

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 6/28/2023

Staff Report No. 23-345

TO: AC Transit Board of Directors
FROM: Jill A. Sprague, General Counsel/Chief Legal Officer
SUBJECT: 2023-2024 District Commercial Property Insurance Program Renewal

ACTION ITEM

AGENDA PLANNING REQUEST:

RECOMMENDED ACTION(S):

Consider authorizing the General Manager to bind the District's 2023-2024 Commercial Property Insurance and Deadly Weapons Response insurance programs.

Staff Contact:

Jill A. Sprague, General Counsel/Chief Legal Officer

STRATEGIC IMPORTANCE:

Goal - Financial Stability and Resiliency

Initiative - Financial Efficiency and Revenue Maximization

Authorizing the General Manager to bind the proposed commercial property and Deadly Weapons Response insurance programs will allow the District to maintain its risk retention and risk transfer programs at the current optimum levels for the 2023-2024 policy period.

BUDGETARY/FISCAL IMPACT:

The total budgetary impact of binding the proposed insurance coverages as recommended by staff will not exceed \$2,249,278.57 if the Board authorizes the binding of the recommended renewal proposals for both the expiring commercial property and the deadly weapons response insurance programs.

BACKGROUND/RATIONALE:

During the April 12, 2023, Board meeting, the Board authorized the General Manager to bind the 2023-2024 Excess Commercial Liability, Excess Workers' Compensation, Cyber-Liability, Fiduciary Liability, and Commercial Crime components of the District's Transit Operations Insurance Program.

The District's 2022-2023 commercial property (APIP) and deadly weapons response insurance (ADWRP) programs will expire at 12:01 a.m. on July 1, 2023. Staff is requesting that the Board authorize the General Manager to bind both the renewal of the commercial property insurance program and the deadly weapons response insurance program as recommended in this report.

The commercial property insurance market continues to be adversely impacted by a confluence of factors, including, but not limited to: increases in the frequency and severity of catastrophic weather-related and wildfire events, increasing claims costs, supply chain challenges, inflation, and construction cost volatility.

In July of 2022, Staff requested an updated appraisal of the District's real property by Alliant Insurance Appraisal Services. The appraisal determined that some of the previously reported values were the result of outdated information that may have been calculated using an estimated average price per square foot methodology that did not take into consideration individual building characteristics, local, and current cost adjustments for each structure. The updated appraisal reduced the District's total insurable values (TIV) by 5.2% and resulted in a commensurate premium reduction of \$122,930 for this renewal.

The Property Insurance Program being presented to the Board for consideration is a comprehensive commercial insurance policy that insures District property for damage to buildings, machinery, and contents, as well as business interruption and loss of rental income, resulting from covered causes of loss, such as smoke and fire damage, windstorms and hail, and water damage, as well as physical damage coverage to District vehicles while on the road and on premises. The proposed policy maintains the same coverage limits and deductibles as the expiring policy.

The expiring 2022-2023 premium was \$1,823,895 and provided for a \$500,000 deductible for both Automobile and Commercial Property physical damage lines of coverage; the 2023-2024 renewal premium is \$2,241,249.10, representing a 22.9 percent increase over the expiring.

The coverage specifications and deductibles are provided in Attachment 1.

The Alliant Deadly Weapons Response Program (ADWRP) provides for a \$500,000 policy limit with a \$10,000 per event deductible. The ADWRP policy includes coverage for bodily injury and property damage sustained by third parties while on District property, including claims expenses and defense costs, and legal liability arising out of an active shooter event. The program benefits include pre-incident threat assessment and crisis management consulting, post-event crisis management, additional security, victim and witness counseling, funerary expenses, and social media monitoring. The program provides for first-party property damage coverage, including business interruption. The policy also includes a coverage extension that provides for a \$250,000 sublimit applicable to covered incidents occurring on or involving District buses.

The expiring 2022-2023 premium was \$6,446.93; the 2023-2024 renewal premium is \$8,029.47, a 24.5 percent increase over the expiring.

The coverage specifications and deductibles are provided in Attachment 2.

ADVANTAGES/DISADVANTAGES:

The commercial property and deadly weapons response programs being recommended by Staff renew the expiring policies at levels that will continue to afford the District with first-party insurance coverage consistent with prior policy terms and maintains the District's risk retention and transfer program at optimum levels.

ALTERNATIVES ANALYSIS:

Declining to bind the proposed insurance program would result in the District's commercial property, machinery, and vehicle fleet being uninsured and would place the District in a financially vulnerable position. The Board could also decline to authorize the binding of the ADWP proposal, which is not recommended given the relatively low premium, the extensive coverage for an active shooter event, and the value of the pre-incident threat assessment and crisis management consulting services the policy provides.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR-23-224: Consider Authorizing the Renewal of the 2023-2024 Transit Operations Insurance Program

SR-22-212: Consider Authorizing the Renewal of the 2022-2023 Transit Operations Insurance Program

SR-21-315: Consider Authorizing the Renewal of the 2021-2022 Commercial Property and Deadly Weapons Response Insurance Programs

SR-20-166: Independent Risk Bearing Analysis Briefing

ATTACHMENTS:

1. 2022-2023 Commercial Property Insurance (APIP) Renewal Proposal
2. 2022-2023 Alliant Deadly Weapons Response Program (ADWRP) Renewal Proposal

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