



Agenda Item No. 3

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of February 7, 2008

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 21, 2008.

### **Summary**

The District's Marine Insurance Program, which renews on February 28, 2008, is comprised of Hull & Machinery/Protection & Indemnity and Marine Liability Insurance (including Terminal Operator's Legal Liability and Excess Insurance). The District also purchases a Vessel Pollution Liability Policy.

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.

### ***Marine Insurance Market Conditions***

The Hull & Machinery and Protection & Indemnity classes of business premiums have been favorable for the District since 2004-2005, we have seen significant decrease in premiums over the last 3 years. In FY 06/07 the District obtained overall a 23% reduction in our Marine Insurance Program. The District obtained a 31% reduction in 2007 on the primary layer of the Hull & Machinery /Protection & Indemnity insurance program.

For the start of 2008, marine accounts with favorable loss history, the insurers are typically requesting renewal premiums of -5%. This is partly being driven by the significant continued

high level of competition in the marine insurance market in Hull & Machinery coverages. The District has asked our broker Marsh to limit their marketing efforts to the most competitive markets this year, after expanded marketing in 2007.

### ***Operations Experience***

The District continues to work aggressively over the last several years to reduce its loss experience and has achieved significant claims reduction. This effort has been a primary focus of the Ferry Division upper management and Risk Management.

Since FY 04/05 the District has been reimbursed from the District's prior marine insurer ACE over \$1.6 million in open claims, which are now closed. These claims were prior to 2005 and most were from 1995- 2002.

The District currently does not have any open high value marine insurance claims. With no losses at the \$350,000 deductible the District currently carries, we are pursuing lowering our retention to \$150,000 if the premium quotes are favorable.

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

- An on-going accident investigation and hazard analysis program.
- Prompt reporting of all claims and incidents and thorough follow-up of open claims.
- Revising maintenance schedules, to allow for more maintenance activity at non-peak times.
- Training of all deckhands and vessel masters on responding to passenger injuries in 2007.
- A refurbishing of the M.V. Marin at a cost of \$6.2 million.
- The installation of a new stainless steel fuel line at the Larkspur Ferry Terminal in 2007.
- Installation of new engines in the M.V. Mendocino in 2008.

### ***Future Action***

The marine insurance premium quotes are expected on February 11<sup>th</sup>. The District anticipates the 2008-2009 premium quotations in the range (-5%) of the expiring premium to be \$372,679. The premiums have been budgeted in the District's Operating Budget accordingly. The District will be reviewing the marine insurance marketing results and asking the Finance-Auditing Committee to approve our Marine Insurance Program at the February 21<sup>st</sup> Finance-Auditing Committee meeting.

### **Fiscal Impact**

There is no fiscal impact as this report is informational.