

# ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



## STAFF REPORT

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**MEETING DATE:** 4/8/2020

**Staff Report No.** 20-166

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**TO:** AC Transit Board of Directors  
**FROM:** Jill A. Sprague, General Counsel  
**SUBJECT:** Independent Risk Bearing Analysis Report

### BRIEFING ITEM

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

Consider receiving a report from Albert Risk analyzing the District's current insurance program and risk bearing capacity. [Requested by Directors Peeples and Harper - 6/27/18]

#### **STRATEGIC IMPORTANCE:**

Goal - Financial Stability and Resiliency

The advantage of receiving this report is that it will provide the District with the ability to more accurately access the value of its current insurance program, consider alternative risk financing options, and determine if there are more advantageous risk transfer options available to it.

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

There are no fiscal impacts related to receiving this report.

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

During the District's 2018-2019 insurance program renewal cycle, the Board requested that the Claims and Liability Department issue a Request for Proposals (RFP) for an independent analysis of the District's optimal risk-bearing capacity and the feasibility of alternative options to the District's current insurance program. The analysis was to include, among other things, an assessment of the feasibility of fully self-insuring the Workers' Compensation and Commercial Property coverage lines.

The District's Board of Directors commissioned Albert Risk to assess the District's optimal risk-bearing capacity, inclusive of the feasibility of fully self-insuring the workers' compensation, property, and commercial crime loss exposures. The analysis included but was not limited to, a review of the District's historical and current insurance programs, an actuarial analysis of the District's historical financials, and the benchmarking of AC Transit's insurance program against comparable California transit agencies.

Based on the requested scope of work and resulting analysis in this report, Albert Risk makes the following three (3) recommendations:

1. Continue to purchase Workers' Compensation Insurance. The District currently purchases workers' compensation with a self-insured retention (SIR) of \$1 million. If lower premiums are desired, the Board may consider taking on a higher SIR based on the actuarial analysis revealing that the District may be able to bear a higher retention of up to \$2 million per occurrence.
2. Continue to purchase Property Insurance. Based on the PML analysis of the District's owned and leased property, Albert Risk recommends that AC Transit continue to buy property insurance. California has experienced several devastating fire events within the last three years. Given a fire loss exposure of up to \$117 million, purchasing commercial property insurance is justified as a catastrophic fire event could adversely impact the District's ability to continue its operations.
3. Continue to purchase Commercial Crime Insurance. While the District demonstrates robust internal protocols and controls to deal with theft from fraud, the risk of losses from external (and possibly internal) forces is always present. At a premium of \$13,250 for limits of \$5 million, the risks of self-insuring for this exposure far outweigh the cost for this insurance.

The team from Albert Risk has completed their analysis and will present the results to the Board for review and consideration.

**ADVANTAGES/DISADVANTAGES:**

The advantage to receiving an independent risk bearing analysis is that it will allow the Board to make informed decisions pertaining to the District's risk retention, risk financing, and insurance program.

Staff has not identified any disadvantages to receiving this report.

**ALTERNATIVES ANALYSIS:**

There are no alternatives as this report was requested by the Board. In addition, the analysis results are critical to the Board's review and consideration of the District's 2020-2021 insurance program renewal proposal.

**PRIOR RELEVANT BOARD ACTION/POLICIES:**

Staff Report 18-232 - Consider authorizing the release of a Request for Proposals for an Independent Risk Retention and Transfer Analysis.

**ATTACHMENTS:**

1. Report on the District's Risk Bearing Capacity and Recommendations
2. PowerPoint Presentation

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**Approved/Reviewed by:**

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