

Risk Management Program Overview

Finance and Audit Committee

3/19/2020



Purpose of Presentation

No action is required from the Committee

Presentation will provide:

- Overview of the Insurance Program
- Discussion of Insurance Premium
- Potential Insurance Cost Containment Strategies

Overview of Risk Management Program

The Insurance Program seeks to efficiently protect Sound Transit against a diverse set of risks

Agency Operations Insurance Program

- Primary Liability
- Fleet Auto
- Pollution
- Public Officials
- Crime
- Fiduciary
- Cyber
- Drone
- Property (including earthquake)
- Terrorism

Rail Operations Insurance Program

- Heavy Rail Liability
- Light Rail Liability
- Property – Rolling Stock
- Railroad Protective Liability

Sound Transit's Insurance Premiums are driven by the Market, Exposure, and Claims

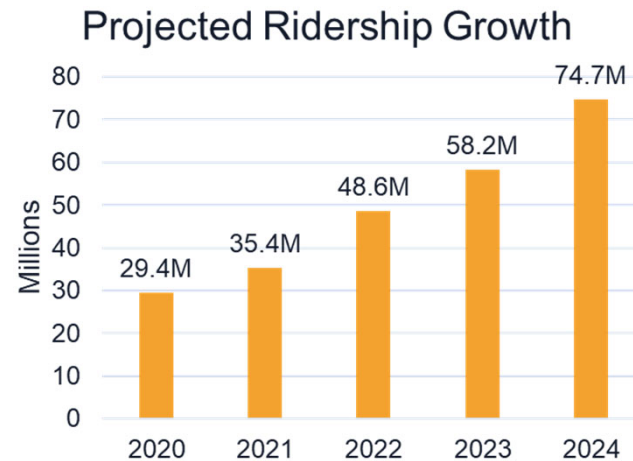
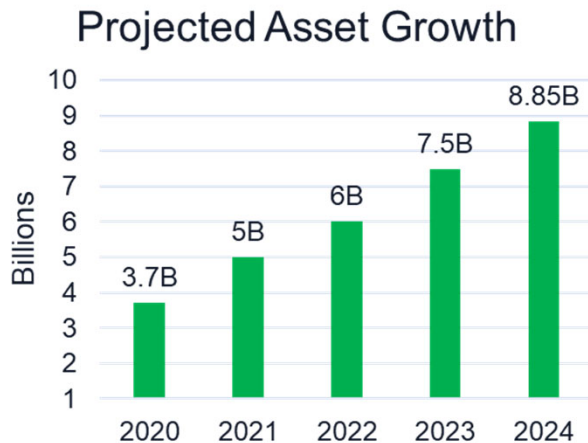
- In addition to broader **market** trends, Agency **exposure** growth and **claims** experience each have a direct correlation on insurance premium
 - I. Market
 - II. Exposure
 - III. Claims
- We will provide an overview of each of these areas

I. Insurance premium rate increase due to Market pressure:

- Increased Global losses related to Wild Fire, Flood, and Tornado losses
- Reduced carrier capacity and fewer carriers participating in the market
- In the past year, Industry average rate increase on property premium was 8.5%, and increase on rail premium was 18%

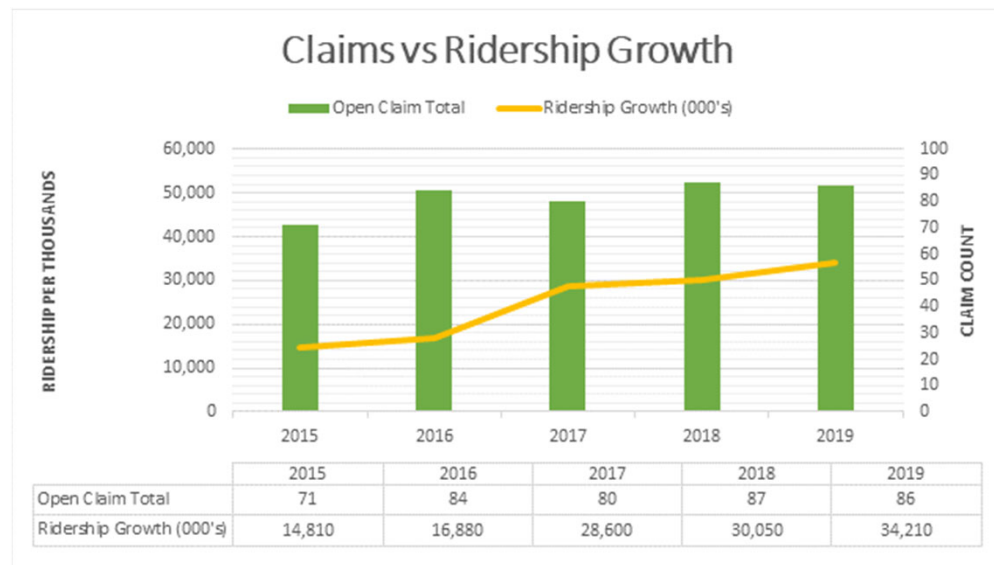
II. Property and Rail Liability coverage are the primary drivers of Sound Transit's Insurance Premium

- Property Premiums driven by the Agency's Asset Growth
- Rail Premiums driven by the Agency's Ridership Growth



III. Claim experience can also drive premium increase

- The Risk Management Program continuously seeks to reduce incidents and claims
- Open claim count has remained stable as ridership continued to grow



Insurance Cost Containment Strategies

- Sound Transit has built long term relationships, maintains assets in a state of good repair and utilizes global market competition to minimize rate increases.
 - In the last Property renewal cycle Sound Transit total rate increased 5% vs. Industry average rate increase of 8.5%
 - In the last Rail renewal cycle Sound Transit total rate increased 8.7% vs. Industry average rate increase of 18%

Insurance Cost Containment Strategies (continued)

- Increase self-insurance
 - Larger Retentions and Deductibles
- Risk Mitigation
- Exploring Alternative Risk Financing Options

Thank you.



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