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

File #: 2025-1089, **File Type:** Program **Agenda Number:** 24.

FINANCE, BUDGET, AND AUDIT COMMITTEE
JULY 16, 2026

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 $31 million for the 12-month period effective August 1, 2026, to August 1, 2027.

ISSUE

Metro's Public Entity excess liability insurance policies, which include transit rail and bus operations, will expire on August 1, 2026. 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. Final pricing, however, 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, staff 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 conducted stewardship discussions in February 2026 to identify the required data, including loss development, ridership projections, mileage, and revenue hour estimates. Staff 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 the data was deemed current. The initial indications of interest and costs become apparent in May.

Marsh provides a not-to-exceed number that serves two functions. First, the number provides an amount that staff may recommend to the 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 2026-2027 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, staff 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. Marsh will approach all potential insurers in the US, London, Bermuda, and Germany. Marsh and Metro staff 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 challenging market, driven by loss development related to auto liability and nuclear verdicts/settlements resulting from litigation funding, is reducing carrier capacity and increasing rates. 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 presented Metro's risk profile to the global market, which included all major underwriters on Metro's program, as well as prospective underwriters. The presentation serves to foster deeper relationships with these partners while ensuring they understand Metro's evolving risk management philosophy.

Metro's August 1st insurance placement will see increased premiums due to stricter underwriting guidelines and adverse auto liability losses. Marsh recommends maintaining a bifurcated program with an $8 million self-insured retention (SIR) for rail-related risks and up to $20 million for bus and other non-rail risks. Ongoing negotiations aim to secure authority to bind Public Entity excess liability coverage with minimum limits of $75 million, a total minimum limit of $300 million, and a not-to-exceed SIR of $20 million. A higher SIR may offer Metro greater flexibility in managing premium costs. Marsh will continue to explore options, including alternative retentions and quota share arrangements, to achieve more favorable premiums until the renewal date.

Attachment A provides an overview of the proposed 2026-2027 Excess Liability Program, which mirrors the current 2025-2026 program structure. Staff recommends proceeding with renewal at a minimum coverage limit of $300 million and a not-to-exceed premium of $31 million.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Funding of $31.1 million for this action is included in the FY27 Adopted Budget in cost center 0531, Risk Management - Non-Departmental Costs, 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.

Since this is a multi-year contract, the cost center manager and the Chief Risk, Corporate Safety, and Asset Management Officer will be accountable for budgeting the cost in the future year.

Impact to Budget

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

VEHICLE MILES TRAVELED OUTCOME

Vehicle Miles Traveled (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 2025-2026 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, 2026.

ATTACHMENTS

Attachment A - Proposed Options and Premiums
Attachment B - Proposed Public Entity Liability Carriers and Program Structure

Prepared by: William Douglas, Director, Risk Management, (213) 922-2105

Claudia Castillo del Muro, Executive Officer, Risk Management, (213) 922-4518

Reviewed by: Kenneth Hernandez, Chief Risk, Corporate Safety, and Asset Management Officer, (213) 922-2990

Stephanie Wiggins
Chief Executive Officer

ATTACHMENT A

Proposed Options and Premiums
Public Entity Program Proposed Options and Premiums

	Current 2025 / 2026 Program	2026 / 2027 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	$27.6M	$30.6M	$29.8M

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	2025/2026
Self-Insured Retention:										
Rail	$7.5M	$7.5M	$8M	$8M	$8M	$8M	$8M	$8M	$8M	$8M
Bus + Other Non-Rail	$7.5M	$7.5M	$8M	$8M	$10M	$17.5M	$20M	$20M	$20M	$20M
Insurance Premium	$3.7M	$4.1M	$4.1M	$6.2M	$14.5M	$16.7M	$19.1M	$22.2M	$24.5M	$27.6M

Proposed Public Entity Liability Carriers and Program Structure

Marsh USA, LLC
Liability Insurance Summary 2026-2027
Los Angeles County Metropolitan Transportation Authority

Excess Limit	Layer(s)		Participation	Carrier
$300M	$35 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)
$265M	$10M xs $255M		$10,000,000	Lloyds (Munich Re)
$255M	$40M xs $215M		$10,000,000 $10,000,000 $10,000,000 $10,000,000	Liberty Specialty Chubb Bermuda Ins Ltd AIG AWAC
$215M	$30M xs $185M		$7,500,000 $5,000,000 $10,000,000 $5,000,000 $2,500,000	Lloyds (Hiscox) Lloyds (Convex) Lloyds (Argo) Lloyds (Munich Re) Rokstone
$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)
$110M	$17.5M xs $92.5M		$5,000,000 $2,500,000 $10,000,000	(Lloyds (Munich Re) Lloyds (Apollo) Hamilton
$92.5M	$17.5M xs $75M		$7,500,000 $5,000,000 $5,000,000	Sompo Ark Helix
$75M	$10M xs $65M		$10,000,000	AXA XL
$65M	$5M xs $60M		$5,000,000	Bowhead
$60M	$10M xs $50M		$15,000,000	AWAC
$50M	$10M xs $40M		$10,000,000	Great American
$40M	$15M xs $25M		$2,500,000 $2,000,000 $2,500,000 $1,000,000 $1,000,000 $2,500,000 $2,000,000 $1,500,000	Lloyds (Hiscox) Lloyds (MAP) Lloyds (Inigo) Lloyds (Ascot) Lloyd's (Argenta) Lloyds (QBE) ARK Helix
$25M	$17M Rail - /Queens Island	$12.5M Bus/All Other - Gemini/Upland	$17,000,000	Queens Island Rail Quota Share w/Metro 50%
			$2,500,000 $5,000,000 $5,000,000	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			

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

Excess Liability Insurance Program

Finance, Budget, and Audit Committee

July 16, 2026

File ID #2025-1089

Metro

Excess Liability Insurance Program

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 $31 million for the 12-month period effective August 1, 2026, to August 1, 2027.

Metro

Excess Liability Insurance Program

Background:

- Metro established a program of excess liability insurance to protect against insured losses. Each year, staff meets with Metro's insurance broker, Marsh USA, LLC, to prepare for the upcoming marketing process and obtain the most competitive coverage and premium available.
- Marsh provides a not-to-exceed number that serves two functions. First, the number provides an amount that staff may recommend to the 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.

Metro

Excess Liability Insurance Program

Discussion:

- In March, April, and May 2026, Marsh contacted multiple domestic and international insurance providers to present Metro's property risks and supplemental data. Marsh provided an overview of the Metro transit system during discussions with the underwriters, including its extensive security infrastructure, the most recent safety and security initiatives, fire protection, loss control, and minimal risk of flood exposures.
- The Chief Risk, Corporate Safety, and Asset Management Officer participated in meetings arranged by Marsh with all major underwriters on Metro's program. These encounters with the various markets afforded an opportunity to respond directly to additional questions they had concerning operations, safety, risk management, and claims.

Metro

Excess Liability Insurance Program

Proposed Coverage:

- Marsh recommends maintaining a bifurcated program with an $8 million self-insured retention (SIR) for rail-related risks and up to $20 million for bus and other non-rail risks. Ongoing negotiations aim to secure authority to bind Public Entity excess liability coverage with minimum limits of $300 million and a not-to-exceed SIR of $20 million.

- Liability 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.

Metro®

Thank you.

Metro