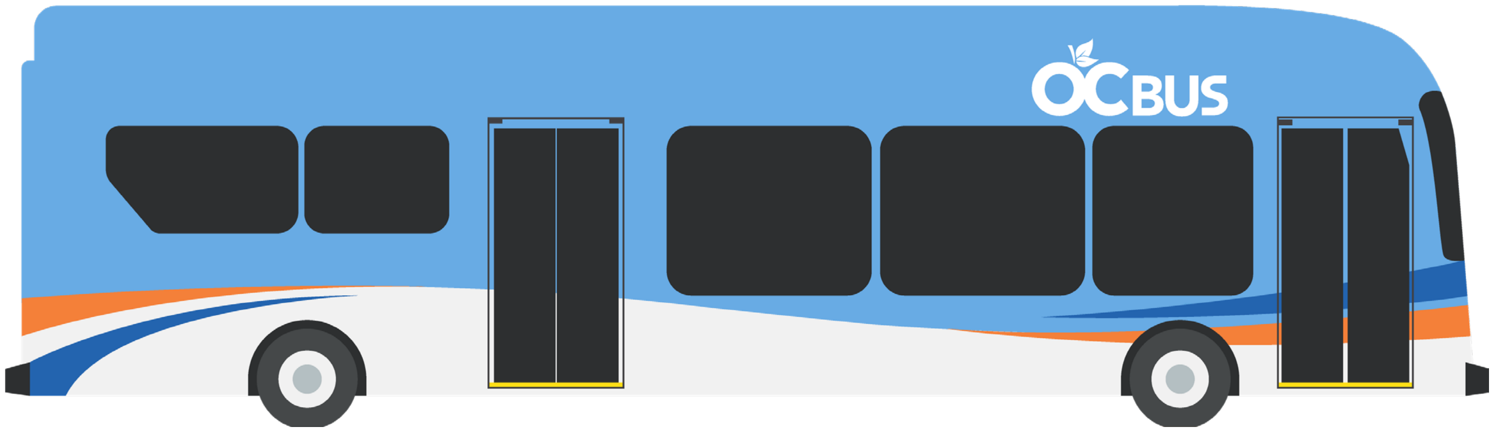
Orange County Transportation Authority

Excess Liability Insurance Renewal



Background

The Orange County Transportation Authority (OCTA) has historically purchased excess liability insurance above its self-insured retention (SIR) to provide financial protection against severe losses.

In November 2020, excess liability coverage was dropped due to high premium costs. Since then, OCTA has been fully self-insured for all general liability.

OCTA has a favorable loss history and has established fiscal policies to ensure funding of liability claims based on historical losses. Post-pandemic increases to services and ridership in conjunction with a litigious environment pose an increased risk to OCTA’s ability to fund a catastrophic loss.

Proposed Excess Liability Structure

OCTA

Establish a high SIR. Establishing a high SIR enables OCTA to effectively budget for and financially manage day-to-day operational exposures based on historical losses.

Procure an excess layer of liability insurance. Procuring an excess layer of insurance above the SIR reduces financial risk exposure to OCTA by protecting OCTA reserves in the event of a catastrophic event.

The excess liability insurance market has stabilized. With a high SIR and positive loss history, its an opportune time for OCTA to re-enter the market.

Recommendations

Move away from a fully self-insured model for coverage of general liability exposures.

Establish a $10 million self-insured retention for general liability.

Procure a $5 million excess liability insurance policy to protect OCTA assets / reserves in the event of a catastrophic loss.