





November 16, 1998

Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2952

TO: MTA BOARD OF DIRECTORS

FROM: **DEBORAH GUY** 
MANAGING DIRECTOR, RISK MANAGEMENT

**SUBJECT: PROPERTY INSURANCE SETTLEMENT OF THE
SINKHOLE CLAIM**

On June 22, 1995, MTA suffered an insured loss when a portion of Hollywood Boulevard collapsed, forming a massive sinkhole. This event resulted in a substantial loss to the MTA, which was covered under a Builders' Risk Policy purchased through Allianz Insurance.

A tentative settlement has been reached with Allianz Insurance for the insured portion of the sinkhole claim. Attachment A outlines the amount claimed and indicates the amount Allianz agreed to reimburse.

SKK, the contractor responsible for this work, filed suit against Allianz for their builders' risk claim resultant from the sinkhole. That portion of the claim has been arbitrated separately from MTA's claim for first party damages. SKK's claim was included in MTA's submission to Allianz, then deducted out because SKK chose not to participate in settlement discussions with the carrier. Allianz will settle with SKK separately, in compliance with their insurance policy provisions.

Including SKK's alleged damages, the total claim to Allianz was \$14,436,982. SKK's claim totaled \$1,581,674. As a negotiating point, we also included interest in our claim, totaling \$902,312. When those two items are removed from the claim, \$11,952,996 was the amount submitted to Allianz for payment on behalf of the MTA. After extensive negotiations, the insurer agreed to \$11 million with a \$1 million applicable deductible.

Allianz has agreed to remit payment within ten days of receipt of an executed policy holders' release. Staff will proceed to conclude the claim under its delegated Authority unless the Board requires the matter to be agendaized for consideration. If Directors require clarification on any aspect of this tentative settlement, Staff will address questions in closed session at the November 19th Board meeting.

**Los Angeles County Metropolitan Transportation Authority
Builders Risk Insurance Claim
Settlement of Loss**

This claim was developed with the assistance of an outside consultant.
The amounts below include all recoverable losses under the insurance policy.

	<u>Claim</u>	<u>Settlement</u>
<u>Loss As Determined:</u>		
A. Cost to Determine Scope, Nature of Damages & Repair Evaluation		
1. Engineering Management Consultants	\$ 563,385	\$ 563,385
2. Flour Daniel	\$ 24,890	\$ 24,890
3. Wiss, Janney	\$ 68,090	\$ -
Subtotal	<u>\$ 656,365</u>	<u>\$ 588,275</u>
B. Construction Management - Repairs		
1. Parsons - Dillingham	\$ 649,776	\$ 623,956
2. MTA	\$ 1,528,860	\$ 1,398,895
Subtotal	<u>\$ 2,178,636</u>	<u>\$ 2,022,851</u>
C. Initial Emergency Repair Costs		
1. SKK	\$ 1,581,674	\$ -
D. Actual Repairs		
1. Kajima/Ray Wilson		
A. General Requirements/OCIP		
B. Contract Costs		
C. Change Order Costs		
D. Total	\$ 8,108,892	\$ 7,487,942
2. Outside Agencies	\$ 761,242	\$ 660,722
Subtotal	<u>\$ 8,870,134</u>	<u>\$ 8,148,664</u>
E. Associated Additional Maintenance Costs		
1. Tutor-Saliba	\$ 136,171	\$ 136,171
F. Parsons Engineering Science/P-D Environmental	\$ 23,353	\$ 23,353
G. CH2M Hill	\$ 88,337	\$ 88,337
H. Subtotal (A through G)	<u>\$ 13,534,670</u>	<u>\$ 11,007,651</u>
I. Interest (4/1 - 9/30/98 at 10%)	\$ 902,312	\$ -
J. Adjusted Partial Loss	<u>\$ 14,436,982</u>	<u>\$ 11,007,651</u>