

5011

February 2, 1996



Los Angeles County  
Metropolitan  
Transportation  
Authority

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**TO:** MTA Board of Directors  
**FROM:** Ronny J. Goldsmith (RJG)  
**SUBJECT:** Responses to Board & Committee Meetings  
Request List

Attached are responses to the following requests included on the December Board request list:

<u>Requestor</u>	<u>Request#</u>	<u>Request</u>
White	95-105	Staff to analyze and determine if MTA should restructure the safety incentive program. Staff to research into the claim experiences of other companies with construction projects of similar size under different safety programs.
Alarcon	95-182	Staff to report on the annual cost of claims filed as compared to premiums paid.

If you have any questions please contact me at 213-922-7417.

**Request**

**#95-105:** Staff to analyze and determine if MTA should restructure the safety incentive program. Staff to research into the claim experiences of other companies with construction projects of similar size under different safety programs.

**Response:** As part of the Ernst & Young study on the risk management-construction program, completed in September 1995, a survey of the claims experiences of comparable projects was conducted. The survey found MTA's claim experience to be higher than those of the projects which were surveyed. A copy of the survey is included as Attachment 1.

A Safety Task Force was formed to identify changes to the Safety Incentive Program. The Task Force has developed recommendations on the Safety Incentive Program and will present them to the Board by March 1996.

The Safety Task Force is also addressing the issue of MTA's claims experience. Specific changes are being implemented for future contracts that would increase the accountability of contractors. These changes include assessing the contractor an amount for each worker's compensation claim filed.

Staff is also preparing a request-for-proposal (RFP) for a claims audit. The RFP will be available February 1996. The intent of the claims audit will be to verify the cost of claims and identify specific recommendations to lower the cost and number of workers' compensation claims.

**Request**

**#95-182:** Staff to report to the January Finance and Budget and Construction Committees on OCIP stating the annual cost of claims filed as compared to premiums paid.

**Response:** Report on the annual cost of claims filed against premiums paid is included as Attachment 2.  
As part of the RFP for brokerage services, staff has

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emphasized the importance of reducing the premiums paid as well as the cost of claims filed. Staff will be reviewing various insurance proposals from the selected broker to accomplish these objectives.

Prepared by:  
Victor Mendez, Acting Director  
Risk Management-Construction

**ATTACHMENT 1**

**SURVEY ON CLAIMS EXPERIENCES  
OF COMPARABLE PROJECTS**

**C. Wrap-Up Score Card - Selected Projects** (Source - Ernst & Young Study Completed September 1995)

<b>Project Owner</b>	<b>Construction Value (in millions)</b>	<b>Loss Ratio</b>	<b>Source</b>
<b>Los Angeles County MTA</b>	<b>\$5,519</b>	<b>70% Ultimate</b>	<b>Ernst &amp; Young Study</b>
LIRR - Penn St.	\$57	33% Ultimate	LIRR Risk Management
LIRR - Hicksville	\$54	28% Ultimate	LIRR Risk Management
MTA - Baltimore Central Light Rail	\$364	52% Ultimate	J&H and AIG
MTA - Baltimore Subway Tunnel Extension	\$350	52% Ultimate	J&H and AIG
MARTA -Rapid Rail Development	\$1.8	Not Provided	MARTA Risk Management
DART - Light Rail	\$850	27% Ultimate	DART Risk Management
A Boston Harbor Tunnel	\$1.75	26.3% Ultimate	AIG
Garden State Parkway	\$750	20% Ultimate	Johnson & Higgins
Kennedy Airport Cogen. Plant	\$200	25% Ultimate	Johnson & Higgins
New York City School Construction Authority	\$1,735	48% Ultimate	Ernst & Young Audit of AIG
Port Authority	\$2,700	58% Ultimate Derived	Johnson & Higgins
A Midwestern Airport	\$218	40% Ultimate	AIG
Southern Cal Regional Transit	\$1,400	57% Incurred	Willis Corroon

1. All Projects, excluding MTA, included Workers' Compensation Statutory (1A) and Employers' Liability (1B) and General Liability Coverage  
 MTA's Loss Ratio is for Workers' Compensation (1A) and Employers' Liability (1B) only.  
 Loss Ratio is insured losses divided by premiums

**ATTACHMENT 2**

**REPORT ON  
ANNUAL COST OF CLAIMS  
VS.  
ANNUAL PREMIUMS PAID**

**Annual Cost of Claims**  
vs.  
**Annual Premiums Paid**

As of December 30, 1995

Construction OCIP  
General & Excess Liability

**SEGMENT II**

Fiscal Year	Premium	Cost of Claims *	MTA Deductible
1994	\$5,339,776	\$3,747,917	\$500,000 per occurrence
1995	\$5,067,170	\$2,145,888	\$500,000 per occurrence
1996	\$1,172,036	**\$1,733,392	\$1,000,000 per occurrence

**SEGMENT III**

Fiscal Year	Premium	Cost of Claims *	MTA Deductible
1994	\$2,868,651	\$1,600	\$500,000 per occurrence
1995	\$3,471,950	***\$2,695,553	\$500,000 per occurrence
1996	\$540,971	***\$7,007,541	\$1,000,000 per occurrence

**PASADENA**

Fiscal Year	Premium	Cost of Claims *	MTA Deductible
1994	\$811,243	\$0	\$500,000 per occurrence
1995	\$812,034	\$5,000	\$500,000 per occurrence
1996	\$46,167	\$1,963	\$500,000 per occurrence

\* *Cost of Claims = Amount Paid by MTA (within deductible) + Amount Paid By Insurance Company + Outstanding Reserve*

\*\* *Includes Hollywood Sinkhole Claims*

\*\*\* *Includes Hollywood Subsidence Claims*

**Annual Cost of Claims**  
vs.  
**Annual Premiums Paid**

As of December 30, 1995

Construction OCIP  
Workers' Compensation

**SEGMENT II**

Fiscal Year	Premium *	Cost of Claims **
1994	\$5,521,656	\$3,591,046
1995	\$4,957,276	\$5,245,521
1996	\$1,344,000	\$141,510

**SEGMENT III**

Fiscal Year	Premium *	Cost of Claims **
1994	\$518,883	\$850
1995	\$1,868,832	\$66,394
1996	\$650,207	\$324,281

**PASADENA**

Fiscal Year	Premium *	Cost of Claims **
1994	\$493,799	\$0
1995	\$251,306	\$66,122
1996	\$242,493	\$34,734

\* The MTA receives dividends, every 3 years, for good loss experience.

Dividends have not been determined nor deducted from the premiums for the 3 year reporting period (1994, 1995, 1996).

For the prior 3 years (1991, 1992, 1993), Segment 2 received \$3,217,731 in dividends.

Segment 3's first dividend will be determined at the end of FY 1996.

\*\* Cost of Claims = Amount Paid + Outstanding Reserve