Risky Business: Transit Insurance and Risk Management Webinar Questions and Answers

March 31, 2022

National RTAP and AASHTO Multi-State Transit Technical Assistance Program (MTAP) hosted a webinar on March 31, 2022 to provide training on two very important components of rural transit management: insurance and risk management. Mike Spadafore, the panel moderator, kicked off this webinar with a brief overview, as well as introduced the current NCHRP project on Statewide Insurance Pooling for Public Transit. Then our panelists, Jill Nagy, Brenda Schweitzer, and Glen Griffin, provided their in-depth expertise on the subjects of transit insurance, risk management and transit insurance pooling. After presentations, our experts answered audience questions.

Access the webinar recording and presentation.

Q: How do you "interview" the risk of pool members when you are investigating?

A: Jill said that for their pool, they look at five-year loss experience for workers compensation and various other metrics. They've had people that have asked to be in the pool and were told, "You need to get your losses down for a number of years." Their pool also performs a full and robust inspection of all potential member policies, procedures, and hiring criteria. They score them to see what they need to achieve prior to getting in, looking at the loss history. Glen added that their pool has an application process, and as part of that process, they ask for 10 years of loss run history. They will review those losses with high payouts and find out more details as part of their underwriting process. They also request 2 years of financial reports.

Q: Where rural transit providers are currently exempt from FTA's requirement for formal & adopted agency safety plans, can a pool require its members to develop & adopt a safety plan & follow FTA's guidance for those plans?

A: Glen said that their pool encourages the FTA requirements and they also have suggested guidelines in place for members. They also offer a safety policy manual for members to access

online on their website. There's a lot of resource material out there and members can access various topics and suggested guidelines. To find unsafe risk management practices they have an audit process and try to get out to at least one-third of those members every year, so 11 or so through the risk management safety analysis process. If there are issues with claims and losses or risk management, they'll get together and review those and offer some suggested steps as corrective measures to minimize or avoid those losses.

Q: I see that a risk management plan can serve as a safety plan. Do you have guidelines that what should go into a risk management plan, e.g., facility emergency considerations?

A: The panelists felt that the size of the operation is a factor, and guidelines should be able to change as the risk management landscape is always changing.

Q: What is the start-up dollar amount to start a pool? When we were looking in at this concept in Oregon there was something about $5 million dollars and maybe that was budget. We just did not have a large enough pool of operators to get it going. What is the minimum number of transit agencies where insurance pooling becomes feasible?

A: From Michigan's perspective, Glen explained that it was based on how many agencies had an interest, as well as meeting state financial requirements and making a commitment to setting aside reserves early on. On an ongoing basis, they want to grow at a pace that will continue the capitalization, but it's really a multi factor approach, you must really decide how you want to operate your pool and what services you want to provide and the expense of doing so. You need economies of scale and make sure you can meet all those expenses and make sure that you're growing your financial backup as you go along. Jill said that another consideration might be any Insurance Commission requirements, such as Pennsylvania minimum requirements for reserves.

Q: Given states may vary with their regulations, is there any issue with a pool having members that provide services that cross state lines?

A: Jill explained that it's going to depend on if you have a mechanism set up that you can cross state lines, the private sector does that a fair amount, with very large motor coach pools, but sometimes government pools have some restrictions, so look at that too in your state. It's really going to be based upon your state law. Mike has heard both scenarios, where it's either run by the state or run by a nonprofit created to do the running or an agency separate, all together, so there are different, a few different paradigms that could work out.

If you have additional questions, please contact National RTAP at info@nationalrtap.org. The panelists shared additional resource documents that we would be able to share with requesters.