

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



## STAFF REPORT

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**MEETING DATE:** 6/22/2022

**Staff Report No. 22-309**

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**TO:** AC Transit Board of Directors  
**FROM:** Jill A. Sprague, General Counsel  
**SUBJECT:** 2022-2023 District Commercial Property Insurance Program Renewal

### ACTION ITEM

#### **RECOMMENDED ACTION(S):**

Consider authorizing the General Manager to bind the District's 2022-2023 Commercial Property Insurance and Deadly Weapons Response insurance programs.

#### **STRATEGIC IMPORTANCE:**

Goal - Financial Stability and Resiliency  
Initiative - Financial Efficiency and Revenue Maximization

Authorizing the General Manager to bind the proposed insurance programs will allow the District to maintain its risk retention and risk transfer programs at optimum levels for the 2022-2023 policy period.

#### **BUDGETARY/FISCAL IMPACT:**

The total budgetary impact of binding the proposed insurance coverages as recommended by staff will not exceed \$1,830,342 if the Board authorizes the binding of the recommended renewal options for both the expiring commercial property and the deadly weapons response insurance programs.

#### **BACKGROUND/RATIONALE:**

During the April 13, 2022, Board meeting, the Board authorized the General Manager to bind the 2022-2023 Excess Commercial Liability, Excess Workers' Compensation, Cyber-Liability, Fiduciary Liability, Commercial Crime, and Travel Accident components of the District's Transit Operations Insurance Program.

The District's 2021-2022 commercial property and deadly weapons response insurance programs will expire at 12:01 a.m. on July 1, 2022. 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 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, contents, as well as business interruption and loss of rental income, resulting from a covered cause of loss, such as smoke and fire damage, windstorms and hail, and water damage. The proposed policy also provides for physical

damage coverage to District vehicles.

The expiring 2021-2022 premium was \$1,336,220 and provided for a deductible of \$100,000 for both Automobile and Commercial Property physical damage. To maintain the historical deductible program described under Option 1 of the renewal proposal, the 2022-2023 renewal premium will be \$1,984,274, an increase of \$648,054 or 48.5% over the expiring policy. This increase is the result of a 20.68% increase in the District's Total Insurable Values (TIV), driven primarily by the increased value of the District's buses; the effects of ongoing climate change-related natural disasters; a range of COVID-19-related supply chain disruptions; and the largest one-year increase in inflation in the past 40 years on the commercial property insurance market.

Considering the foregoing, staff directed Alliant Insurance Services to obtain additional premium quotes with increased deductible levels. After reviewing the alternate deductible options and the District's risk retention capacity with the Budget Department, staff is recommending that Board authorize binding the 2022-2023 Property Insurance Program under Renewal Option 2 which provides for a \$500,000 deductible for both Automobile and Commercial Property physical damage lines of coverage. The 2022-2023 renewal premium for Option 2 is \$1,823,895, which reduces the premium increase to \$487,675 or 36% over the expiring policy. The coverage specifications and deductibles, as well as the alternate renewal option are provided as Attachment 1.

The Alliant Deadly Weapons Response Program (ADWRP) provides for a \$500,000 policy limit and includes coverage for bodily injury and property damage sustained by third parties while on District property, including defense costs, resulting 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. This year, the policy includes a coverage extension that provides for a \$250,000 sublimit applicable to incidents occurring on or involving District buses. The 2021-2022 premium was \$6,436.61; the 2022-2023 renewal premium is \$6,446.93, a nominal increase of 0.14 percent over the expiring.

The coverage specifications and deductibles are provided as Attachment 2.

**ADVANTAGES/DISADVANTAGES:**

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

**ALTERNATIVES ANALYSIS:**

Declining to bind the proposed insurance program would render the District's commercial property, machinery, and vehicle fleet uninsured and would place the District in a financially vulnerable position. Alternatively, the Board could approve binding one of the alternate Commercial Property insurance options. The Board could also decline to authorize the binding of the ADWP proposal, which is not recommended given the relatively low premium and extensive coverage for an active shooter event.

**PRIOR RELEVANT BOARD ACTION/POLICIES:**

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 APIP Insurance Renewal Proposal
2. 2022-2023 ADWRP Insurance Proposal

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**Approved/Reviewed by:**

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