



**Metro**

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Metropolitan Transportation Authority

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**FINANCE AND BUDGET COMMITTEE  
JUNE 20, 2007**

**SUBJECT: EXCESS LIABILITY INSURANCE PROGRAM FOR OPERATIONS**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

Receive and file report on the excess liability insurance program for Operations.

**ISSUE**

Metro's excess liability insurance policies expire July 31, 2007. Metro's insurance broker, Aon Risk Services, is responsible for and is currently marketing the excess liability insurance program renewal to qualified insurance carriers. Quotes are being received from carriers with A.M. Best ratings indicative of acceptable financial soundness and ability to pay claims. Staff will review all quotes received by the broker to ensure that the policy has been adequately marketed and to identify the carriers offering the best terms and price.

**BACKGROUND**

Excess liability coverage insures against losses by Metro for bus and rail accidents for bodily injury and property damage to third parties. The excess liability coverage also includes limited employment practices liability insurance. Without this insurance, Metro would be exposed to catastrophic operating losses from bus and rail accidents. Metro would also be in violation of certain contracts and agreements, such as sale/leaseback, requiring Metro to carry excess liability insurance.

Staff considered various deductibles and limits of coverage options (See Attachment A). Metro's penetration of the excess layer and premium history are also shown in this attachment. Based on current conditions and preliminary quotations from the carriers, we are anticipating an increase at the high end of no more than 5% over the current premium for the same coverage.

The recommended Option A secures a self-insurance retention at \$4,500,000 with \$95,500,000 in coverage excess of this retention, identical to the expiring program. Metro has evaluated increasing deductibles and limits as shown in Attachment A. For example,

increasing the retention to \$7 million from \$4.5 million only realizes a savings of \$300,000, insufficient premium savings to recommend an additional \$2,500,000 in risk. Attachment B is a list of carriers interested in participating in Metro's program and their A.M. Best Rating.

The recommended Option A may include limited terrorism risk coverage in layers if pricing is reasonable. Last year, Metro purchased terrorism coverage in the first layer (\$5.5 million excess of the \$4.5 million retention) and in the fourth layer (\$15.0 million excess of \$35 million) for approximately \$40,000. To fully fill out the balance of the \$100 million in limits with terrorism coverage would cost roughly \$1.75 million and is not recommended.

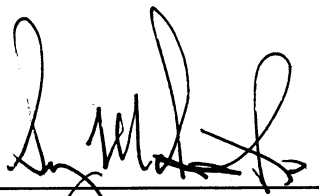
#### NEXT STEPS

We will pursue final pricing of the recommended Option A with the qualified insurance carriers and bring back final pricing and identified carriers to the Board in July for approval.

#### **ATTACHMENTS**

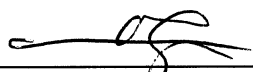
- A. OPTIONS, PREMIUMS AND LOSS HISTORY
- B. POTENTIAL PARTICIPANTS IN METRO'S EXCESS LIABILITY INSURANCE PROGRAM

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Terry Matsumoto  
Chief Financial Services Officer and Treasurer



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Roger Snoble  
Chief Executive Officer

**ATTACHMENT A**

**OPTIONS, PREMIUMS AND LOSS HISTORY**

	CURRENT PROGRAM	OPTIONS		
		A	B	C
Self-Insured Retention (\$ millions)	4.5	4.5	5.0	7.5
Limit of Coverage (\$ millions)	100.0	100.0	100.0	100.0
Not to Exceed Premium (\$ millions)	5.0	5.3	5.2	5.0

	HISTORY OF POLICIES BEGINNING IN THE FOLLOWING FISCAL YEAR						
	2002	2003	2004	2005	2006	2007 (est.)	
Self-Insured Retention (\$ millions)	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Premium (\$ millions)	2.8	4.1	5.4	5.4	5.1	5.0	5.0
Claims in Excess of Retention	1	-	2	1 (est.)	0 (est.)	unknown	unknown
Amount in Excess of Retention (\$ millions)	0.9	-	2.3	unknown	unknown	unknown	unknown

**ATTACHMENT B**

**CARRIERS CONTACTED**  
**August 1, 2007 to July 31, 2008**

<u>COMPANY</u>	<u>BEST RATING</u>
CV Starr – Everest Re	A+ XV
Insurance Company of the State of PA	A+ XV
Lexington	A+ XV
Munich Am Re	A+ XV
ACE	A+ XV
Admiral	A+ XII
Chubb	A++ XV
Scottsdale	A+ XV
XL	A+ XV
Arch RE	A XV
Winterthur	Bermuda
RLI	A XI
Starr Excess	A+ XV
Lloyds' of London	A XV
Genesis	A++ XV
Clarendon	A- X
Lancer	A- VII
Progressive	A+ XIII
ICW	A- IX
Zurich	A XV
Axa Re	A XIII
Newmarket Underwriters	A XIV
Steadfast	A XV
Great American	A XIV

