Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2025-0242, **File Type:** Program **Agenda Number:** 7.

FINANCE, BUDGET, AND AUDIT COMMITTEE
JUNE 18, 2025

SUBJECT: EXCESS LIABILITY INSURANCE PROGRAM

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase Public Entity excess liability policies with up to $300 million in limits at a not-to-exceed premium of $29.8 million for the 12-month period effective August 1, 2025, to August 1, 2026.

ISSUE

Metro's Public Entity excess liability insurance policies (which include transit rail and bus operations) will expire on August 1, 2025. Insurance underwriters will not commit to final pricing until two to three weeks before the current program expires on August 1st. Consequently, staff is requesting a not-to-exceed amount for this renewal, pending final pricing and carrier selection. Without this insurance, Metro would be subject to unlimited liability for bodily injury and property damage claims resulting primarily from bus and rail operations.

BACKGROUND

Metro's insurance broker, Marsh USA, LLC (Marsh), is responsible for marketing the excess liability insurance program to qualified insurance carriers. Quotes are currently being received from carriers with A.M. Best ratings indicative of acceptable financial soundness and ability to pay claims. The premium indication below is based on current market expectations. However, final pricing is not available until approximately 14 days prior to binding coverage.

Metro established a program of excess liability insurance to protect against insured losses. Each year, Risk Management meets with Metro's insurance broker to prepare for the upcoming marketing process.

Initial discussions begin in the third quarter of the fiscal year through an evaluation of market conditions to determine the availability of coverages and at what levels of premium. Marsh is the new insurance broker for Metro, and as such, an abbreviated stewardship meeting was conducted in March to identify the required data, including loss development, ridership projections, mileage, and revenue hour estimates. Risk Management obtained the data, including targeted completion dates of various projects, to provide an accurate account of the agency's present and future liability exposures.

The data was then forwarded to Marsh to present to the domestic insurance marketplace as well as international markets in London and Bermuda. Due to timing requirements, Marsh approached underwriters in March and April to ensure that the data was deemed current. The initial indications of interest and costs became apparent in May.

Marsh provides a not-to-exceed number that serves two functions. First, the number provides an amount Risk Management may approach the CEO and Board to obtain approval for binding of the new program, which mitigates a potential gap in insurance coverage. Second, the number allows Marsh ample time to continue to negotiate with underwriters to ensure that Metro obtains the most competitive pricing available.

DISCUSSION

Staff and Marsh have identified three main objectives for the 2025-2026 excess liability renewal:

1) mitigating insurer concerns about Metro's risk exposure, 2) maintaining a diverse mix of insurers to foster competition, and 3) maintain total limits of $300 million with an $8 million self-insured retention (SIR) for rail claims and $12.5 million for all other claims, while remaining open to alternative structures.

To achieve these objectives, Metro and Marsh will continue to emphasize the lower risk associated with light rail and subway services, along with safety enhancements, to obtain more favorable pricing. All potential insurers in the US, London, and Bermuda will be approached, and Marsh and Metro will work to find the best partners for this risk.

The global insurance market faces challenges for US Casualty risks, particularly for public entities in California. The firming market, primarily driven by loss development related to auto liability, is reducing carrier capacity and increasing rates, with average increases ranging from 10-15% for loss-free programs and over 20% for those with historical losses. Average rate increases vary based on rail vs. bus exposure, jurisdiction, and the market access point.

Staff attended meetings arranged by Marsh at the RIMS convention with all major underwriters on Metro's program. These encounters with the various markets and underwriters afforded an opportunity to respond directly to additional questions they had concerning operations, safety, risk management, and claims. These meetings also fostered deeper relationships with these partners to ensure they understand Metro.

Metro's August 1st insurance placement will see increased premiums due to stricter underwriting guidelines, adverse auto liability losses, and the overall state of the market discussed above. Marsh recommends maintaining a bifurcated program for bus and rail. Metro has an $8M SIR for rail risks. Metro self-insures a total of $20M for bus and all other non-rail risks, including an initial $12.5M SIR and quota share layers. A higher SIR may offer Metro greater flexibility in managing premium costs. Marsh will continue to explore options, including alternative retentions up to $25M, and quota share arrangements, to achieve more favorable premiums until the renewal date. Separate from this action, Marsh and Risk Management will explore the formation of a Metro Captive Insurer as an alternative to traditional insurance placement.

Attachment A provides an overview of renewal options, premiums, and loss history, and Attachment B reflects the proposed 2025-2026 Excess Liability Program, which mirrors the current 2024-2025 program structure. Risk Management recommends proceeding with renewal at a minimum coverage limit of $300 million and a not-to-exceed premium of $29.8 million.

DETERMINATION OF SAFETY IMPACT

Approval of this recommendation positively impacts the safety of Metro's patrons and employees. Liability insurance carriers will perform certain facility inspections to mitigate potential risks or hazards and provide an overall risk assessment of Metro's assets as they underwrite the program. In addition, carriers may provide best-practice guidance to enhance Metro's risk profile.

FINANCIAL IMPACT

Funding of $28.5M for this action is included in the FY26 Proposed Budget in cost center 0531, Non-Departmental - Operations Risk Management, under projects 300022 - Rail Operations - A Line, 300033 - Rail Operations - C Line, 300044 - Rail Operations - B Line, 300066 - Rail Operations - E Line, 300077 - K Line, 301012 - Bus Operations - G Line, 306001 - Operations Transportation, and 320011 - Union Station.

Metro's insurance premiums are amortized and span two fiscal years. The cost center manager and the Interim Chief Transit Safety Officer will be accountable for budgeting in FY27 costs not included in the FY26 budget.

Impact to Budget

The sources of funding for this action will come from federal, state, and local funding sources that are eligible for bus and rail operations, and capital projects.

EQUITY PLATFORM

The insurance policies cover all Metro-owned property, stations, tunnels, bridges, rolling stock fleet, right of ways, facilities, and buildings that provide transportation service and benefits to Metro riders. Metro's liability insurance program ensures that its facilities, rolling stock fleet, and infrastructure, which serve riders, are covered by insurance policies in the event of major loss or damage.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on

VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides excess liability coverage for Metro's assets. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the agency's overall function, it is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal # 5, "Provide responsive, accountable and trustworthy governance within the LA Metro organization." The responsible administration of Metro's risk management programs includes the use of insurance to mitigate large financial risks resulting from unlimited liability for bodily injury and property damage claims resulting from, primarily, bus and rail operations.

ALTERNATIVES CONSIDERED

Due to the continued hard market, there are no additional limits in coverage for consideration. SIRs above the current structure levels are being proposed and considered, and negotiations are ongoing. Attachment A reflects the proposed program structure, which mirrors the current 2024-2025 policy term. The only variation will be to the SIR, which may end up being higher than the current program structure.

NEXT STEPS

Upon Board approval of this action, staff will advise Marsh to proceed with the placement of the excess liability insurance program outlined herein, effective August 1, 2025.

ATTACHMENTS

Attachment A - Options, Premiums, and Loss History

Attachment B - Proposed Public Entity Liability Carriers and Program Structure

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ATTACHMENT A

Options, Premiums and Loss History
Public Entity Program Insurance Premium and Proposed Options

	Current 2024 / 2025 Program	2025 / 2026 OPTIONS (Estimated)	
		A	B
Self-Insured Retention (SIR)	$8M rail, $12.5M bus & other non-rail	$8M rail, $12.5M bus & other non-rail	$8M rail, $15M bus & other non-rail
Quota Share	Up to $7.5M in $25M bus & other non-rail layer	Up to $7.5M in $25M bus & other non-rail layer	Up to $5M in $25M bus & other non-rail layer
Limit of Coverage	$300M	$300M	$300M
Terrorism Coverage	Yes	Yes	Yes
Premium	$24.5M	$29.8M	$29.3M

Premium History for Excess Liability Policies
Ending in the Following Policy Periods

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Self-Insured Retention:									
Rail	$7.5M	$7.5M	$8M	$8M	$8M	$8M	$8M	$8M	$8M
Bus + Other Non-Rail	$7.5M	$7.5M	$8M	$8M	$10M	$17.5M	$20M	$20M	$20M
Insurance Premium	$3.7M	$4.1M	$4.1M	$6.2M	$14.5M	$16.7M	$19.1M	$22.2M	$24.5M
Claims in Excess of Retention	1	1	2	1	TBD	TBD	TBD	TBD	TBD
Estimated Amount in Excess of Retention	$10M	$10M	$10M	$25M	TBD	TBD	TBD	TBD	TBD

ATTACHMENT B

Proposed Public Entity Liability Carriers and Program Structure

Liability Insurance Summary 2025-2026
Los Angeles County Metropolitan Transportation Authority

Marsh

	Excess Limit	Layer(s)	Participation	Carrier	Premium
12	$300M	$35M xs $265M	$5,000,000 $2,500,000 $4,000,000 $6,000,000 $2,500,000 $5,500,000 $7,000,000 $2,500,000	Lloyds (Aspen) Lloyds (Convex) Lloyds (Ascot) Lloyds (Inigo) Lloyds (Argo) ARK Helix Lloyds (Arcadian)	
11	$265M	$10M xs $255M	$10,000,000	Lloyds (Munich Re)	
10	$255M	$40M xs $215M	$10,000,000 $10,000,000 $10,000,000 $10,000,000	Liberty Specialty Chubb Bermuda Ins Ltd AIG AWAC	
9	$215M	$30M xs $185M	$10,000,000 $5,000,000 $10,000,000 $5,000,000	Lloyds (Hiscox) Lloyds (Convex) Lloyds (Argo) Lloyds (Munich Re)	
8	$185M	$75 xs $110M	$7,500,000 $7,500,000 $5,000,000 $7,500,000 $5,000,000 $7,500,000 $15,000,000 $2,500,000 $12,500,000 $5,000,000	Lloyds (Aspen) Lloyds (Apollo) Lloyds (Ascot) Lloyds (Canopius) Lloyds (Argo) Hamilton XL Bermuda Ltd. Lloyds (Convex) Lloyds (Inigo) Lloyds (Vantage)	
7	$110M	$17.5M xs $92.5M	$5,000,000 $2,500,000 $10,000,000	(Lloyds (Munich Re) Lloyds (Apollo) Hamilton	
6	$92.5M	$17.5M xs $75M	$7,500,000 $5,000,000 $5,000,000	Sompo Ark Helix	
5	$75M	$10M xs $65M	$10,000,000	AXA XL	
4	$65M	$15M xs $50M	$15,000,000	AWAC	
3	$50M	$10M xs $40M	$10,000,000	Great American	
2	$40M	$15M xs $25M	$2,500,000 $2,000,000 $2,500,000 $2,000,000 $2,500,000 $2,000,000 $1,500,000	Lloyds (Hiscox) Lloyds (MAP) Lloyds (Inigo) Lloyds (Ascot) Lloyds (QBE) ARK Helix	
1	$25M	$17M Rail - /Queens Island $12.5M Bus/All Other - Gemini/Upland	$17,000,000 $2,500,000 $5,000,000 $5,000,000	Queens Island Rail Self-Insured Upland Specialty Quota Share w/Metro 50% Gemini Quota Share w/Metro 50%	
		$8M Rail SIR Per Occurrnece			
		$12.5M Bus/All Other SIR Per Occurrence			
		Totals			$ 29,809,029.60

***Including Public Officials/EPLI – Excess $75M excluding Public Officials/EPLI'**

Excess Liability Insurance Program

Finance, Budget, and Audit Committee

June 18, 2025

File ID #2025-0242

Metro

Excess Liability Insurance Program Renewal

Recommendation:

AUTHORIZE the Chief Executive Officer to negotiate and purchase Public Entity excess liability policies with up to $300 million in limits at a not-to-exceed premium of $29.8 million for the 12-month period effective August 1, 2025, to August 1, 2026.

Metro

Excess Liability Insurance Program Renewal

Background:

- Each year, Risk Management meets with Metro's insurance broker (Marsh USA, LLC) to prepare for the upcoming excess liability marketing process and obtain the most competitive coverage and premium available.
- Marsh provides a not-to-exceed premium amount to facilitate the Board's authority for binding the renewal program.
- With the Board's approval, Marsh can continue negotiating with underwriters to ensure Metro obtains the most competitive pricing.

Metro

Excess Liability Insurance Program Renewal

Current State of the Market:

- The firming market, primarily driven by loss development related to auto liability, is reducing carrier capacity and increasing rates, with average increases ranging from 10-15% for loss-free programs and over 20% for those with historical losses. Average rate increases vary based on rail vs. bus exposure, jurisdiction, and the market access point.

- Metro's August 1st insurance placement will see increased premiums due to stricter underwriting guidelines, adverse auto liability losses, and the overall state of the market.

Metro

Excess Liability Insurance Program Renewal

Proposed Coverage:

- Ongoing negotiations aim to maintain a similar coverage structure as the expiring policy.
- With minimum limits of $300M.
- A not-to-exceed SIR of $25M.
- For a total premium of up to $29.8M.

Metro

Thank you.