

Paratransit Services

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*Since 1980, the mission
of Paratransit Services
has been to provide
quality coordinated
transportation and
community services
that meet the needs
of the people we are
entrusted to serve.*

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January 16, 2025

Robin Van Valkenburg
Nevada County Public Works

RE: Insurance Status

Dear Robin,

I am writing to make you aware of a serious situation faced by Paratransit Services, and to provide background, and inform you that effective June 1, 2025, Paratransit Services will no longer have vehicle insurance for the Nevada County contract.

Background on the Insurance Market and Rate Increases

- The insurance industry is in crisis. General Liability Insurance (GL) has skyrocketed due to natural disasters. In our company's history, we have never posted a claim for GL, but our rates are driven by the market, not our experience. In addition the excess insurance market is a tough market to find insurance at a reasonable rate. We cannot control the pricing, our insurance pool for not-for-profit companies shop for the best deal possible, and work their relationships to get the best coverage at the best rate. But individual carriers ultimately set the rate. Four of our sites require a \$10M threshold, which requires us to purchase \$5M in the excess market.
- Leading up to our 24/25 insurance renewal with Non-Profit Insurance Pool (NPIP), we aggressively shopped 15 different national and regional markets, our insurance company worked with high level partners and worked their relationships. The outcome was that we were unable to obtain quotes from other companies because of California insurance risk assessments, the ever changing landscape of California insurance law, and our experience rating.
- In 2023, we experienced a 20% rate increase for the 23/24 insurance renewal term. Leading up to the renewal for 24/25, we had been told by our current insurer, NPIP, to expect another 50% increase for that renewal. Our Risk Manager, Becky Semmler, sat on the Board of NPIP and had no other information that contradicted this.

- But in fact, we received an 87% increase to insurance costs, increasing Paratransit's costs by over \$1.1M with two days' notice. This brings our insurance cost increases for the past two years to over 107% and our company total to over \$2.3M. The increases would have been even higher if we had not also increased the deductible to \$10k per event.
- Our Safety Program, *Target Zero*, has dramatically reduced our experience level, but we have been told that due to the market, we can expect another large increase, for the renewal in 2025.

Strategies

- We have worked with five of the transit agencies we contract with to increase our rates to cover the increased insurance costs, with help from State and Federal agencies. We did not approach you for a renegotiation based on Force Majeure in the contract as Nevada County the past two years, but instead we able to absorb the increases within the contract budgets.
- We increased our deductible from \$2, 500 to \$10,000.
- We have diligently worked to reduce loss and seen continued reduction over the past seven years. Since we launched the *Target Zero* Safety Program in January 2023, we have dramatically reduced our loss ratio. And we continually look for additional ways to motivate staff and enhance safety measures with each passing month. Our programs are working!
- Below is our overall company experience:

	Loss Count	Loss Ratio	
19/20	67	130%	Impacted by single claim of \$2,602,500
20/21	56	81%	
21/22	54	35%	
22/23	30	119%	Impacted by single claim of \$923,794
23/24	28	13%	

The outcome of our efforts for calendar year 2024 was 34% reduction in preventable events compared to 2023. This experience will help us when we shop the market next renewal period. However, here is the bad news:

Below is the Nevada County specific Loss Ratio history, impacted by two high dollar settlements as noted above, in 20/21 and 22/23. The Nevada County history of losses totals \$3,721,109 over a 5 -year period:

NEVADA COUNTY

	Loss Count	Loss Ratio
19-20	6	323%
20-21	6	9032%
21-22	2	29%
22-23	3	2624%
23-24	0	0%

Nevada County Insurance

Right after the completion of the 24/25 insurance renewal, we aggressively began shopping the market for 25/26. Our previous insurance company we've been using for the past 15 years informed us they were pulling out of the transit market in California. We also have now been informed that as a company, we are uninsurable if we include the Nevada County vehicles in the package. We are unable to obtain insurance for Nevada County effective June 1, 2025. Our only option is for Nevada County to self-insure the vehicles including Personal Injury Insurance for drivers and passengers.

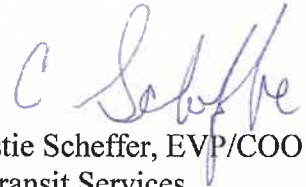
Paratransit Services commits to doing all we can to coordinate with and respond to information requests from Nevada County's staff and Insurance Broker in order to expedite a smooth transition of insurance coverage from Paratransit Services to the County of Nevada.

Paratransit Services has partnering to make a difference through providing quality transportation with the County of Nevada for almost 12 years. It is with an incredibly heavy heart we share this news and are hoping we can find a successful solution to this challenge.

Respectfully,

A handwritten signature in blue ink, appearing to read "Baker".

David Baker, President/CEO
Paratransit Services

A handwritten signature in blue ink, appearing to read "C. Scheffer".

Christie Scheffer, EVP/COO
Paratransit Services