



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Information

● Board of Directors

Finance, Affordability, Asset Management, and Efficiency Committee

5/13/2025 Board Meeting

9-4

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) 2025/26. 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 \$2.180 million for FY 2024/25 to approximately \$2.493 million for FY 2025/26.

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 2025/26.

Details and Background

Background

The following list includes the Casualty and Property Insurance Program lines of insurance, with coverage amounts, which expire June 30, 2025.

- \$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.
- \$250,000 Travel Accident coverage.
- Executive Risk with \$5 million in limits.

Metropolitan's property and casualty excess and specialty insurance renewal cost is expected to increase by about 14.4 percent over FY 2024/25. 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. 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 to that experienced for FY 2024/25.

Attachment 1 compares the current coverages and premiums to those projected for FY 2025/26. 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 a 15 percent premium increase from an aggregate amount of \$1,423,290 for FY 2024/25 to a projected \$1,637,000 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 15 percent, from \$96,989, to an anticipated \$111,500. The excess D&O policies are projected to cost about \$367,600, which is also up 15 percent from \$319,677 in FY 2024/25. 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 10 percent, from a combined \$134,899 in the current fiscal year to an estimated \$148,400 for FY 2025/26. 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, but raised 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 \$1,198 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 last year 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 also due to increased claims payment trends globally in some lines of coverage. The Cyber liability policy premium cost is expected to rise by up to 10%, from \$102,498 paid in FY 2024/25 to \$112,700. The Aircraft Liability and Hull policy premium is expected to increase from \$86,126 paid in FY 2024/25 to an estimated \$95,000 for the coming year. Metropolitan's Crime policy premium is anticipated to rise by approximately five percent from \$8,245 to about \$8,700.

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 \$9,200 for FY 2025/26.

Metropolitan also carries Travel Accident and Special Contingency three-year duration policies, last purchased in FY 2022/23. When last purchased in 2022, the renewal premiums cost \$21,633 and \$4,442 respectively, and are expected to rise by about ten percent to \$23,800 and \$4,900 for the two coverages.


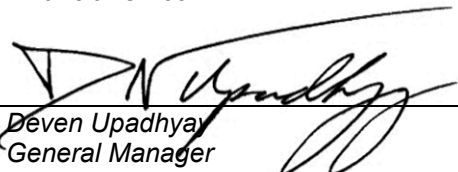
To complete the insurance renewal for FY 2025/26, with similar limits and retentions, staff anticipates renewal premium costs of about \$2.493 million compared with approximately \$2.180 million for FY 2024/25.

Timing and Urgency

This letter provides an update on the activities and estimated costs for the July 1st, 2025, 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.

 Katano Kasaine Assistant General Manager/ Chief Financial Officer	4/28/2025 Date
 Deven Upadhyay General Manager	4/28/2025 Date

Attachment 1 – Metropolitan's Casualty and Property Insurance Program Insurance Premium

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

Insurance Policy Type	Self-Insured Retention (SIR)	Coverage Limits	2024/25 Insurance Premiums	2025/26 Estimated Premium Cost	2025/26 Estimated Premium Cost Change	2025/26 Estimated Premium % Change
Excess General Liability ¹	\$25 million	\$75 million	1,423,290	1,637,000	213,710	15%
Fiduciary and Employee Benefits Liability ¹	\$25 million	\$60 million	96,989	111,500	14,511	15%
Public Officials Directors and Officers Liability ¹	\$25 million	\$65 million	319,677	367,600	47,923	15%
Crime	\$150,000	\$5 million	8,245	8,700	455	6%
Aircraft Liability and Hull	\$7,500	\$25 million	86,126	95,000	8,874	10%
Excess Workers' Compensation, CA	\$5 million	Statutory	133,701	147,100	13,399	10%
Excess Workers' Compensation, D.C.	\$0	Statutory	1,198	1,300	102	10%
Property ²	\$0	Asset value	8,027	9,200	1,173	15%
Cyber Liability ^{2 & 4}	\$500,000	\$5 million	102,498	112,700	10,202	10%
Special Contingency ³	\$0	\$5 million	4,442	4,900	458	10%
Travel Accident ³	\$0	\$250,000	21,633	23,800	2,167	10%
Total Insurance Premiums –			2,179,753	2,492,727	312,974	14.4%

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

² Premium for 2024/25 is a not-to-exceed estimate based upon market indications.

³ Three-year duration policies last purchased July 2022, and are up for renewal FY 2025/26.