excellent.

VTA's net expense for last year's operating insurance was \$1,628,448. This includes credit for a returned dividend for good loss control performance of \$74,813. If the performance continues, VTA will be eligible to receive a similar dividend in the fiscal year 2008.

Insurers will require VTA to review premium quotes and commit to the purchase of the policies during a one-week period immediately prior to the July 1, 2007 policy inception date. We are seeking Board Authority now to purchase the insurance to avoid placing VTA in the undesirable position of being uninsured for any period of time.

DISCUSSION:

For the July 1, 2007-08 renewal term, VTA instructed the broker to obtain quotes for the same program structure as purchased last year. The program includes \$25 million in coverage for General Liability, Auto Liability, and Public Officials' Errors and Omissions Liability claims, and Property coverage for all VTA buildings, bus, rail and non-revenue vehicle fleets. The General Liability coverage assumes continuing a \$3 M self-insured retention.

As of this writing, final premium quotes are not available for the July 1, 2007 renewal. The authority requested represents the broker's best estimate of potential premium cost, based on his knowledge of the current market, and his experience with the completed renewals of other public agency clients. See Attachment "A" for details.

The results of the insurance marketing and final purchase pricing will be reported to the Administration and Finance Committee as an Information Item at the September 2007 meeting.

ALTERNATIVES:

The VTA could seek quotes for different levels of coverage and self-insured retentions. However, based on our coverage and loss experience, our current levels of coverage are considered prudent and adequate.

FISCAL IMPACT:

The expenses associated with these premiums have been included as part of the FY 07/08 proposed budget.

SMALL BUSINESS ENTERPRISE (SBE) PARTICIPATION:

No specific goal has been established for this contract due to the lack of SBE firms available to perform the scope of work. Contractor is encouraged to make reasonable efforts to utilize SBEs in its procurement of ancillary services and products associated with the performance of this contract.

Prepared by: Nanci G. Eksterowicz, Risk Manager

**VTA Operations Insurance
FY 2007-08 Cost Projections**

Attachment A

Coverage	2006-07	2007-08
EXCESS LIABILITY	Premium	Premium
\$2mm xs \$3mm	211,868	233,055
\$20mm xs \$5mm	797,695	877,465
Total	1,009,563	1,110,519
PROPERTY / BOILER & MACHINERY	Premium	Premium
\$70,000,000 limit		
\$100,000 deductible		
Total	106,171	122,097
LIGHT RAIL VEHICLES	Premium	Premium
\$20,000,000 limit		
\$250,000 deductible - KI cars	194,400	213,840
\$100k / \$25k deductible - Trolleys	2,500	2,750
\$25,000 deductible - spare parts	2,500	2,750
Total	199,400	219,340
ROAD VEHICLES	Premium	Premium
\$20,000,000 limit		
\$100,000 deductible - buses		
\$25,000 deductible - mobile equipment		
Standard Buses: 420; \$315,000 ea.	237,874	273,555
Articulated Buses: 40; \$497,000 ea.	35,803	41,174
Mini Buses: 10; \$166,605 ea.	2,999	3,449
Paratransit Vans	0	0
Mobile Equipment	4,142	4,556
Total	280,818	322,734
FLOOD	Premium	Premium
\$500,000 limit max.	32,496	35,746
TOTAL (FY 2006-07 coverage level)	\$1,628,448	\$1,810,435
Dividend (estimated)	-74,813	-82,294
NET COST	\$1,553,635	\$1,728,141

11.2 % Increase