



Agenda Item No. (6)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of June 26, 2025

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Subject: **APPROVE RENEWAL OF THE LIABILITY AND PROPERTY INSURANCE PROGRAMS**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors:

1. Approve the Liability Insurance Program, effective July 1, 2025, as follows:
 - a. Renew the Excess General and Automobile Liability Insurance including Public Officials and Employment Practices Liability with Terrorism Risk Insurance Act (TRIA) coverage, in the amount of \$4,415,324 for a one-year term. The Golden Gate Bridge, Highway and Transportation District's (District) insurance brokers have negotiated with various potential insurers (some of which currently provide coverage to the District) including Safety National, Inigo, MAP, Westchester, Bowhead, Westfield, Hiscox, Canopus, Convex, Hamilton Re, Aspen, Sompco, Apollo, Liberty, Genesis, Everest, Munich Re, and others to secure the best coverage options available.

Their coverage will retain its \$85 million limit and a self-insured retention of \$7.5 million for Auto Liability and \$3 million for General Liability, including legal defense costs within the self-insured retention. The annual premium for this policy is \$4,415,324;
 - b. Renew the Excess Workers' Compensation and Employers' Liability Insurance Program with Safety National, for a one-year term, in excess of a Self-Insured Retention of \$1,250,000 for each accident, with a \$25 million limit, for an annual premium of \$409,719;
 - c. Renew the Public Officials'/Employment Practices Liability Insurance Program with Ironshore, for a one-year term, with a liability limit of \$2 million for each occurrence/annual aggregate. The program has a Self-Insured Retention of \$250,000

for each Director's and Officer's claim, and \$250,000 for Employment Practices Liability claims. The annual premium for this policy is \$139,736;

- d. Renew the Fiduciary Liability Insurance Program for the Other Public Employee Benefits (OPEB) Trust Board with Chubb Insurance Company for a one-year term, with a \$5 million limit for each occurrence, and a \$25,000 deductible, for an annual premium of \$15,105;
- e. Renew the Crime Insurance Program with F&D/Zurich Insurance Company, for the first year of a three-year term with a \$10,000 deductible and \$1 million limit for an annual premium of \$3,597; and,
- f. Renew the Cyber Liability Program with Resilience for a one-year-term. The program has a \$5 million limit and \$250,000 for Social Engineering Fraud. The coverage has a \$50,000 Self -Insured Retention for a premium of \$54,529.

The Finance-Auditing Committee also recommends that the Board of Directors:

2. Approve the Property Insurance Program, effective July 1, 2025 as follows:

- a. Renew the property insurance program with AIG for buildings and facilities with a \$500,000 deductible for a premium of \$784,168, and the excess earthquake and flood insurance program for a premium of \$194,649;
- b. Renew authority to purchase the Marin Transit Bus Property Damage Program with actual cash value basis and a deductible of \$50,000 with Markel for a premium of \$29,053, and,
- c. Continue to allocate monies to the Restricted Contingency Reserve, for FY 25/26 as self-insurance for costs associated with Bridge Physical Damage and Loss of Revenue.

These recommendations are made with the understanding that the requisite funds will be available in the Adopted FY 25/26 Operating Budget for the Bridge, Bus, Ferry, and District divisions.

This matter will be presented to the Board of Directors at its June 27, 2025, meeting for appropriate action.

Summary

This report summarizes the staff recommendation for the annual renewal of the Liability Insurance and Property Insurance Programs. The Liability Insurance Program includes the Excess Liability program and specific policies limiting liability in connection with workers' compensation claims, actions of public officials and employees, crime, fiduciary liability, environmental liability and cyber liability. The Property Insurance program covers District buildings and facilities, as well as the Marin Transit buses that the District insures and includes allocation of monies to the Restricted Contingency Reserve. All policies in this report expire on June 30, 2025.

This report contains discussions of the renewal recommendations and overall insurance market conditions and includes specifics on premium costs and coverage limits for the Liability and

Property Insurance Programs performed by USI Insurance Services (USI), the District's insurance broker.

As in the past, this renewal cycle has been fraught with unprecedented difficulties in negotiating renewals for the District's program at similar prices, terms and conditions. In several cases, insurance coverage simply is not available.

I. Liability Insurance Program

The Golden Gate Bridge, Highway and Transportation District's (District) Liability Insurance Program, which renews on July 1, 2025, is currently comprised of:

- Excess Liability Insurance
- Excess Workers' Compensation & Employers Liability Insurance
- OPEB Fiduciary Liability Insurance
- Public Officials and Employment Practices Liability Insurance
- Crime/ Fidelity Coverage
- Environmental Pollution Liability Insurance
- Cyber Liability Insurance

A. Excess Liability Insurance

The Excess Liability insurance program provides liability insurance for bodily injury or property damage to third parties from bus and bridge operations. This insurance also provides coverage for employment practices liability, and public officials' liability claims.

The current limits for the current District's Excess Liability Program are \$85 million. The Self-Insured Retentions (SIRs) are \$7.5 million for Bus Liability and \$3 million for General Liability/ Law Enforcement Liability / Public Officials and Employment Practices Liability. The current premiums for the expiring program are \$4,100,379.

The current Excess Liability insurance market for Public Entities remains extremely challenging, particularly for those entities in California with bus transit operations and a law enforcement component. Many insurers that had traditionally insured these types of risks have withdrawn from the market due to losses that have doubled, tripled, or even quadrupled over the past year especially in highly litigious states like California. The District is well-aware of the potential for large losses, most notably its \$4 million claim from 2013 and a more recent \$18.5 million claim from 2019 – both of which arose from very serious bus/pedestrian accidents. These two large claims in the past 15 years have had a significant impact on how insurance companies view the District.

There are a number of reasons that some insurance companies have discontinued providing liability insurance for bus operations including:

- Recent large settlements
- California locale
- Overall poor experience with auto/bus risks
- Nuclear verdicts/social inflation (a.k.a. exceptionally high jury awards)

The lead or “primary” insurance layer is particularly difficult to place for the District given the certainty of large losses in that layer and the District’s large \$18.5M claim that was paid a few years ago. There are only a few insurers that may consider writing insurance at the lower layers, and most have provided very high premium numbers. The District’s lead Excess Liability carrier, Safety National, is now on its second year writing this coverage. They are well acquainted with the District given their long-term relationship in writing the Excess Workers’ Compensation insurance for the District. In addition, Safety National will only offer to write this Excess Liability insurance for those clients that it also writes the Excess Workers’ Compensation insurance, as it does for the District.

Safety National offered the most competitive premiums to the District, and while it represented an increase over last year’s premiums, USI has been able to negotiate competitive premiums on the excess layers above Safety National with smaller increases. Safety National and the insurance carriers in the insurance tower will offer the same terms and conditions as the expiring program, while also maintaining the Self-Insured Retention structure of \$7.5M for Auto Liability losses and \$3M for all other losses.

The District’s broker has contacted every possible insurance carrier that has expressed a willingness and/or interest in writing insurance for the District to complete the rest of the insurance tower up to \$85 million in policy limits, at the current limits and Self-Insured Retention structure.

The \$85 million tower policy will cost the District a premium of \$4,415,324, which is about 8% more than last year’s premium. While it’s still an increase, this is a much better result than other public bus districts that are seeing a minimum of 15% to 20% premium increases.

B. Excess Workers’ Compensation Program

While the District self-insures its workers’ compensation claims, it purchases Excess Workers’ Compensation insurance to cover potentially catastrophic claims. The District self-insures the first \$1.25 million of a single claim and purchases a \$25 million layer of protection above that retention.

The insurance market for Excess Workers’ Compensation insurance is limited, and insurers have been quoting increases of between 0% to 5%. This is a result of increasing claims expenses for public entities with rising medical costs and increased litigation.

The District’s insurer, Safety National views the District very positively given its attention to safety and timely claims closure. We therefore achieved better than market results. The expiring FY 24/25 premium was \$405,621, based on the District’s job classifications and payroll of \$79,799,600. For the upcoming 7/1/25-6/30/26 insurance renewal, the renewal premium is \$409,719 based on a payroll of \$80,605,725. This represents a flat insurance policy rate, and the 1% premium increase is due to the increase in payroll.

C. *OPEB Fiduciary Liability*

The OPEB (Other Post-Employment Benefits) Fiduciary program was created in response to the District's creation of the OPEB Trust Board to oversee the assets and liabilities of the OPEB Trust. The District currently purchases a \$5M limit for this insurance, and the policy has a \$25,000 self-insured retention (SIR). The premium for FY 24/25 was \$15,105 and the premiums are the same this year at \$15,105.

D. *Public Officials and Employment Practices Liability*

This insurance policy pays claims for the District arising from employment practices for coverage of discrimination, harassment, and wrongful termination claims. In addition, the public official's liability insurance covers potential claims made against the Board Members for alleged wrongful acts.

This policy covers Public Officials and Employment Practices liabilities (EPL) with a limit of up to \$2 million for each occurrence/annual aggregate. The self-insured retention (SIR) is \$250,000 for each Directors and Officers claim, and \$250,000 for EPL claims. The District's insurance carrier is Ironshore, and the expiring premium is \$155,189. For the renewal, Ironshore quoted at the same \$2M limit and Self-Insured Retentions \$250,000 for D&O and EPL claims at a 10% lower premium of \$139,736. The insurer also improved policy terms by removing the higher \$1 million SIR for Class Actions or Layoffs. This improvement in premium and coverage terms was due to Ironshore's positive view of the District and its good loss experience, and an overall softening of this insurance market.

The District's Excess Liability program described above also includes this coverage as well, subject to a much higher \$3M Self-Insured Retention. The District decided to procure a separate Public Officials/EPL policy described in this section D, to cover claims at this lower Self-Insured Retention amount. The District is also aware that there is a \$1 million gap in coverage between the \$2 million policy limit on this policy, and the coverage provided in the Excess Liability program described above that has a \$3 million SIR with insurance coverage above \$3 million. In other words, the District would self-insure claims in excess of \$2 million, up until \$3 million. The District has reviewed quotes for a higher \$3 million policy four years ago, and the additional premium costs were deemed cost prohibitive.

E. *Crime/Fidelity Bond*

The District has a Crime Insurance policy that provides coverage for up to \$1 million for Employee Dishonesty with a \$10,000 deductible, which covers theft of money, securities, and other property by employees. The District policy premium in FY 2024/2025 was \$3,597 for this coverage and was written by Zurich Insurance. For the renewal, the premium is \$3,597, which is an annual premium and is part of a three-year Crime policy that commences on July 1, 2025.

F. Environmental Pollution Liability

The District has numerous environmental exposures, including underground and above ground fuel storage, storm water run-off, and air emissions from our vehicles. The District's environmental risks are well controlled and are frequently audited by local, regional, State and Federal agencies.

The District purchases a pollution liability policy from Chubb Insurance Company for a three-year term with a \$250,000 deductible and \$5 million limit. No premium is due for this policy this year, as it was paid last year, and this policy does not expire until July 1, 2027.

G. Cyber Liability

The Cyber Liability Insurance market was very difficult three years ago, with insurance companies re-underwriting their insurance offerings, reducing capacity, increasing retentions, and increasing Information Security (IS) requirements. With the claims they were paying, these insurance carriers perceived public entities as highly targeted high-exposure category, due to the potential for bad actors causing huge disruptions from ransomware attacks and the perceived IS deficiencies in public entities as a class of businesses. As a result, many insurance carriers stopped writing Cyber insurance for public entities.

The Cyber Liability insurance market has significantly improved since that time, especially for those organizations with strong cyber security controls, such as the District. The District's expiring insurance program with Resilience has a \$5 million limit, which also includes some coverage for Social Engineering Fraud insurance at a \$250,000 limit. The Self-Insured Retention was \$50,000 and an annual premium of \$57,399.

Given the District's focus on robust cyber security, Resilience offered competitive July 1, 2025, insurance renewal option; for a \$5 million limit with a \$50,000 Self-Insured Retention, the premium is \$54,529, which is a 5% decrease.

II. Property Insurance Renewal

The District's Property Insurance Program is comprised of:

- District Facilities & Buildings Insurance Program
- Bus Damage/Property Insurance Program for Marin Transit buses insured by the District
- Bridge Self-Insurance Loss Reserve

A. District's Property Insurance Program

The District's Property Insurance policy, written by AIG, covers buildings, equipment and other property at SF Toll Plaza, Ferry Terminals, and Bus facilities. The District's Property insurance program also includes Earthquake insurance with a \$10 million limit. This policy also has a \$10 million limit for Flood insurance except for a \$5 million Flood limit at High Hazard locations including the San Rafael Bus Facility, the San Rafael Transit Center, and the Larkspur Ferry

Terminal. The District then purchases a separate \$10 million policy that provides Excess Earthquake insurance, plus Flood insurance at all but the High Hazard locations.

The property insurance market has been uneven; past catastrophic losses (i.e., hurricane/earthquake/flood/wildfire) occur with increasing frequency. But insurers have been writing more policies with resulting renewal rates of between -5% to 15%.

The District's current insurer, AIG, paid a large loss of \$1.4 million over 5-years ago. For its exposure profile, the District has unique assets including piers, wharves, and docks in addition to buildings and other assets at bus facilities, the toll plaza, etc., which limits the number of insurance carriers willing to quote this coverage for the District.

The District's total insurable values have increased 1% from \$201 million to \$204 million given some appreciation in the replacement cost values. The District's property program has a \$250,000 deductible, but this year it made financial sense for the District to increase its deductible to \$500,000. The premiums are decreasing from \$905,317 last year - to \$784,168 for FY 2025/26 - With a savings of \$121,149 or -13%.

The District's Excess Earthquake and Flood insurance coverages will renew on July 1, 2025, for a premium of \$194,649, which is about a 7% reduction from last year's premium of \$209,032. This is also an exceptional result given the continuing challenging property insurance market for catastrophic risks and losses.

B. Bus Physical Damage Insurance for Marin Transit Buses

The contract that was negotiated between Golden Gate Transit and Marin Transit requires the District to purchase bus property damage coverage on an actual cash value basis with a \$50,000 deductible for Marin Transit buses that the District operates. The actual cash (depreciated) value for these buses is \$9,718,871. The FY 2024/25 annual premium for this coverage provided by Markel was \$42,460. For July 1, 2025, Markel's premiums are \$29,053.

C. Bridge Self-Insurance Loss Reserve

The District will continue to fund the Bridge Self-Insurance Loss Reserve.

Fiscal Impact-Liability and Property Programs

The Fiscal Impact of renewal of the Liability and Property insurance programs for FY 25/26 is estimated to be \$6 million, an approximately 1% increase from last year. In addition to the \$6 million, the District will continue funding the Restricted Bridge Self-Insurance Reserve Fund, which will be transferred to the Restricted Bridge Self-Insurance Reserve Fund. Any additional funds needed will be included in the FY 2025/26 Adopted Budget.

Premium Summary

Premiums	2024	2025	% Change
GL/AL Excess Liability	\$4,100,379	\$4,415,324	8%
Excess WC	\$405,621	\$409,719	1%
Public Officials/EPL	\$155,189	\$139,736	-10%
Crime	\$3,597	\$3,597	0%
Cyber	\$57,399	\$54,529	-5%
Fiduciary Liability	\$15,105	\$15,105	0%
Environmental Liability	\$73,419	\$0	N/A
Subtotal Liability	\$4,810,709	\$5,038,010	5%
Property	\$905,317	\$784,168	-13%
Excess EQ and Flood	\$209,032	\$194,649	-7%
Bus Physical Damage	\$42,460	\$29,053	-32%
Subtotal Property	\$1,156,809	\$1,007,870	-13%
Total Program Premium	\$5,967,517	\$6,045,880	1%