

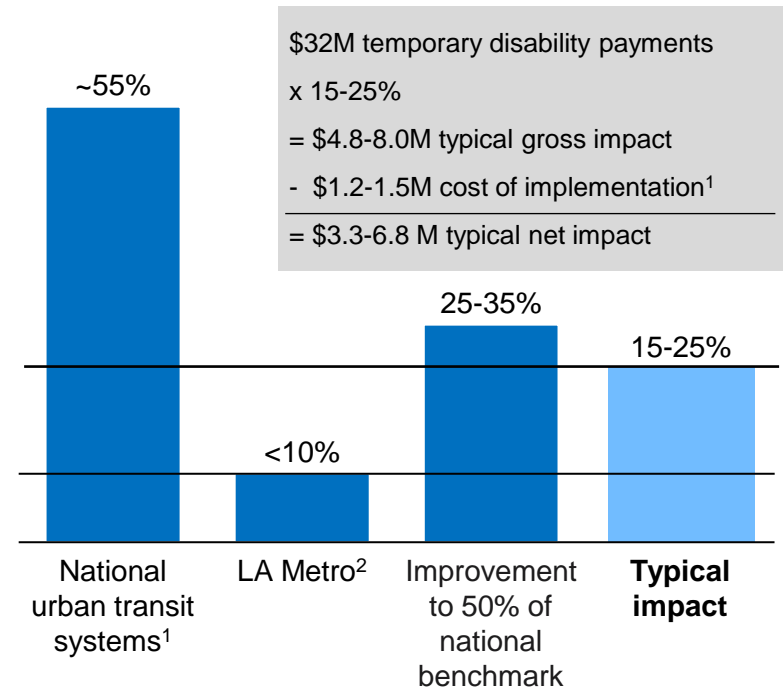
# Putting People First



# WC: There may be opportunity to improve return-to-work rate, accelerate implementation of captive insurance structure, and contract with MPN

## Enhancing return-to-work programs could present \$3.3-6.8M potential impact

Return-to-work rate, % of employees

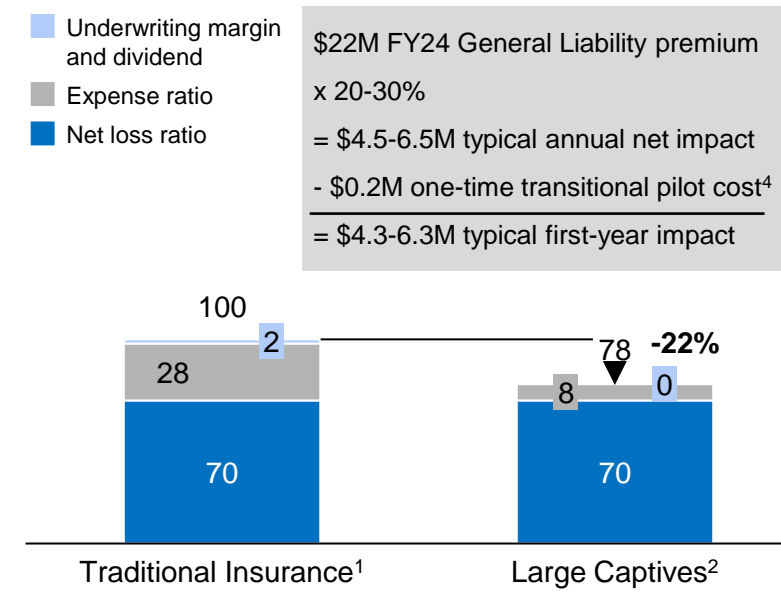


\$32M temporary disability payments  
x 15-25%  
= \$4.8-8.0M typical gross impact  
- \$1.2-1.5M cost of implementation<sup>1</sup>  
= \$3.3-6.8 M typical net impact

In 2021-2022, ~55% of urban transit systems employees returned to work **within 30 days after injury**

## Implementing captive insurance structure could present \$4.3-6.3M potential impact

Total cost of insurance, % of premium

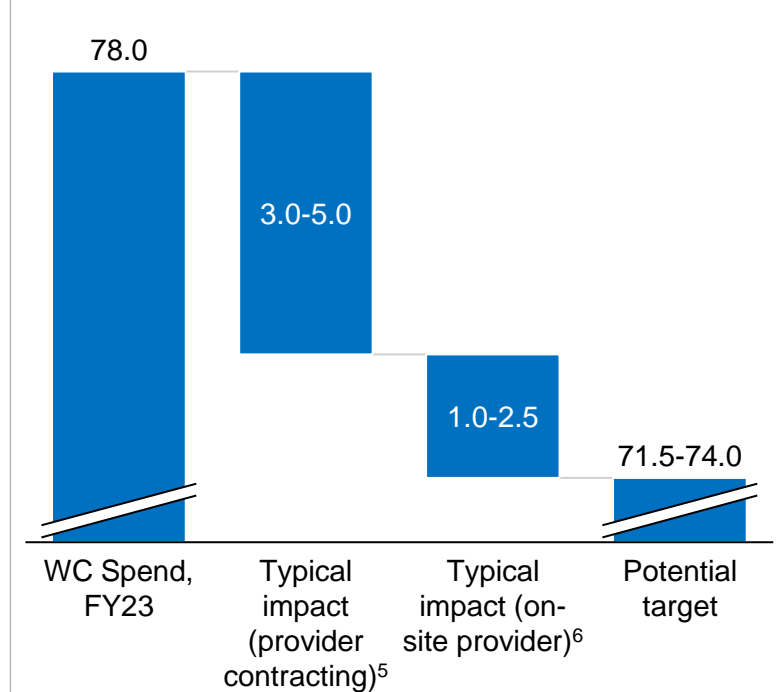


\$22M FY24 General Liability premium  
x 20-30%  
= \$4.5-6.5M typical annual net impact  
- \$0.2M one-time transitional pilot cost<sup>4</sup>  
= \$4.3-6.3M typical first-year impact

Typical captives can save **20-30%** of commercial insurance premium cost, translating to **\$4.5-6.5M** annually at the size of LA Metro general liability cost before transitional pilot cost

## Contracting with Medical Provider Network could present \$4.0-7.5M potential impact

Workers' Compensation spend, \$M






Source: LA Metro Discussions in December 2023 and January 2024, LA Metro data, external expert interviews

1. Based on 2021-2022 Bureau of Labor statistics survey of Occupational Injuries and Illnesses Data for Urban Transit Systems (NAIC 4851), including mixed mod transit, commuter rail, bus transit systems; does not include inter-urban and rural bus transportation (NAIC 4852), taxi and limousine services (NAIC 4853), or school and employee bus transportation (NAIC 4854)
2. Based on interview. Currently return-to-work dates are not easily accessible by Operations. There are ~50 employees participating in transitional duty (<10%), out of 650+ employees on occupational leave
3. Estimated based on additional 8-10 case managers, assuming average full-onboarded cost of \$150,000 per FTE, based on LA Metro discussions
4. One-time transitional pilot cost consists of 1 FTE plus additional fees and broker expenses based on LA Metro discussions
5. Calculated using 2023FY Workers' Compensation, assuming 15-25% reduction of the \$20M medical cost based on industry benchmarks for savings from in-network versus out-of-network providers
6. Calculated using 2023FY Workers' Compensation, assuming 2-5% reduction of the \$52M medical and temporary disability payment cost



# Increase in insurance costs are reflective of overall market conditions, primarily driven by increase in property and general liability pricing

	Forecasted cost trend for next 5 fiscal years <sup>2</sup>	Market pricing trend and drivers	Projected national pricing trend by major broker agencies
<b>Property</b>	20% <sup>1</sup>  <i>Forecasted by LA Metro based on historical experience in the last 5 years</i>	 Continued double-digit increases, driven by increased re-insurance costs, catastrophic losses, and inflation	WTW: 1-10% (non-CAT), 10-25% (CAT) Marsh: 14-19% AON: 11-30%
<b>General liability</b>		 Market pricing increasing moderately, driven by inflationary environment and headwinds from recent large losses	WTW: 1-4% Woodruff Sawyer: 3-8% AON: 1-10%  <i>Pricing trends can vary significantly by industry due to risk exposure</i>
<b>Cyber</b>		 Stabilizing market pricing with increased number of companies offering coverage and more capacity available from insurers	WTW: -5% to +5% Marsh: -6% to -4% AON: Flat

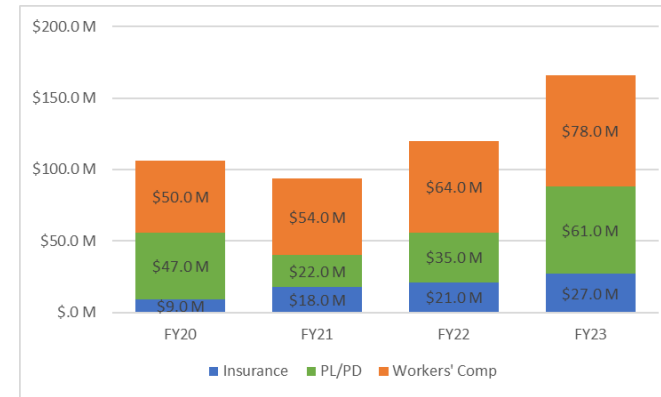
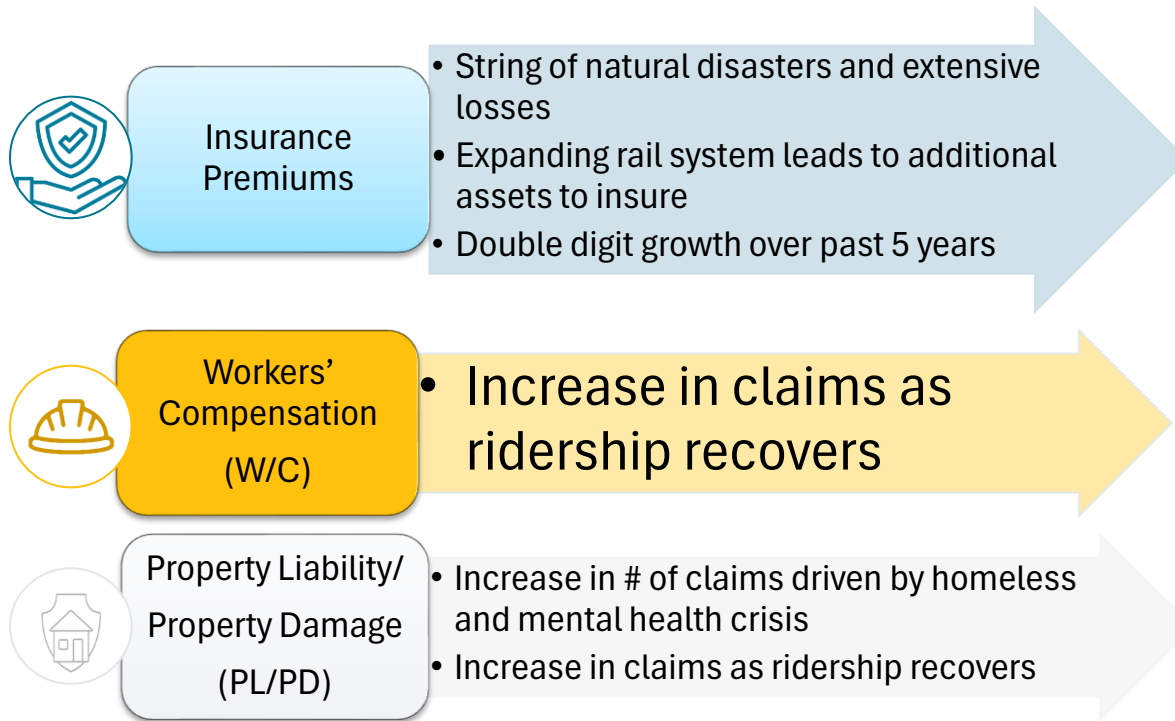
1. LA Metro data on FY24 spend and spend forecast received as of 12/22/23 (RM Programs Costs Analysis 10.27.23 v3 w.o.n..pptx)

2. Projected YoY increase for next 5 years

# RISK MANAGEMENT Cost Growth Drivers

8% of Total Metro Operating Costs

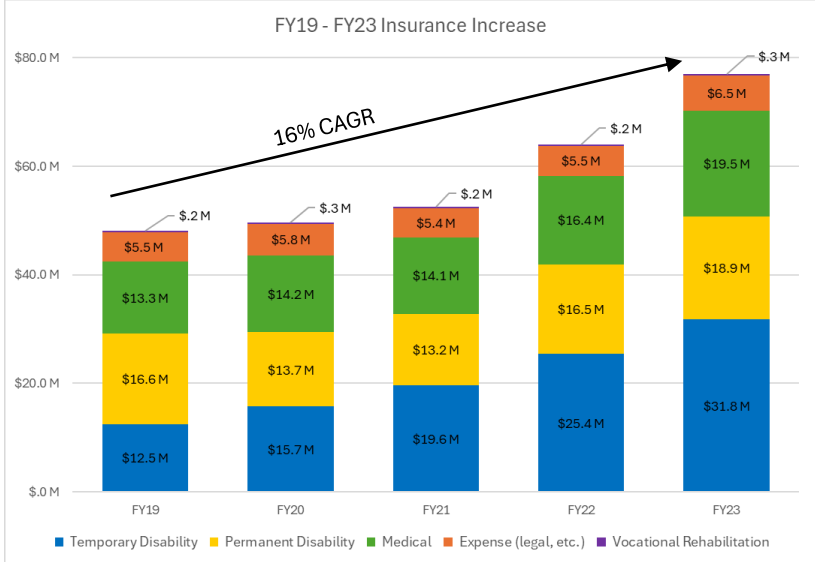
Insurance market industry has hardened due to string of natural disasters and extensive losses experienced



Industry trends project **20% increase each year** for next 5 years

# Workers' Compensation- Root Cause and Mitigation

Root Cause	Mitigation Strategy
Assaulted	<ul style="list-style-type: none"> <li>Bus Barrier Prototype Pilot</li> <li>De-Escalation Training</li> <li>Bus Riding Teams (SSLE)</li> </ul>
Continuous Trauma	<ul style="list-style-type: none"> <li>Ergonomics Policy</li> <li>Ergonomic Assessments Available Through Corporate Safety</li> <li>Ergonomics Training Information Distribution</li> </ul>
Collision	<ul style="list-style-type: none"> <li>Injury/accident Investigation Training in Development</li> <li>Left -Side Mirror Repositioning Pilot</li> <li>Bus-rear reflective tape pilot</li> <li>Evaluation of High Frequency Left-Turn Accident Locations</li> </ul>
Driving	<ul style="list-style-type: none"> <li>Monthly Safety Materials to Operators</li> <li>SmartDrive Reviews by Operations</li> <li>SAFE-7 Hazard Near-Miss Program and Reporting System</li> <li>Recent Creation of SAFE-7 Dashboard</li> </ul>
Mental Strain	<ul style="list-style-type: none"> <li>Wellness Program: Fitness Program, Health Fair and Gyms</li> <li>Mental Health Support: EAP, Counseling Services and Health Benefits</li> <li>Distressing Events Training in Development</li> </ul>

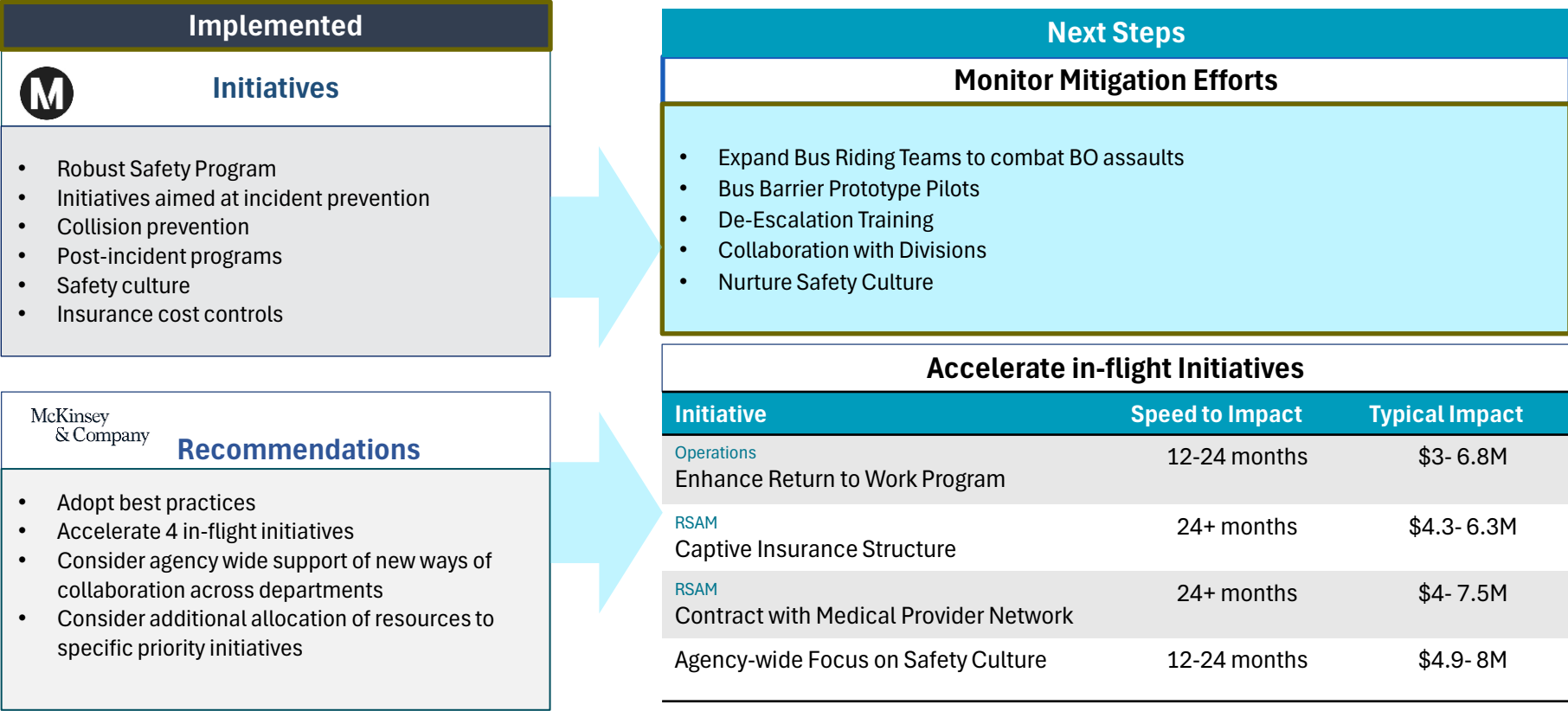


**RETURN TO WORK** Enhance Return to Work Program

Contract with Medical Provider Network



# Mitigation Measures: Implemented & Next Steps



# Operations and Facility Needs

to support major capital projects

## 1 New Bus/Rail Operations Control Center

- Division 10 selected as site for building new Bus/Rail Operations Control Center
- Opportunity: make needed upgrades



## 2 Improve & Centralize Operations Central Instruction (OCI)

- OCI training increased since pandemic
- OCI decentralized with training at multiple locations to accommodate demand
- Benefits of Centralized OCI Campus



## 3 Countywide Service Support System(C3S): Infrastructure Maintenance & Engineering Decentralization

- Airport Metro Connector **K D C** opening from now to 2028
- Establish a Westside HQ first



### Discussion Questions

1. On a scale of 1 to 5, 1 being the most important, rank the strategies you would like Metro to explore to address this area of focus.
2. What other information do you want Metro to provide so you can prioritize this policy decision?
3. Do you have any other policy or strategy ideas you would like Metro to consider on in this area of focus?