METROLINK

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ITEM ID:	**2026-246-0**
TRANSMITTAL DATE:	**June 8, 2026**
MEETING DATE:	**June 12, 2026**
TO:	**Budget, Audit, and Finance Committee**
FROM:	**Don O. Del Rio, General Counsel**
SUBJECT:	**Annual Renewal of Insurance Program for 2026-27 Fiscal Year**

Issue

The Authority requires insurance to effectively manage its operating and other major risks and ensure its continued economic viability in the event of a catastrophic event. Authorization is required to renew the listed insurance policies for Fiscal Year 2026-27.

Recommendation

It is recommended that the Committee recommend the Board authorize the Chief Executive Officer to purchase insurance for the 2026-2027 insurance year for a total premium cost not to exceed $17,678,205 as indicated below.

Strategic Commitment

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** Continue to work collaboratively with our Insurance Brokers to obtain the most comprehensive insurance coverage available in the most cost-effective manner to ensure the continued viability of the Authority as a leading transportation provider.

Background

Pursuant to Federal law (49 USC 28103), every 5 years, the Rail Passenger Transportation Liability Cap shall be adjusted to reflect the change in the Consumer Price Index. Based on available information, the Cap is expected to increase to approximately $402 million in FY27.

The Cap in FY26 is $322 million, and the Authority's current coverage level is $347 million. Metrolink is contractually required by its primary operating contracts to maintain Operating General Liability (OGL) insurance up to the Liability Cap. Accordingly, Metrolink will need to procure approximately an additional $55 million in excess Liability insurance as compared to FY26.

At the present time staff seeks approval to renew the coverages identified below:

- Operating General Liability (OGL);
- Terrorism Liability;
- Employment Practices Liability (EPLI);
- Pollution Legal Liability;
- Property;
- Boiler and Machinery;
- Terrorism Property (including active shooter coverage);
- Auto Fleet Insurance;
- Errors and Omissions;
- Crime;
- Cyber Security and Privacy; and
- Workers' Compensation.

All current insurance policies expire June 30, 2026. Our longtime broker, Marsh USA, LLC., is providing brokerage services for the insurance renewal procurement and they are supported by Price Forbes in London.

The costs quoted in this presentation reflect net premium to be paid by the Authority and include estimated fees and taxes, as applicable.

Estimated total cost for this year's renewal premium for all policies increased by less than 5% from expiring. The excess liability premium increase of approximately $600,000 is directly attributable to the increase to the Rail Passenger Transportation Liability Cap to $402 million.

Discussion

Insurance is a contractual arrangement whereby the Authority transfers certain risks to insurers, thereby protecting its assets from destruction or its monetary resources from depletion. By doing this, the Authority is able to ensure its continued viability in the event of specified loss events.
It is recommended that the Authority purchase the following:

1. Liability related coverages for a total not to exceed cost of $10,143,418 , including:
   a. OGL insurance with annual liability limits of $402 million dollars (with an approximate $5M Self-Insured Retention);
   b. Terrorism coverage of $50 million (with a $4M Self-Insured Retention);
   c. Employment Practices Liability with limit of $5 million; and
   d. Pollution Legal Liability with limit of $25 million.
2. Property related coverages for a total not-to-exceed cost of $5,838,682, including:
   a. Property insurance with limits of $100 million dollars for an estimated premium not to exceed $5,600,000. The property coverage has yet to be finalized and thus we seek authority to expend up to the aforementioned amount to secure $100 million of coverage for the Authority's property on the best available terms and conditions;

   b. Terrorism property coverage of $10 million including active shooter coverage;
   c. Boiler and machinery equipment breakdown coverage of $25 million.
3. Automobile fleet coverage for an estimated premium of $909,050.18 with Liberty Mutual. Premium charges are subject to adjustment based on an audit of the composition of the fleet during the policy term.
4. Workers' Compensation Insurance coverage for an estimated premium of $694,851.60, subject to adjustment based on an audit of the actual payroll and workforce composition during the policy term.
5. Miscellaneous Insurance including Public Officials Errors and Omissions, Crime Insurance and Cyber Security and Privacy coverage for an aggregate total cost of $92,203.51.

Liability and Related Insurance Policies

The Insurance Program's OGL insurance ensures that the Authority will have the financial resources to continue operations in the event of a catastrophic incident causing injuries to passengers or third parties and/or damage to their property. The Authority also must comply with the terms of various contracts which require it to insure its operations against loss in OGL, property and automobile liability exposures.

This year the Authority's Risk Managers made in-person presentations and addressed approximately two dozen underwriters representing the major U.S. and international insurance markets which write insurance for the rail industry.

The Authority's presentations emphasized ways it continues its commitment to safety. The theme of this year's presentation was similar to that of recent years - that Metrolink continues to be an industry leader in terms of safety technology and culture, by being one of four railroads to meet the Federal Railroad Administration's 2018 date to fully implement and certify interoperable PTC throughout our system with all railroads with which we share rights of way as well as the incorporation of crash energy management cars into our operations and additional safety initiatives.

A combination of continued insured casualty losses in terms of both frequency and severity, has caused reinsurance costs for syndicates to increase materially, resulting in many insurers reducing capacity or exiting the casualty market entirely. Social inflation remains a significant concern, with insurers continuing to experience increasing litigation costs, larger jury awards, and more frequent nuclear verdicts, all of which place upward pressure on insurance pricing.

In addition, casualty loss costs associated with passenger rail operations have increased significantly over the past decade. Higher claim settlement values, increased medical costs, wage inflation and a more challenging litigation environment have all contributed to a reassessment of the risk by insurers and reinsurers. As a result, carriers are requiring greater premium levels to support the same limits previously being offered.

Furthermore, the market has become increasingly resistant to providing credit based on passenger volumes and operational metrics that remain below pre-COVID levels. While many rail operators have not yet returned to historical ridership levels, insurers are placing greater emphasis on underlying loss cost trends and future exposure growth rather than pandemic-era reductions in activity. Thus, comparisons to pre-COVID passenger levels are no longer viewed as a sufficient basis to justify premium reductions or offset broader market pricing pressures.

Also, with the forthcoming changes to the federal passenger rail liability Cap there will be an increase in the amount of insurance protection that rail operators will seek to purchase. The additional limit required to maintain an appropriate level of protection is likely to require participation from insurers that do not currently support the program and who typically command higher pricing than incumbent markets. This is expected to further increase the overall cost of transferring risk and place additional pressure on future renewal pricing.

In summary, we have worked all available global insurers as thoroughly as possible and were able to construct a tower with coverage of $402 million, at a premium cost not to exceed $10,143,418 for the OGL insurance and related liability policies.

A. Related Liability Policies

The Terrorism Stand Alone policy continues to be a very stable component of the liability program. This was quoted by the incumbent carrier Lloyd's, at $299,222, a 14% increase from last year's premium after several years of nearly flat increases.

The Employment Practices Liability quote was received from Liberty Mutual at $65,046, coming in nearly flat to last year's cost. Given the Authority's location in California, a market with increased exposure in this line of coverage, Liberty continues to offer superior coverages at a better price than others in the market.

Pollution Legal Liability has been sourced through Ironshore Specialty Insurance Company and is priced at $91,789.96, a nearly flat increase from that of last year's cost. This policy continues to reflect an increased deductible for any potential loss associated with the Authority's aging underground storage tanks.

The grand total cost not to exceed cost for liability and related coverages at $10,143,418 represents a 6.6% increase compared to last year's expense. A comprehensive table of proposed liability related coverages, insurers and quotations is attached as Attachment A.

Property and Related Insurance

Property insurance protects the Authority against losses arising from significant damage to, or destruction of, the Authority's assets caused by covered perils. In connection with the renewal of this coverage, the Risk Manager and our primary insurance broker, Marsh, have been exploring all available renewal options in both domestic and international property markets.

The property market remains favorable to buyers -- the first quarter of 2026 marked the third consecutive quarter of rate decreases on property programs -- driven by increased competition, expanded capacity, and greater flexibility on terms and conditions. Insurers remain disciplined on underwriting criteria including accuracy of replacement cost values for trainset/consist values.

Program premium is driven largely by the Authority's Statement of Values (SOV), which lists insured assets and properties at current replacement cost. Following a reassessment of the rail fleet, total insured values increased 17.5%, rising to $3.04 billion from $2.6 billion the prior year.

At the time of this report, our broker has not yet finalized quotes for the Property portion of the insurance program. Nevertheless, it is essential that replacement coverage be in place before the existing policies expire on June 30. Accordingly, we request authority to expend up to $5,600,000 for property coverage with limits of $100 million, on the most favorable terms and conditions available to the Authority in the market.

Additional property coverage includes Stand Alone Terrorism Property coverage of $10 million per occurrence, quoted by Hiscox at $101,448.64, an approximate 11% increase over last year's expense. This policy includes coverage for active shooter and malicious attack events. Boiler and Machinery coverage has been quoted by Travelers Indemnity at $137,233, an approximate 14% increase from last year's expense. The premium increase for these programs is primarily attributable to the increase in values, partially offset by rate reductions of 5% and 3%, respectively.

The total cost of the Authority's FY2026-27 Property Program shall not exceed $5,838,682, compared with $5,821,875.83 for the expiring policy year, and therefore is essentially flat year over year.

Fleet Automobile Insurance

The Automobile Fleet is proposed to remain with Liberty Mutual, who has quoted $909,050. This is a 14% increase compared to the expiring premium due to:

- Auto liability continues to be an unprofitable line of business for the majority of insurers despite several quarters of rate increases.
- Insurers are concerned with the potential for large losses due to nuclear verdicts associated with large fleets, and fleets with historical severe loss experience.
- Additional risk associated with Third Party operators (i.e., contractor employees) of Metrolink vehicles.

Liberty Mutual continues to exclude coverage for hi-rail vehicles while on the tracks due to derailment concerns. Coverage remains for road use. The deductible remains the same at $10K for heavy units, $5K for Medium/Heavy trucks and $1K for all other units. Charges are subject to adjustment based on an audit of the composition of the fleet during the policy term.

Workers' Compensation Insurance

In order to comply with applicable California law and the terms of its contracts, the Authority maintains workers' compensation insurance. The Authority continues to have limited options with its workers' compensation placement, primarily as a result of the class code associated with its right of way and customer engagement workers. Many carriers will not write policies which include coverage for class code 7133.

The Authority received a quote from Liberty Mutual, $694,851.60, approximately a 6% increase from last year's premium. This increase is generally due to continued medical costs inflation, a slight increase in claims the past few years and an increase in payroll by 5.65%.
The workers' compensation premium quoted is an estimate based on our current payroll and workforce composition. The carrier will complete an audit of the actual payroll and the

workforce composition and adjust the premium charges to reflect any changes.

Miscellaneous Additional Insurance

Public Officials E&O coverage with ACE has been quoted at $70,816.80, nearly flat compared to the expiring policy premium. Crime Insurance through Great American cost is $7,667, which is flat compared to last year's policy premium.

In the event of a data breach, Cyber Security and Privacy risk insurance pays for the notification and monitoring for impacted customers, 3rd party liability, fines and penalties, hiring of outside computer experts, and outside PR firms. The Authority is exposed through the mobile ticketing app, the operation of its ticket vending machines as well as possession of customer information through the call center, and employees' personal information. The proposed policy provides notification and monitoring for up to $1,000,000 for individuals and a $1,000,000 limit for 3rd party liability. The premium cost for this coverage is $13,719.71, a decrease of 49% from the expiring premium. Given the continuing threats in this area, a basic level of cyber security and first party coverage is advised.

Budget Impact

Sufficient funding is included for this level of premiums in the proposed FY2026-2027 budget, which is contingent upon Board approval.

Next Steps

The Authority will purchase insurance consistent with the Board's direction. The Board may elect to reduce limits for any of the various coverages, except OGL which must be maintained with limits of not less than the Federal Liability Cap that is currently $322 million but expected to be adjusted to $402 million. The Board may also eliminate any of the other coverages not required by law or contract (such as Property, Workers' Compensation, Auto and Pollution Liability).

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Approved by:	Don Del Rio, General Counsel

Attachment(s)

Attachment A - DRAFT SCRRA Insurance Program - July 1 2026 Renewal
Presentation - Insurance Renewal