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**FINANCE AND BUDGET COMMITTEE  
JANUARY 21, 1998**

Metropolitan  
Transportation  
Authority

One Gateway Plaza  
Los Angeles, CA  
90012-2932

(213) 922-2000

**SUBJECT: GENERAL LIABILITY AND WORKERS' COMPENSATION-  
CONSTRUCTION**

**ACTION: APPROVE AND RATIFY PROVIDING \$2,800,000 AS  
COLLATERAL AS REQUIRED UNDER THE  
CONSTRUCTION GENERAL LIABILITY AND WORKERS'  
COMPENSATION INSURANCE POLICIES**

**RECOMMENDATION**

- A. Approve and ratify grant of security interest in a \$2,800,000 money market account established pursuant to the requirement of the Construction General Liability and Workers' Compensation Insurance; and
- B. Authorize the CEO and/or his designee to execute all necessary documentation.

**RATIONALE**

This action will satisfy the terms of the insurance policies and will avoid potential cancellation of MTA's Construction General Liability and Workers' Compensation Insurance with AIG.

**BUDGET IMPACT**

Funding for the construction general liability and workers' compensation collateral security is included in the revised FY98 operating budget in the amount of \$2,800,000. The \$2,800,000 investment in money market fund share is carried as a restricted asset. Since the agency will continue to pay claims within the self insured retention reserve, the \$2,800,000 will not be charged against claims expense unless the MTA fails to make the required payments.

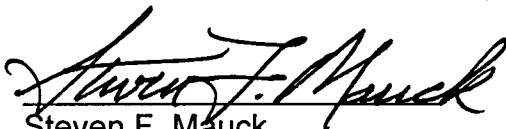
## ALTERNATIVES CONSIDERED

The Risk Management and Finance Department evaluated providing a Letter of Credit rather than the Collateral Security Account. The Collateral Security Account was determined to be more cost effective because it eliminates administrative fees of about \$30,000 per year.

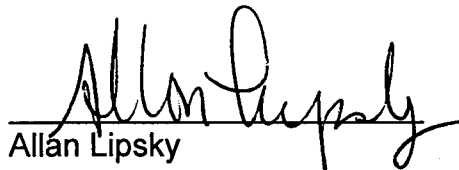
Risk Management also attempted to obtain a waiver of pledge requirement. However, the New York State insurance regulations require the collateral.

## BACKGROUND

On June 20, 1996 the MTA Board approved award of the Construction General Liability and Workers' Compensation Insurance to AIG. The insurance policy requires the MTA to provide collateral security by executing a Security Agreement and pledging \$2,800,000. The required \$2,800,000 will be held in the form of money market shares of the AIG Money Market Fund. The interest on the account will be paid to the MTA and the account will be terminated when the MTA's obligations under the policies have been fully satisfied.



Steven F. Mauck  
Managing Director  
Risk Management



Allan Lipsky  
Office of the Chief Executive Officer