



## **REGIONAL TRANSPORTATION COMMISSION**

*Metropolitan Planning • Public Transportation & Operations • Engineering & Construction*

Metropolitan Planning Organization of Washoe County, Nevada

**MEETING DATE:** June 17, 2022

**AGENDA ITEM 4.16**

From: Christian Schonlau, Director of Finance/CFO

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### **RECOMMENDED ACTION**

Authorize the Executive Director to bind annual insurance coverage effective July 1, 2022, for automobile liability, general liability, public officials' errors and omissions (E&O), property, earthquake/flood, crime, cyber, pollution liability, social engineering, fiduciary liability, employment practices liability and workers' compensation; and approve the RTC's continued membership in the Nevada Public Agency Insurance Pool and Public Agency Compensation Trust.

### **BACKGROUND AND DISCUSSION**

The Nevada Public Agency Insurance Pool was formed in 1987 by Nevada public entities to provide a stable and consistent alternative to the commercial insurance markets. The pool provides property & casualty coverage as well as risk management, human resources and loss control services to its members. Membership in the pool includes counties, cities, school districts, special districts and towns. The pool is governed by a Board of Directors represented by members. NPAIP provides property/casualty coverage to a diverse group of more than 100 Nevada public entities.

NPAIP provides broad, manuscript property coverage with a maximum limit per loss of \$300,000,000. NPAIP also provides \$150,000,000 shared aggregate limits separately for Earthquake and Flood losses, subject to a \$25,000,000 aggregate sub-limit for flood losses in flood zone A. Property coverage will be subject to a deductible of \$25,000 per event, including for earthquake and flood losses. Coverage is also included for boiler & machinery (equipment breakdown) with a policy limit of \$100,000,000 per loss. Physical damage coverage is also included for scheduled vehicles both on and off-premises (does not include the Buses & Coaches).

NPAIP provides liability limits of \$10,000,000 each event/each member subject to a member annual aggregate liability limit of \$10,000,000 for Auto Liability, General Liability, Personal Injury Liability, Employment Practices Liability, Law Enforcement Liability and Wrongful Acts (Errors & Omissions) Liability. Coverage will be subject to a \$25,000 deductible per event/wrongful act.

NPAIP provides Cyber Risk Security coverage for \$3,000,000 for Privacy or Security Liability per event and in the aggregate for each member. Coverage also includes \$100,000 for Security Failure/Privacy Event Management Coverage, \$250,000 in Network Interruption Coverage and \$50,000 for Proof of Loss Preparation Costs. For this renewal, coverage will be subject to a \$15,000,000 aggregate limit for all NPAIP members combined.

NPAIP also provides Environmental Liability with coverage for Third Party Claims for Bodily Injury, Property Damage or Remediation Expense, First Party Remediation Expense and

Emergency Response Expense with each incident limit of \$2,000,000, subject to an annual aggregate limit of \$10,000,000 and \$25,000 deductible. Coverage is also included for Business Interruption with a limit of \$2,000,000 up to 365 days.

The total NPAIP renewal premium is increasing from \$258,616 to \$268,671 or approximately 4%. The increase is driven mainly by increases in premium rates in the insurance markets.

The property & casualty insurance market continues to present challenges to buyers. Global insured catastrophic loss rose to \$112 billion in 2021. This follows record and above average catastrophic losses in recent years. The challenging market has led to loss of capacity. The excess liability market is particularly affected. In recent years, the reinsurance marketplace has been impacted by increased litigation, nuclear verdicts, defense costs, and frequency of global natural disasters.

The impact of COVID-19 on insurance costs has not yet been felt within the marketplace. 2022 may prove pivotal, as lawsuits arise from employment practices insurance claims, and from employees contracting COVID-19 at work after transitioning from their remote environments.

The NPAIP negotiated directly with the underwriters to mitigate this year's rate increase as much as possible for its members.

The RTC RIDE contractor, Keolis Transit Services LLC, is responsible for automobile and general liability losses for the RTC RIDE system. The RTC ACCESS contractor, MTM LLC, is responsible for automobile and general liability losses for RTC ACCESS and RTC FlexRide. RTC still has responsibility for automobile/general liability for RTC support vehicles, RTC road programs, and RTC facilities.

Staff is recommending renewal of Crime Insurance with limits of \$5,000,000 for employee theft, forgery, computer fraud, funds transfer fraud, money orders and counterfeit currency fraud and Fiduciary Liability with a limit of \$4,000,000. The deductible for employee theft and money & securities on-premises is \$500,000 to provide coverage excess of the limit provided by the NPAIP and \$25,000 for the other listed coverage. Coverage will include social engineering fraud with a limit of \$250,000 and \$100,000 deductible. The renewal premium for the Crime and Fiduciary Liability coverage is up 24.8% to \$14,988.

RTC's Workers Compensation and Employer's Liability coverage is provided through the Public Agency Compensation Trust (PACT), which is a Nevada based insurance pool that was formed under Nevada's Interlocal Cooperation Act in 1996. PACT provides workers compensation, claims and risk management services to its Nevada government entity members.

The estimated proposed total cost of the insurance coverage is \$345,079. The total estimated cost represents an increase of \$17,753 or 5.4% when compared to the prior year's final renewal costs.

The RTC has maintained an agreement with the Reno office of USI Insurance Services LLC for the purpose of brokering insurance coverage as required for the effective operation of the RTC.

In concurrence with USI Insurance Services., staff recommends that the coverage be bound effective July 1, 2022.

The broker's compensation for these renewals is a combination of negotiated commissions and fees and is included as part of the overall insurance cost. Last year, the broker's total compensation at renewal was \$33,990. This year, the broker's total estimated annual compensation at renewal will be \$33,416, a reduction of 1.7%. The broker continues to provide insurance services, risk management services and contract review services throughout the year as a component of the broker compensation.

Staff has always looked to protect the agency at the best possible price against catastrophic losses that have the potential to inhibit the agency's ability to continue providing the necessary transportation services for our community.

Staff believes this program accomplishes that goal.

### **FISCAL IMPACT**

Funding for the insurance coverage is included in the approved FY 2023 Budget.

### **PREVIOUS BOARD ACTION**

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|---------------|---|
| June 18, 2021 | Authorized the Executive Director to bind annual insurance coverage effective July 1, 2021. |
| June 19, 2020 | Authorized the Executive Director to bind annual insurance coverage effective July 1, 2020. |

### **ATTACHMENT**

- A. Insurance Renewal Cost Recap

**REGIONAL TRANSPORTATION COMMISSION  
INSURANCE RENEWAL COST RECAP**

Coverage	Renewal Limits	Renewal Deductibles	Renewal Insurer	2021/22 Expiring Premiums	2022/23 Renewal Premiums	\$ Variance	% Var.
Property Earthquake Flood Flood A/V Cyber Security Employee Theft Pollution Liability	\$300,000,000 per loss \$150,000,000* \$150,000,000* \$25,000,000* \$3,000,000 \$500,000 \$2,000,000	\$25,000 \$25,000 \$25,000 \$25,000 None \$25,000 \$25,000	Nevada Public Agency Insurance Pool (POOL)	\$258,616	\$268,671	\$10,055	4%
General Liability, Auto Liability, Employment Practices & Wrongful Acts Liability	\$10,000,000 per event \$10,000,000 aggregate	\$25,000	Nevada Public Agency Insurance Pool (POOL)	Included above	Included above	-	-
Workers Comp. Employer's Liability	Statutory Coverage \$2,000,000	N/A (Nil)	Public Agency Compensation Trust (PACT)	\$34,741^	\$42,832^	\$8,091	23%
Crime	Employee Theft: \$5M On Premises: \$5M Other Coverages: \$5M Social Engineering: \$250k	\$500,000 \$500,000 \$25,000 <b>\$100,000</b>	Federal Ins. Co. (Chubb)	\$12,007	\$14,988	\$2,981	24.8%
Fiduciary Liability	Limit: \$4,000,000	N/A (Nil)	Federal Ins. Co. (Chubb)	\$9,462	\$10,088	\$626	6.7%
[Included Above] Broker Commission - (Renewal Process, Placement, Service)				\$21,490	\$24,916	\$2,423	11.3%
USI Broker Fee (Risk Management, Loss Control & Contract Review)				\$12,500	\$8,500	(\$4,000)	(32%)
<i>Total Broker Compensation</i>				<i>\$33,990</i>	<i>\$33,413</i>	<i>(\$577)</i>	<i>(1.7%)</i>
<b>Total Annual Insurance Cost</b>				<b>\$327,326</b>	<b>\$345,079</b>	<b>\$17,753</b>	<b>5.4%</b>

\* Shared, Annual Aggregate Limits    ^ Estimated & Auditable Premium