

To: Board of Directors

Date: May 18, 2017

From: Erick Cheung, Director of Finance

Reviewed by:

SUBJECT: EMPLOYMENT PRACTICES LIABILITY INSURANCE

Background:

At the February Administrative and Finance (A&F) Committee, staff provided an introduction on the status of Employment Practices Liability (EPL) Insurance through CalTIP. EPL is a wrongful act that includes but not limited to harassment, discrimination (i.e. age, gender, race, etc.), and wrongful termination. The CalTIP Board decided in December of 2015 to stop covering EPL effective June 30, 2017. At that time, the Board agreed to move forward with receiving quotes from Employment Risk Management Authority (ERMA) and a group purchase commercial policy for EPL coverage.

In December 2016, the CalTIP Board proceeded to move forward to join ERMA, since the commercial policy option was not acceptable. Based on the decision by the CalTIP Board, County Connection staff submitted an application with ERMA and requested that Integro (County Connection Insurance Broker) request for quotes to provide the coverage.

The A&F Committee heard proposals from ERMA and Integro. Based on the review of the proposals and a lengthy discussion, the A&F Committee is recommending Integro – Capitol Specialty Insurance Corporation for one year at the \$250,000 retention level for \$2 million of coverage.

To ensure there is no gap in coverage on July 1st, staff is requesting the Board approve EPLI at this meeting. There will be representatives from Integro and ERMA to answer any additional questions the Board may have.

Summary:

The results of the quotes received from ERMA and Integro:

Provider	Coverage	Premiums based on Retention Levels		
		\$75,000	\$100,000	\$250,000
ERMA	\$1 million with excess insurance of \$1 million			\$45,923
Integro - Capitol Specialty Insurance Corp.	\$2 million		\$37,994	\$30,330
Integro - Arch/Lloyd's (*)	\$2 million		\$48,762	
ERMA	\$1 million			\$41,025
Integro - Capitol Specialty Insurance Corp.	\$1 million		\$26,869	\$21,450
Integro - Arch/Lloyd's (*)	\$1 million		\$36,120	
Integro - Euclid/Lloyd's (*)	\$1 million			\$39,938
Integro - Capitol Specialty Insurance Corp.	\$5 million		\$47,963	
Integro - Arch/Lloyd's (*)	\$5 million		\$66,822	

(*) Both companies did not originally provide a quote but submitted an initial estimate. Staff would need to submit application for formal quote.

ERMA

ERMA is the first statewide risk sharing pool created exclusively to provide broad coverage for EPL with tailored loss prevention services (i.e. AB1825 and AB1234 training included). ERMA is comprised of nine JPA members and two individual members, totaling over 195 individual underlying members. One of the JPA members is the Municipal Pooling Authority (MPA) of Northern California, which represents most of County Connection’s Board except for the City of Concord and the County.

ERMA would require that we must maintain membership for three years before we could withdraw from the JPA. The coverage provided by ERMA is based on the claims incident date, which means they would cover claims that occurred on or after July 1, 2017. All claims would be handled by ERMA and their panel of attorneys. Hanson Bridgett is not currently a panel attorney, even though they do have known firms such as Liebert Cassidy Whitmore, Best Best & Kreiger, and Jackson Lewis. Hanson Bridgett could be a panel attorney but would need to go through the process and be available to all members. Also, they would need to agree to the hourly rates since ERMA will not authorize individual members to pay higher hourly rates. Finally, unlike an insurance company that could not renew you, it would require two-thirds of the ERMA Board or Executive Committee to remove a member.

Integro - Capitol Specialty Insurance Corporation (CapSpecialty)

CapSpecialty is a specialty insurance provider for small and mid-sized businesses across the U.S. and provides Employment Practices Liability for employer groups with up to 1,500 employees. Their best pricing fit in California is on organizations with 50-350 employees with annual revenues between \$10 million and \$250 million. The Insurer is rated A “Excellent” Financial Category Class VIII by AM Best. The coverage is based on a claims made and reported basis, which means that a covered event would be covered in the claims made policy that is in effect at the time the claim (or incident) is first made and reported to the insurance company (not by the policy that is in force at the time of the original occurrence). For instance, if a wrongful termination occurred during the first policy period (2017-18), but was not claimed against the organization and reported to the insurance company until the later 2018-19 renewal policy year, then the claim would be handled by the 2018-19 year renewal policy (not the 2017-18 policy). The event which leads to a claim must also have occurred after the “retro-date” stated on the policy (which in our case would be the July 1, 2017 start date). CapSpecialty has panel attorneys that include Jackson Lewis, but we have the option of using Hanson Bridgett as the attorney of record. Similar to our current structure with CalTIP, the insurance company will only include the panel rate costs as part of the retention amount (see rate table below). For example, CapSpecialty’s rate for a panel attorney is \$250 an hour, while Hanson Bridgett’s hourly rate is \$365 an hour. The difference of \$115 would be paid by County Connection, but not included in the retention amount. Finally, we would need to renew our insurance annually through Integro.

	Partner	Associate	Paralegal
Panel Rate	\$250	\$170	\$100
Hanson Bridgett Rate	\$365-\$345	\$325	\$225-\$200

Other Insurance Companies

During the initial request for quotes, only CapSpecialty submitted a proposal to Integro, other insurance companies declined due to the nature of not being familiar with transit agencies and/or our claims loss history (see table below). After Integro followed up with various insurance companies and explained the claims history, two additional quotes were received by Arch/Loyld & Euclid/Loyld. Both of the preliminary estimates are higher than CapSpecialty and we would need to go through the paperwork to finalize quotes.

CalTIP EPL Claims History - Incident Occurred			
Loss Paid:	0-3 years ago	4-6 years ago	7-9 years ago
\$0-\$10,000	-	-	1
\$10,000-\$50,000	-	-	-
\$50,000-\$100,000	-	-	1
\$100,000-\$150,000	-	-	-
\$150,000-\$200,000	1	-	-
\$200,000-\$300,000	-	-	1

Follow Up from A&F Committee:

The following are follow up items or questions by the A&F Committee:

- a) ERMA stated that they have provided \$13.5 in dividends over the previous 4 program years. A&F Committee asked what percentage is that amount compared to premiums collected? Per ERMA, that equates to approximately 18% of the total collected premium for all years since inception of the program.
- b) How long must we stay in ERMA or Integro-CapSpeicalty? ERMA would require a commitment of three years before we could withdraw. Integro would need to be renewed annually and if we switched, may require purchasing additional insurance to cover any gap years ("tail" coverage).
- c) Savings from ERMA's other services such as live training, employee and attorney hotline:
 - \$936 - AB 1234 paid to CalChamber
 - \$365 an hour (if needed) – ERMA provides one free hour a month with their EPL attorney's. This is to ask quick or brief questions of their attorneys and advantageous if your agency doesn't have labor counsel.
 - County Connection does not have an employee hotline. We do have an Employee Assistance Program (EAP) hotline for issues related to personal problems (i.e. marital, financial or emotional problems).
- d) EPL work done by Hanson and Bridgett compared to annual costs. The information has been requested and they are working on it.
- e) Self-Insured – Hanson and Bridgett has offered to provide a program for County Connection to be self-insured for EPL only. This work will require additional time by Hanson and Bridgett to complete.

Integro - CapSpecialty – County Connection would need to determine retention amount and whether to use CapSpecialty's panel attorneys or Hanson Bridgett as attorney of record. Finally, the Board would need to authorize staff to proceed with CapSpecialty and sign any necessary documentation.

Next Steps:

Integro - CapSpecialty – County Connection would need to determine retention amount and whether to use CapSpecialty’s panel attorneys or Hanson Bridgett as attorney of record. Finally, the Board would need to authorize staff to proceed with CapSpecialty and sign any necessary documentation.

ERMA – ERMA’s Underwriting Committee has recommended County Connection for membership at the \$250,000 retention level. ERMA’s Board of Directors will approve membership at the May 16, 2017 meeting. County Connection will need to approve the Resolution Authorizing Participation in ERMA (Attachment C) at the next Board meeting to be a member. We would also need to provide written confirmation of our intent to bind coverage in ERMA or withdraw from the application process no later than June 1, 2017.

Recommendation:

The A&F Committee made a recommendation to proceed with Integro CapSpecialty for one year at the \$250,000 self-retention and \$2 million of coverage for Employment Practices Liability Insurance.

Attachments:

- A. Intergo Presentation Proposal
- B. ERMA Presentation Proposal
- C. ERMA Resolution



Proposal of Employment Practices Liability Insurance
Policy Term: TBD

Central Contra Costa Transit Authority
2477 Arnold Industrial Way
Concord, CA 94520

Presented By

Jerry Katopodis, CPCU
Doug Williams, CPCU/ARM
Integro Insurance Brokers
P. O. Box 232017
Pleasant Hill, CA 94523-6017
925-682-7001
CA – License #: 0E77964

May 1, 2017



¹ The outlines of coverage used throughout this document are not intended to express any legal opinion as to the nature of coverage. They are only visuals to a basic understanding of coverage and limits. For a complete understanding of the coverage provided, please refer to the actual policy wording. Read your policy.
4/27/2017

Markets Approached

Carrier Name	A.M. Best Rating	Admitted/ Non-Admitted	Status	Comments
Employment Practices Liability				<p>Option #1: \$1M Limit \$100K retention per claim Retro Date: Policy Inception \$26,036 + \$833.15 CA Taxes Total: \$26,869.15</p> <p>Option #2: \$2M Limit \$100K retention per claim Retro Date: Policy Inception \$36,816 + \$1,178.11 CA Taxes Total: \$37,994.11</p> <p>Option #3: \$1M Limit, \$250K retention per claim Retro Date: Policy Inception \$20,785 + \$665.12 CA Taxes Total: \$21,450.12</p> <p>Option #4: \$2M Limit, \$250K retention per claim Retro Date: Policy Inception \$29,390 + \$940.48 CA Taxes Total: \$30,330.48</p> <p>Option #5: \$5M Limit \$250K retention per claim Retro Date: Policy Inception \$46,476 + \$1,487.23 CA Taxes Total: \$47,963.23</p>
Capitol Specialty Insurance Corporation	A VIII	Non-Admitted	Quoted	

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Carrier Name	A.M. Best Rating	Admitted/ Non-Admitted	Status	Comments
Employment Practices Liability				
Arch/Lloyd's	A X	Non-Admitted	Indication	\$1M Limit-\$100K Ret: \$35,000 \$2M Limit-\$100K Ret.: \$47,250 \$5M Limit-\$100K @ \$64,750 Plus CA Taxes (3.20%) (\$250K retention not offered)
Euclid/Lloyd's	A X	Non-Admitted	Quoted	\$1M Limit \$250K \$38,700 plus \$1,238.40 CA Taxes
AWAC		Non-Admitted	Declined	Class of Business
Lexington	A XV	Non-Admitted	Declined	Claims
Argo Pro		Non-Admitted	Declined	Class of Business
Admiral	A+ XV	Non-Admitted	Declined	Nature of Services
C NA		Non-Admitted	Declined	Government Agency
OneBeacon	A X	Non-Admitted	Declined	Claims
Maxum		Non-Admitted	Declined	Government Agency

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AM Best Financial Stability Rating

The California Department of Insurance (DOI) is charged with the responsibility to monitor and review the financial stability of all insurance companies operating within California. In addition to the DOI, there are many agencies that also provide input regarding the financial stability of insurance companies, including A.M. Best, Standard & Poor's and Moody's. Utilizing information provided by A.M. Best and the DOI, we strive to avoid placing our clients with an insurance company of questionable financial or managerial integrity. **Financial Strength Ratings:** The A.M. Best Company evaluates insurance companies on the basis of general management and assigns one of the following ten ratings.

A++ and A+	Superior	C and C-	Weak
A and A-	Excellent	D	Poor
B++ and B+	Very Good	E	Under Regulatory Supervision
B and B-	Fair	F	In Liquidation
C++ and C+	Marginal	S	Rating Suspended

Financial Size Categories: A. M. Best also considers the financial size of insurance companies, assigning each to one of 15 categories. (Categories are determined by adding the surplus to policyholders, conditional or technical reserves, less indicated shortages in reserves, if any. For stock companies, policyholders' surplus is the sum of capital and for mutual companies it is the surplus fund.)

CLASS I	\$ 1,000,000	or less	CLASS IX	\$ 250,000,000	to	\$ 500,000,000
CLASS II	\$ 1,000,000	to \$ 2,000,000	CLASS X	\$ 500,000,000	to	\$ 750,000,000
CLASS III	\$ 2,000,000	to \$ 5,000,000	CLASS XI	\$ 750,000,000	to	\$1,000,000,000
CLASS IV	\$ 5,000,000	to \$ 10,000,000	CLASS XII	\$1,000,000,000	to	\$1,250,000,000
CLASS V	\$ 10,000,000	to \$ 25,000,000	CLASS XIII	\$1,250,000,000	to	\$1,500,000,000
CLASS VI	\$ 25,000,000	to \$ 50,000,000	CLASS XIV	\$1,500,000,000	to	\$2,000,000,000
CLASS VII	\$ 50,000,000	to \$ 100,000,000	CLASS XV	\$2,000,000,000	or more	
CLASS VIII	\$100,000,000	to \$ 250,000,000				

Not Rated Categories (NR) and Modifiers:

NR-1	Insufficient Data	NR-4	Company Request	u	Under Review
NR-2	Insufficient Size and/or Operating Experience	NR-5	Not Formally Followed	s	Syndicate
NR-3	Rating Procedure Inapplicable			pd	Public Data

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NAMED INSURED

Coverage is provided for the following entity:

Central Contra Costa Transit Authority

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EMPLOYMENT PRACTICES LIABILITY (EPL)

Carrier: Capitol Specialty Insurance Corporation

A.M. Best Rating: A VIII

Term: TBD

Coverage	Limit	Retention	Prior & Pending Litigation Dates
Employment Practices Liability	\$1,000,000 Coverage Aggregate	\$100,000 Each Claim	Policy Inception
Third Party Liability	\$1,000,000 Coverage Aggregate	\$100,000 Each Claim	Policy Inception

Coverage Comments/Considerations

Full Prior Acts Exclusion Endorsement	E-ML-4178 (11/15)
Coverage(s) EPL Retro Date:	Policy Inception

Optional Extended Reporting Period:

- One Year: 100%
- Two Years: 125%
- Three Years: 150%

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EMPLOYMENT PRACTICES LIABILITY (EPL) (CONT.)

NOTE REGARDING USING HANSON BRIDGETT AS CHOICE OF COUNSEL:

CapSpecialty approved rates are:

\$250 Partner

\$170 Associate

\$100 Paralegal

Arch/Lloyd's approved rates are:

Partner \$300

Associate/Senior Counsel \$250

Paralegal \$100

CCCTA would have to pay the difference in the fees.

NOTE REGARDING CLAIMS HANDLING:

1. Regarding your inquiry as to whether counsel will be assigned and handle claims/incidents once they are first reported, or if Insured must manage the claim and legal under the retention: **RESPONSE:** The insured would submit their claim as per claims handling procedures included in their policy, their choice counsel is appointed and claim is handled and managed.
2. Regarding your inquiry if CCCTA would need to hire an additional claims management service to manage the billings, etc. under the retention, or is that service provided by the insurer: **RESPONSE:** No, such as a TPA – not necessary. The carrier's claims department works with counsel re billing retentions, defense costs, etc.
3. Regarding your inquiry about additional costs beyond the legal that CCCTA must take on managing the claims under the retentions: **RESPONSE:** Applicant needs to be aware of carriers approved counsel hourly rates and whether they will negotiate with firm to accept rates or otherwise pay the difference between rates provided and approved rate by the carrier.

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EMPLOYMENT PRACTICES LIABILITY (EPL) (CONTINUED)

Definitions

- ✓ **Employment Practices Wrongful Act** means any of the following when alleged against an Insured by any past or present Employee of the Insured Entity, or by any applicant for employment with the Insured Entity, in connection with that person's actual or proposed employment relationship with the Insured Entity, wrongful dismissal, discharge or termination of employment:
 1. Breach of employment contract
 2. Harassment, including sexual harassment whether "quid pro quo", hostile work environment or otherwise;
 3. Discrimination based upon age, gender, race, color, national origin, mental status, genetic information, HIV status, religion, sexual orientation or preference, pregnancy or disability, veteran status, or any basis prohibited by foreign, federal, state or local statutory laws or common laws;
 4. Breach of any manual of employment policies or procedures issued by the Insured Entity;
 5. Workplace Tort; or
 6. Retaliatory action in response to that Employee's:
 - a. disclosure or threat of disclosure of any act by an Insured alleged to be a violation of any federal, state, local or foreign law, common or statutory, or any rule or regulation promulgated thereunder;
 - b. actual or attempted exercise of any right that Employee has under law; or
 - c. filing of any claim under the Federal False Claims Act or any other federal, state, local or foreign "whistle-blower" law.
- ✓ **Employee** means the following natural persons, but only for Wrongful Acts committed while acting within the scope of their duties for the Insured Entity.
 1. Full-time, part-time, seasonal, leased and temporary employees, volunteers or interns; and
 2. Independent contractors, provided that such independent contractors are directly supervised by the Insured, and only if the Insured provides indemnification to such person:
 - a. pursuant to a written agreement executed prior to the Inception Date of the Policy or the date such person first rendered such labor or service to the Insured, whichever is later; and
 - b. to the same extent and in the same manner as the Insured provides indemnification to its other employees.
- ✓ **Definition of Insured** means the **Insured Persons and Insured Entity**.

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EMPLOYMENT PRACTICES LIABILITY (EPL) (CONTINUED) -

- ✓ **Insured Person** means any:
 1. Past, present or future director, officer or manager of the Insured Entity, but only with respect to the performance of his or her duties as such on behalf of the Insured Entity;
 2. Past, present or future principal if the Insured Entity is a sole proprietorship, or past, present or future partner if the Insured Entity is a partnership, but only with respect to the performance of his or her duties as such on behalf of the Insured Entity; and
 3. Employee

- ✓ **Third Party** means any natural person who is an active or current customer, supplier, vendor, business invitee, or other client of the Insured entity.

- ✓ **Third Party Wrongful Act** means
 1. Harassment, including sexual harassment whether "quid pro quo", hostile work environment or otherwise against a Third Party or;
 2. Discrimination against a Third Party based upon such Third Party's age, gender, race, color, national origin, mental status, genetic information, HIV status, religion, sexual orientation or preference, pregnancy or disability, veteran status, or any basis prohibited by foreign, federal, state or local statutory laws or common laws, committed, attempted or allegedly committed or attempted by any Insured Entity or by any Insured Person while acting in his or her capacity as such.

"Wrongful Act" means: any Employment Practices Wrongful Act or Third Party Wrongful Act.

Exclusions

- Dishonest, fraudulent or malicious act or omission or any willful violation of any statute, rule or law by such Insured.
- Prior/Pending Litigation Exclusion
- Prior Knowledge Exclusion
- Workers' Compensation
- Liability Assumed by Contract
- ERISA

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EMPLOYMENT PRACTICES LIABILITY (EPL) (CONTINUED) -

Duties in the Event of a Claim Potential Claim or Loss

Notice of Claim

Provide written notification to the Company of a Claim made during the Policy Period as soon as practicable or within ninety (90) days after the expiration or cancellation of this Policy. If a Claim is first made within any applicable Extended Reporting Period, the Insured will provide written notification to the Company of such Claim as soon as practicable but in no event later than the termination of the Extended Reporting Period. In the event suit is commenced against an Insured, the Insured must immediately send the Company copies of all demands, notices, settlement offers, summonses or legal papers received in connection with the Claim.

A. Notice of Potential Claims.

If during the Policy Period the Insured first becomes aware of a Wrongful Act which may reasonably be expected to be the basis of a Claim against an Insured, and the Insured, as soon as practicable, but in no event later than the termination of the Policy Period, gives the Company written notice of such Wrongful Act, then the Company will treat any subsequently resulting Claims as if it had first been made during the Policy Period.

The notice must include the following:

Names of all persons and or organizations involved in the Wrongful Act;

The specific person or organization likely to make the Claim;

a description of the time, place and nature of the Wrongful Act; and
a description of the potential claim.

B. Insured's Duties in Event of Claim

Upon the Company's request, the Insured must authorize the Company to obtain records and other information.

The Insured must cooperate with and assist the Company in the investigation, settlement and defense of any Claim.

The Insured must cooperate with and assist the Company, upon the Company's request, in enforcing any rights of contribution or indemnity against another party who may be liable to an Insured.

No Insured will, except at the Insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense without the Company's written consent.

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EMPLOYMENT PRACTICES LIABILITY (EPL) (CONTINUED) -

No Insured will, except at the Insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense without the Company's written consent.

Send all notices of claims or potential claim notices as well as other required material to:

Mailing Address:
CapSpecialty Claim Department
PO Box 5900
Madison, WI 53705-0900
Or Email to: claims@capspecialty.com
Or Fax to: (608) 829-7411

Please reference your policy for complete details relating to reporting requirements in connection with claims or potential claims, including what to include in your notices.

To discuss an existing claim, call: 1-800-475-4450 (Select #3 for Claims)

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Comparison of and EPL and D & O Coverage Trigger

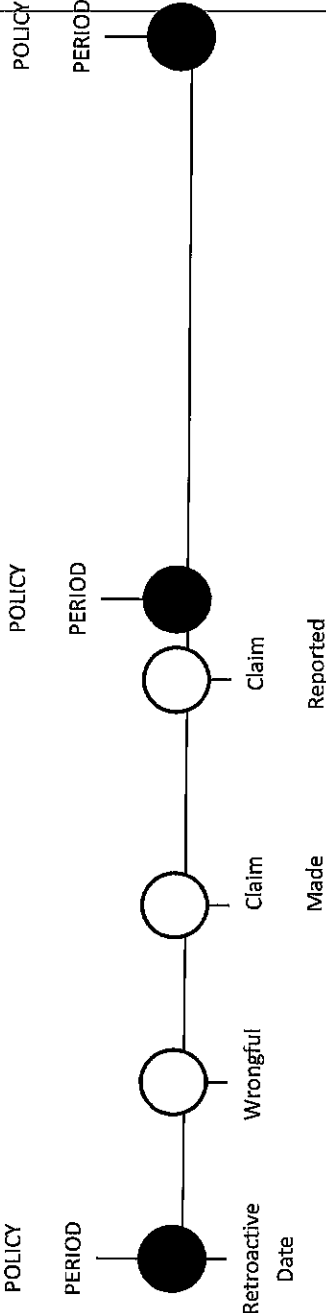
A **claims made** policy applies to claims that are made during the policy term, regardless of when the claim is reported to the insurance carrier. Alternatively, a **claims made and reported** policy applies to claims only if they are made and reported during the policy term (or a short grace period after the term).

In each of the following scenarios, the policy in question:

- ✓ has a term of January 1, 2005 to January 1, 2006.
- ✓ is written with a January 1, 2005 retroactive date, and
- ✓ includes a provision with the claims made and reported policy that requires claims to be reported to the insurer within 60 days following expiration of the policy.

Scenario #1

In this scenario, both the claims made and reported policies would apply to the claim because the wrongful act took place after the retroactive date, the claim was made against the insured during the policy period and the claim was reported to the insurer within the 1/1/05 policy period.



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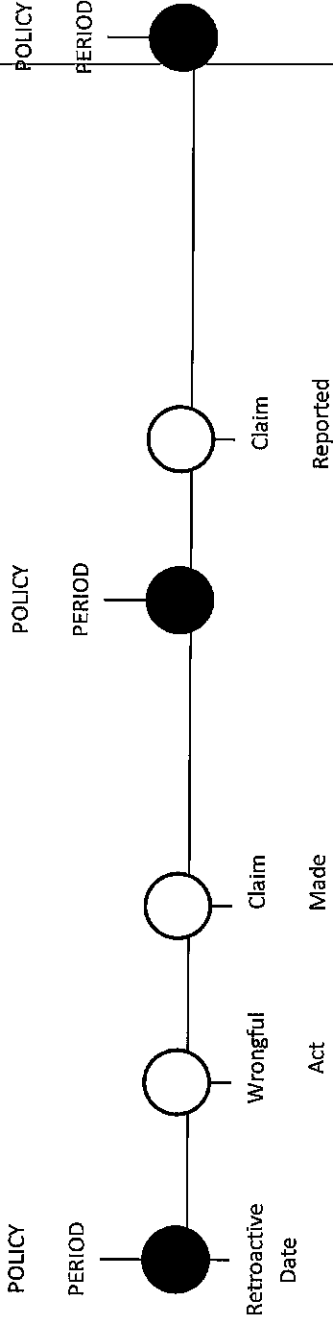
4/27/2017

Comparison of and EPL and D & O Coverage Trigger (cont.)

Scenario #2

In this scenario, only the claims made policy would apply to the claim. There is no requirement that the claim be reported to the insurer during the policy period following a claim made against the insured. The claim need only be reported as soon as practicable.

The claims made and reported policy period would not apply to the claim because the claim was not made and reported during the policy period or within 60 days of the policy expiration date.



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**PREMIUM OPTIONS SUMMARY 2017-2018-
See Page 2 & 3 for complete marketing results;**

COVERAGE	OPTION	CARRIER	LIMITS	DEDUCTIBLE	RETRO DATE	PREMIUM
Employment Practices Liability						
	OPTION #1	Capitol Specialty Insurance Corporation	\$1,000,000	\$100,000	Policy Inception	\$26,036 + \$833.15 Taxes & Assessments Total: \$26,869.15
	OPTION #2	Capitol Specialty Insurance Corporation	\$2,000,000	\$100,000	Policy Inception	\$36,816 + \$1,178.11 Taxes & Assessments Total: \$37,994.11

Pre-Binding Subjectivities: (required in order to firm up terms)

1. Completed, Signed and Dated CapSpecialty Application-RECEIVED.OR Need completed Arch Application to firm up Arch indication.
2. D-1: Surplus Lines Affidavit.

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Central Contra Costa Transit Authority Integro Service Team



Executive Broker



Jerry Katopodis

President
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Employment Practices



Doug Williams

Sr. Vice President
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Mobile: (925) 998-9195
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Office: Pleasant Hill

Account Manager



Lynette Dupree

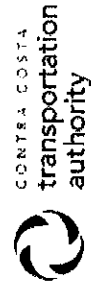
Commercial Account Manager
Phone: (925) 852-0413
Lynette.Dupree@integrogroup.com
Office: Pleasant Hill

Claims Advocate



John Orr

Managing Principal
Phone: (415) 365-4665
Mobile: (415) 712-9307
John.Orr@integrogroup.com
Office: San Francisco



Keeping Contra Costa Moving

Confidential

A.M. Best Rating Services

Capitol Specialty Insurance Corporation (2)

A.M. Best #: 001960 NAIC #: 10328 FEIN #: 390988659

Mailing Address

[View Additional Address Information](#)

P.O. Box 5900

Madison, WI 53705-0900

[United States](#)Web: www.capspecialty.com

Phone: 608-829-4200

Fax: 608-829-7408



Assigned to insurance companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.

View additional [news, reports and products](#) for this company.

Based on A.M. Best's analysis, [058309 - Alleghany Corporation](#) is the **AMB Ultimate Parent** and identifies the topmost entity of the corporate structure. View a list of [operating insurance entities](#) in this structure.

Best's Credit RatingsFinancial Strength Rating [View Definition](#)

Rating:	A (Excellent)
Affiliation Code:	g (Group)
Financial Size Category:	VIII (\$100 Million to \$250 Million)
Outlook:	Stable
Action:	Affirmed
Effective Date:	August 19, 2016
Initial Rating Date:	June 06, 1994

Long-Term Issuer Credit Rating [View Definition](#)

Long-Term:	a
Outlook:	Stable
Action:	Affirmed
Effective Date:	August 19, 2016
Initial Rating Date:	November 16, 2005

u Denotes [Under Review Best's Rating](#)

Best's Credit Rating Analyst

Rating Issued by: A.M. Best Rating Services, Inc.

Senior Financial Analyst: Scott Mangan

Director: Greg Reisner

Disclosure Information

View A.M. Best's [Rating Disclosure Form](#)

[A.M. Best Upgrades Ratings of Transatlantic Reinsurance Company and Alleghany Corporation](#)
August 19, 2016

Rating History

A.M. Best has provided ratings & analysis on this company since 1994.

Financial Strength Rating

Effective Date	Rating
8/19/2016	A
4/24/2015	A
4/2/2014	A
2/28/2013	A

Long-Term Issuer Credit Rating

Effective Date	Rating
8/19/2016	a
4/24/2015	a
4/2/2014	a
2/28/2013	a

AMB Credit Reports

AMB Credit Report - includes Best's Financial Strength Rating and rationale along with comprehensive analytical commentary, detailed business overview and key financial data.

Report Revision Date: 3/23/2017 (represents the latest significant change).



Historical Reports are available in [AMB Credit Report Archive](#).

View additional [news](#), [reports](#) and [products](#) for this company.

Press Releases

<u>Date</u>	<u>Title</u>
Aug 19, 2016	A.M. Best Upgrades Ratings of Transatlantic Reinsurance Company and Alleghany Corporation
Apr 24, 2015	A.M. Best Affirms Ratings of Alleghany Corporation's RSUI Indemnity Company and Its Affiliates
Apr 02, 2014	A.M. Best Upgrades Ratings of Alleghany Corporation's RSUI Indemnity Company and Its Subsidiaries
Feb 28, 2013	A.M. Best Upgrades Issuer Credit Ratings of Transatlantic Holdings Inc. and Its Subsidiaries
Jun 10, 2011	A.M. Best Affirms Ratings of Alleghany Corporation and Its Subsidiaries
May 21, 2010	A.M. Best Upgrades Issuer Credit Ratings of Alleghany Corporation and Certain Subsidiaries
Apr 03, 2008	A.M. Best Affirms Ratings of Capitol Insurance Group
Apr 30, 2007	A.M. Best Comments on Alleghany Corporation's Definitive Agreement to Acquire Employers Direct Corporation
Mar 02, 2007	A.M. Best Affirms Ratings of Capitol Insurance Group
Nov 16, 2005	A.M. Best Assigns Ratings to Darwin Group, Inc. and Its Subsidiaries

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A.M. Best Upgrades Ratings of Transatlantic Reinsurance Company and Alleghany Corporation

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Related Companies

For information about each company, including the AMB Credit Reports, group members (where applicable) and news stories, click on the company name. An additional purchase may be required.

AMB#	Company Name
058309	Alleghany Corporation
058702	American International Group, Inc
058334	Berkshire Hathaway Inc.
005716	CapSpecialty Insurance Group
000235	Capitol Indemnity Corporation

1 2 3 4

FOR IMMEDIATE RELEASE

OLDWICK - AUGUST 19, 2016

A.M. Best has upgraded the financial strength rating (FSR) to A+ (Superior) from A (Excellent) and the issuer credit ratings (ICR) to "aa-" from "a+" of **Transatlantic Reinsurance Company** and its subsidiaries (collectively referred to as TransRe). In addition, A.M. Best has upgraded the ICRs to "a-" from "bbb+" and the issue ratings of **Alleghany Corporation** (Alleghany) [NYSE: Y] and **Transatlantic Holdings Inc.** The outlook of each rating has been revised to stable from positive. TransRe and Alleghany are headquartered in New York, NY.

Concurrently, A.M. Best has affirmed the FSR of A+ (Superior) and the ICRs of "aa-" of **RSUI Indemnity Company** and its reinsured subsidiaries, collectively referred to as **RSUI Group** (RSUI) (headquartered in Atlanta, GA). The outlook for each of these ratings is stable.

A.M. Best also has affirmed the FSR of A (Excellent) and the ICRs of "a" of **Capitol Indemnity Corporation** and its two subsidiaries, which operate under a pooling agreement, collectively referred to as **CapSpecialty Insurance Group** (CapSpecialty) (headquartered in Middleton, WI). The outlook for each of these ratings is stable.

Additionally, A.M. Best affirmed the FSR of A- (Excellent) and the ICR of "a-" of **Pacific Compensation Insurance Company** (Pacific Comp) (headquartered in Thousand Oaks, CA). The outlook for each rating remains stable. (Please see below for a detailed listing of the companies and ratings.)

The upgrading of TransRe's ratings reflects its strong risk-adjusted capitalization, robust enterprise risk management and consistent operating performance. The upgrade also reflects TransRe's well-regarded business profile and its highly diversified book of business geographically and by line of business. Also contemplated in the ratings are recent transactions that have further bolstered TransRe's business profile. In July 2016, TransRe announced that it had entered into an exclusive agreement to serve as the underwriter for U.S. and Canadian broker-sourced treaty business on behalf of **General Re Corporation**, a subsidiary of **Berkshire Hathaway Inc.** While the tangible benefits of the agreement have not yet been realized, the additional capacity is expected to enhance TransRe's overall competitive position. Additionally, TransRe and an **American International Group, Inc.** subsidiary engaged in commutation of historical asbestos and environmental exposures that have been a long-standing, albeit modest, drag on overall earnings. Going forward it is A.M. Best's expectation that while TransRe's return measures are unlikely to be at the high end of the companies' peer group, TransRe will continue to produce favorable results, supportive of its ratings and with lower volatility relative to peers over the course of the full cycle.

The ratings of RSUI continue to reflect the group's strong risk-adjusted capitalization and excellent track record of superior underwriting results that have outperformed the industry. Although RSUI has significant catastrophe exposures and elevated equity leverage in its investment portfolio, both are closely monitored and managed as part of RSUI's risk management planning.

CapSpecialty's ratings recognize its strong and sustained levels of risk-adjusted capitalization and its ongoing process of re-orienting its book of business to produce more stable results. CapSpecialty benefits from the implicit and explicit support of Alleghany, its ultimate parent.

The ratings and outlooks of Pacific Comp are based on A.M. Best's expectation that explicit support through intercompany reinsurance and direct capital support will remain ongoing or increased if needed.

The FSR has been upgraded to A+ (Superior) from A (Excellent) and the ICRs upgraded to "aa-" from "a+" for **Transatlantic Reinsurance Company** and its following subsidiaries:

- TransRe Zurich Ltd.
- TransRe London Limited
- Fair American Insurance and Reinsurance Company
- Fair American Select Insurance Company

The FSR of A+ (Superior) and the ICRs of "aa-" have been affirmed for the following members of **RSUI Group**:

- RSUI Indemnity Company

- Landmark American Insurance Company
- Covington Specialty Insurance Company

The FSR of A (Excellent) and ICRs of "a" has been affirmed for the following members of CapSpecialty Insurance Group:

- Capitol Indemnity Corporation
- Platte River Insurance Company
- Capitol Specialty Insurance Corporation

The following issue ratings have been upgraded:

Alleghany Corporation—

- to "a-" from "bbb+" on \$299 million 5.625% senior unsecured notes, due 2020
- to "a-" from "bbb+" on \$400 million floating rate senior unsecured notes, due 2022
- to "a-" from "bbb+" on \$300 million 4.9% senior unsecured notes, due 2044

Transatlantic Holdings Inc.—

- to "a-" from "bbb+" on \$350 million 8% senior unsecured notes, due 2039

This press release relates to rating(s) that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see A.M. Best's [Recent Rating Activity](#) web page.

A.M. Best is the world's oldest and most authoritative insurance rating and information source.

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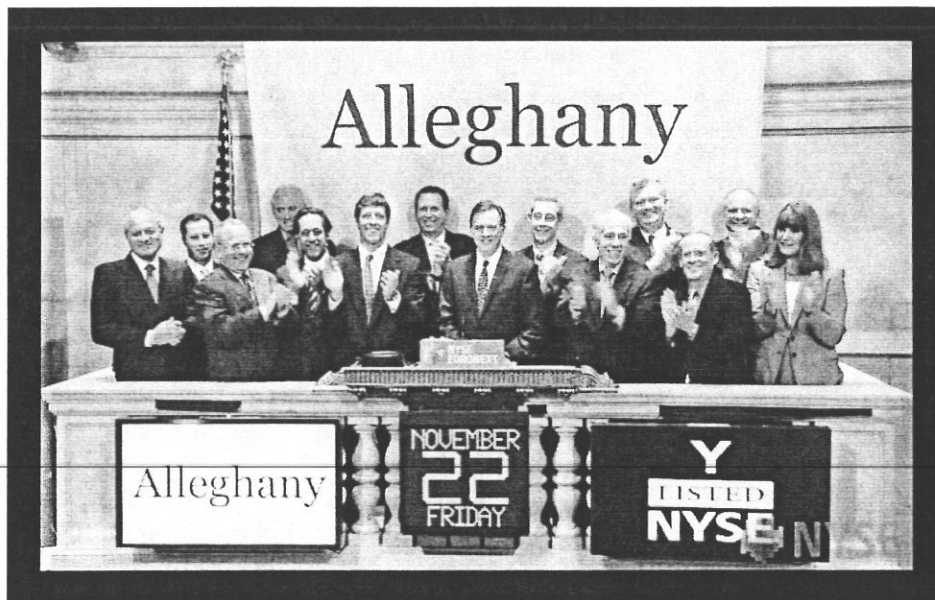
About Alleghany

Conservatism dominates our philosophy.

We shun investment fads and fashions in favor of acquiring relatively few interests in basic financial and industrial enterprises that offer the potential to deliver long-term value to the investor.

Alleghany's objective is to create value through owning and managing operating subsidiaries and investments, anchored by a core position in property and casualty reinsurance and insurance.

We are managed by a small company staff which seeks out attractive investment opportunities, delegates responsibilities to competent and motivated managers, sets operating subsidiary goals, assists managers in the achievement of these goals, defines risk parameters and appropriate incentives and monitors progress against long-term objectives. The operating subsidiaries function in an entrepreneurial climate as quasi-autonomous enterprises.



2013: Alleghany Celebrates 85th Anniversary of Listing on the New York Stock Exchange

CapSpecialty

CapSpecialty, Inc. ("CapSpecialty") underwrites a full inventory of specialty lines, including commercial property, casualty, fidelity, surety and professional lines with a focus on small business on both an admitted and non-admitted basis.

CapSpecialty's mission is to be the preferred specialty insurance company for small and mid-sized businesses in the U.S.

CapSpecialty was acquired by Alleghany in January 2002.

www.capspecialty.com

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- + Customizable HR risk management resources and proactive HR *Express* Updates direct to your inbox
- + Dedicated relationship managers that can help you take full advantage of these benefits

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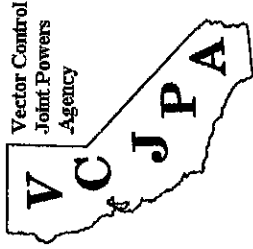


**County Connection
Administration & Finance
Committee Meeting**

May 1, 2017



Membership



ERMAC

EXCLUSIVE RISK MANAGEMENT AUTHORITY OF CALIFORNIA

MPA



HOUSING AUTHORITY of the
COUNTY OF CONTRA COSTA

MBASIA



Oakland Housing Authority

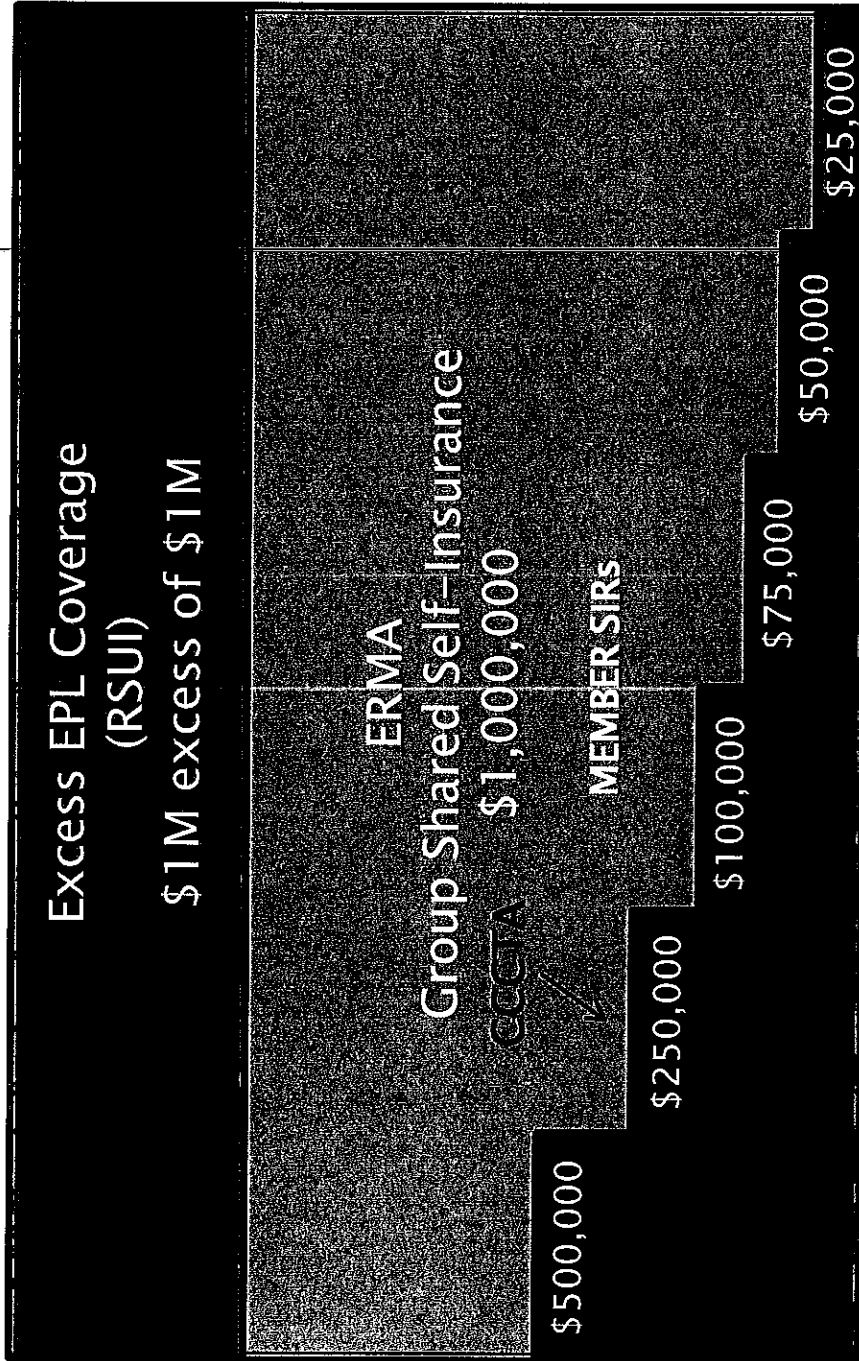


SCORE

Small Cities Organized Risk Effort



Coverage Structure



Financial Advantages

- Conservatively Funded Program
- Rates are not profit-driven
- Flexibility of SIRs
- Dividend plans and incentives – \$13.5M in dividends in previous four program years.
- Rates based upon JPA and individual member experience
- Capped individual member ex-mod factor

*T 1/2 of compared
Dividends to premiums*

Program Advantages

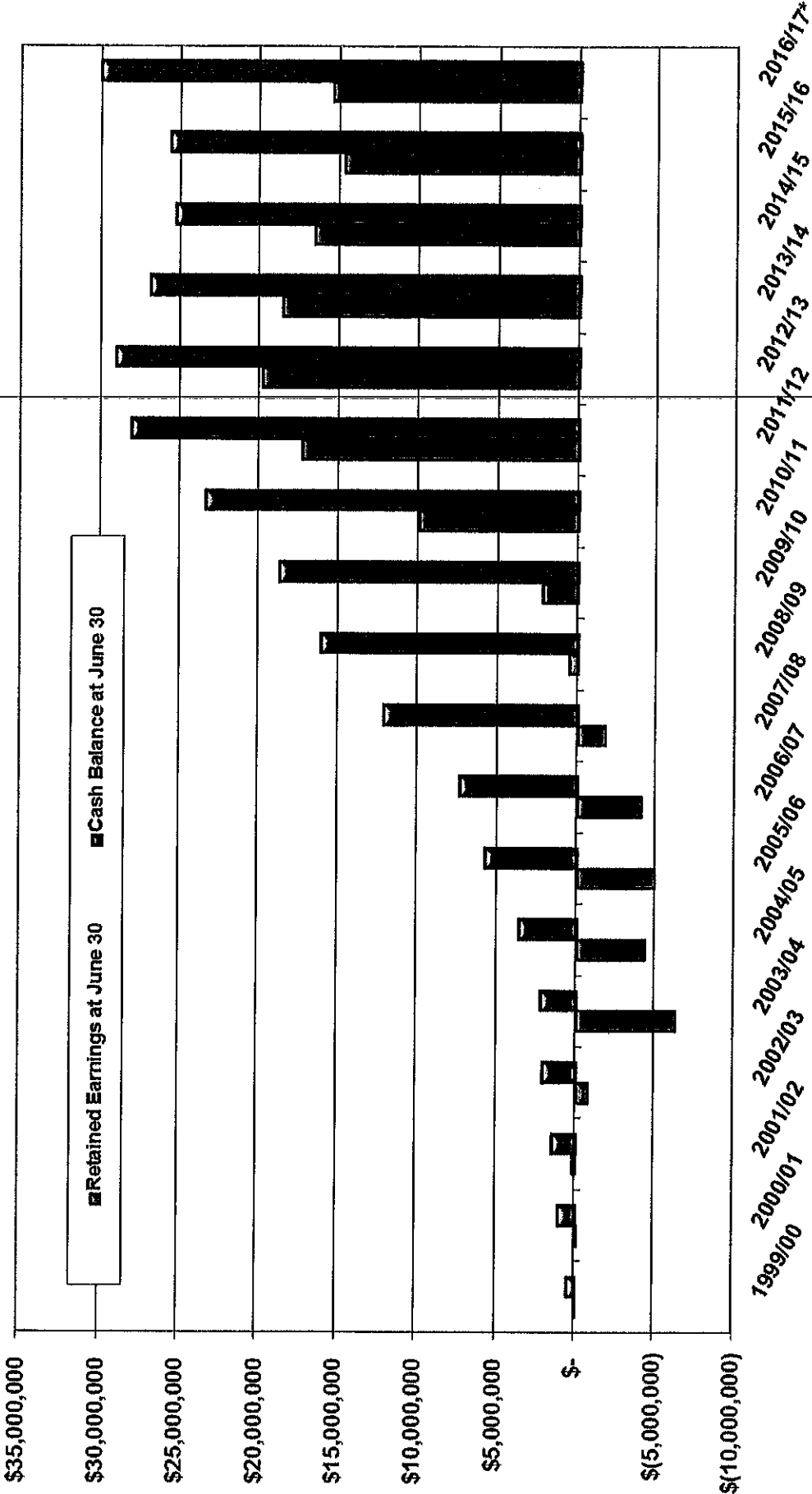
Definition of Occurrence

- “First act” occurred during coverage period
- All allegations by same employee in same claim are considered one occurrence
- All claims by all employees arising from same act, policy, or course are considered one occurrence

Claims-Made Policy

- Covers claims made during given period of time. Loss may have happened many years in past, but reported during current policy term
- Claims-made policy runs risk of no coverage for a potential claim if not discovered until after policy expired

ERMA Retained Earnings and Cash Balance As of Year End For All Program Years Combined



Program Year-End *2016/17 Balances are as of 12/31/16



Litigation Management & Loss Prevention

- Comprehensive Litigation Management
- Live training workshops
- *in2vate*
- Employee Reporting Line
- Attorney Hotline
- Policy Review Program

QUESTIONS ?

