



Approval to Pay Premium and Surplus Line Fees for Master Property Insurance Policy

Budget and Finance Committee
October 4, 2022

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Insurance Risk Manger



Recommendation

Approval of a resolution authorizing the President & Chief Executive Officer or her designee to pay the amount of \$4,487,542 in property insurance premium, \$42,500 in terrorism insurance premium, \$98,623 in surplus lines taxes and fees for a total premium not to exceed of \$4,628,665, plus a contingency of \$50,000 for additional assets to be added to the policy during the policy period, for a total amount not to exceed of \$4,678,665 for the annual renewal of the property policy period beginning November 1, 2022.

Master Property Program

- Insures \$5.27 billion in property on a replacement cost basis
- \$500 million limit; \$1 million deductible
- Covers TRE property, DART headquarters, bus and rail facilities, transit centers, rail stations, tracks, catenary system, and trains. Buses and nonrevenue fleet are covered while in a DART owned garage.
- Marketing is administered through Willis Towers Watson, DART's insurance broker of record

Current Insurance Market

- Insurance market continues to be firm
- Market capacity improving – as new carriers and increased capital entering the insurance market
- Still sub-limits lowered and policy terms tightened by underwriters
- Weather events and other losses are driving market challenges:
 - PROPERTY – Tornados, Wildfires, Flooding, Hail Storms
 - LIABILITY – “Nuclear” Verdicts, e.g. Auto verdicts +300% increase 7 years
- Rail Liability market showing signs of stability and price moderation

Property Market

- Willis Towers Watson marketed the program to over 75 different carriers:
 - 50 quoted
 - 15 are in the program
- New carriers brought in for competition on pricing at all layers
- Property values increased slightly as appraisal of nine facilities increased values, mainly for inventory and equipment
- Property values also include three homes acquired in the Silver Line project, as well eight Stadler DMU's after DART acceptance in Texas during 2023 policy period
- Market for Property presaged +5% to +7% premium increase due to losses from tornados, wildfires, flooding, and hailstorms

Ten Year Property Claims History

Policy Period	Losses	Paid	Paid Net of Recovery
2012-2013	0	\$0.00	\$0.00
2013-2014	1	\$2,104,025	\$1,601,015
2014-2015	0	\$0.00	\$0.00
2015-2016	0	\$0.00	\$0.00
2016-2017	0	\$0.00	\$0.00
2017-2018	2	\$957,159	\$807,159
2018-2019	3	\$4,573,305	\$3,052,445
2019-2020	0	\$0.00	\$0.00
2020-2021	0	\$0.00	\$0.00
2021-2022	0	\$0.00	\$0.00
Total	6	\$7,634,489	\$5,460,619

Note: All claims are closed



Property Insurance Rates

Policy Year	Premium Rate
2009 & 2010	\$0.0396
2011, 2012 & 2013	\$0.0380
2014, 2015, 2016, & 2017	\$0.0391
2018	\$0.0384
2019	\$0.0465
2020	\$0.0504
2021	\$0.0820
2022	\$0.0851

Note: Premium calculation determined by rate per \$100 of property values

Premium Rates Comparison

Agency	Deductible	2020-2021 Rate	2021-2022 Rate	2022-2023 Rate
DART	\$1 Million	\$0.0504	\$0.0820	\$.0851
Houston METRO	\$1 Million Collision \$250,000 Other	\$0.2103	\$0.2523	\$0.2601
VIA San Antonio	\$500,000	\$0.0765	\$0.0788	\$0.0803
Atlanta MARTA	\$5 Million	\$0.0349	\$0.0381	Renews in January

Note: Premium calculation determined by rate per \$100 of property values

2022 Property Program

\$500M	Chubb \$490,000	
\$150M	Fidelis, Intact, Aspen & Others \$352,625	
\$100M	Mitsui, Munich RE, Everest, Hamilton \$576,903	
\$50M	Ironshore, Munich RE & Others \$685,556	\$50M Terrorism Lloyd's of London \$42,500
\$25M	Ascott \$772,805	
\$10M	Markel & Mitsui \$1,609,653	
\$1M	Deductible	

Note: All carriers have a Best rating ranging from A- to A++

Total Cost

Year	Property Values	Premium	Variance Dollar Amount	Variance Percentage
2019	\$5.17B	\$2,358,681	-	-
2020	\$5.19B	\$2,638,776	+\$280,095*	+11.8%
2021	\$5.26B	\$4,354,269	+\$1,716,901**	+65.0%
2022	\$5.27B	\$4,530,042	+\$175,773***	+4.0%

\$4,487,542

\$ 42,500

\$4,530,042

Premium

Terrorism (\$50M/\$1M Deductible)

Total Cost ⁺

* 2020 increase over 2019

** 2021 increase over 2020

*** 2022 increase over 2021

⁺ NOT including Surplus lines taxes, FET, fees. These taxes/fees arise from using highly specialized insurers, which write complex, unique, and high-capacity risks.

Cost Allocation

	Property Values	DART Costs	Trinity Metro for TRE	Total
DART	\$4,904,919,712	\$4,353,667	-	\$4,353,668
TRE*	\$366,147,000	\$162,499	\$162,499	\$324,997
Totals	\$5,271,066,712	\$4,516,166	\$162,499	\$4,678,665*

*NOTES:

- (1) \$4,678,665 total includes Base Premium \$4,487,542 + Terrorism Premium \$42,500 + Surplus lines taxes/fees \$98,623 + \$50,000 Contingency for miscellaneous costs and adding assets during the term.
- (2) Cost of TRE property insurance is shared by DART and Trinity Metro based on a 50/50 split in accordance with Interlocal Agreement between the agencies.

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let's go.



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