



Board Report

File #: 2025-1060, File Type: Program

Agenda Number: 21.

FINANCE, BUDGET, AND AUDIT COMMITTEE APRIL 16, 2026

SUBJECT: PROPERTY INSURANCE PROGRAM

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to negotiate and purchase All Risk Property and Boiler and Machinery insurance policies for all Metro properties at a not-to-exceed premium of \$10 million for the 12-month period of May 10, 2026 through May 10, 2027.

ISSUE

Property insurance protects Metro's assets, including structures, fleets, and improvements. Property insurance is also mandated through contractual obligations, including lease and leaseback agreements covering several of Metro's operating assets. The All-Risk Property and Boiler and Machinery insurance policies expire on May 10, 2026.

BACKGROUND

Metro's insurance broker, Marsh USA, LLC (Marsh USA), is responsible for marketing the property insurance program to qualified insurance carriers. Marsh USA is a newly selected insurance broker for Metro and has demonstrated market depth and expertise to secure the best programs to fulfill the needs of a large transit risk. In this continuing hard market, quotes are currently being received from, and negotiations are ongoing with, carriers that have acceptable A.M. Best ratings that are indicative of acceptable financial soundness and the ability to pay claims. Premium indications are based on current market expectations. Final pricing, however, is not yet available as Marsh USA continues to broker the most competitive pricing for Metro.

Metro established the Excess Commercial Property Insurance program to protect against insured losses. Each year, Risk Management collaborates with our insurance broker to prepare for the upcoming marketing process, secure the data required to approach underwriters, and obtain the most competitive coverage and premium available.

Initial discussions begin in the first quarter of the fiscal year through an evaluation of market conditions to determine coverage availability and the premium levels indicated. Once established, an annual stewardship meeting is conducted in September to review what data will be required,

including new infrastructure, such as rolling stock (bus, rail, and non-revenue vehicles), real property (buildings and facilities), business personal property (equipment, furniture), and newly completed projects. Risk Management obtains status data, including targeted completion dates of various projects, to provide an accurate account of the agency's present and future property exposures.

Risk Management compiles updated information, including projected revenues, payroll, property valuations, and property distribution, as needed. Once internal data is collected, it is forwarded to Marsh USA for presentation to the domestic insurance marketplace and international markets in London, Bermuda, and European markets. Due to timing requirements, Marsh USA approaches underwriters in January to ensure that data is current. Initial indications of interest and costs generally become apparent in late March.

Marsh USA provides a not-to-exceed number that serves two functions. First, it establishes an amount that Risk Management can use to approach the CEO and Board for approval to bind the new program, mitigating a potential gap in insurance coverage. Second, it allows the broker ample time to continue negotiating with underwriters to ensure Metro secures the most competitive pricing. It should be noted that the current not-to-exceed amount is \$1 million less than the previous renewal cycle. This is due to the effective marketing efforts by the new insurance broker Marsh USA.

DISCUSSION

Metro's assets are currently valued at approximately \$23.27 billion, an increase from last year's \$22.02 billion. This growth primarily reflects general replacement cost inflation and the adjustment of both heavy and light rail vehicles valuation. Additionally, Metro will incorporate the D Line Subway Extension Project - Phase 1, which has been fully integrated into the overall statement of values to ensure continuous protection during its transition into revenue operations.

Marsh USA has actively marketed Metro's property insurance program to qualified carriers to secure coverage with Probable Maximum Loss (PML) limits of at least \$650 million. Currently, quotations are being developed by carriers with acceptable A.M. Best financial ratings. Final pricing remains pending; however, the quotes, including contingencies for potential adjustments, establish a not-to-exceed cost framework prior to policy binding.

The existing property program features an All-Risk deductible of \$1,000,000, excludes earthquake coverage, and applies a flood deductible of 5% per location, subject to a \$1,000,000 minimum. Marsh USA continues to negotiate deductible levels and coverage terms for selected Metro assets, including rolling stock, non-revenue vehicles, and potential flood exposures in subway tunnels. Under the current program, All-Risk coverage provides up to \$650 million per occurrence for losses exceeding the deductible, except for flood-related damages, which are covered up to \$150 million. Tsunami and tunnel flood coverage is capped at \$50 million with a \$1,000,000 deductible. Accordingly, authority is requested to proceed with the upcoming property renewal program, maintaining a minimum coverage limit of \$650 million and a not-to-exceed deductible of \$1 million. Attachment A outlines the proposed renewal program structure within these parameters. The not-to-exceed premium includes contingencies for premium adjustments, taxes, and fees as negotiations continue.

Metro has historically opted not to purchase earthquake coverage, based on the expectation that

federal and state disaster funding would support restoration efforts following a major event. This approach aligns with the practices of other large local government agencies in the region.

Similarly, Metro rejected the property carriers' offer to extend coverage for terrorism as defined under the US government backed coverage under the Terrorism Risk Insurance Act of 2002, as amended ("TRIA"), as such coverage is included in the standalone terrorism placement secured in August 2025 which provides coverage for terrorism events "certified" under TRIA as well as non-certified events.

The property insurance program employs a layered structure, with multiple carriers sharing coverage to diversify risk. Continuous monitoring by Marsh USA and internal teams ensures all participating insurers maintain strong financial ratings, as verified by A.M. Best and other agencies.

Between January and March 2026, Marsh USA engaged with numerous domestic and international insurers, presenting Metro's property risks and supplemental data. Discussions highlighted Metro's extensive security infrastructure, fire protection measures, loss control programs, and relatively low flood risk. The program's favorable loss history, recent construction, and State of Good Repair initiatives contribute to its positive reception in the insurance market.

To foster competition and increase capacity, Marsh USA solicited bids from both incumbent and new insurers. With each renewal cycle, carriers will shift based on current underwriting appetite and pricing, and in some cases new carriers will be introduced on the program to maintain the most competitive program structure.

Buyers continue to benefit from multiple factors that have led to the continued deployment of capacity to the market. This influx of capacity has heightened competition with program structure, pricing, and coverage options. While volatility remains, the insurance and reinsurance sectors are on a strengthened foundation after re-underwriting their portfolios and strategically reallocating capacity in recent years. Consequently, the market is now well-positioned to handle annual catastrophe losses of approximately \$150 billion.

Metro has benefited from some of the lowest insurance rates among transit agencies and remains an attractive risk to insurers. However, the sector's risk profile has become less favorable in recent years, leading carriers to reduce their appetite for transit risks. Despite these challenges, Metro's strong insurability, excellent loss record, and Marsh USA's effective marketing efforts position it advantageously relative to other transit agencies worldwide.

DETERMINATION OF SAFETY IMPACT

Approval of this procurement positively impacts the safety of Metro's patrons and employees. Property 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

The funding for the initial two months of \$1,832,931 for this action is included in the FY26 Budget

within cost center 0531 - Risk Management (Non-Departmental Costs), allocated across the following projects: 100001 - General Overhead; 300022 - Rail Operations (A Line); 300033 - Rail Operations (C Line); 300044 - Rail Operations (B Line); 300066 - E Line; 300077 - Rail Operations (K Line); 301012 - Bus Operations (G Line); 306001 - Operations Transportation; 306002 - Operations Maintenance; and 610061 - Owned Property.

Since these are multi-year policies, the cost center manager and Chief Risk, Corporate Safety, and Asset Management Officer will be accountable for budgeting the required costs in the future year.

Impact to Budget

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

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 property insurance program ensures that its facilities, rolling stock fleet, and infrastructure, which serve all riders, are covered by insurance policies in the event of a major loss or damage. This action has no specific anticipated equity benefit or harm.

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 property 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, which is to "Provide responsive, accountable, and trustworthy governance within the LA Metro organization." The responsible administration of Metro's risk management programs includes using insurance to mitigate large financial risks resulting from damage to or loss of Metro property.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the recommendation, however, this is not recommended because coverage is required to meet the risk transference protections afforded through the excess property program of insurance. Based on the history of favorable renewal with a lower not-to-exceed premium indication, Risk Management recommends continuing the current insurance program (Attachment A) as the most cost-effective and prudent one. A proposal for earthquake coverage was not included and is not recommended because the high cost of the earthquake premium does not justify the benefit of the coverage.

NEXT STEPS

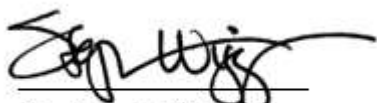
Upon Board approval of this action, staff will advise Marsh USA to proceed with the placement of the property insurance program outlined herein, effective May 10, 2026.

ATTACHMENT

Attachment A - Recommended Program Pricing and Carriers

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Stephanie Wiggins
Chief Executive Officer



RECOMMENDED PROGRAM PRICING AND CARRIERS

Proposed Property Insurance 2026 - 2027
 Los Angeles County Metropolitan Transportation Authority

Limit	Excess of	Coverage	Carrier	Participation (\$)	Participation (%)	Total Premium (incl taxes & fees)
\$450M	\$200M	All Risk Excluding Flood & Earth Movement	Various Carriers	\$450,000,000	100%	\$1,229,700
				\$450,000,000	100%	\$1,229,700
\$200M	Underlying Deductibles	All Risk Excluding Earthquake	Various Carriers	\$200,000,000	100%	\$8,770,300
				\$200,000,000	100%	\$8,770,300

Estimated Program Not-To-Exceed Total* \$10,000,000

*Subject to finalization of on-going negotiations with carriers. Estimates shown are not to exceed premiums.

2025/2026 Total Insured Values: \$23,272,980,846

Terrorism pricing is not included above.

Higher Limit Options:

- USD 100,000,000 xs USD 650,000,000 xs underlying deductibles/retentions @ USD 225,000



Property Insurance Program

Finance, Budget, and Audit Committee

April 16, 2026

File ID #2025-1060



Metro

Property Insurance Program Renewal

Recommendation:

AUTHORIZE the Chief Executive Officer to negotiate and purchase All Risk Property and Boiler and Machinery insurance policies for all Metro properties at a not-to-exceed premium of \$10 million for the 12-month period of May 10, 2026, through May 10, 2027.

Property Insurance Program Renewal

Background:

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- MARSH USA provides a not-to-exceed number that serves two functions. First, it establishes an amount that Risk Management can use to approach the CEO and Board for approval to bind the new program, mitigating a potential gap in insurance coverage. Second, it allows the broker ample time to continue negotiating with underwriters to ensure Metro secures the most competitive pricing.

Property Insurance Program Renewal

Discussion:

- In January, February, and March 2026, MARSH USA contacted multiple domestic and international insurance providers to present Metro's property risks and supplemental data. MARSH USA provided an overview of the Metro transit system during discussions with the underwriters, including its extensive security infrastructure, fire protection, loss control, and minimal risk of flood exposures.
- The Metro property program continues to be well received by insurers due to its favorable loss history, newer construction, and State of Good Repair programs.
- Metro has historically enjoyed some of the lowest rates among transit systems and remains an attractive client. This year's renewal is challenging due to continued rate increases, but Metro's favorable insurability, loss record, and ability to take full advantage of the marketing efforts of our broker in a demanding market environment places Metro at an advantage over other transit agencies in the country.

Property Insurance Program Renewal

Proposed Coverage:

- MARSH USA marketed the property program to qualified insurance carriers to obtain property insurance pricing for the current total insured value of \$23.27 billion with a Probable Maximum Loss (PML) coverage limits at a minimum of \$650 million.
- Property insurance program quotations are currently being received from carriers with acceptable A.M. Best ratings. Final pricing is pending, and the quotes, including contingencies for unanticipated adjustments, serve to support the not-to-exceed cost before policy binding.



Thank you.



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