



Board Report

File #: 2025-0411, **File Type:** Contract

Agenda Number: 21.

FINANCE, BUDGET, AND AUDIT COMMITTEE SEPTEMBER 18, 2025

**SUBJECT: PUBLIC LIABILITY/PROPERTY DAMAGE THIRD PARTY CLAIMS
ADMINISTRATION SERVICES**

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to execute Modification No. 1 to Contract No. PS75821000, with Carl Warren & Company, LLC (CWC), to exercise the first, two-year option in the amount of \$6,666,674, increasing the total contract value from \$12,148,152 to \$18,814,826, and to extend the period of performance from November 1, 2025, to October 31, 2027.

ISSUE

Consistent with the practice of many other public agencies, such as the County of Los Angeles, and the Los Angeles Unified School District, Metro uses the services of a Third-Party Administrator (TPA) to investigate, evaluate, and resolve a majority of third-party claims filed against Metro. Third-party claims generally arise out of bus and rail operations.

The contract's four-year base period expires on October 31, 2025. To continue to process property liability and property damage claims timely and seamlessly, a contract modification is required to exercise the first, two-year option, extending the period of performance from November 1, 2025, to October 31, 2027.

BACKGROUND

In September 2021, the Board awarded a four-year base term and two, two-year option term firm fixed price Contract No. PS75821000 to CWC to provide public liability (PL) and property damage (PD) third-party claims administration services.

Metro's PL/PD Claims Program is administered through a blend of in-house and CWC (consisting of 26 individuals who provide claims adjusting support and subcontractor staff). In-house Risk Management staff handles the more severe injury claims, while CWC staff handles the more frequent, less severe claims. CWC's subcontractor performs all field investigations and responds to accident scenes upon notification from Metro dispatch. Under this contract, CWC handles all claims valued at \$100,000 or less, while Risk Management staff handles cases valued at more than

\$100,000.

DISCUSSION

Metro receives an average of 2,700 new PL/PD claims annually and had 3,630 open claims as of June 1, 2025. Processing claims with an inventory of this size requires the issuance of approximately 1,200-plus payments monthly to claimants, attorneys, experts, and others. The expertise and infrastructure of a professional TPA in resolving these claims and litigation are essential for structuring a competitive and cost-effective program.

Subrogation of losses against a responsible third party is also a part of the services provided by the TPA. Over the last ten years, Metro has received total gross recoveries of \$10.4 million from subrogation or cross-complaints, of which \$3 million has been recovered to date under the base contract.

DETERMINATION OF SAFETY IMPACT

This contract modification will positively impact the safety of Metro's patrons and employees. Claims administration services address injuries or damage incurred by patrons and the public. As part of these services, there is an investigation into the cause of damage. Cases are evaluated by CWC and Risk Management staff with a focus on remediation and mitigation measures. Claims trending is monitored by Risk Management and reviewed with Corporate Safety, Operations, System Security and Law Enforcement, and other Metro departments, depending on the nature of the case. In addition, claims history is shared and evaluated by excess carriers, who provide best practice guidance to enhance Metro's risk profile.

FINANCIAL IMPACT

The FY26 Budget includes \$3,977,314 for PL/PD third-party claims administration services in cost center 0531, Non-departmental-Ops Risk Management, under Project 100018, PRMA-PLPD.

Since this is a multi-year contract, the Chief Risk, Corporate Safety, and Asset Management Officer will be accountable for budgeting the cost in future years.

Impact to Budget

The sources of funding for this action will come from federal, state and local funding sources that are eligible for bus and rail operations.

EQUITY PLATFORM

This contract modification benefits the claimants from the various Equity Focus Communities where Metro provides services and ensures that existing and future claims will continue to be processed and managed without interruption or impact to individual claimants.

Additionally, non-English speaking, visually impaired, and deaf claimants will have the same access

to claim adjusters as other claimants since CWC utilizes various vendors that provide language translation and interpreting services. CWC's current DBE participation is 21.46% which exceeds its participation commitment of 20%.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides third-party claims administration services for injuries or property damage caused by Metro operations. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the agency's overall function, it is consistent with the goals of reducing VMT.

**Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.*

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendation supports strategic plan goal # 5, "Provide responsive, accountable, and trustworthy governance within the LA Metro organization." Responsible claims administration includes mitigating significant financial risks from third-party claims filed against Metro.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the recommendation and to self-administer Metro's third-party claims inventory. However, this alternative is not recommended as Metro does not have sufficient resources to perform the work. This would require hiring approximately 30 FTEs.

NEXT STEPS

Upon Board approval, staff will execute Modification No. 1 to Contract No. PS75821000 with CWC to exercise the first, two-year option to continue to provide third-party PL/PD third-party claims administration services and extend the period of performance through October 31, 2027.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - Contract Modification/Change Order Log
Attachment C - DEOD Summary

Prepared by: Claudia Castillo del Muro, Executive Officer, Risk Management, (213) 922-4815
Carolina Coppolo, Deputy Chief Vendor/Contract Management Officer, (213) 922-4471

Reviewed by: Kenneth Hernandez, Interim Chief Risk, Corporate Safety, and Asset Management Officer, (213) 922-2990

Digitally approved by *Stephanie Wiggins*, Chief Executive Officer

**PROCUREMENT SUMMARY
PUBLIC LIABILITY/PROPERTY DAMAGE THIRD PARTY CLAIMS
ADMINISTRATION SERVICES / PS75821000**

1.	Contract Number: PS75821000			
2.	Contractor: Carl Warren & Company, LLC			
3.	Mod. Work Description: Exercise two-year option.			
4.	Contract Work Description: Provide public liability and property damage third-party claim administration services.			
5.	The following data is current as of: 8/5/25			
6.	Contract Completion Status		Financial Status	
	Contract Awarded:	9/23/21	Contract Award Amount:	\$12,148,152
	Notice to Proceed (NTP):	N/A	Total of Modifications Approved:	\$0
	Original Complete Date:	10/31/25	Pending Modifications (including this action):	\$6,666,674
	Current Est. Complete Date:	10/31/27	Current Contract Value (with this action):	\$18,814,826
7.	Contract Administrator: Annie Duong		Telephone Number: (213) 418-3048	
8.	Project Manager: Claudia Castillo del Muro		Telephone Number: (213) 922-4815	

A. Procurement Background

This Board Action is to approve Modification No. 1 to Contract No. PS75821000 to exercise the first, two-year option for property liability and property damage third-party claims administration services and extend the period of performance from November 1, 2025, to October 31, 2027.

This Contract Modification will be processed in accordance with Metro's Acquisition Policy, and the contract type is a firm fixed price.

In September 2021, the Board awarded a four-year base term and two, two-year option terms firm fixed price Contract No. PS75821000 to Carl Warren & Company, LLC (CWC) to provide public liability and property damage third-party claims administration services.

No modification has been issued to date.

Refer to Attachment B – Contract Modification/Change Order Log.

B. Price Analysis

The recommended price has been determined to be fair and reasonable based on pricing that was evaluated as part of the competitive award in September 2021. Pricing remains unchanged and is lower than current market rates for similar services. The Independent Cost Estimate (ICE) is based on the firm fixed price for the option years.

Proposal Amount	Metro ICE	Recommended Amount
\$6,666,674	\$6,666,674	\$6,666,674

ATTACHMENT B

CONTRACT MODIFICATION/CHANGE ORDER LOG
PUBLIC LIABILITY/PROPERTY DAMAGE THIRD PARTY CLAIMS
ADMINISTRATION SERVICES / PS75821000

Mod No.	Description	Status (approved or pending)	Date	Amount
1	Exercise the first, two-year option term, extending the period of performance from 11/1/25 through 10/31/27.	Pending	Pending	\$6,666,674
	Modification Total			\$6,666,674
	Original Contract:		9/23/21	\$12,148,152
	Total:			\$18,814,826

DEOD SUMMARY

**PUBLIC LIABILITY/PROPERTY DAMAGE THIRD PARTY CLAIMS
ADMINISTRATION SERVICES / PS75821000**

A. Small Business Participation

Carl Warren & Company, LLC (CWC) made a 20% Disadvantaged Business Enterprise (DBE) commitment. Based on payments, the project is 85% complete and the current level of DBE participation is 21.51%, exceeding the commitment by 1.51%.

Small Business Commitment	20.00% DBE	Small Business Participation	21.51% DBE
----------------------------------	-------------------	-------------------------------------	-------------------

	DBE Subcontractors	% Committed	Current Participation¹
1.	Sam Hooper & Associates	20.00%	21.51%
	Total	20.00%	21.51%

¹Current Participation = Total Actual amount Paid-to-Date to DBE firms ÷ Total Actual Amount Paid-to-date to Prime.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this modification.

C. Prevailing Wage Applicability

Prevailing Wage is not applicable to this modification.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. PLA/CCP is applicable only to construction contracts that have a construction related value in excess of \$2.5 million.



Public Liability/Property Damage Third Party Claims Administration Services

Finance, Budget, and Audit Committee

September 18, 2025

File #2025-0411

Claims Administration Services

Recommendation:

- AUTHORIZE the Chief Executive Officer to execute Modification No. 1 to Contract No. PS75821000, with Carl Warren & Company, LLC (CWC), to exercise the first, two-year option in the amount of \$6,666,674, increasing the total contract value from \$12,148,152 to \$18,814,826, and to extend the period of performance from November 1, 2025, to October 31, 2027.
- Approval of this action is required to continue processing public liability and property damage claims in a timely and seamless manner.

Background

- Contract PS75821000 provides public liability and property damage third-party claims administration services. The contract consists of a four-year base period and two, two-year options for a combined total of \$25,926,720.
- The four-year base period will expire on October 31, 2025. The previously negotiated option pricing with CWC remains fair, reasonable, and consistent with industry conditions.

Claims Administration

- Metro uses the services of a Third-Party Administrator (TPA) to investigate, evaluate, and resolve the majority of third-party claims filed against Metro, which are valued under \$100K. Third-party claims generally arise out of bus and rail operations.
- Claims valued above \$100K, are handled by Metro staff in the PL/PD division under Risk, Corporate Safety, and Asset Management.
- Metro receives an average of 2,700 new public liability/property damage claims annually and has an open general liability claims inventory of 3,630 claims.

TPA Contract

- CWC provides 26 individuals who provide claims adjusting support and additional subcontractor staff.
- The subcontractor staff performs field investigations and responds to an accident scene upon notification from Metro dispatch.
- Subrogation of losses against a responsible third party is also a part of the services provided by the TPA. Over the last ten years, Metro has received total gross recoveries of \$10.4 million from subrogation or cross complaints.



Thank you.



Metro®