

Policies and Procedures

No. 46

SUBJECT:

Board Approval: 4/29/04

LIABILITY CLAIMS RESERVE ACCOUNT

PURPOSE:

To establish guidelines for access to and reimbursement of funds from the consolidated Liability Claims Reserve Account (formerly known as Insurance Reserve Account) of MTS, San Diego Trolley, Inc. (SDTI), and San Diego Transit Corporation (SDTC).

BACKGROUND:

Each entity has traditionally maintained a separate Insurance Reserve Account to be used in the event of either a large catastrophic liability settlement/award or multiple awards in the aggregate that exceed the annual budgeted amount for losses within an entity's self-insured annual retention (MTS/SDTI = \$2 million, SDTC = \$2 million). This policy provides that a minimum balance of \$2 million must be maintained in the consolidated Liability Claims Reserve Account to be held by MTS and establishes guidelines and procedures for the management of the Liability Claims Reserve.

PROCEDURES:

46.1 Eligible Uses

The following categories constitute the only acceptable uses for funds withdrawn from this account:

- a. To pay an award/settlement of an individual liability claim for personal injury and/or property damage in excess of \$300,000 (catastrophic loss) but within an entity's self-insured retention.
- b. To pay a combination of multiple awards/settlements for claims for property damage and/or personal injury that is in excess of an entity's budgeted annual aggregate payout.



46.2 Access to Funds

Any withdrawal from the Liability Claims Reserve Account is subject to a two-thirds affirmative vote of the full MTS Board. Settlements in excess of \$300,000 must be specifically reviewed by the MTS Board. The following information must accompany the withdrawal request that is submitted to the MTS Board:

- a. When a catastrophic loss is incurred (as in 46.1[a] above), an Application Memorandum (sample attached) will be prepared by the requesting entity that shall provide the following detailed information to the MTS Board with regard to the loss: facts, liability, claimed expenses, special factors, adjuster recommended value, and the defense plan.
- b. When a combination of multiple claims has caused an entity to exceed its annual budget (as in 46.1[b] above), the following information will be provided to the MTS Board: a detailed analysis of fiscal year-to-date incurred claims expenses (to include payments to date and outstanding case reserves), a projection of future expenditures within the fiscal year, an explanation of why the budgeted amount was exceeded, and the amount requested from the account.

46.3 Reimbursement of Withdrawals

It is the intent that any withdrawals from the account will be fully reimbursed from the following year's subsidy funds. This reimbursement will be deducted from the following fiscal year's subsidy funds, at the MTS level, prior to distribution of any subsidy funds to the entities for their operating needs.

SChamp/JGardetto
POLICY.46.LIABILITY CLAIMS RESERVE ACCT
7/19/06

Attachment: Application Memorandum

Original Policy approved on 5/26/94.
Policy revised on 9/14/95.
Policy revised on 6/28/01.
Policy revised on 6/27/02.
Policy revised on 4/29/04.

APPLICATION MEMORANDUM

CLAIM NO.

DATE:

FILE SUPERVISOR:

CLAIMANT(S):

CURRENT RESERVES:

FACTS: