



Alameda-Contra Costa Transit District

Risk Bearing Analysis and Recommendations



April 8, 2020

Services Performed

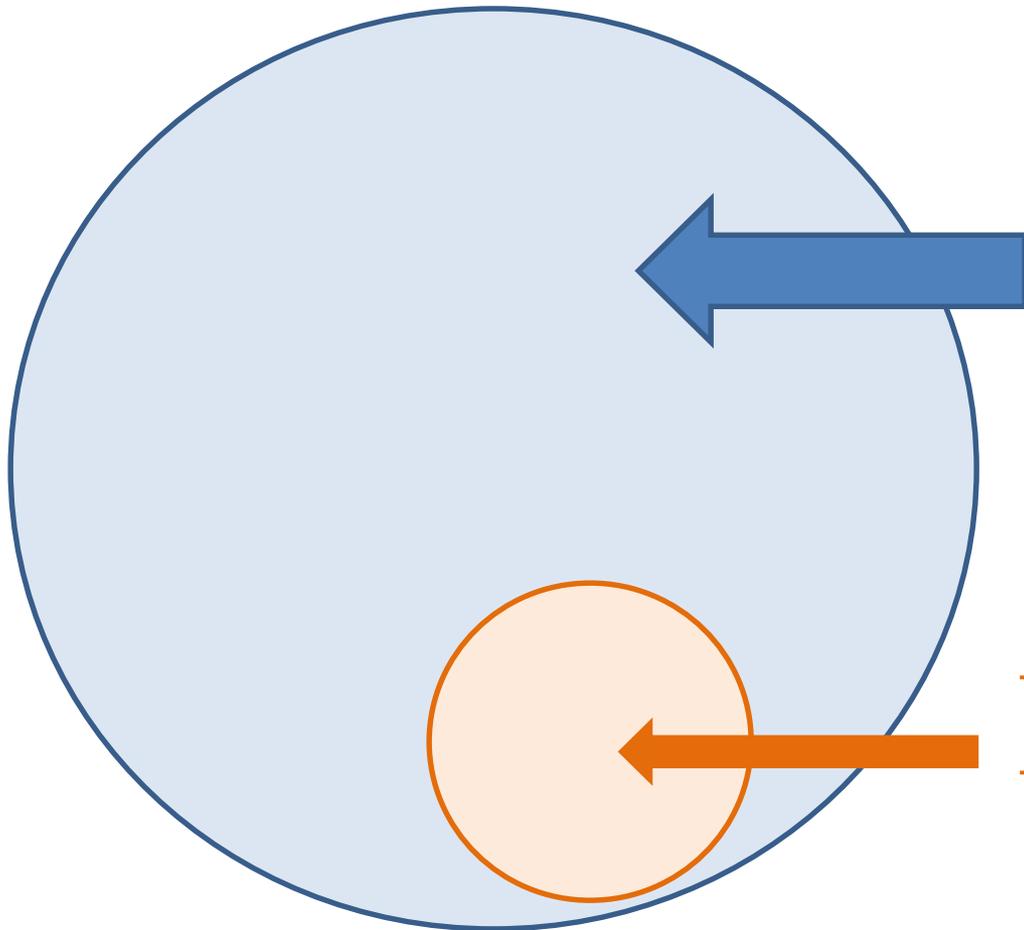
- Review and evaluate AC Transit's current insurance programs;
- Review and evaluate risks that are faced by AC Transit;
- Conduct general benchmarking against peer transit agencies within California;
- Review and analyze contracts and purchasing agreements;
- Conduct an actuarial review of AC Transit's financials in conjunction to its risks; and
- Conduct interviews with AC Transit executives to ascertain the risk concerns and risk tolerance of organization.

Risk Assessment

Feasibility Analysis for AC Transit to Self-Insure:

- Property
- Workers' Compensation
- Crime Insurance

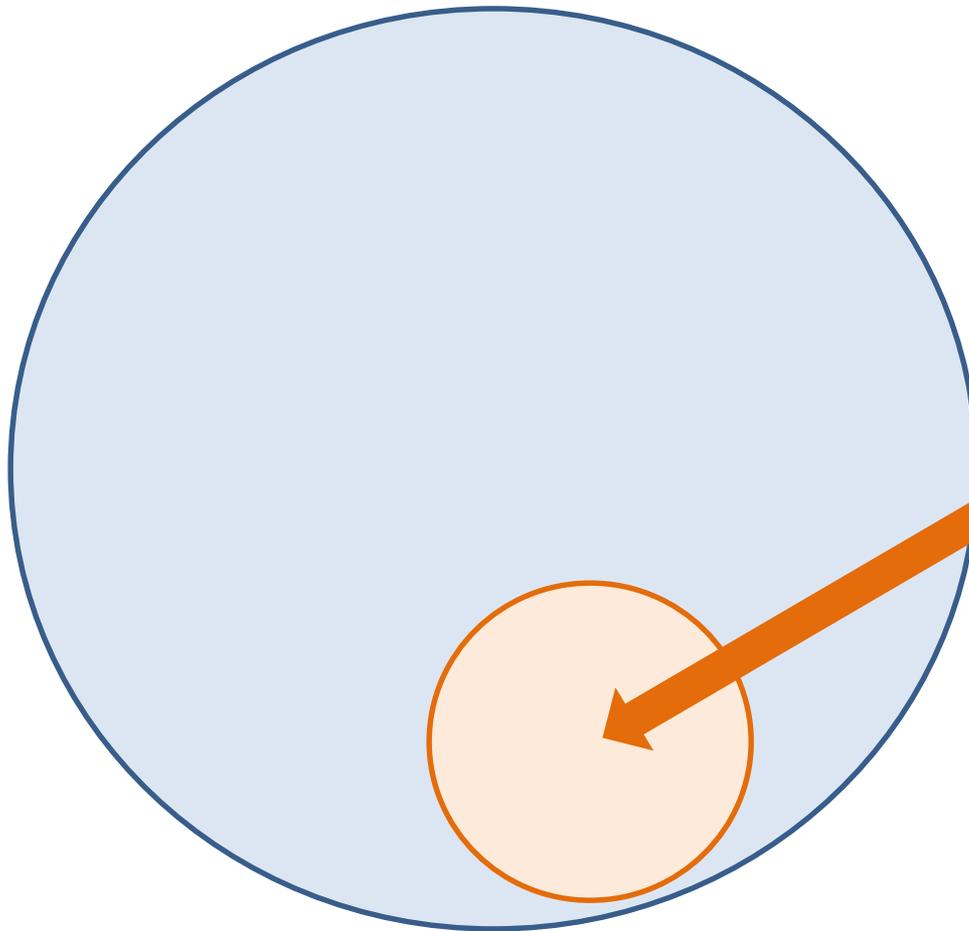
Risk Tolerance



Overall Risk Tolerance:
Includes Recession,
Pandemic, Retirement
Funds, Construction,
etc.

Risk Tolerance for
Insurable Risks:
10% - 20% of Total

Risk Tolerance: Insurance Risks

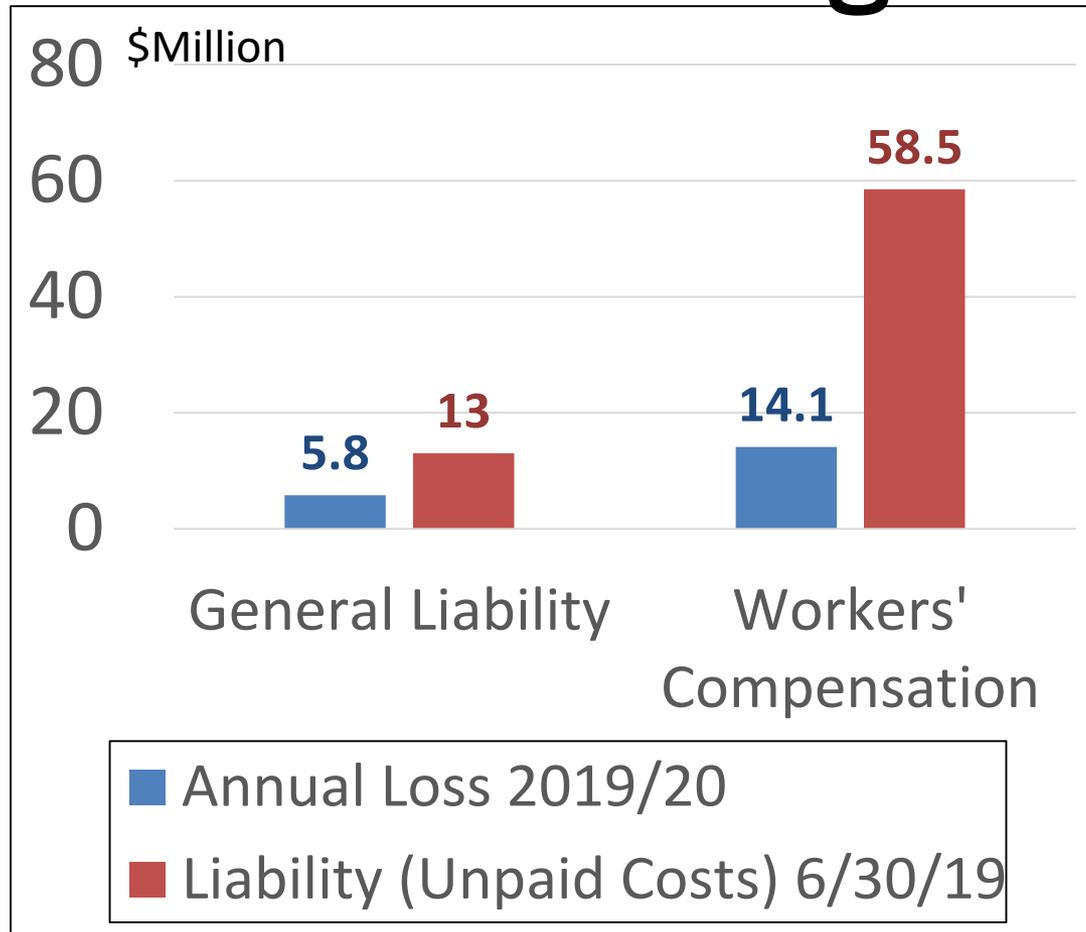


Risk Tolerance for
Insurable Risks* =
\$6million to \$12million

* Based on analysis of annual
variability of AC Transit Financial
Indicators: 11-18 years, special
emphasis on net position &
unrestricted cash

Risk Tolerance: Insurance Risks

Leverage Effect

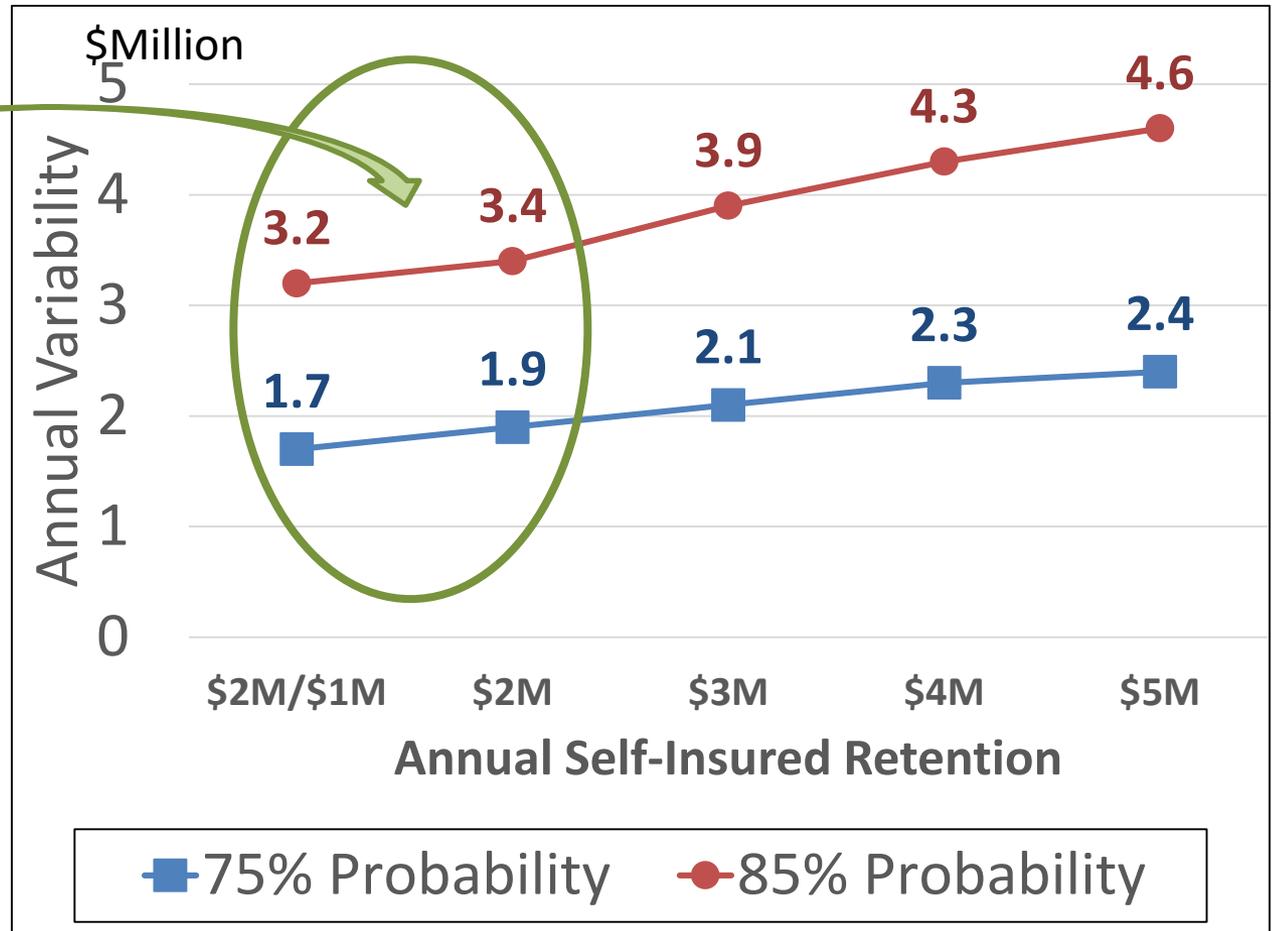


- Over time, annual retention decision has 3x - 4x leveraged impact on liabilities
- \$6M-\$12M risk tolerance equates to \$2M - \$3M annual risk tolerance

Risk Tolerance: Insurance Risks

Annual Retentions

Annual retentions of \$1M - \$2M are most likely to keep risk within tolerance level of \$2 million - \$3 million



Property Risk Bearing Capacity

- **Probable Maximum Loss (PML)**
 - An extensive analysis that determines the maximum probability of a property loss that an organization may experience from a catastrophic event.
- Not a part of Scope of Services, but is recommended.
- A formal PML study requires an extensive financial and time (3 months or more) commitment to complete.
- In absence of, a cursory estimation using industry known percentages were utilized against AC Transit's owned and leased property locations.

Sample of PML Cursory Estimation

Value of Real Property

Industry Known Percentages for Damage Based on COPE* Information

Total Estimated Damage for this location is \$22,547,818

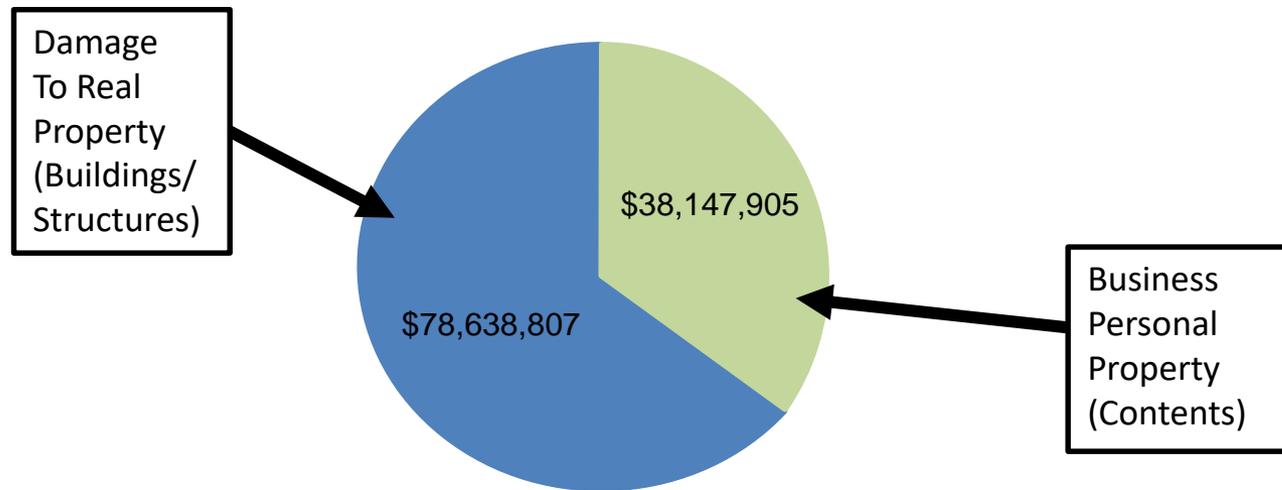
Location Number	Building Description	Occupied As	Const Desc	% Sprinklered	Auto Sprinklers	Total Real Property	% Damage Considered	Expected Damage	Total Personal Property	% Damage Considered	Expected Damage	Total Estimated Damage
1	GENERAL OFFICE (G.O)	OFFICE	FIRE RESISTIVE	100	Y	30,556,177	25%	7,639,044	29,817,547	50%	14,908,774	22,547,818
2	FRONT OFFICE BLDG	OFFICE	MASONRY CONST/WOOD ROOF		N	1,885,985	50%	942,993	9,246,815	60%	5,548,089	6,491,082
2	EMPLOYEE PARKING	PARKING	FIRE RESISTIVE		N	1,937,850	50%	968,925	0	60%	0	968,925

* C onstruction of Building
 O ccupancy of Building
 P rotection of Building
 E xposure

Property PML Cursory Estimations

Estimated PML resulting from a catastrophic fire event:

\$116,786,712



Benefits of Property Insurance

- Total Paid Insurance Premium for 2019 to 2020 Policy Period
 - **\$723,889**
- Total Potential Losses from Cursory PML Estimation
 - **\$116,786,712**
- **Recommendation:** Continue Purchasing Property Insurance

Benefits of Workers' Compensation Insurance

- Total Paid Insurance Premium for 2019 to 2020 Policy Period
 - **\$548,029**
- Annual Incurred Losses for 2019 to 2020 Policy Period
 - **\$14,100,000**
- **Recommendation:** Continue Purchasing Workers' Compensation Insurance (maximum SIR \$2,000,000)

Benefits of Crime Insurance

- Total Paid Insurance Premium for 2019 to 2020 Policy Period
 - **\$13,250**
- Purchases \$5 million in limits to protect against theft by employees, forgery, robbery and electronic crime.
- **Recommendation:** Continue Purchasing Crime Insurance

Benchmarking

Benchmarking against comparable California transit agencies shows that AC Transit purchases similar insurance programs to those of its peers.



Service Team



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THANK YOU FOR ALLOWING US TO BE OF SERVICE TO AC TRANSIT.

