



- **Board of Directors**

- Finance, Affordability, Asset Management, and Efficiency Committee***

5/12/2026 Board Meeting

---

9-1

## Subject

---

Renewal Status of Metropolitan's Property and Casualty Insurance Program

## Executive Summary

---

Pursuant to Metropolitan's Administrative Code, this letter reviews the current status of Metropolitan's insurance coverages and anticipated charges for fiscal year (FY) 2026/27. As of this writing, the premium estimates that are discussed below are expected costs, but not actual quotes. These expected costs are derived from Metropolitan's broker's experience with our current insurance carriers, other insurers that may be willing to quote our program, and the condition of the current marketplace overall. Currently, staff has reasonable confidence that the estimates or "indications" provided by the insurance carriers will not exceed the aggregate total estimated. Our broker will provide actual binding quotes once the insurance carriers have completed their review of Metropolitan's underwriting and risk profile information. In June, staff will present a board letter to request authority to purchase insurance based on those actual quoted premiums for the various lines of coverage.

## Fiscal Impact

---

The total premium costs are anticipated to increase from \$2.396 million for FY 2025/26 to approximately \$2.636 million for FY 2026/27.

## Applicable Policy

---

Metropolitan Water District Administrative Code Section 6413: Insurance Program

Metropolitan Water District Administrative Code Section 9101: Risk Retention and Procurements of Insurance Comparison in Dollars

## Related Board Action(s)/Future Action(s)

---

This letter is in preparation for a June board letter presented to the Committee to approve purchase of the insurance renewal for FY 2026/27.

## Details and Background

---

### Background

The following list includes the Casualty and Property Insurance Program lines of insurance, with coverage amounts, which expire June 30, 2026.

- \$25 million aircraft liability coverage; \$10 million liability for Unmanned Aerial Vehicles, and aircraft hull coverage up to the planes' assessed values.
- \$5 million Crime coverage for exposures such as fraud, theft, faithful performance and employee dishonesty in excess of a \$150,000 deductible.

- \$75 million General Liability coverage in excess of a \$25 million self-insured retention.
- \$60 million Fiduciary and Employee Benefits Liability coverage in excess of a \$25 million self-insured retention.
- \$65 million Public Officials, Directors and Officers Liability (D&O) coverage in excess of a \$25 million self-insured retention.
- Statutory Workers' Compensation, and \$1 million Employers' Liability coverage, in excess of a \$5 million self-insured retention; statutory coverage for Washington, D.C. employees.
- Stated property value up to \$25 million Property Damage coverage limit.
- \$5 million Cyber Liability coverage.

Metropolitan's property and casualty excess and specialty insurance renewal cost is expected to increase by about 10 percent over FY 2025/26. The cost increase is due to a continuation of significant global trends and factors affecting the insurance market. These include lingering economic fallout from the global pandemic, increased frequency of climate change-induced mega-catastrophic weather events such as extreme storms and historic wildfires, and a continuation of significant social and political unrest, most notably the war in the Middle East. A continuation of stubborn inflation resulting from various national and global factors is putting additional upward price pressure on the insurance market. These events and conditions, in addition to pre-existing pricing pressure trends, are causing both higher insurance market pricing, and more restrictive policy terms and conditions. Metropolitan is somewhat well positioned by being significantly self-insured; consequently, the effect of price increases and policy restrictions are expected to be somewhat muted but nonetheless will continue to be more noticeable than during the pre-pandemic era. The rate of cost increases for the coming year is expected to be similar, but slightly less than that experienced for the FY 2025/26 insurance renewal.

**Attachment 1** compares the current coverages and premiums to those projected for FY 2026/27. These projections are pegged to the upper end of the expected price range. Premiums for the two layers of excess General Liability make up the largest portion of Metropolitan's casualty insurance budget. We expect up to an 11 percent premium increase from an aggregate amount of \$1,596,727 for FY 2025/26 to a projected \$1,756,400 for the coming year due to the factors discussed above and an anticipated wildfire surcharge for risks in California. The excess fiduciary policy premiums are also anticipated to rise by about nine percent, from \$96,989, to an anticipated \$105,700. The excess D&O policies are projected to cost about \$351,000, a ten percent increase from \$319,058 in FY 2025/26. Premiums for excess workers' compensation, and the first-dollar coverage policy for Washington, D.C. employees, are expected to rise more mildly by up to six percent, from a combined \$148,978 in the current fiscal year to an estimated \$158,000 for FY 2026/27. To add context for this price trend, from FYs 2002/03 to 2005/06, the self-insured retention for workers' compensation coverage was incrementally raised from \$1 million to \$5 million in response to terror-risk-related premium spikes in that line of coverage. The rationale to increase the self-insured retention was that the premiums saved over a ten-year period would offset the financial risk of a "once in a decade" claim that would exceed the self-insurance coverage in that particular year. That analysis was based on calculations derived from the annual actuarial study. Metropolitan's risk exposure has remained stable since that review.

Because premiums for this line of coverage stabilized and then later decreased, Metropolitan maintained the self-insured retention of \$5 million, and was able to increase the coverage limit from \$25 million to \$50 million in FY 2010/11. In FY 2015/16, Metropolitan was able to obtain excess workers' compensation coverage with statutory limits over the \$5 million retention without a price increase. As premiums are expected to be mildly to moderately higher than last year, at this time staff anticipates maintaining the same self-insured retention and coverage limit. Over the last five years, excess workers' compensation premiums have remained fairly stable, with increases due mostly to increasing medical industry costs and inflation. Beginning in FY 2010/11, Metropolitan purchased a separate "first-dollar" policy for the Washington, D.C. employees. That first-dollar policy cost \$1,179 last year and is included in Metropolitan's total premium figure for workers' compensation coverage.

For all coverages, staff continues to explore the cost-benefit of various options to maximize coverage without significantly increasing premium costs, and other options to reduce premium costs without increasing Metropolitan’s risk exposure. Staff also reviews and analyzes the suitability of the retention levels and coverage limits along with input from actuaries and comparisons to other organizations. As long as premium costs and Metropolitan’s risk exposures remain stable, the actuarial recommendations for retention and excess coverage levels remain in place. Staff continues to review and evaluate the viability of obtaining other lines of coverage, such as fire, flood, earthquake and cyber liability coverages as risks and needs change. In past years, Metropolitan has not purchased these coverages because it has not been financially favorable, compared with the risk exposure, and because Metropolitan can raise funds if repairs are required. Staff did a deeper dive into cyber liability coverage and obtained that coverage in fiscal year 2024/25 to supplement our robust cyber liability defense.

Premium costs for other excess and specialty policies will vary by line of coverage but are expected to have varying cost increases due to inflationary pressures described earlier, and due to increased claims payments trends globally in some lines of coverage. The cyber liability policy premium cost is expected to rise by up to 10 percent, from \$102,498 paid in FY 2025/26 to about \$112,750. The Aircraft Liability and Hull policy premium is expected to increase from \$90,095 paid in FY 2025/26 to an estimated \$98,200 for the coming year. Metropolitan’s Crime policy premium is anticipated to rise by approximately five percent from \$8,245 to about \$8,660.

Metropolitan also maintains a property damage policy due to fire damage that occurred near the Diemer Facility in the fall of 2009. This policy was originally purchased in order to obtain reimbursement of over \$500,000 from the Federal Emergency Management Agency for damage repair. Last year, the premium renewal cost of \$8,027 was already up markedly due to increasing wildfire exposure. Due to amplified wildfire-related losses in the western United States and most recently Southern California weighing on the insurance market, premiums are expected to rise by up to 15 percent to an estimated \$9,250 for FY 2026/27.

Metropolitan also carries Travel Accident and Special Contingency Crime (also known as Executive Risk), both three-year duration policies, last purchased in FY 2025/26. The renewal premiums cost \$21,633 and \$4,442 respectively and are not up for renewal until FY 2028/29.



To complete the insurance renewal for FY 2026/27, with similar limits and retentions, staff anticipates renewal premium costs of about \$2.636 million compared with approximately \$2.396 million for FY 2025/26.

**Timing and Urgency**

This letter provides an update on the activities and estimated costs for the July 1, 2026, insurance renewal.

***Project Milestone***

This is an ongoing annual process to renew or replace existing coverages or add or modify coverages to the portfolio as Metropolitan’s needs and market conditions dictate.

 <hr/> Katano Kasaine Assistant General Manager/ Chief Financial Officer	4/21/2026 Date
 <hr/> Shivaji Deshmukh General Manager	4/21/2026 Date

**Attachment 1 – Metropolitan’s Casualty and Property Insurance Program Insurance Premium Comparison**

**Metropolitan's Casualty and Property Insurance Program  
Insurance Premium Comparison  
In Dollars**

<b>Insurance Policy Type</b>	<b>Self-Insured Retention (SIR)</b>	<b>Coverage Limits</b>	<b>2025/26 Insurance Premiums</b>	<b>2026/27 Estimated Premium Cost</b>	<b>2026/27 Estimated Premium Cost Change</b>	<b>2026/27 Estimated Premium % Change</b>
Excess General Liability <sup>1</sup>	\$25 million	\$75 million	1,596,727	1,756,400	159,673	10.0%
Fiduciary and Employee Benefits Liability <sup>1</sup>	\$25 million	\$60 million	96,989	105,700	8,711	9.0%
Public Officials Directors and Officers Liability <sup>1</sup>	\$25 million	\$65 million	318,968	351,000	32,032	10.0%
Crime	\$150,000	\$5 million	8,245	8,660	415	5.0%
Aircraft Liability/Hull & Drone	\$7,500	\$25 million	90,095	98,200	8,106	9.0%
Excess Workers' Compensation, CA	\$5 million	Statutory	147,799	156,700	8,901	6.0%
Excess Workers' Compensation, D.C.	\$0	Statutory	1,179	1,300	121	10.3%
Property	\$0	Asset value	7,829	9,250	1,421	18.1%
Cyber Liability	\$500,000	\$5 million	102,498	112,750	10,252	10.0%
Special Contingency <sup>2</sup>	\$0	\$5 million	4,442	NA	NA	NA
Travel Accident <sup>2</sup>	\$0	\$250,000	21,632.5	NA	NA	NA
<b>Total Insurance Premiums with 3-year policy coverage</b>			<b>2,396,403</b>	<b>2,599,310</b>	<b>228,981</b>	<b>9.7%</b>
<b>Total Insurance Premiums with out 3-year policy coverage</b>			<b>2,370,329</b>	<b>2,599,310</b>	<b>228,981</b>	<b>8.5%</b>

<sup>1</sup> Premium costs for two layers of General Liability, Fiduciary and Employee Benefits Liability, and Public Officials Directors and Officers Liability.

<sup>2</sup> Three-year duration policies last purchased July 2025 (three year coverage) and scheduled for renewal July 2028.