

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 6/12/2024

Staff Report No. 24-290

TO: AC Transit Board of Directors
FROM: Shayna van Hoften, Interim General Counsel/Chief Legal Officer
SUBJECT: 2024-2025 District Commercial Property Insurance Program Renewal

ACTION ITEM

AGENDA PLANNING REQUEST:

RECOMMENDED ACTION(S):

Consider authorizing the General Manager to bind the District's 2024-2025 Commercial Property Insurance and Deadly Weapons Response Insurance programs.

Staff Contact:
Shayna van Hoften, Interim 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 provide for the protection of the District's property, plant and equipment assets, and allow the District to maintain its risk retention and risk transfer programs at the current optimum levels for the 2024-2025 policy period.

BUDGETARY/FISCAL IMPACT:

The total budgetary impact of binding the proposed insurance coverages as recommended by staff will not exceed \$2,666,735. This amount is for the July 1, 2024 through June 30, 2025 period and is included in the Fiscal Year 2024-25 Budget.

BACKGROUND/RATIONALE:

During its April 10, 2024 meeting, the Board of Directors (Board) authorized the General Manager to bind the 2024-25 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 2023-2024 Commercial Property (APIP) and Deadly Weapons Response insurance (ADWRP) programs will expire at 12:01 a.m. on July 1, 2024. Staff is requesting that the Board authorize the General Manager to bind the renewal of both the Commercial Property and Deadly Weapons Response Insurance

programs 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.

The Commercial Property Insurance program being presented to the Board for consideration is a comprehensive 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 2023-2024 premium was \$2,241,249 and provided for a \$500,000 deductible for both Automobile and Commercial Property physical damage lines of coverage; the 2024-2025 renewal premium is \$2,659,273, representing an 18.65 percent increase over the expiring coverage.

The Commercial Property Insurance Program 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 and 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 2023-2024 ADWRP policy \$250,000 sublimit applicable to covered incidents occurring on or involving District buses has been increased to \$500,000.

The expiring 2023-2024 premium was \$8,029; the 2024-2025 renewal premium is \$7,462, representing a 7 percent decrease over the expiring coverage despite the increased coverage.

The ADWRP coverage specifications and deductibles are provided in Attachment 2.

ADVANTAGES/DISADVANTAGES:

The advantage of renewing the Commercial Property and Deadly Weapons Response policies as proposed is that they will continue to afford the District with first-party insurance coverage consistent with prior policy terms and maintain the District's risk retention and transfer program at optimum levels. There are no disadvantages.

ALTERNATIVES ANALYSIS:

Declining to bind the proposed insurance programs would result in the District's commercial property, machinery, and vehicle fleet being uninsured, which would place the District in a financially vulnerable position. Declining to authorize the binding of the ADWP proposal would lose coverage at a relatively low

premium, including the benefits of pre-incident threat assessment and crisis management consulting services, as well as the extensive coverage for an active shooter event.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR-24-171: Consider Authorizing the Renewal of the 2024-2025 Transit Operations Insurance Program

SR-23-345: Consider Authorizing the Renewal of the 2023-2024 Commercial Property and Deadly Weapons Response Insurance Programs

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

ATTACHMENTS:

1. 2024-2025 Commercial Property Insurance (APIP) Renewal Proposal
2. 2024-2025 Alliant Deadly Weapons Response Program (ADWRP) Renewal Proposal

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