



**ITEM ID:** 2025-263-0

**TRANSMITTAL DATE:** June 20, 2025

**MEETING DATE:** June 27, 2025

**TO:** Board of Directors

**FROM:** Don O. Del Rio, General Counsel

**SUBJECT:** Annual Renewal of Insurance Program for 2025-26 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 2025-26.

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, 2025. 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. Total cost for this year's renewal premium for all lines increased by \$578,013.79 and reflects a 3.35% increase from last year's premium.

## **Recommendation**

It is recommended that the Board authorize the Chief Executive Officer to purchase insurance for the 2025-2026 insurance year for a total premium cost not to exceed \$17,830,547.59 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.

## **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 \$9,510,290.77, including:
  - a. OGL insurance with annual liability limits of \$347.5 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 \$6,815,668.12, including:
  - a. Property insurance with limits of \$100 million dollars for an estimated premium not to exceed \$6,603,520. 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 \$751,410 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 \$652,878.20, 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 \$100,300.50.

## ***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 Manager 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 markedly and this caused insurance carriers to reduce capacity or leave the casualty market completely and has also increased premiums. Social inflation is a recurring refrain among insurers, as they see more frequent extreme verdicts and increased litigation costs driving their financial performance.

In addition, specific to the Metrolink account, a number of carriers no longer are giving credit for the "pre-Covid" comparison levels for ridership that have resulted in flat liability premium renewal for the last 4 years. With ridership recovering up to 27% over the last 4 years, carriers are taking this into account and looking to increase premiums accordingly. Also, several carriers that participate on the Metrolink program, have limited their line sizes to \$10M, and this reduction in capacity has made it difficult to challenge incumbents' pricing resulting in slightly higher premium increases in order to complete excess layers and driving up the overall price of the program.

In summary, we have worked all available global insurers as thoroughly as possible and were able to construct a tower with coverage of \$347.5 million, approximately \$20 million in excess of the Federal passenger liability cap, at a premium of \$9,510,290.77 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 \$263,109. This matches last year's premium despite concerns of global unrest.

The Employment Practices Liability (EPLI) quote was received from Liberty Mutual at \$54,150.18. The quote from Liberty Mutual was superior to the incumbent Beazley's quote on both a cost and coverage comparison. Given the Authority's location in California, a market with increased exposure in this line of coverage, the additional coverages offered by Liberty Mutual was well received.

Pollution Legal Liability has been sourced through Ironshore Specialty Insurance Company

and is priced at \$91,741.47, 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 for liability and related coverages at \$9,510,290.77 represents a 4.5% 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 indemnifies the Authority for loss due to significant damage to or destruction of the Authority's assets from covered perils. For property insurance coverage, the Risk Manager and our primary insurance broker, Marsh, have been exploring all available renewal options in both domestic and foreign property markets.

This year the Property insurance market is favorable to buyers. The first quarter of 2025 marked the third consecutive quarter of rate decreases on property programs. Numerous factors are increasingly benefiting buyers, including but not limited to increased market competition, expanded capacity and growing flexibility with terms and conditions.

In January of this year, in an effort to provide the market with current information to evaluate property risk conditions, Metrolink Risk Managers coordinated with Eric Poghosyan, Director, Facilities & Fleet Maintenance for 3rd party property inspections of our Maintenance facilities (CMF, AMF, EMF) and the Dispatching Operating Center. The findings reflected good management and maintenance practices were being followed and Risk Quality grades of "A" and "B" and the inspections were well received by underwriters.

Premium cost will continue to be affected by the Authority's Schedule of Values (SOV), the listing of the Authority's insured assets and properties, which currently stands at \$2.6 billion, up from \$2.459 billion last year due almost exclusively because of inflation.

Despite the favorable market conditions, the property insurance market continues to remain volatile as Insurers have been hit by unusually heavy losses in other industries and markets in recent years causing substantial increases in premiums across all industries in order to ensure insurers' economic viability.

At this time, our broker has not yet finalized quotes to complete the property coverage part of the insurance program as of the writing of this report. That said, it is critical that we have replacement insurance in place when the existing policies expire on June 30. As such, we seek authority to expend up to \$6,815,668.12 on the property coverage with limits of \$100 million on the most favorable terms and conditions to the Authority as are available in the market.

Additional property coverage includes Stand Alone Terrorism Property coverage of \$10 million per occurrence, quoted by Hiscox at \$91,503.12, nearly flat compared to last year's expense. This policy includes active shooter and malicious attack coverage. Lastly, Boiler and Machinery coverage is quoted by Travelers Indemnity at \$120,645, an approximate 8% increase from last year's cost.

The total cost of FY2025-26 renewal of the Authority's Property Program shall not exceed

\$6,815,668.12, compared with \$6,811,363.92 for the expiring policy year, and nearly flat compared to last year's cost.

### ***Fleet Automobile Insurance***

The Automobile Fleet is proposed to remain with Liberty Mutual, who has quoted \$751,410 and is the only carrier offering coverage. This is a 19% 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 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, \$652,878.20, approximately a 6.5% 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 \$65,600, an increase of approximately 6.5% compared to the expiring policy premium. Crime Insurance through Great American is quoted at \$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 \$27,033.50, a decrease of 5% 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 FY2025-2026 budget, which is contingent upon Board approval on June 27, 2025.

### **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, except OGL which must be maintained with limits of not less than the current \$322 million Federal Liability Cap. 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).

Prepared by: Raymond Barrera, Senior Counsel and Risk Manager

Approved by: Don Del Rio, General Counsel

### **Attachment(s)**

[Attachment A - SCRRRA Insurance Program as of July 1, 2025  
Presentation - Annual Insurance Renewal](#)