

Los Angeles Metropolitan Transportation Authority

Workers Compensation and Public Liability/Property Damage Self-Insurance Program

Actuarial Analysis as of June 30, 2022

Presented: May 19, 2023

The AON logo is located in the bottom right corner of the slide. It consists of the letters "AON" in a bold, red, sans-serif font. The letters are slightly shadowed, giving the logo a three-dimensional appearance as if it is floating above the white background.

Discussion Points

- Three conclusions from the most recently completed actuarial report:
 1. **Outstanding liabilities as of June 30, 2022:**
 - Used for financial statements
 2. **Projected losses for program years 2022/23 and 2023/24:**
 - Used for budgeting purposes
 - Based on LAMTA's claims experience
 - Reflects claim, exposure, and legislative trends
 3. **Forecasted Loss Payments for 2022/23**
- Historical claims perspective
- Overall observations

Determination of Outstanding Liability

1. Liability for **unpaid** claim costs – 2 components
 - a) Case reserves on known claims
 - b) Incurred But Not Reported (IBNR)
 - i. Provision for unreported claims related to incidents which have already occurred
 - ii. Also for further loss development on known claims

2. Liability should be based on:
 - a) The estimated ultimate cost (including effects of inflation and other societal and economic factors),
 - b) Using past experience adjusted for current trends,
 - c) Other factors that would modify past experience

(GASB Statement No. 10, Paragraph 22)

Actuarial Projection Methods

- Development methods:
 - Paid losses, reported losses, number of claims
 - Case reserve development
 - Frequency/severity
- Exposure/loss rate analysis:
 - Expected loss method
 - Mainly used to project future years

History of Self-Insured Retentions

Workers Compensation

Loss Period	WC SIR
Prior to 9/1/98	Commuted/Unlimited
9/1/98 through 8/31/01	Fully Insured
9/1/01 and Later	Unlimited

Public Liability/Property Damage

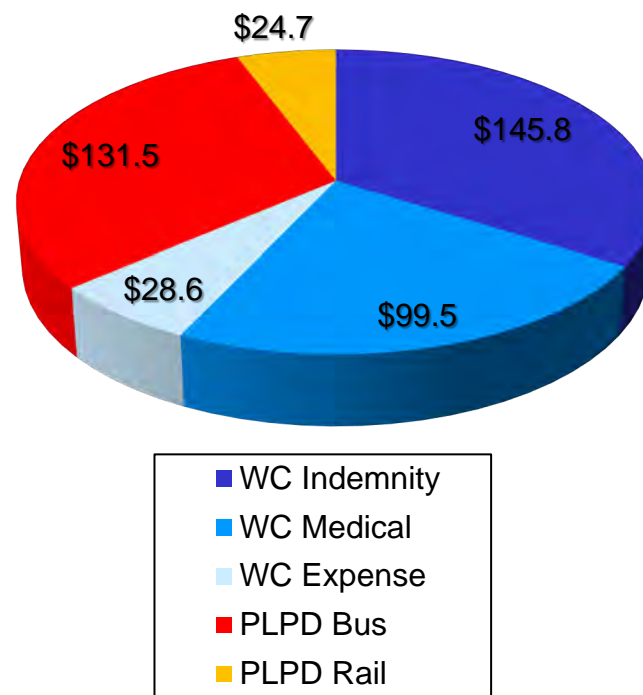
Loss Period	PLPD Bus SIR	PLPD Rail SIR
Prior to 7/1/86	\$1,500,000	\$1,500,000
7/1/86 through 6/30/89	\$4,000,000	\$4,000,000
7/1/89 through 7/31/11	\$4,500,000	\$4,500,000
8/1/11 through 7/31/13	\$5,000,000	\$5,000,000
8/1/13 through 7/31/18	\$7,500,000	\$7,500,000
8/1/18 through 7/31/20	\$8,000,000	\$8,000,000
8/1/20 through 7/31/22	\$10,000,000*	\$8,000,000
8/1/22 and later	\$12,500,000 [Ⓢ]	\$8,000,000

* SIR is \$10M plus 50% of \$10M x \$10M (SIR), then a \$2.5M insured layer, and then a \$2.5M self-insured layer

[Ⓢ] SIR is \$12.5M plus 50% of \$10M x \$12.5M layer (SIR), then \$2.5M self-insured layer

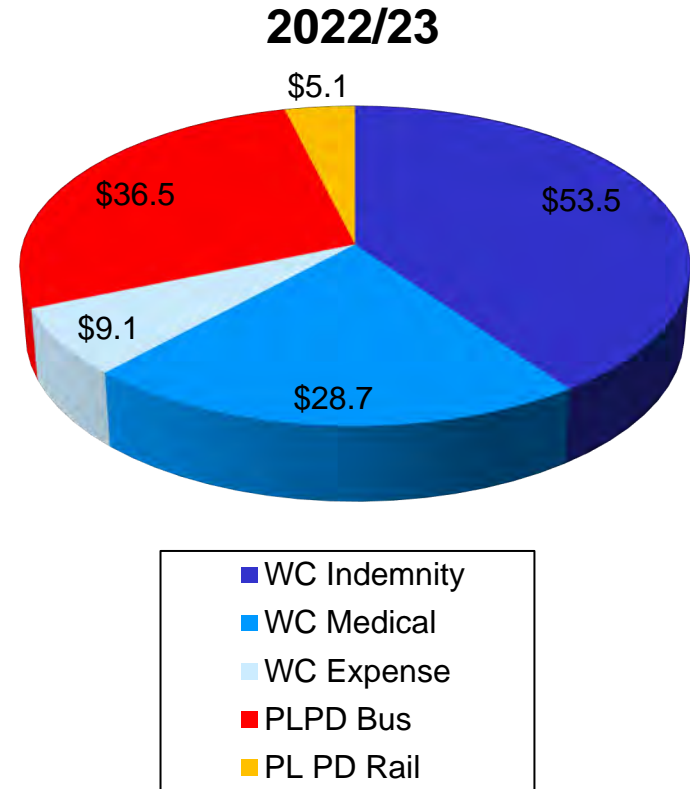
Expected Undiscounted Outstanding Liability at June 30, 2022

	(million)
Program	Amount
(A) Workers Comp.	\$274.0
(B) PL/PD	156.1
(C) Total	430.1



Projected Ultimate Retained Losses for 2022/23 and 2023/24

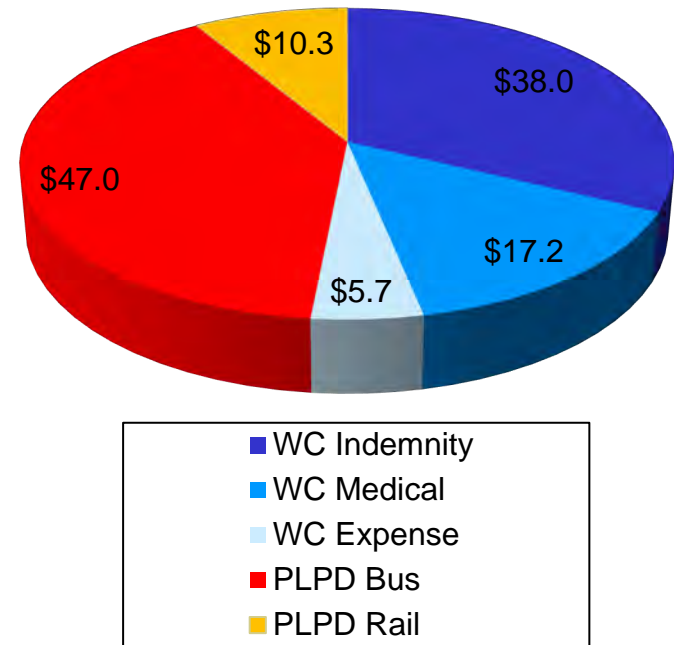
Program	2022/23	2023/24
(A) Workers Comp.	\$91.3	\$98.1
(B) PL/PD	41.6	42.3
(C) Total	132.9	140.5



Forecasted Loss Payments for 2022/23

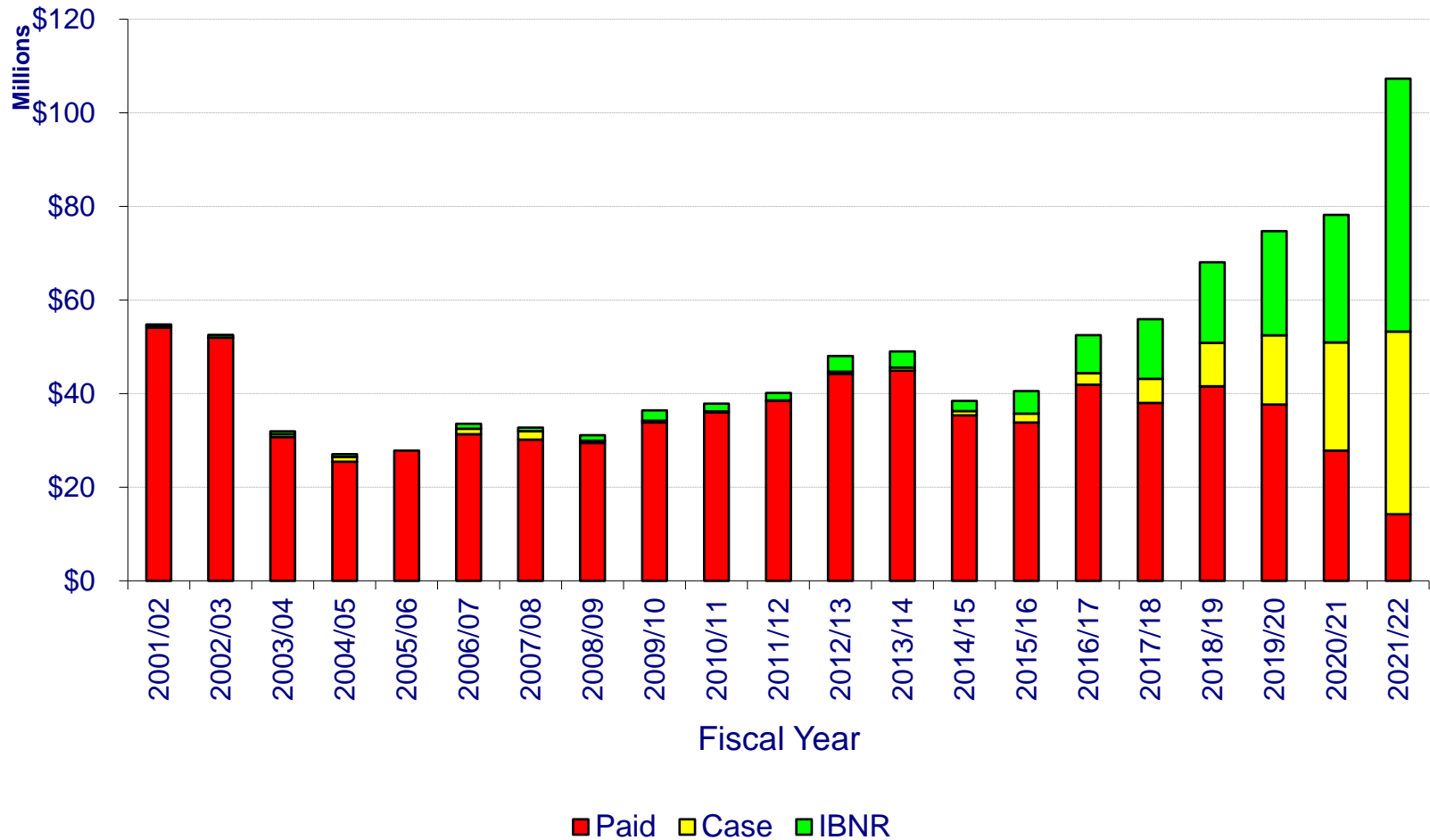
(million)

Program	2022/23
(A) Workers Comp.	\$60.9
(B) PL/PD	57.3
(C) Total	118.2



Workers Compensation

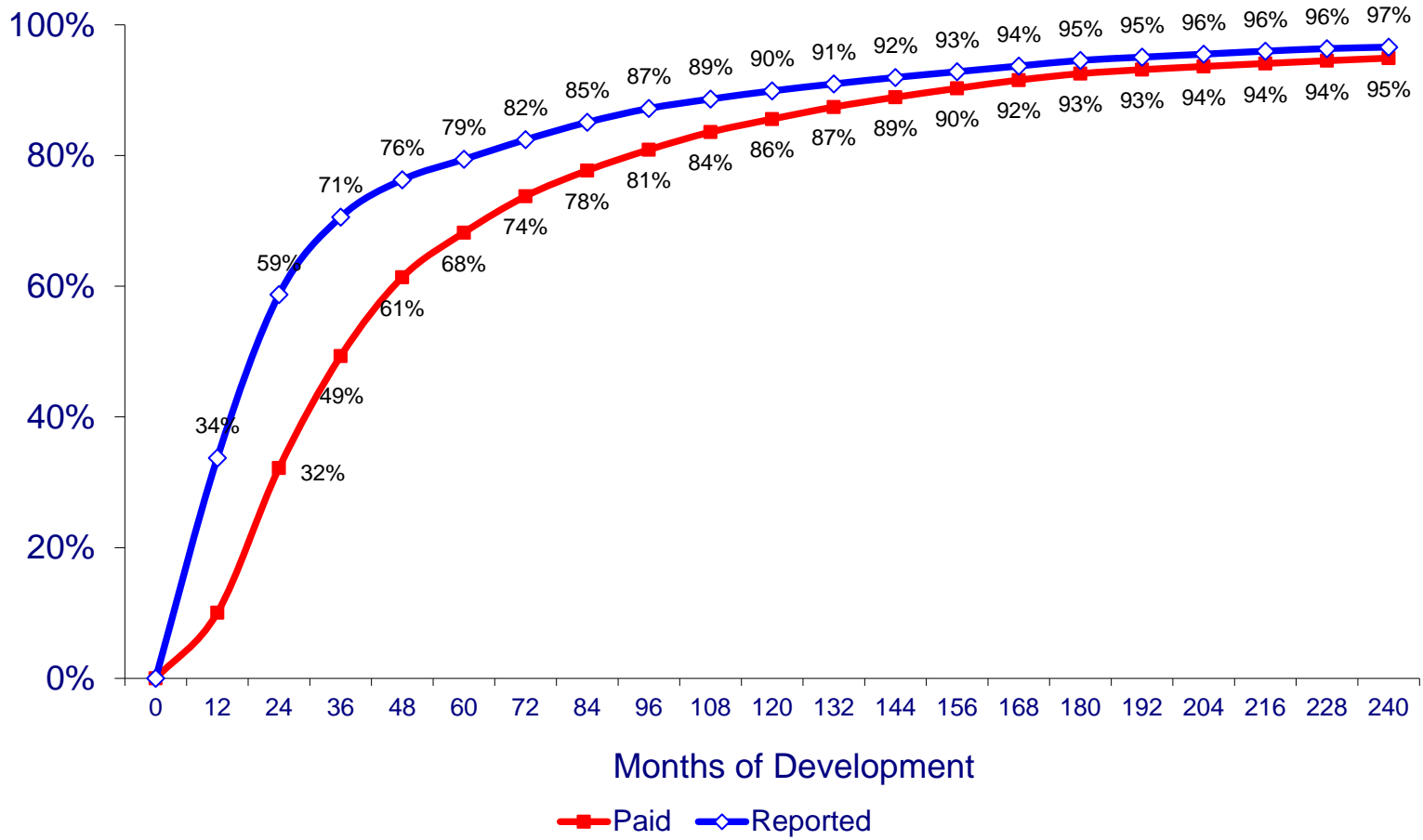
WC Projected Ultimate Retained Losses Inception to 6/30/22 ~ \$1.67 Billion



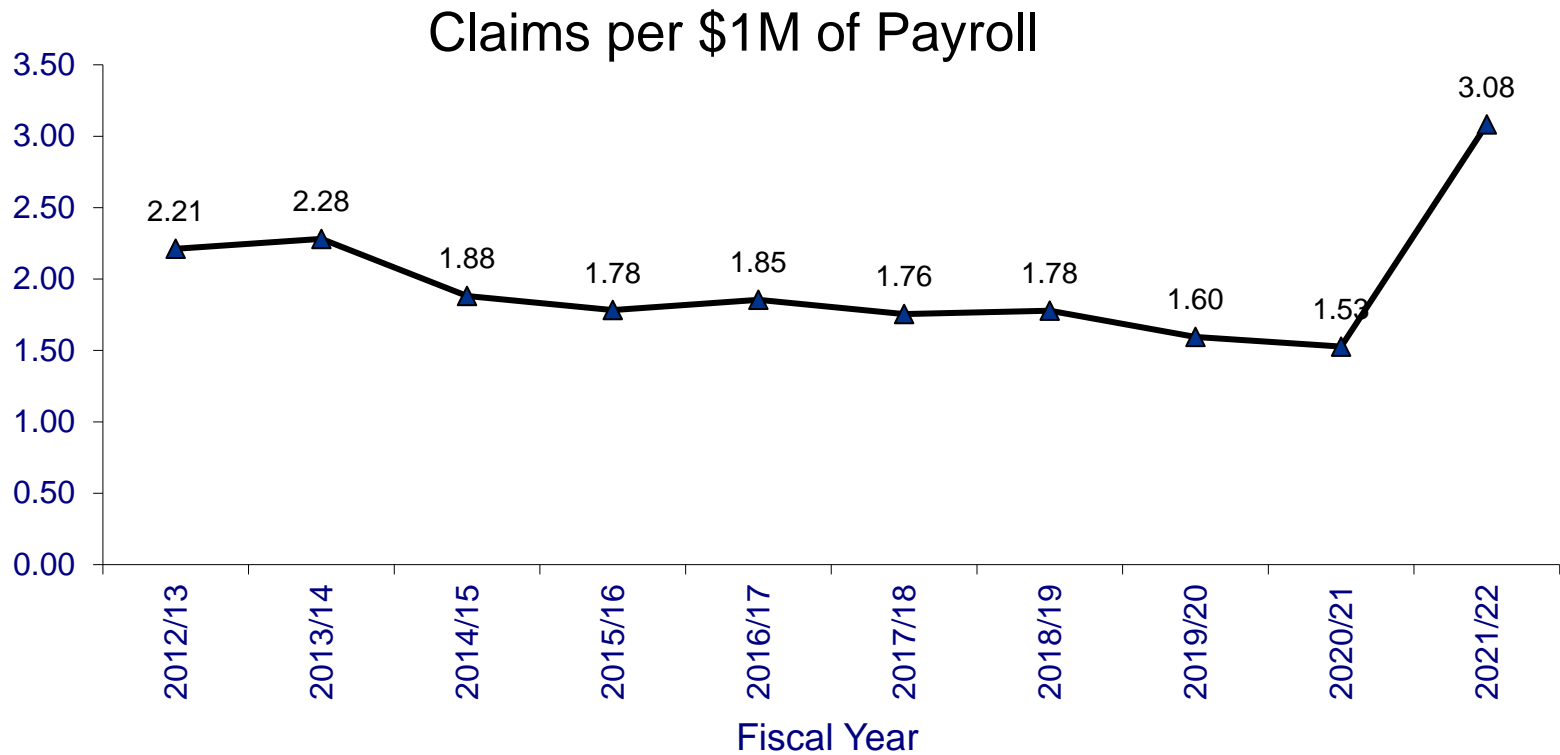
WC Outstanding Liab @6/30/22 = Case Res + IBNR ~ \$274.0M



Workers Compensation Loss Development Patterns



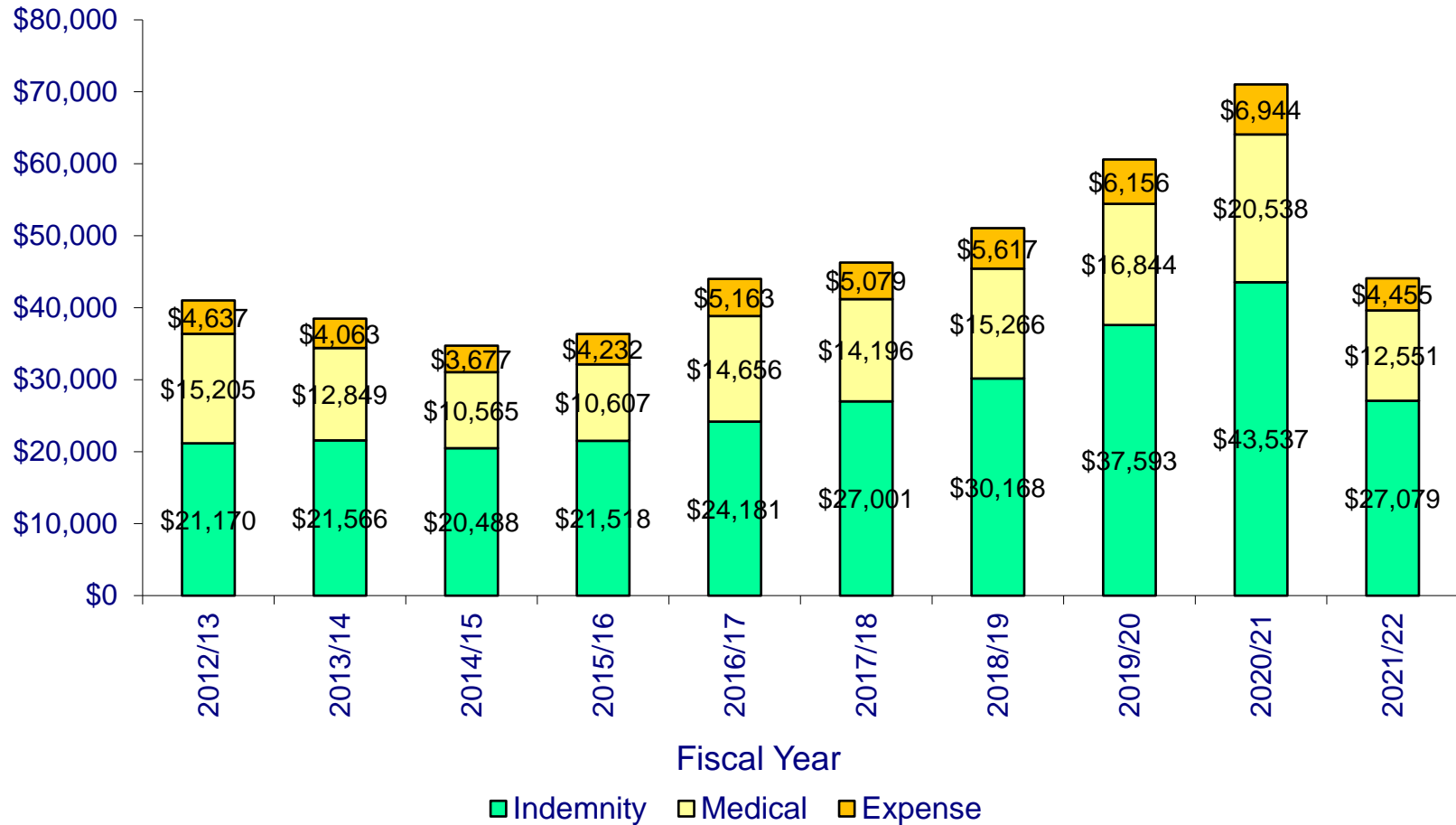
Workers Compensation Claim Frequency



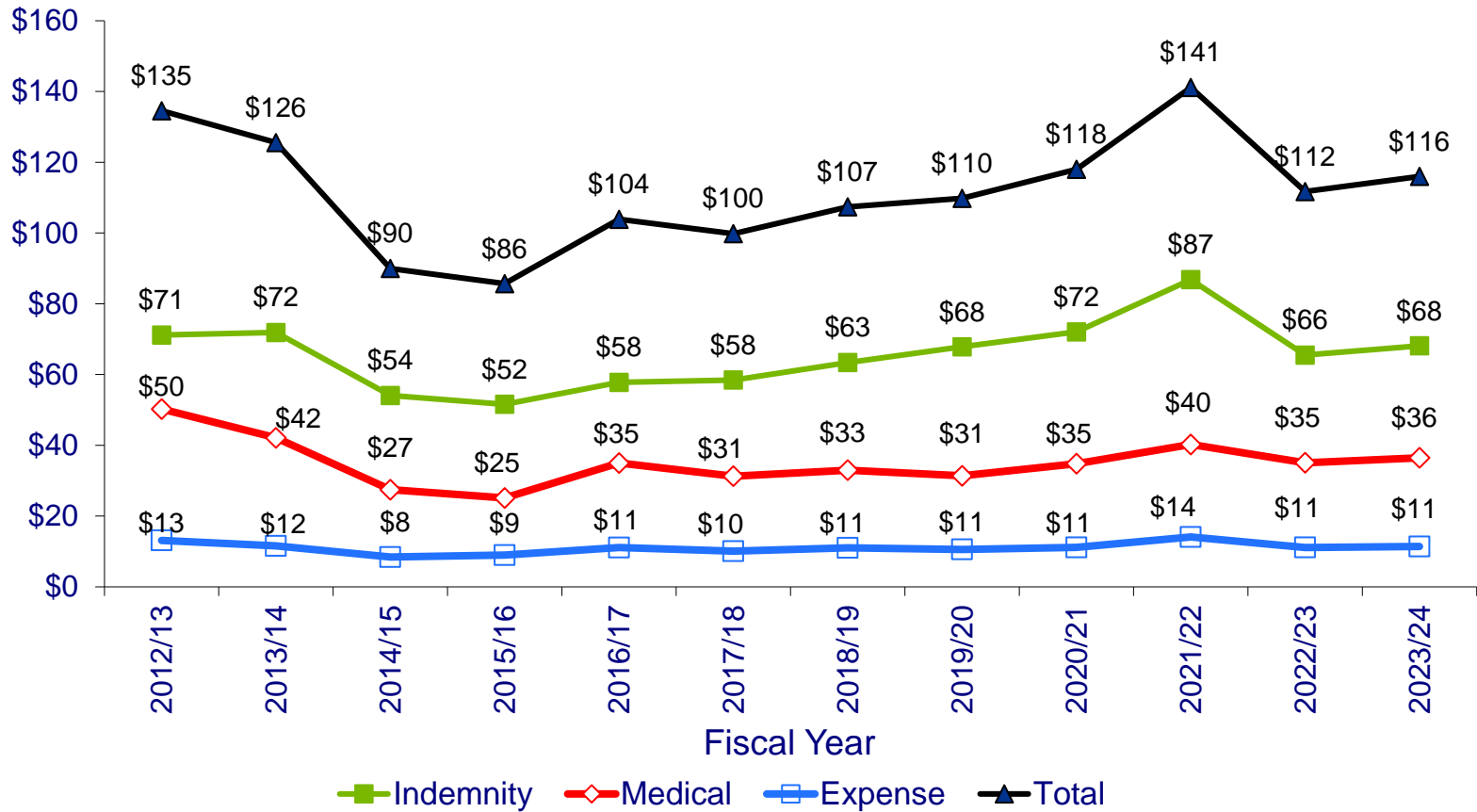
Increase in claim frequency in 2021/22. Possible causes:

- LAMTA discontinued the return-to-work/modified duty program during pandemic, and it has not been reinstated fully as of 6/30/22
- Claims filed which may not be related to contracting COVID-19 but for continuous trauma claims for fear of working and contracting COVID-19

Workers Compensation Claim Severity



WC Loss Rate per \$1,000 of Payroll (Trended)

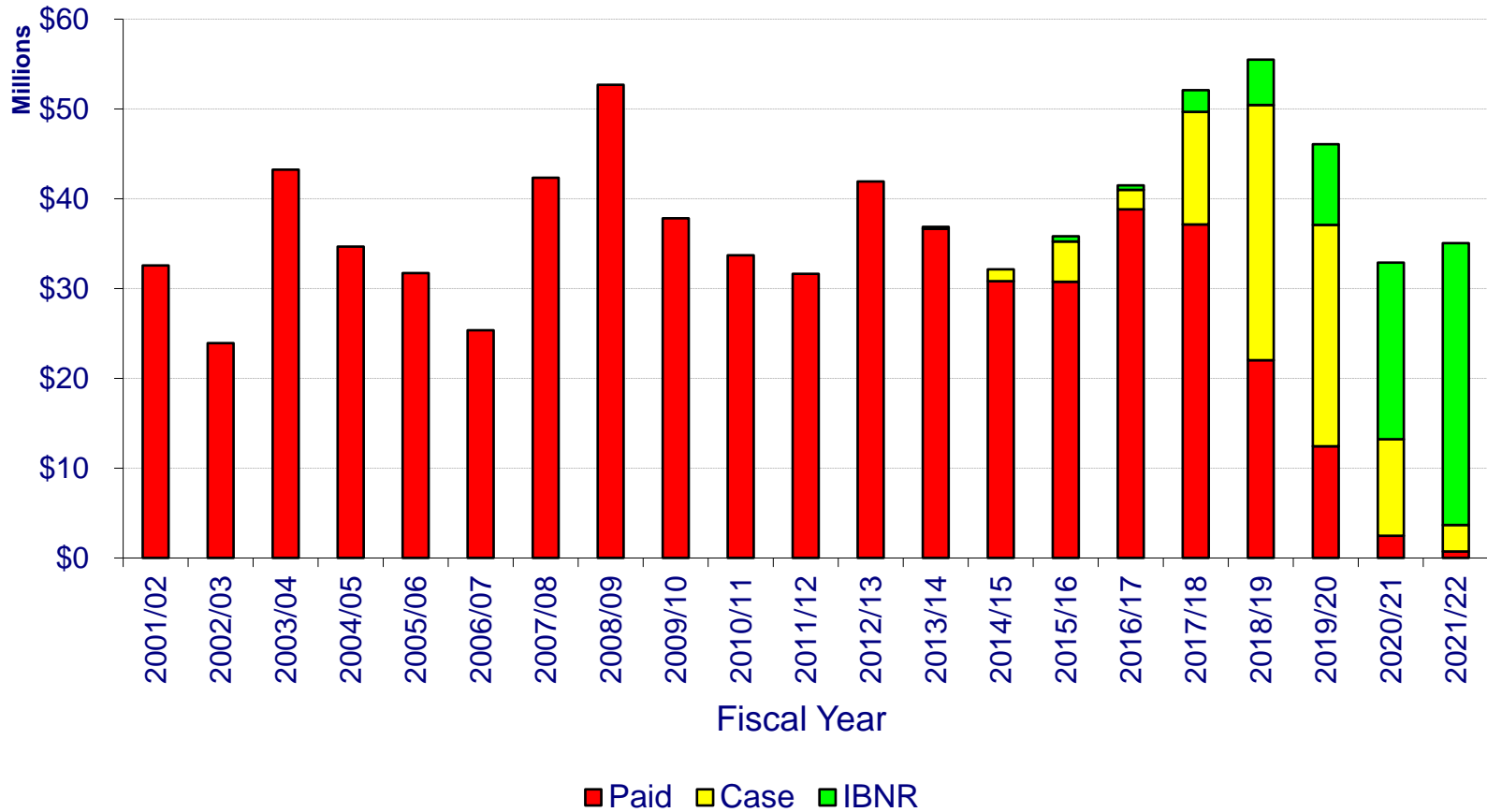


Workers Compensation COVID-19 Claims

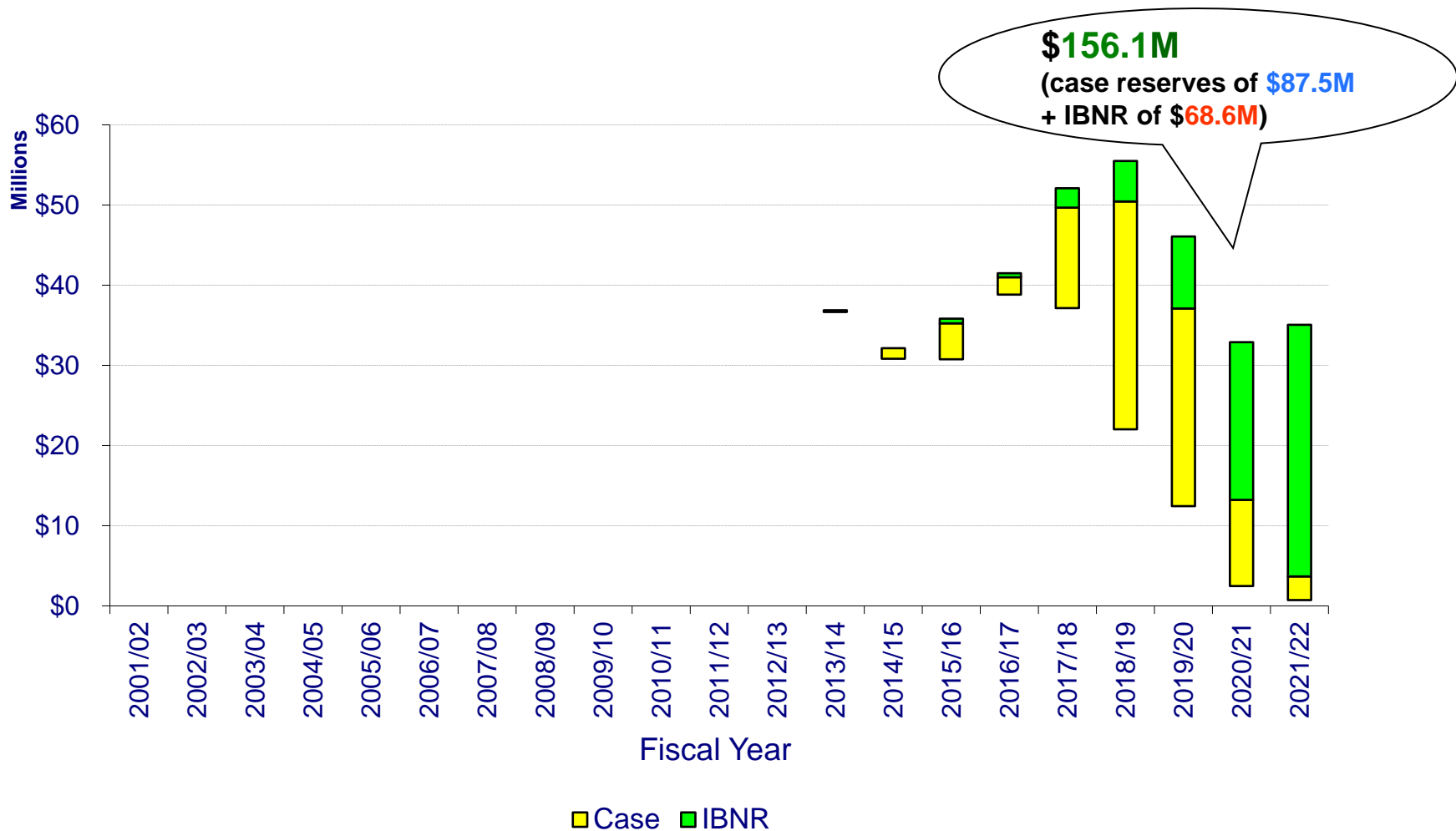
- 58 non-zero reported COVID-19-related workers compensation claims as of 6/30/22
- Incident dates from March 2020 to January 2022
- Total reported loss value as of 6/30/22 for these 58 claims is \$1,975,999, of which \$861,490 has been paid
- These are claims that have been filed, but not all are confirmed COVID cases
- Actuarial analysis currently makes no special adjustments for COVID-19, other than reflecting the claims into the overall loss experience

Public Liability/Property Damage

PL/PD Projected Ultimate Losses Limited to SIR Inception to 6/30/22 ~ \$1.4 Billion



PL/PD Outst. Liability @6/30/22 = Case Res + IBNR ~ \$156.1M

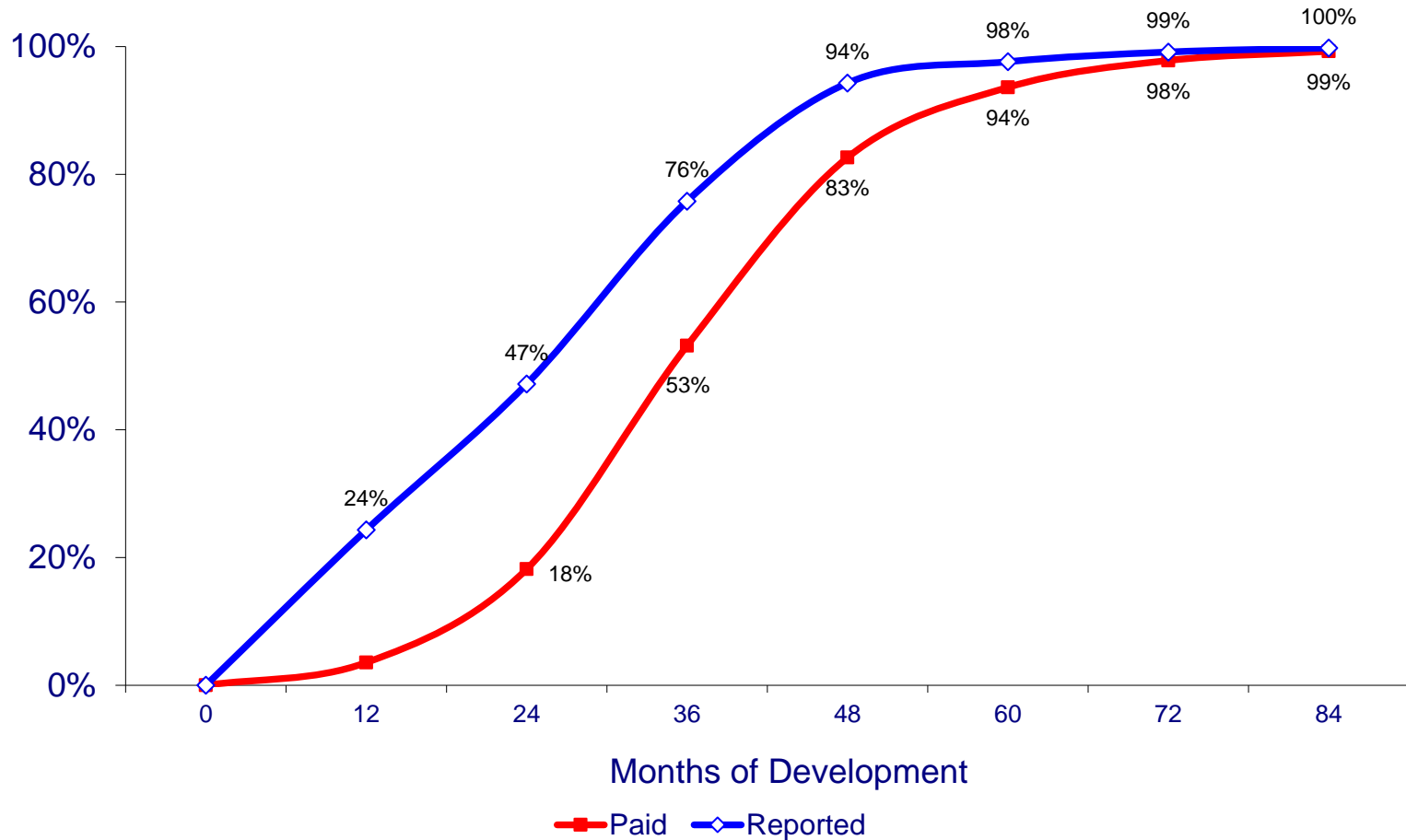


PL/PD Open Case Reserves > \$1 million as of 6/30/22

Event Number	Claim Type	Event Date	Claim Status	Paid Loss	Reported Loss	Case Reserves
CD22019158414	Bus	4/30/19	Open	\$537,046	\$7,978,200	\$7,441,154
CD22019160234	Bus	9/1/19	Open	569,707	7,298,750	6,729,043
CD22018153647	Rail	5/26/18	Open	1,261,818	7,499,000	6,237,182
CD22019156978	Bus	1/27/19	Open	185,495	6,288,100	6,102,605
CD22019160687	Bus	10/2/19	Open	80,422	4,200,000	4,119,578
CD22019157022	Bus	1/29/19	Open	252,742	4,280,000	4,027,258
CD22016144215	Bus	6/28/16	Open	509,909	3,105,600	2,595,691
CD22020164456	Bus	8/9/20	Open	196,175	2,700,100	2,503,925
CD22019161703	Bus	12/8/19	Open	77,220	2,150,000	2,072,780
N20200164619	Bus	8/9/20	Open	1,350	2,050,000	2,048,650
N20180156330	Bus	10/5/18	Open	125,395	1,300,000	1,174,605
N20190161173	Bus	10/8/19	Open	81,235	1,160,174	1,078,939
CD22020164877	Bus	10/3/20	Open	78,695	1,100,000	1,021,305

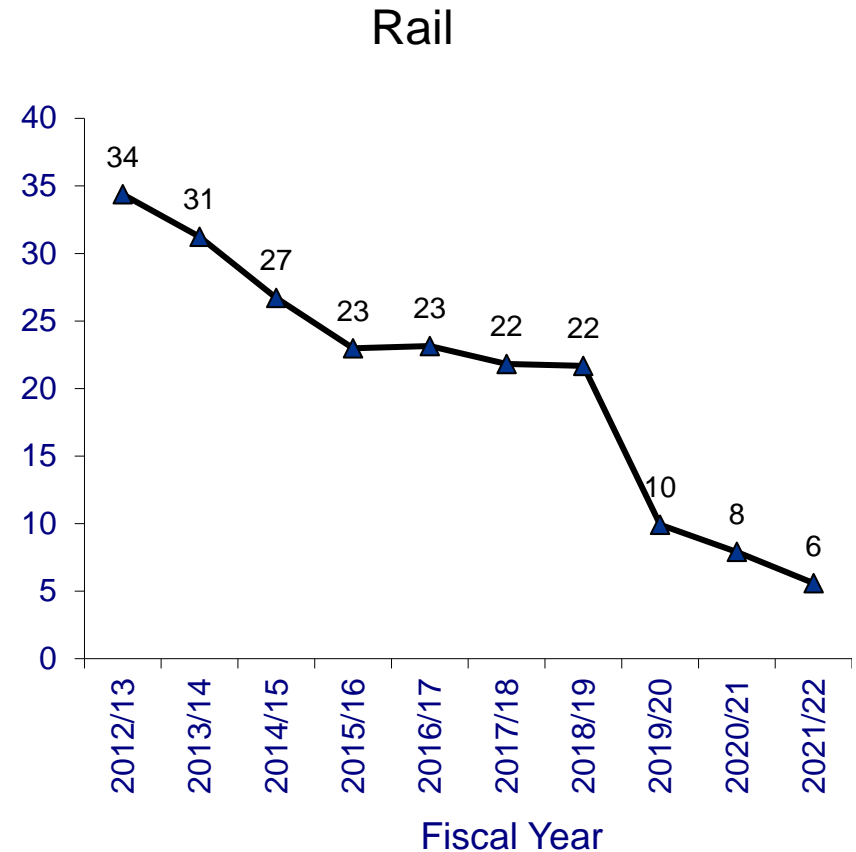
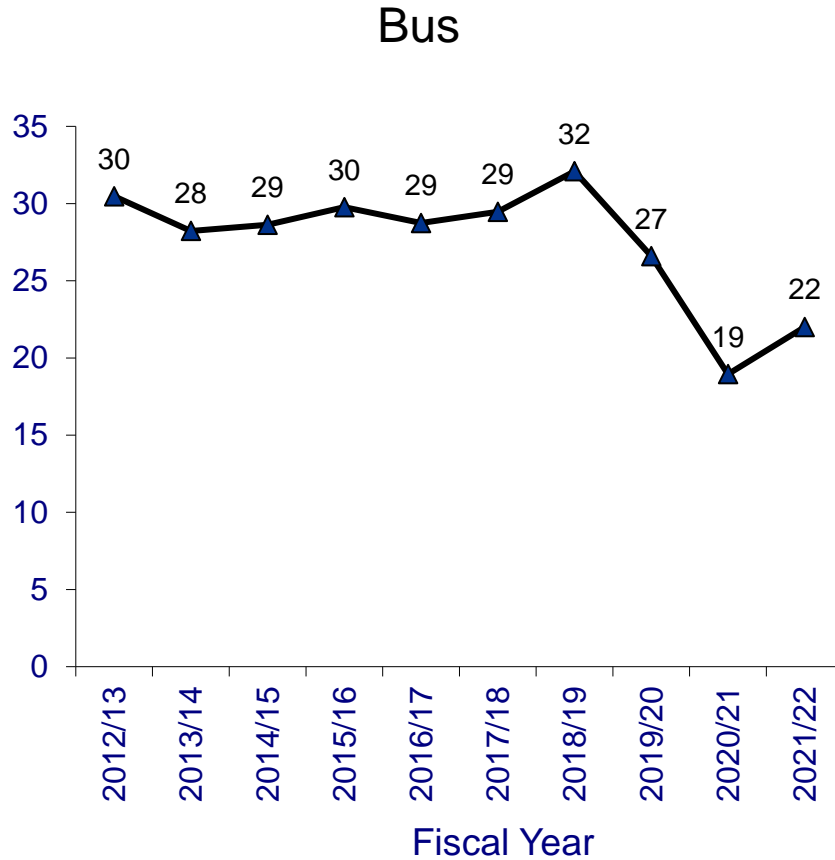
- Sorted by case reserve value
- Limited to self-insured retentions
- All but one are bus claims

PL/PD Loss Development Patterns



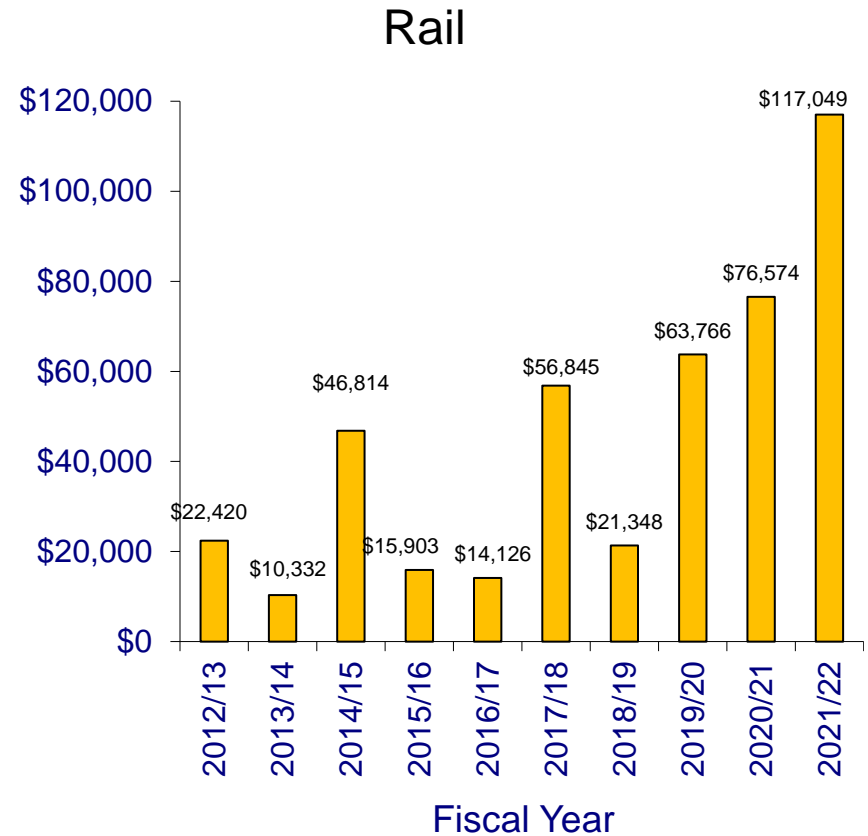
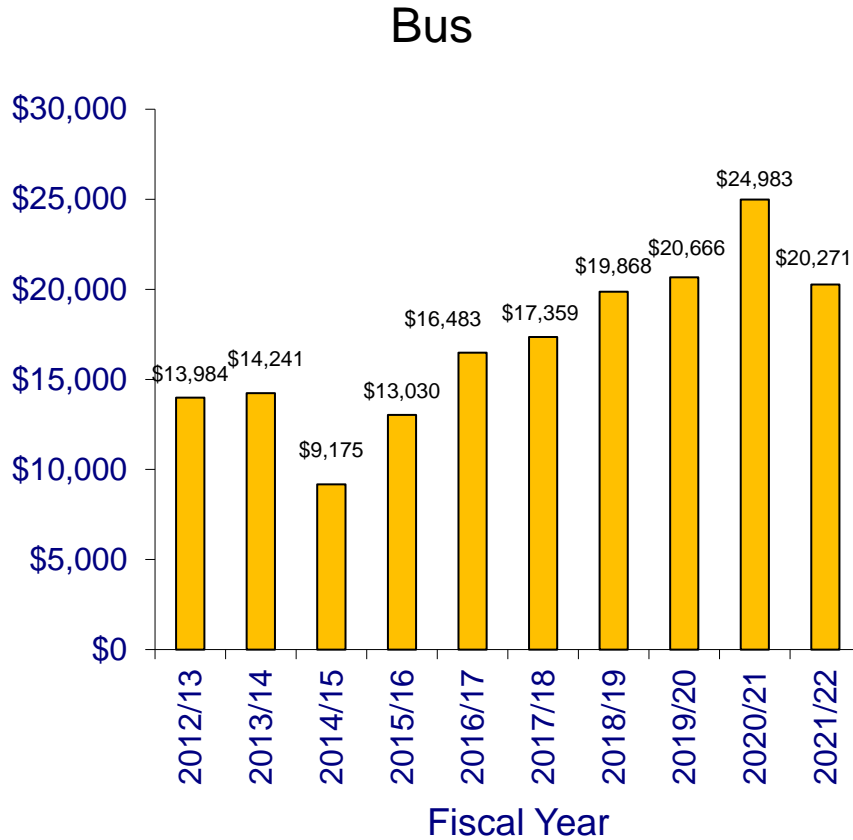
PL/PD claims are generally reported and paid much faster than workers compensation claims

PL/PD Claim Frequency



Reduced claim frequency beginning in 2019/20 (likely due to pandemic)

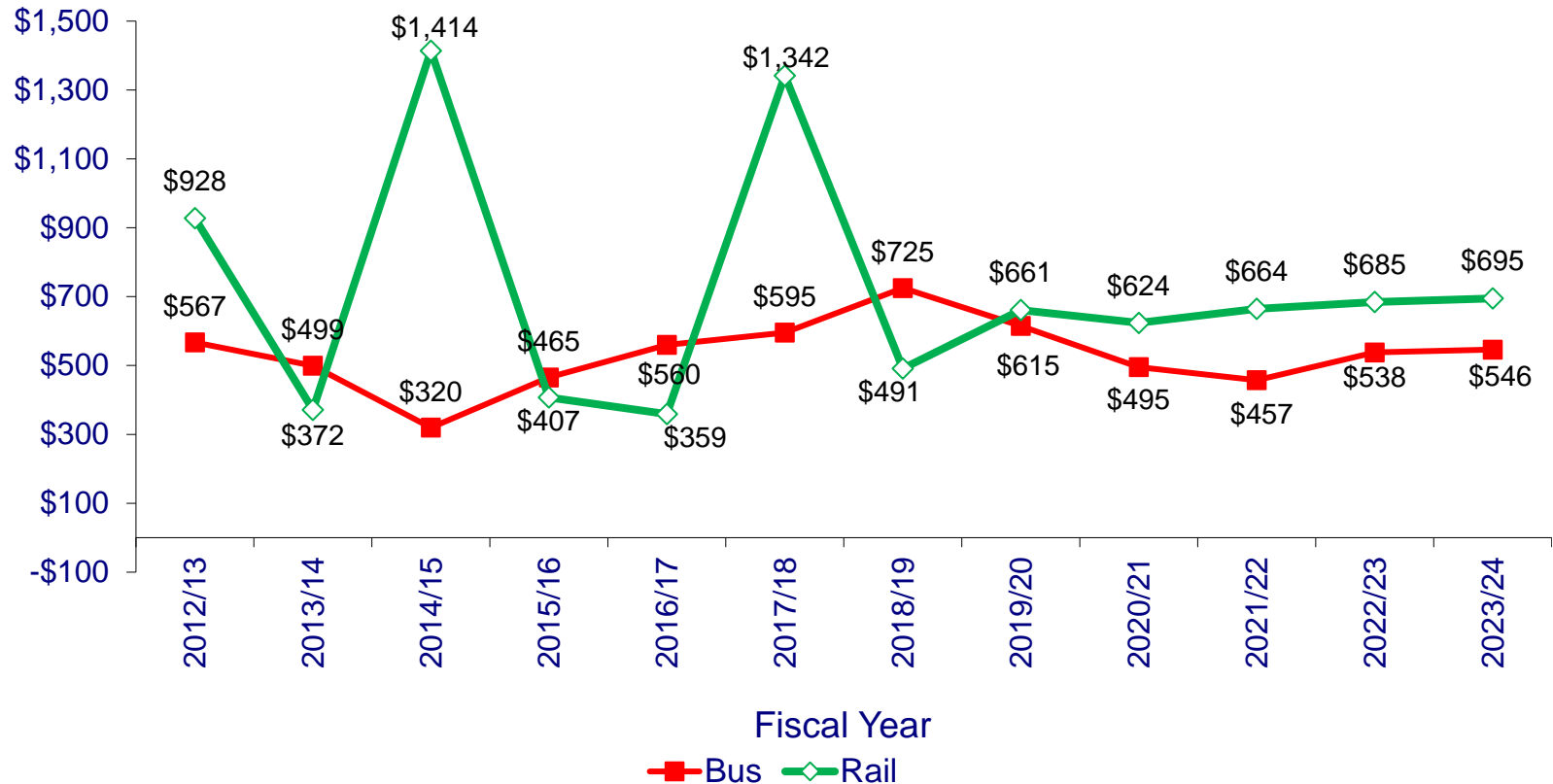
PL/PD Projected Ultimate Claim Severity



Much more variability in rail PL/PD severity compared to bus PL/PD

PL/PD Loss Rates (Trended)

- per 1,000 of Miles Driven (Bus)
- per 1,000 of Revenue Train Miles Operated (Rail)

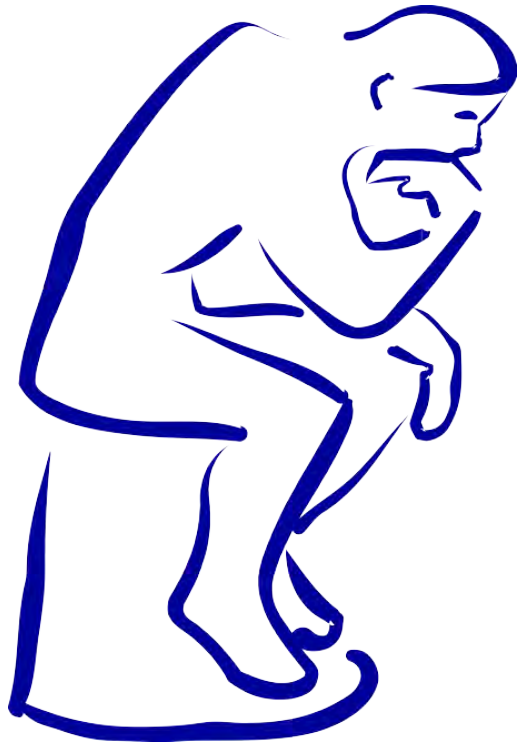


More variability in rail PL/PD loss rates compared to bus PL/PD

Upcoming

Currently working on the mid-year actuarial analysis using December 31, 2022 data

Questions?



Ziruo Wang, FCAS, MAAA
Senior Consultant and Actuary
+1.949.608.6312
ziruo.wang1@aon.com

Terry C. Pfeifer
Senior Consultant
+1.410.363.5053
terry.pfeifer@aon.com

Stephen Park, ACAS, MAAA
Senior Consultant and Actuary
+1.213.996.1569
stephen.park@aon.com

Emily Wang, ACAS, MAAA
Consultant and Actuary
+1.213.271.2422
emily.wang8@aon.com