



May 28, 2025

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

Overview

The Orange County Transportation Authority holds an Excess Workers' Compensation Insurance Policy with Safety National Insurance Company and a Property Insurance Policy with Zurich Insurance Company. The policies are scheduled to expire on June 30, 2025, and renewals are necessary to maintain coverage.

Recommendations

- A. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A59005, in an amount not to exceed \$716,580, 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, 2025, to June 30, 2026.
- B. Authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A59025, in an amount not to exceed \$1,200,000, to Marsh Risk and Insurance Services, Inc., to purchase property insurance on behalf of the Orange County Transportation Authority for the renewal of the coverage for the period of July 1, 2025, to June 30, 2026.

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 December 2024, OCTA remains fully self-insured for general liability exposures. Since the Board's most recent review in December 2024, there have been no significant changes to OCTA's loss history or the excess liability insurance market. Assuming OCTA remains fully self-insured for general liability, staff is updating the Reserve Policy which is expected to be presented to the Board in June 2025.

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 and property insurance policies that expire on June 30, 2025, to maintain coverage for FY 2025-26.

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 current 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. Employer's liability limits are \$1,000,000 per occurrence/annual aggregate for a combined premium of \$614,563.

For the FY 2025-26 renewal, Marsh Risk and Insurance Services, Inc. (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 percent 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 \$829,171 for FY 2024-25 which is based on property values of \$635,882,562 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 \$836,535,936, which includes real and business personal property, information system equipment, and directly operated revenue and non-revenue vehicles. The FY 2025-26 property insurance renewal reflects an increase of \$23,004,188 to existing property values, and an increase of \$177,649,186 associated with the addition of new assets, including the new headquarters and the OC Streetcar Maintenance and Storage Facility and system, valued at \$54,541,922 and 123,107,264 respectively.

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 \$235,000,000, 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 \$10,000,000, with \$500,000 deductible for high-hazard flood zone areas.
- Earthquake coverage: Limit of \$15,000,000, subject to a five percent deductible of insurable value per location, with a minimum deductible of \$250,000.

OCTA's broker, Marsh, is paid a flat annual fee of \$110,000 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 2025-26 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 2025-26 Budget, People and Community Engagement Division, Risk Management Department, account nos. 0040-7563-A0017-DTS and 0035-7563-OC100-13W.

Summary

Staff recommends that the Board of Directors authorize the Chief Executive Officer to negotiate and execute Purchase Order No. A59005 and Purchase Order No. A59025, in the amount not to exceed \$716,580 and \$1,200,000 respectively, to Marsh Risk and Insurance Services, Inc., for the purchase of excess workers' compensation and property insurance renewals on behalf of the Orange County Transportation Authority for the policy period of July 1, 2025 to June 30, 2026.

Attachment

None.

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