



Agenda Item No. (6)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of February 26, 2026

From: Kelli Vitale, Director, Risk Management and Safety
Kellee J. Hopper, Deputy General Manager, Administration and Development
Jennifer H. Mennucci, Auditor-Controller
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Subject: **APPROVE RENEWAL OF THE MARINE INSURANCE PROGRAM**

Recommendation

The Finance-Auditing Committee recommends that the Board of Directors approve the Marine Insurance Program;

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 the expiring per occurrence deductible of \$55,000 and increased annual aggregate deductible of \$685,000 for a total premium of \$581,000;
2. Renew Hull & Machinery, Increased Value and War coverage including Terrorism and Risk Insurance Act (TRIA) coverage with Ascot, Travelers, The Hartford and Liberty for a one-year term, with insured hull limits per values in excess of improved deductibles of \$150,000 – \$200,000 depending on vessel, for a total premium of \$255,740;
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 \$36,800;
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 \$132,388; 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 \$6,950.

These recommendations are made with the understanding that the requisite funds will be available in the FY 26/27 Operating Budget for the appropriate District divisions. This matter will be presented to the Board of Directors for approval at its February 27, 2026, 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, 2026, however coverage is held bound until Board approval on February 27, 2026.

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, 2026, 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 somewhat deteriorated due to large loss within the Internation Group Club community, This is following a positive loss year for the Clubs after weathering 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 overall positive loss history. We believe Steamship Mutual and other incumbents, along with Ascot, as a new lead Hull & Machinery continue to present the best options for the 2026-2027 term.

The Steamship Mutual Protection and Indemnity Club has offered three options that contemplate the current ongoing large loss expected to close around \$4.5M after deductibles are applied. The options are as follows: 17.5% rate increase with expiring \$415K annual aggregate deductible (AAD); 15% increase and \$550K AAD; 7.5% increase and \$685K AAD. Considering all Steamship Mutual members will be assessed a 8% general increase, and the District never having exceeded the current \$415K AAD, USI recommends the third option as it is competitive given the large open claim.

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. The Club has committed to offering renewal terms limiting further increases to the published General Increase (GI) and stepping down deductibles in 2027 in the absence of another large claim.

Further the Steamship Mutual Protection and Indemnity Club has maintained a Standard & Poor's rating of "A" while limiting general increases with a few percentage points of other leading Clubs for a total premium renewal of \$581,000.

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 (excluding Club P&I) with hull decreases in the -5% - 10% range.

In an effort to ensure the District benefits from a favorable H&M market, USI requested competing offers from other carriers for the 2025-2026 policy term. The most competitive response was received by Ascot. Ascot provided lead terms with a 10% decrease as well as a no claims bonus of 7.5% of the hull premium to be paid six months after policy expiration for a total premium renewal of \$255,740. The district benefited from being on the leading edge of rate reductions last term and is at a competitive rate for the coming 2026-2027 term. Thus, the renewal premium is calculated based on a flat rate. If the soft market continues, and certainly with the addition of new vessels, the rate will decrease once again in the coming years.

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 1,494,368 to 1,623,624 in the renewal term. The increase in premium is solely due to the increased exposure with a renewal quote of \$36,800 as the overall rate is down -5%.

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 \$52,295, additional layer premium is \$80,093) and is quoted for a total premium renewal of \$132,388.

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. This policy 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 \$1,012,878, which represents an approximately 5.1% increase over the expiring Marine Insurance Program. The majority of the increase is driven by the P&I program premium due to the large open claim. The remainder is attributable to 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 the remaining months from February to the end of FY 25/26 and the remaining of the plan year that falls in FY 26/27 will be budgeted accordingly in future budgets.

Premium Summary

Coverage	2024/2025	2025/2026	2026/2027
P&I	\$502,731	\$540,436	\$581,000
Limit	\$1,000,000,000	\$1,000,000,000	\$1,000,000,000
Hull	\$284,641	\$255,740	\$255,740
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
Marine General Liability	\$30,500	\$35,900	\$36,800
Exposure (Ridership)	1,299,183	1,494,368	1,623,624
Excess Marine Liabilities (\$9M x \$1M)	\$47,500	\$50,000	\$52,295
Excess Marine Liabilities (\$40M x \$10M)	\$70,875	\$74,419	\$80,093
Vessel Pollution	\$6,920	\$6,920	\$6,950
Limit	\$5,000,000	\$5,000,000	\$5,000,000
Number of Vessels	8	8	8
TOTAL PREMIUM	\$943,167	\$963,415	\$1,012,878

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