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**FINANCE AND BUDGET COMMITTEE
JUNE 18, 2008**

SUBJECT: EXCESS LIABILITY INSURANCE PROGRAM

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file this report on the excess liability insurance program.

ISSUE

Our excess liability insurance policies expire July 31, 2008. Our 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 resulting from bus and rail accidents, including bodily injury and property damage to third parties. The excess liability coverage also includes limited employment practices liability insurance, and errors and omissions coverage. Without this insurance, we would be exposed to catastrophic operating losses from bus and rail accidents. We would also be violating certain contracts and agreements, such as sale/leaseback, that require us to carry excess liability insurance.

Staff considered various deductibles and limits of coverage options (See Attachment A). Our 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 identical coverage.

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. We have 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 our program and their A.M. Best Rating.

Option A may include limited terrorism risk coverage in layers if pricing is reasonable. Last year, we 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 \$60,000. To fully fill out the balance of the \$100 million in limits with terrorism coverage would cost roughly \$1.5 million and is not recommended.

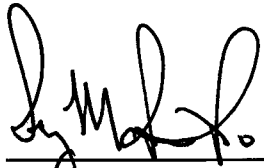
NEXT STEPS

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

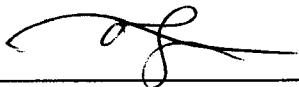
ATTACHMENTS

- A. Options, Premiums and Loss History
- B. Potential Participants in the Excess Liability Insurance Program

Prepared by: Greg Kildare, Executive Officer, Risk Management



Terry Matsumoto
Chief Financial Services Officer and Treasurer



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)	4.9	5.1	5.0	4.8

	HISTORY OF POLICIES FOR THE FOLLOWING FISCAL YEARS									
	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008			
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	4.9			
Claims in Excess of Retention	1	-	2	1 (est.)	0 (est.)	0 (est.)	unknown			
Estimated Amount in Excess of Retention (\$ millions)	0.9	-	2.3	8.6	unknown	unknown	unknown			

EXCESS LIABILITY PROGRAM
POTENTIAL MARKETS
August 1, 2008 to July 31, 2009

<u>COMPANY</u>	<u>BEST RATING</u>
CV Starr – Everest Re	A+ XV
Insurance Company of the State of PA	A+ XV
Liberty Mutual	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
Axis RE	A XV
Winterthur	Bermuda
RLI	A+ XI
Starr Excess	A+ XV
Lloyds' of London	A XV
Genesis	A++ XV
Clarendon	A- IX
Lancer	A- VIII
Progressive	A+ XV
ICW	A- IX
Zurich	A XV
Axa Re	A- XII
Newmarket Underwriters	A XIV
Steadfast	A XV
Great American	A XIII

