



Agenda Item No. 3

To: Finance-Auditing Committee/Committee of the Whole
Meeting of February 8, 2007

From: William L. Stafford, Director Risk Management/Safety
Joseph M. Wire, Auditor-Controller
Celia G. Kupersmith, General Manager

Subject: **STATUS REPORT ON THE RENEWAL OF THE MARINE INSURANCE PROGRAM**

Recommendation

No recommendations are being made at this time. Recommendations for renewal of the Marine Insurance Program will be made at the Finance-Auditing Committee meeting on February 22, 2007.

Summary

Marine Insurance Market Conditions

The District's Marine Insurance Program, which renews on February 28, 2007, is comprised of Hull & Machinery/Protection & Indemnity and Marine Liability Insurance (including Terminal Operator's Legal Liability and Excess Insurance).

The premium for Hull & Machinery/Protection & Indemnity classes of business have not been favorable for the District prior to 2004, but have begun to decline and become more stable in recent years.

For the start of 2007, the insurers are typically requesting renewal premiums of -5% to +5% for Marine accounts with a favorable loss history. This is partly being driven by an increased level of competition in the Marine insurance market in Hull & Machinery coverages. We have asked our broker, Marsh, to expand their marketing efforts this year after limited marketing in 2006.

District Ferry Operations Experience

Over the last three years the District Ferry Operation has developed a favorable loss history by instituting proactive risk management practices.

The District has worked aggressively to reduce its loss experience and has succeeded in claims reduction. This effort has been a primary focus of the Ferry Division upper management.

The following actions have been taken to maintain a favorable loss history:

- A thorough accident investigation and hazard analysis program.
- Correction of unsafe conditions when they are identified.
- Prompt reporting of claims and ongoing management of open claims.
- Revising maintenance schedules to allow for more maintenance activity at non-peak times.
- The pending (March 2007) installation of a new stainless steel fuel line for Larkspur.
- Customer service training of deck hands.

District Marine Insurance Program

Currently, the District purchases Hull & Machinery/Protection & Indemnity Insurance in amounts equal to the approximate replacement costs of the Ferry vessels along with primary Protection & Indemnity limits of \$1,000,000. The limits of liability for the excess Protection & Indemnity and Marine Liabilities were raised from \$75,000,000 to \$100,000,000 in 2006, given the scope of potential loss from Marine operations, as distinct from Bridge and Bus which have a \$75,000,000 limit.

The Marine insurance premium quotes are expected on February 13th. The District anticipates the 2007-2008 premium quotations in the range (+/- 5%) of the expiring premium: \$542,700. The premiums have been budgeted. The District will be reviewing the Marine insurance marketing results at the February 22nd Finance-Auditing Committee meeting.

Fiscal Impact

There is no fiscal impact as this report is informational.