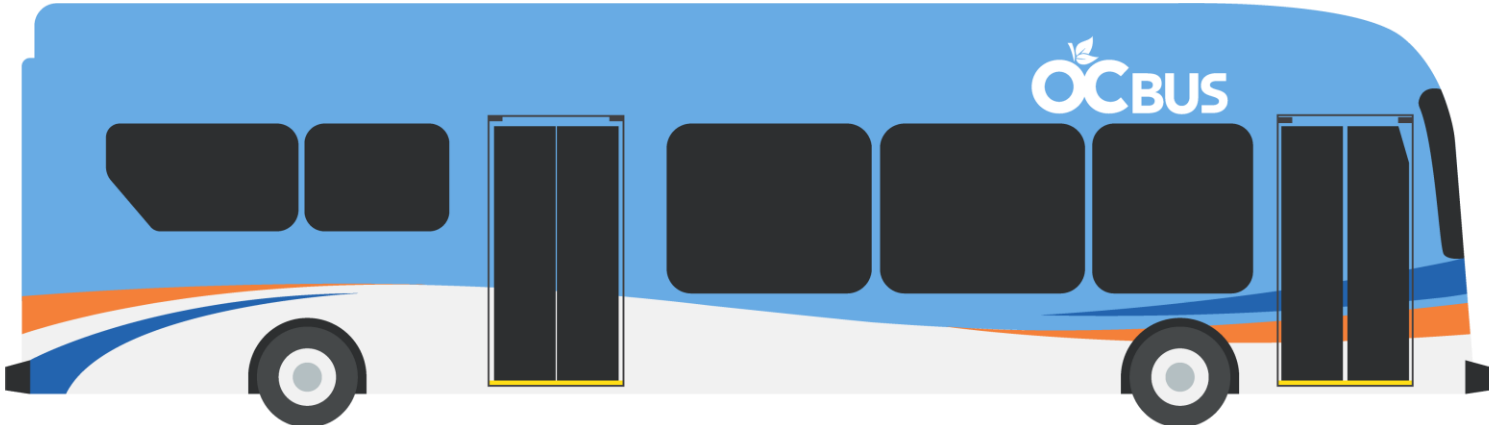
OCTA

Orange County Transportation Authority

Excess Liability Insurance Renewal



Background

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

In December 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.

OCTA – Orange County Transportation Authority

Background: Historical Coverage

	2017 Actual 11/2017-2018	2018 Actual 11/2018-2019	2019 Actual * 11/2019-2020	2020 Quoted 12/2020-2021	2020 Adopted ** 12/2020-2021
Self-Insured Retention	$4 M	$4 M	$5 M	$7.5 M	Fully Self-Insured
XS Coverage	$60 M	$60 M	$7 M	$5 M	$0
Total coverage	$64 M	$64 M	$12M	$12.5 M	
Premium	$706,904	$762,573	$799,005	$719,077	$0

**In 2019, the policy was extended from 11/1/2019 – 12/1/2019 for $64,370.78, then renewed for 11 months (12/1/19 – 11/1/20) for $734,634.36, then extended again to 12/1/2020 for $65,005.68.*

*** When adopting the fully self-insured approach, the Board of Directors (Board) also directed staff to maintain a self-insured retention fund of no less than $14 million.*

(XS) – Excess Coverage

Other Transportation Agency SIR & XS

	OCTA	Agency A	Agency B *	Agency C	Agency D *	Agency E *
Self-Insured Retention	Unlimited	$1 M	$2 M	$1.25 M	$7.5 M	$10 M
XS Coverage	None	$50 M	$40 M	$23.75 M	$75 M	$90 M
Total Coverage		$51 M	$42 M	$25 M	$82.5 M	$100 M

** These agencies operate a light rail system.*

Note: None of the other California transportation agencies surveyed are fully self-insured.

(XS) – Excess Coverage

Proposed Excess Liability Structure

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.

2024 Excess Insurance Proposal and Alternative

	2024 Recommended: $5 M XS of $10 M SIR	**2024 Alternative $20 M XS of $10 M SIR**
Self-Insured Retention	$10 M	$10 M
XS Coverage	$5 M	$20 M
Total Coverage	$15 M	$30 M
Premium	$944,094	$2,994,094

(XS) – Excess Coverage

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.