



## CalTIP 2002-03 Rates Hold Steady; Commercial Market a Wild Ride

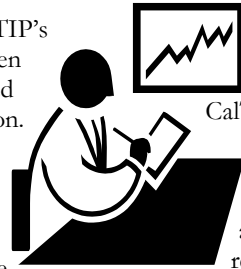
CalTIP began its 16<sup>th</sup> year of operation on May 1, 2002, with the encouraging news that member contribution rates at the pooled level — the amount charged to cover losses within CalTIP's retention layer — for the Liability Program increased by only 5.4%, while the rates for the Physical Damage program remained frozen at the 2001 levels. The increase in the Liability Program was the conservative recommendation of the pool's actuary, Allen Hall, who felt that low interest rates might be inflating the valuation of the pool's investment portfolio somewhat. This made it advisable to collect just a little

more at this time to ensure that the financial position of the pool remains at its traditional solid level regardless of any fluctuations in interest rates.

Additionally, the administrative rate — the amount charged to run CalTIP's programs — remained frozen and has remained unchanged since the program's inception. Within the pooled layer, CalTIP is able to provide its members with rate stability and guaranteed coverage availability because rates are actuarially calculated based solely on the expected cost of losses and are, therefore, not as volatile as today's commercial insurance market.

### MEMBERS RECEIVE \$1.4 MILLION IN RETURNS IN 2002/03

CalTIP is a joint powers authority which operates for the benefit of its members. Unlike a commercial insurance company which profits from unused premiums, CalTIP returns unused loss fund contributions to its members on an annual basis via a retrospective adjustment calculation process. This process allocates incurred costs or assets, with interest, back to members who participated in specified program years. This



See "Rates" on page 3

## Transit Security, ADA Liability Workshops

Many of you attended the Transit Security Workshop that was presented by CalTIP this June. Attendance was healthy with close to 60 participants. Overall, the evaluations were very positive.

The session in Auburn was attended by almost 40 people, and the program was video-taped. This tape is available to CalTIP members for the asking and may be used in its entirety or to just present sections that may be valuable to personnel that were unable to attend. Additionally, depending on schedules, Pete Edgar, CalTIP's Claims Safety & Risk Manager, would be happy to travel to your agency and act as moderator if you would like to present this valuable security information to your personnel via videotape.



Next on the agenda is a class addressing ADA liability issues. CalTIP members, like all transit agencies, face potential litigation in this area. At least one member is presently in litigation regarding call stop issues. CalTIP's Memorandum of Coverage has

been interpreted to provide some coverage for claims sounding in discrimination, so this is a matter of concern for the pool.

Plans for the session have not been completely finalized at this time, but staff anticipates presenting a summary of recent significant legal decisions impacting transit by William Desmond, Director of Legal Affairs/Risk Management for the Southwest Ohio Regional Transit Authority. Mr. Desmond has for several years been the presenter on this topic at the APTA Risk Management Seminar. Additionally, Margaret Gallagher, counsel for Santa Cruz MTA, has agreed to speak on some of the practical approaches her agency has taken in response to demands from citizens regarding ADA issues. Pete Edgar will present information regarding the FTA position on many of these issues, using materials that are part of some of the courses offered by the Transportation Safety Institute.

Watch for more information regarding this workshop. Plans should be finalized in the near future, and hopefully the seminar will be presented by the first of the New Year.

## CalTIP Member Agencies

Arcata Madriver Transit System  
 Auburn, City Of  
 Azusa, City Of  
 Butte County  
 Central Contra Costa Transit Authority  
 Culver City, City Of/Culver City Municipal Bus Lines  
 Dixon, City Of  
 El Dorado County Transit Authority  
 Folsom, City Of  
 Golden Empire Transit District  
 Humboldt Transit Authority  
 Lincoln, City Of  
 Livermore Amador Valley Transit Authority  
 Lodi, City Of  
 Mendocino Transit Authority  
 Monterey-Salinas Transit  
 Morongo Basin Transit Authority  
 Napa County Transportation Planning Agency  
 Nevada County  
 Placer County Transit  
 Riverside Transit Agency  
 San Luis Obispo Regional Transit Authority  
 Santa Cruz Metropolitan Transit District  
 Santa Rosa, City Of/Santa Rosa Citybus  
 Siskiyou County  
 South Coast Area Transit  
 South County Area Transit  
 Vacaville, City Of  
 Vallejo, City Of/Vallejo Transit  
 Western Contra Costa Transit Authority  
 Whittier, City Of  
 Yolo County Transportation District

## General Manager's Corner

Greetings to all CalTIP members, and a special welcome to South County Area Transit, our newest member. South County - not to be confused with SCAT (South Coast Area Transit) - was approved for membership in CalTIP effective July 1, 2002, increasing pool membership to 32 transit agencies. South County operates in the San Luis Obispo area and is actually managed by SLORTA. Thanks to John Bates of SLORTA, long time and active member of CalTIP's Board of Directors, for his efforts in directing South County to CalTIP and compiling such a well organized application package.

Interest in joining CalTIP seems to be on the rise, even before we launch our marketing program this fall. As I write this column, staff is dealing with inquiries from three agencies which have strong interest in joining the pool. One of these agencies had actually started the application process a few months ago, but then thought that they had developed a favorable situation in the commercial market. Apparently, things did not turn out as well as expected and they are back approaching this pool as an effective alternative to trying to stand alone in the market.

This is a significant indicator of what transit agencies are facing in the current hard insurance market with which we have all become so familiar. Certainly, neither staff nor members were pleased with the tremendous hikes in excess premiums that we were forced to absorb during our last renewal. Staff is researching alternatives to our traditional source of excess coverage, the commercial market, and meeting with representatives of various excess pools. The possible entry of CalTIP into an excess insurance pool may provide a mechanism whereby members' costs for coverage at the level just above the current \$500,000 pooled level are reduced, while still ensuring that the protection provided is solid and meets member expectations regarding the financial stability of the entities providing that coverage. Please recall that we were able to hold the line on member contributions at the pooled level, with only a slight increase as recommended by Allen Hall of Capital Actuarial Consultants. Therefore, as we develop a more favorable strategy in the excess area, CalTIP can continue to promote itself as a truly cost effective provider of transit liability insurance to its members.

The other approach to the hard market has been to step up efforts in the loss control

and training areas. In June, CalTIP presented a Transit Security Workshop that was well received and attended by personnel from twenty member agencies. Future training seminars are in the works, and next on the horizon is a presentation designed to address potential ADA liability issues. More information on this subject is found elsewhere in the newsletter. Efforts such as these will help CalTIP present itself favorably to either commercial insurers or excess pools.

Staff is finalizing proposals to be presented to the Board for adoption of: 1) a revised loss control survey and 2) minimum standards to be required of all members. Performance standards have been incorporated into the contract with our claims administrator whose work is being closely scrutinized by Pete Edgar, CalTIP's Claims, Safety and Risk Manager.

A Program Structure Task Force was formed this spring to look at issues regarding the pool's rating structure and underwriting process. Staff and consultants are working to assemble data for the task force regarding various ideas that surfaced at a May meeting of the task force. These potential options are designed to ensure that CalTIP continues to collect contributions and make reimbursements in a manner that is most equitable to all members. Thanks to Frank Lichtanski, Bob Dunlavey, Dolores Dowdle, Martie Dote, Chester Moland, Mark Dorfman and Barbara Duffy for agreeing to be part of this committee.

CalTIP Study Session '02 is scheduled for December 12-13, and is being hosted by San Luis Obispo Regional Transit Authority at the Cliffs Resort in Shell Beach. Plans are being finalized but seem certain to include presentations regarding the excess insurance market and possible changes to CalTIP's rating structure. Hope to see all of you there.

*By Joshua W. Shaw, General Manager*



**CalTIP has been awarded the designation "accredited with excellence" by the California Association of Joint Powers Authorities.**

## Upcoming TSI Training in the California Area

Recently, staff put out an email message alerting members to the fact that there were spaces available in a Transportation Safety Institute (TSI) Fundamentals of Bus Accident Investigation course scheduled to be held in Reno, NV in late September. Over half a dozen members called in to the office requesting information on how to get some of their personnel registered for the course. The fact that there was such a good response was gratifying, but it also reinforced the idea that it might be a good idea for staff to remind members of when this

sort of training was going to be scheduled in this area.

TSI training is essentially free to FTA funding recipients except for some nominal materials fee - usually less than \$50. Additionally, CalTIP's CERF Program may be available to cover any related travel expenses.

With that in mind, please note that the preliminary TSI schedule for the upcoming year includes the following courses that might be of interest:

<b>Safety Evaluations - Alt Fuels</b>	<b>San Francisco, CA</b>	<b>10/29/02 to 10/31/02</b>
<b>Fundamentals of Bus Collision Investigation</b>	Phoenix, AZ	3/10/03 to 3/14/03
<b>Response to Weapons of Mass Destruction</b>	Pomona, CA	3/17/03 to 3/18/03
<b>Transit Bus System Safety</b>	Phoenix, AZ	4/28/03 to 5/2/03
<b>Transit System Security</b>	Pomona, CA	11/4/02 to 11/8/02
<b>Transit System Security</b>	Long Beach, CA	12/9/02 to 12/13/02
<b>Emergency Response/Hijackings</b>	Santa Barbara, CA	3/19/03 to 3/20/03

CalTIP Education Reimbursement Fund

For more information on the C.E.R.F. program, see [www.CalTIP.org](http://www.CalTIP.org) under Safety & Loss Control Programs.

CalTIP itself cannot act as a host of a TSI course as you must be a recipient of FTA funds in order to be granted a course. CalTIP Claims, Safety & Risk Manager, Pete Edgar, is an Associate Staff member of TSI and would like to see if more of these courses could be made available in this area. CalTIP members willing to host a TSI course should let Pete Edgar know, as he may be able to facilitate arrangements.

*By Peter S. Edgar, Claims Safety & Risk Manager*

### Rates (continued from page 1)

#### DEVELOPING STRATEGIES FOR THE NEXT RENEWAL

CalTIP staff is already looking ahead to the 2003-04 renewal and researching options to decrease dependence on the commercial market. Under consideration are increasing the pool's self-insured retention level to decrease the amount of excess coverage that must be purchased, as well as the possibility of participating in excess pools. Staff is considering the effects, costs and benefits of these options and will provide the Board of Directors with its analysis during the annual meeting this December

year members of the Liability Program received \$1,300,271 in retrospective returns to offset their loss fund deposits, of which \$587,076 was made available as a "Rate Offset Reserve Fund" which allows members to either use the funds immediately to offset increases or leave funds on account with CalTIP for use in any future program year as desired.

Members of the Physical Damage Program received a return of retained earnings from the 2000-01 year of \$112,182 as a credit against this year's loss funds deposits.

The Board of Directors annually determines the portion of available retrospective funds and retained earnings to return to members of each coverage program. This year, in light of substantial increases incurred in the commercial layers and in order to offer some relief to members who were adversely affected by those increases, the Board reviewed its original approved return schedule and determined to increase the portion of available funds that would be provided to members.

#### EXCESS COVERAGE DIFFICULT TO OBTAIN AND PREMIUM INCREASES ARE ASTRONOMICAL

While members were pleasantly surprised by the minimal increase in pooled rates, they

were equally shocked by the increases in the excess rates. CalTIP purchases three layers of excess coverage which provide all members with \$5 million above the pooled retention of \$500,000, and two additional optional layers for a total of up to \$20 million per occurrence. The total cost of the excess coverage increased by \$1.8 million.

The continually turbulent condition of the commercial insurance market provided substantial challenges to securing coverage in excess of the pooled retention for the 2002-03 program year. The insurance market had begun a hardening trend in early 2000 which was only exacerbated by the terrorist attacks on the World Trade Center in September of 2001. Despite repeated assurances from Aon, CalTIP's broker of record, that increases would be severe but not catastrophic, only one offer of coverage — from AIG — was received from the 17 carriers who were approached during the marketing process.

Rates for each layer of excess coverage are charged on a per vehicle basis. As an example of the phenomenal rate increases that were incurred, the rate for the first layer — \$5 million in excess of the pooled retention — went from \$433 per vehicle in 2001-02 to \$1,402 per vehicle in 2002-03, an increase of 233%. The increases experienced were even larger in the two higher layers.

*By Anna Marie Will, Technical Services Director*

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Martie Dote  
Senior Transportation Analyst, Yolo  
County Transportation District

#### General Manager:

Joshua W. Shaw  
Partner, Shaw/Yoder, Inc.



### Calendar of Events

CaTIP Study Session '02 ..... 12/12-13

#### 2002 Conferences

CAJPA Annual Fall Conference..... 9/11-13

AGRIP Leadership Conference..... 10/21-23

#### 2003 Conferences

PRIMA's Gov. Risk Management Seminar.. 2/17-21

PARMA's Risk Managers Conference ..... 2/18-21

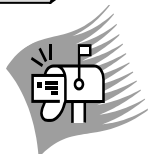
AGRIP's Spring Conference & Annual

Membership Meeting..... 3/12-14

PRIMA's 25th Anniversary Conference..... 5/18/21

CaTIP  
contact

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