



May 21, 2026

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Annual Insurance Program Renewal

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Overview

The Orange County Transportation Authority holds an Excess Workers' Compensation Insurance Policy with Safety National Insurance Company, a Property Insurance Policy with Zurich Insurance Company, and express lanes property insurance with Zurich Insurance Company, Munich Re Insurance, and AIG Specialty Insurance Company. The policies are scheduled to expire on June 30, 2026, and renewals are necessary to maintain coverage.

Recommendations

- A. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C255099, in an amount not-to-exceed \$746,148, to Marsh Risk and Insurance Services, Inc., to purchase excess workers' compensation insurance on behalf of the Orange County Transportation Authority for the policy period of July 1, 2026, to June 30, 2027.
- B. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C255098, in an amount not-to-exceed \$1,300,000, to Marsh Risk and Insurance Services, Inc., to purchase property insurance on behalf of the Orange County Transportation Authority for the policy period of July 1, 2026, to June 30, 2027.
- C. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. C255100, in an amount not-to-exceed \$600,000, to Marsh Risk and Insurance Services, Inc., to purchase the 91 and 405 Express Lanes' property and flood insurance on behalf of the Orange County Transportation Authority for the policy period of July 1, 2026, to June 30, 2027.
- D. Authorize the Chief Executive Officer to remain fully self-insured for general liability exposures and maintain a minimum liability reserve of

\$31.6 million as directed by the Board in June 2025, for the policy period of July 1, 2026, to June 30, 2027.

Discussion

The Orange County Transportation Authority (OCTA) maintains a broad insurance program designed to protect its assets and operations. This includes coverage for physical loss or damage to buildings, contents, buses, and the express lanes. Additional policies include excess workers' compensation which covers all employees, and accidental death and dismemberment insurance which covers coach operators while in service. Cyber and crime insurance policies further protect OCTA from malicious acts, including cyberattacks and financial crimes.

As directed by the Board of Directors (Board) in December 2020, and reaffirmed by the Board in June 2025, OCTA remains fully self-insured for general liability exposures. Since the Board's review in June 2025 and establishment of a \$31.6 million liability reserve, there have been no significant changes to OCTA's loss history or the excess liability insurance market. Staff will continue working with its broker, Marsh Risk and Insurance Services, Inc. (Marsh), to evaluate the excess liability market and will report back to the Board with any viable alternatives to remaining fully self-insured.

All OCTA insurance policy renewals moved to a fiscal year (FY) renewal basis beginning July 1, 2024. Board approval is required to renew the excess workers' compensation, property, and express lanes property insurance policies that expire on June 30, 2026, to maintain coverage for FY 2026-27.

Excess Workers' Compensation Insurance

Workers' compensation coverage is designed to provide medical, temporary disability, and permanent disability benefits to injured workers. Employer's liability is additional coverage provided as part of the Excess Workers' Compensation Insurance Policy. Employer's liability insurance covers claim expenses, such as legal defense costs and damages, that fall outside of workers' compensation coverage if an employee were to file a claim asserting additional damages.

OCTA's FY 2025-26 Excess Workers' Compensation Insurance Policy with Safety National Insurance Company provides coverage for any claim exceeding OCTA's self-insured retention of \$750,000, meaning OCTA is responsible for the first \$750,000 of every claim, and excess insurance covers all costs beyond that. This policy includes employer's liability coverage, with limits of \$1 million

per occurrence/annual aggregate. The term premium for this policy is \$678,316 for FY 2025-26.

For the FY 2026-27 renewal, Marsh, OCTA's Broker of Record, reports that the excess workers' compensation market remains stable and competitive as the result of a more predictable loss experience, with a safety-focused culture and risk mitigation reducing claim frequency. Marsh projects a year-over-year premium increase of zero to five percent. Any year-over-year increase or decrease to OCTA's payroll will have a corresponding impact on the premium.

Property Insurance

OCTA purchases insurance to protect its assets, including buildings, contents, and buses (unless otherwise specified below) from accidental loss. OCTA is currently insured with Zurich Insurance Company with a term premium of \$1,017,649 for FY 2025-2026 which is based on property values of \$836,535,936 and includes all OCTA-owned property except the OCTA express lanes, which are insured under a separate policy.

Insurance companies determine property insurance quotes based on current market conditions affecting rates per \$100 in property values. The renewal of this policy is based on updated property values of \$815,013,736, which includes real and business personal property, information systems equipment, and directly operated revenue and non-revenue vehicles. The FY 2026-27 property insurance renewal reflects a year-over-year decrease of \$21,522,200 to existing property values associated with the sale of several excess properties and the removal of several other assets from the property schedule.

A \$50,000 per occurrence deductible applies for fire loss or damage to OCTA's bus fleet in this policy. Revenue vehicles are self-insured for damage while in operation. OCTA's paratransit vehicles are insured separately under an agreement with TransDev, while fixed-route buses operated by Keolis Transit Services, LLC are also not included in OCTA's insurable values.

The property insurance policy limit is \$250 million, providing catastrophic protection equivalent to a total loss just above the current insurable values at OCTA's single largest property value location, the Santa Ana Bus Base. Coverage includes fire, flood, terrorism, civil authority, ingress/egress, leaks to fire sprinkler pipes caused by earthquakes, valuable papers, boiler, and machinery.

- Flood coverage: Limit of \$10 million, with a \$500,000 deductible for high-hazard flood zone areas.

- Earthquake coverage: Limit of \$15 million, subject to a five percent deductible of insurable value per location, with a minimum deductible of \$250,000.

Express Lanes Property Insurance

Insurance companies determine property insurance quotes based upon current insurance market conditions and the total value of property to be insured. Currently, Zurich Insurance Company, Munich Re Insurance, and AIG Specialty Insurance Company provide primary property and flood coverage for the 91 and 405 Express Lanes for a premium of \$453,286, and a total policy coverage limit of \$150 million. These policies provide catastrophic protection for the roadway, structures, and business personal property, including business interruption coverage against losses caused by fire and flood. Other coverage includes losses due to civil authority, ingress/egress, debris removal, demolition and increased costs of construction, equipment breakdown, including electronic data processing equipment.

Flood protection is provided in the current policy with a \$25 million coverage limit in any one occurrence and a \$100,000 deductible. As with many properties in Orange County, the express lanes have structures and buildings that are in areas susceptible to flooding. Flood is defined in the policy to mean “a general and temporary condition of partial or complete inundation of normally dry land areas from (1) the rising or overflow of inland or tidal waters, (2) the unusual and rapid accumulation of run off of surface waters from any source, (3) mudslide (i.e., mudflow), meaning a river or flow of liquid mud proximately caused by flooding as defined in (1) above or by the accumulation of water under the ground, or (4) water that backs up from a sewer or drain. Each loss by flood shall constitute a single claim hereunder; provided if more than one flood shall occur within any period of 72 hours during the term of the policy, such floods shall be deemed to be a single flood.”

OCTA’s broker, Marsh, is paid a flat annual fee of \$120,000 for marketing and placement of all property and casualty insurance policies per Agreement No. C-2-2257, which was approved by the Board on June 13, 2022. This fee is not part of the premium OCTA anticipates paying to the selected insurers for these policy renewals. Per this agreement, Marsh does not earn any additional compensation or commission for its services. The contract further requires that any commissions offered by insurers will offset OCTA’s premiums.

Fiscal Impact

Excess Workers' Compensation Insurance

This expenditure is anticipated to be approved in OCTA's Proposed FY 2026-27 Budget, People and Community Engagement Division, Risk Management Department, Account No. 0041-7552-A2311-DSG.

Property Insurance

This expenditure is anticipated to be approved in OCTA's Proposed FY 2026-27 Budget, People and Community Engagement Division, Risk Management Department, account nos. 0040-7563-A0017-DTS and 0035-7563-OC100-13W.

Express Lanes Property Insurance

This expenditure is anticipated to be approved in OCTA's Proposed FY 2026-27 Budget, People and Community Engagement Division, Risk Management Department, account nos. 0036-7563-A0017-GGN and 0037-7563-A0017-GGN.

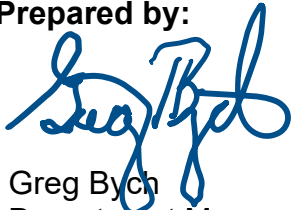
Summary

Based on the information provided, staff recommends the Board of Directors authorize the Chief Executive Officer to negotiate and execute Purchase Order Nos. C255099, C255098, and C255100, in amounts not to exceed \$746,148, \$1,300,000, and \$600,000 respectively, to Marsh Risk and Insurance Services, Inc., for the purchase of excess workers' compensation, property insurance, and express lanes property insurance renewals on behalf of the Orange County Transportation Authority for the policy period of July 1, 2026, to June 30, 2027.

Attachment

None.

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