

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Authorizing the Executive Director/CEO to execute a one-year excess transit liability (catastrophic loss coverage)/general liability policy for FY 2012 with National Casualty Company and Endurance Risk Solutions for an annual premium of \$2,418,990, as well as retroactive approval of a premium payment of \$2,433,000 to American Merchants Casualty Company and Everest National Insurance Company for FY 2011, both policies providing a \$25,000,000 excess liability limit and a \$5,000,000 self-insured retention level, with the same terms, conditions, and policy endorsements as previously approved by the City's Risk Manager and the City Attorney's Office.

SUMMARY:

- The SFMTA Board of Directors requested the City's Risk Manager pursue the placement of excess transit liability (catastrophic loss coverage).
- In April 2009, the City's Risk Manager issued formal quotes for this placement.
- Based on the efforts above, only one offer of coverage was received -- a joint quote from American Merchants Casualty Company and Everest National Insurance Company.
- This policy will be for one year, with a \$25,000,000 limit with a \$5,000,000 self-insured retention subject to approval by the City Attorney's Office of the insurance policy's endorsement terms.
- The SFMTA Board of Directors authorizes the premium payment of \$2,433,000 for the policy from the FY 2010 Operating Budget from the self insured claims line item.
- In February 2010, the City's Risk Manager presented renewal options to SFMTA Board of Directors.
- While the Board approved these payments for both FY 2011 and FY 2012 in the budget, Board action is required for both years to support the Risk Manager's execution of the policies for FY 2011 and FY 2012.
- In March 2010, SFMTA authorized the City's Risk Manager to bind the policy renewal for 2010-11.

ENCLOSURES:

1. SFMTAB Resolution

APPROVALS:

	DATE
DIRECTOR OF DIVISION	
PREPARING ITEM _____	_____
FINANCE _____	_____
EXECUTIVE DIRECTOR/CEO _____	_____
SECRETARY _____	_____

ADOPTED RESOLUTION

BE RETURNED TO Sonali Bose

ASSIGNED MTAB CALENDAR DATE: _____

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PURPOSE

This calendar item authorizes the placement of excess transit liability (catastrophic loss coverage) as well as excess general liability for SFMTA with the same terms and conditions as previously approved by the Board and authorizes the premium payment of \$2,433,000 for the FY 2011 policy from the FY 2011 Operating Budget and \$2,418,990 from for the FY 2012 policy from the FY 2012 Operating Budget.

GOAL

This item will meet the following goal and objectives of the SFMTA Strategic Plan:

Goal 4, Financial Capacity: To ensure financial stability and effective resource utilization.
4.2 Ensure efficient and effective use of resources.

DESCRIPTION

The following outlines the steps taken to date on this effort:

August 2008	Request to market SFMTA is made to Risk Management, Data collection begins.
Nov 2008	Task Order issued to broker to market SFMTA with specific coverage and defense requirements (see Exhibit B).
Dec 2008	Insurance Markets/Underwriters' are approached.
Jan 2009	Risk Management meets with Underwriters and requests pricing indications to determine Underwriters appetite for program as no previous policies have been placed.
Feb 2009	Pricing indications received on Auto and Rail liability only.
March 2009	Underwriters request more info to provide formal proposal for civil rights, public officials & general liability coverage.
March-Apr2009	Insurers' claims representative met with City Attorney's Office to review claims procedures and issue a favorable report. Proposals are formally underwritten.
April 2009	Formal Quotes are issued.
May 2009	Presentation scheduled for SFMTA Board. Negotiations continue on specific endorsement language.
June 2009	Based on direction from the SFMTA Board the Risk Manager instructed broker to bind the quote subject to SFMTA Board action (which included agreement on endorsement/policy language that can be worked out as needed).
July 2009	SFMTA Board approved binding the coverage
February 2010	Risk Manager presented renewal options to SFMTA
March 2010	SFMTA authorized binding renewal with same terms, conditions and limits for FY 2010-11

April 2011

Risk Manager presented renewal options with the same terms, conditions and limits at a slightly lower cost. (note: Insurers names changed due to merger/consolidation but they are still the same underlying insurers)

For the 2010-2011 renewal, American Merchants Casualty Company and Everest National Insurance Company jointly quoted and are rated A XV and A+ XV respectively; similarly, for the 2011-2012 renewal, Endurance Risk Solutions and National Casualty Company jointly quoted and are rated A XV and A+ XV respectively. These ratings are in line with and exceed the City's minimum standards for financial strength.

The details of the 2010-2011 renewal and the 2011-2012 quote are outlined below:

	2010-2011 \$25,000,000 Limit * w/\$5,000,000 Self-Insured Retention **	2011-2012 \$25,000,000 Limit * w/ \$5,000,000 Self-Insured Retention **
Premium(s):	\$2,433,000	\$2,418,990

* Excess Liability Limit for claims over the SFMTA's self-insured retention

** Self-Insured Retention – (SFMTA's responsibility for each claim)

While the Board approved these payments for both FY 2011 and FY 2012 in the budget, Board action is required for both years to support the Risk Manager's execution of the policies for FY 2011 and FY 2012.

ALTERNATIVES CONSIDERED

The SFMTA Board of Directors could decline to place the 2011-2012 coverage and return to completely self-insuring losses.

FUNDING IMPACT

The amounts for FY 2011 and FY 2012 are included in the respective operating budgets approved by the Board.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

The City Attorney's Office has reviewed this calendar item. .

RECOMMENDATION

Staff recommends that the SFMTA Board authorize the Executive Director/CEO to execute a one-year excess transit liability (catastrophic loss coverage)/general liability policy for FY 2012 with National Casualty Company and Endurance Risk Solutions for an annual premium of \$2,418,990, and approve a premium payment of \$2,433,000 to American Merchants Casualty Company and Everest National Insurance Company for FY 2011, both policies providing a \$25,000,000 excess liability limit and a \$5,000,000 self-insured retention level, with the same terms, conditions, and policy endorsements as previously approved by the City's Risk Manager and the City Attorney's Office.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, The SFMTA currently covers tort litigation and claims liabilities via self-insurance through pay-as-you-go funding and a reserve policy; and

WHEREAS, These two methods are subject to operating budgetary constraints; and

WHEREAS, The SFMTA Board of Directors would like to add excess coverage or catastrophic loss coverage insurance through a third party to address exceptionally large litigation and claims liabilities; and

WHEREAS, The City's Risk Manager bid out SFMTA's coverage requirements to insurance markets and underwriters; and

WHEREAS, For FY 2011, American Merchants Casualty Company and Everest National Insurance Company jointly quoted an annual premium of \$2,433,000 for a \$25,000,000 excess liability limit with a \$5,000,000 self insured retention level, and agreed to terms, conditions, and policy endorsements as required and approved by the City Attorney's Office; and

WHEREAS, For FY 2012, National Casualty Company and Endurance Risk Solutions jointly quoted an annual premium of \$2,418,990 for a \$25,000,000 excess liability limit with a \$5,000,000 self-insured retention level; now, therefore, be it

RESOLVED, That the SFMTA Board of Directors authorizes the Executive Director/CEO to execute a one-year excess transit liability (catastrophic loss coverage)/general liability policy for FY 2012 with National Casualty Company and Endurance Risk Solutions for an annual premium of \$2,418,990, providing a \$25,000,000 excess liability limit and a \$5,000,000 self-insured retention level, with the same terms, conditions, and policy endorsements as previously approved by the City Attorney's Office; and be it

FURTHER RESOLVED, That the SFMTA Board of Directors retroactively approves a premium payment of \$2,433,000 to American Merchants Casualty Company and Everest National Insurance Company for FY 2011, for a policy with a \$25,000,000 excess liability limit and a \$5,000,000 self-insured retention level.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of _____.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency