

THIS PRINT COVERS CALENDAR ITEM NO. : 13

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance and Information Technology

BRIEF DESCRIPTION:

Approving the purchase of \$10 million of liability insurance for San Francisco Municipal Transportation Agency directors and officers.

SUMMARY:

- The purchase of liability insurance for directors and officers is a best practice for large public agencies responsible for a variety of complex issues and actions, including bond financings.
- The proposed liability insurance would include both directors and officers insurance and public officials liability insurance.
- Liability insurance has been provided by most public agencies, including various City departments and entities.
- The Board is asked to approve \$10,000,000 in base liability insurance through RSUI Indemnity Company, which has an annual premium not to exceed \$125,000 for each of fiscal year 2011-2012 (prorated for the partial year) and fiscal year 2012-2013, with an annual deductible (or retention) of \$150,000.

ENCLOSURES:

1. SFMTAB Resolution

APPROVALS:

DATE

DIRECTOR _____ 11/28/11

SECRETARY _____ 11/28/11

ADOPTED RESOLUTION

BE RETURNED TO Sonali Bose

ASSIGNED SFMTAB CALENDAR DATE: December 6, 2011

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PURPOSE

This calendar item approves the purchase of \$10 million of liability insurance for San Francisco Municipal Transportation Agency directors and officers.

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.

DESCRIPTION

The purchase of liability insurance for directors and officers is a best practice for large public agencies responsible for a variety of complex issues and actions, including bond financings.

The liability insurance proposed for the SFMTA would include the following:

- Directors and officers insurance, which is liability insurance to cover damages or defense costs in the event that the directors and officers suffer losses as a result of a lawsuit against them for alleged wrongful acts while acting in their capacity as directors and officers of the SFMTA; and
- Public officials liability insurance, which is liability coverage for the errors and omissions of public officials.

Liability insurance has been provided by most public agencies, including various City departments and entities.

The SFMTA has worked with the City's Risk Manager to develop proposals for the SFMTA Board. That office made a presentation to the Board about potential liability on November 1, 2011, after which the Board agreed to move forward with the purchase of liability insurance. The Risk Manager has tested the market and, based on his research, the following is the recommended coverage for the SFMTA:

- \$10,000,000 in base liability insurance through RSUI Indemnity Company, which has an annual premium not to exceed \$125,000 for each of fiscal year 2011-2012 (prorated for the partial year) and fiscal year 2012-2013.
- There would be an annual deductible (or retention) of \$150,000, for which the SFMTA would be responsible.

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Exclusions from this policy include criminal, fraudulent or other wrongful acts, the gaining of unlawful profit or advantage, and claims by the SFMTA against its own directors.

The City Attorney's Office has reviewed this report. The purchase of the liability insurance would be subject to final review and concurrence by the City Attorney's office.

ALTERNATIVES CONSIDERED

The alternative to approving this insurance is to proceed with the bond financing without this liability insurance.

FUNDING IMPACT

The annual premium for this insurance will not exceed \$125,000 for each of fiscal year 2011-2012 (prorated for the partial year) and fiscal year 2012-2013 and the annual deductible (or retention) will be \$150,000.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

None.

RECOMMENDATION

That the SFMTA Board of Directors approves the purchase of \$10 million of liability insurance for San Francisco Municipal Transportation Agency directors and officers.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, The purchase of liability insurance for directors and officers is a best practice for large public agencies responsible for a variety of complex issues and actions, including bond financings; and,

WHEREAS, The proposed liability insurance would include both directors and officers insurance and public officials liability insurance; and,

WHEREAS, Liability insurance has been provided by most public agencies, including various City departments and entities; and, now, therefore, be it

RESOLVED, That the Municipal Transportation Agency Board of Directors approves the purchase of \$10 million of liability insurance for San Francisco Municipal Transportation Agency directors and officers through RSUI Indemnity Company, which has an annual premium not to exceed \$125,000 for each of fiscal year 2011-2012 (prorated for the partial year) and fiscal year 2012-2013, with an annual deductible (or retention) of \$150,000.

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