



Agenda Item No. (6)

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of February 22, 2024

From: Kelli Vitale, Director, Risk Management and Safety  
Kellee J. Hopper, Deputy General Manager, Administration and Development  
Joseph M. Wire, Auditor-Controller  
Denis J. Mulligan, General Manager

Subject: **APPROVE RENEWAL OF THE MARINE INSURANCE PROGRAM**

### **Recommendation**

The Finance-Auditing Committee recommends that the Board of Directors approve the Marine Insurance Program, effective February 20, 2024, as follows:

1. Renew Protection & Indemnity coverage with the Steamship Mutual Protection and Indemnity Club (Club) for a one-year term, with a limit of \$1 billion for each occurrence/annual aggregate in excess of a per occurrence deductible of \$55,000 and annual aggregate deductible of \$350,000 for a total premium of \$502,731;
2. Renew Hull & Machinery, Increased Value and War coverage including Terrorism and Risk Insurance Act (TRIA) coverage with Travelers, The Hartford and Liberty for a one-year term, with insured hull limits per values in excess of the same \$200,000 deductible for a total premium of \$284,641;
3. Renew Marine General Liability coverage with Liberty Mutual for a one-year term, with a limit of \$1 million occurrence and \$2 million aggregate, in excess of a per occurrence deductible of \$10,000 for a total premium of \$30,500;
4. Bind Excess Marine General Liability Insurance program with Navigators, Liberty, Core Specialty, Great American, Endurance, and Continental for a one-year term with a liability limit of \$50 million for each occurrence/annual aggregate in excess of a \$10,000 self-insured retention (SIR) for a total premium of \$118,375; and,
5. Bind Vessel Pollution Liability coverage with Great American for a one-year term, with a limit of \$5 million for a total premium of \$6,920.

These recommendations are made with the understanding that the requisite funds will be available in the FY 24/25 Operating Budget for the appropriate District divisions.

This matter will be presented to the Board of Directors for approval at its February 23, 2024, meeting for appropriate action.

## **Summary**

This report summarizes the staff recommendation for the annual renewal of the Marine Insurance Program. The Marine Insurance Program covers the vessels, crew, and marine terminal liability. All policies in this report expire on February 20, 2024, however coverage is held bound until Board approval on February 23, 2024.

This report contains discussions of the renewal recommendations, the overall insurance market conditions, and specifics on premium costs, coverage limits and the work on the renewals for the Marine Insurance Program performed by USI Insurance Services (USI), the Golden Gate Bridge, Highway and Transportation District's (District) insurance broker.

### **I. Marine Insurance Program**

The District's Liability Insurance Program, which renews on February 20, 2024, is currently comprised of:

- Protection & Indemnity (P&I)
- Hull & Machinery/Increased Value (H&M/I.V.)
- Marine General Liability (MGL)
- Excess Marine General Liability
- Vessel Pollution

#### ***A. Protection & Indemnity Insurance***

Protection and Indemnity (P&I) coverage covers nearly all maritime liability risks associated with the operation of a vessel other than those covered under workers compensation or the Jones Act, or for collision, which is covered under the hull policy. This coverage is separate and distinct from the Marine General liability and the Excess Liability coverage.

Overall, the market for marine property and casualty insurance has continued to stabilize following the negative effects of prior terms including a string of extraordinary P&I pool losses, concerns surrounding COVID-19, and dramatic increases in the expenses of litigation. Despite this, reinsurance costs, inflation and suppressed investment returns have necessitated continued general rate increases, although the rate of increase is less. In short, the incumbent P&I Club and domestic carriers offered favorable terms due to the improved market outlooks and the District's positive loss history. We believe Steamship Mutual and other incumbents continue to present the best options for the 2024-2025 term.

The Steamship Mutual Protection and Indemnity Club has agreed to a renewal rate increase of 2.5% instead of their stated general increase of 5% to all members. Both the per occurrence and aggregate deductibles remain as they were at \$55,000 and \$350,000, respectively.

As noted last year, the benefits to the District of maintaining a fixed Steamship Mutual Protection and Indemnity Club membership cannot be overstated. Re-approaching the domestic marine insurance markets for Protection and Indemnity risks remains an ineffective solution for the District in terms of costs as recent marketing efforts for a similar account in the domestic marine marketplace resulted in an offer for reduced limits and more limited coverage terms.

Of note is pending return premiums of \$62,174 for laid up vessels not running during prior terms related to COVID 19. This return premium will be the final distribution to the District for this event.

Further the Steamship Mutual Protection and Indemnity Club has maintained a Standard & Poor's rating of "A" while limiting general increases well below those of other Clubs for a total premium renewal of \$502,731.

***B. Hull & Machinery***

Hull and Machinery coverage protects against vessel or fleet physical damage caused by peril at sea or other covered perils. Experience in the H&M marketplace has mirrored the rest of the maritime insurance industry with continued annual hull premium increases in the 0-5% range. Due to the positive risk characteristics of the recent vessel repairs and upgrades, Travelers, The Hartford and Liberty have provided a competitive hull quote.

Travelers has provided lead terms with a 2% increase, mostly an inflationary increase due to the increased cost of repairs and replacement parts as well as the renewed focus around accounting for the age of the fleet. The H&M program continues to contain the 5% No Claims Bonus paid six months after policy expiration for a total premium renewal of \$284,641.

***C. Marine General Liability***

Marine General Liability covers claims of liability for bodily injury or property damage during the unloading/loading process. This is the first layer of coverage for those types of claims. The District's Marine General Liability (MGL) exposure is essentially limited to the risk of injury to passengers unloading/loading at terminal facilities. This slice of activity is not covered by the District's Protection and Indemnity Insurance (A. above).

The MGL is rated on revenue and ridership. The policy is priced on the assumption that ridership will increase from 1,000,000 to 1,299,183 in the renewal term. This increase is solely due to the increased exposure with a renewal quote of \$30,500.

***D. Excess Marine Liability Program***

Excess coverage picks up where the primary \$1 million of primary Marine General liability ends. This year, as in the past few, Excess Liability carriers have left the market, while others have reduced capacity. Over the past few terms, the District was able to reduce Excess Liability limits from \$100 million to \$50 million due to the removal of liability risk now placed with Steamship Mutual. Moving forward the District presents a very low exposure to Excess Liability carriers due to its excellent loss history, proactive risk management/safety programs, as well as outstanding maintenance of and investment in its vessels.

The combination of the Marine General Liability and Excess policies cover incidents that do not occur on board a vessel. All incidents that occur in association with the operation of a vessel will be covered by the Protection and Indemnity policy. The excess policy is not applicable to those claims. A catastrophic incident exceeding the Marine General Liabilities limit that triggers the \$50 million excess layers will most likely involve injury to a passenger(s) during loading or unloading.

The District should continue purchasing \$50M in coverage to remain in compliance with its contract with the Port of San Francisco and to protect against a catastrophic incident. Excess liability is typically rated on the same exposure as the underlying coverages (first layer premium is \$47,500, additional layer premium is \$70,875) and is quoted for a total premium renewal of \$118,375.

***E. Pollution***

This coverage protects against vessel pollution claims. The District maintains a Vessel Pollution Liability policy carrying a limit of \$5 million to act as a domestic buffer to the Steamship Mutual placement. This is beneficial as a domestic carrier, in this case Great American, is recognized as a viable carrier to state and federal agencies requiring proof of pollution coverage. Further the policy is a cost-effective stop-gap measure it covers frequency losses, primarily defense costs, and insulates the much larger Club placement from premium increases. It is renewable at total premium of \$6,920.

**Fiscal Impact**

The recommended annual renewal package for the District’s Marine Insurance Program is expected to total \$943,167, approximately a 3.1% increase over the expiring Marine Insurance Program. The majority of the increase is driven by the expected rise in ridership and revenue used as the exposure basis on the MGL and excess program. The expense for the Marine Insurance Program is sufficiently budgeted for FY 23/24 and the remaining of the plan year that falls in FY 24/25 will be budgeted accordingly in future budgets.

***Premium Summary***

Coverage	2022/2023	2023/2024	2024/2025
<b>P&amp;I</b>	<b>\$467,133</b>	<b>\$490,649</b>	<b>\$502,731</b>
Limit	\$1,000,000,000	\$1,000,000,000	\$1,000,000,000
<b>Hull</b>	<b>\$269,055</b>	<b>\$279,339</b>	<b>\$284,641</b>
Hull Values	\$56,858,723	\$56,858,723	\$56,858,723
Increase Limit Values	\$14,200,000	\$14,200,000	\$14,200,000
Number of Vessels	8	8	8
<b>Marine General Liability</b>	<b>\$18,250</b>	<b>\$25,500</b>	<b>30,500</b>
Exposure (Ridership)	500,000	1,000,000	1,299,183
<b>Excess Marine Liabilities (\$9M x \$1M)</b>	<b>\$56,062</b>	<b>\$45,000</b>	<b>\$47,500</b>
<b>Excess Marine Liabilities (\$40M x \$10M)</b>	<b>\$142,025</b>	<b>\$67,500</b>	<b>\$70,875</b>
<b>Vessel Pollution</b>	<b>\$6,920</b>	<b>\$6,920</b>	<b>\$6,920</b>
Limit	\$5,000,000	\$5,000,000	\$5,000,000
Number of Vessels	8	8	8
<b>TOTAL PREMIUM</b>	<b>\$959,445</b>	<b>\$914,908</b>	<b>\$943,167</b>