

**ORIGINAL**

Decision No. 46561

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
by SAN BERNARDINO VALLEY TRANSIT	:	
COMPANY, a corporation, for per-	)	Application
mission to partially self-insure	:	No. 32931
under Decision No. 46269, Case	)	
No. 5298.	:	
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John B. Lonergan, for applicant.

O P I N I O N

San Bernardino Valley Transit Company, applicant herein, is a passenger stage corporation operating generally in the City of San Bernardino and the City of Colton and in various contiguous and adjacent unincorporated areas. In this application it seeks authorization to act as a self-insurer against liability for the payment of damages for personal bodily injuries and property losses.

A public hearing on the application was held in Los Angeles on December 12, 1951, at which time applicant presented evidence relating to its financial condition, its insurance practices and policies, and its past experience.

On October 2, 1951, by Decision No. 46269, the Commission adopted its General Order No. 101, to be effective January 1, 1952, requiring all passenger stage corporations subject to the Public Utilities Code to provide and thereafter continue in effect adequate protection against liability imposed by law upon such carriers for the payment of damages for personal bodily injuries, including death resulting therefrom, and damage to or destruction of property. The order provides that such corporations shall carry protection against

such liability in the amount of \$15,000 for bodily injuries or death of one person, in amounts ranging from \$30,000 to \$100,000, depending on the seating capacity of the passenger vehicles, for bodily injuries to or death of all persons injured or killed in any one accident, subject to a maximum of \$15,000 for bodily injuries to or death of one person, and in the amount of \$10,000 for loss or damage in any one accident to property of others, excluding cargo. The order permits the carriers, among other things, to provide such protection through a policy, or policies, of public liability insurance and property damage insurance issued by a company licensed to write such insurance in the State of California, or by a bond of a surety company permitted to write surety bonds in the State of California, or by provision for self-insurance, if approved by the Commission, or by securities or agreements of indemnity accepted in lieu of surety bonds or insurance policies, if approved by the Commission, or by a combination of any or all of such methods.

This application shows that applicant intends, and now seeks authorization, to meet the requirements of the Commission's general order by providing for protection against such liabilities through self-insurance up to \$10,000 for bodily injuries to or death of one person, up to \$20,000 for bodily injuries to or death of all persons injured or killed in any one accident, and for all loss or damage to property of others, with excess coverage being provided by an agreement of indemnity with Lloyd's of London up to \$40,000 for one person and \$280,000 for any one accident.

In support of its proposals, applicant asserts that the cost to the company is considerably less as a self-insurer than it would be if it were required to provide a policy, or policies, (1)

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(1) A witness for applicant testified that the cost of primary insurance, in lieu of self-insurance, would cost approximately \$26,500 a year, as compared with an estimated accrual to the reserve during the next twelve months' period of approximately \$13,000.

that under a system of self-insurance settlements can be more easily and quickly made, and that public relations will be improved. Its testimony shows that at the inception of its operations in 1942 it attempted to protect itself against losses with a primary policy of insurance with a stock company and an excess policy with Lloyd's of London, but that as time went on it decided, in February, 1947, to become self-insured for all property damage and for the first \$10,000 and \$20,000 of bodily injury, with excess coverage still being provided by Lloyd's of London. At the outset it undertook to make provision for its self-insurance through a reserve created by monthly charges on its books of an amount equal to  $5\frac{1}{2}\%$  of its gross revenues, until the balance in the reserve reaches \$25,000, and thereafter at the rate of  $3\frac{1}{2}\%$ . It reports that in the time that has elapsed since it inaugurated this program its total credits to the reserve have aggregated \$97,599.99, with charges against the reserve of \$19,825.05 representing the cost of excess coverage, of \$21,571.72 representing attorneys' fees and expenses, court costs and safety activities and other items, and of \$26,976.57 representing payments to claimants, leaving a balance in the reserve on November 30, 1951, of \$29,226.65. As of that date it had unsettled claims which it estimated would result in the payment of \$3,000.

A review of the evidence submitted indicates that in the past applicant has met all its obligations under its program of self-insurance, with excess coverage as outlined in this decision, and that such program should afford protection to the public and should enable applicant to continue to meet its requirements without affecting the stability and permanency of its business. Accordingly, we believe we are warranted in making an order authorizing applicant to act as a self-insurer in accordance with its application.

ORDER

A public hearing having been held on the above entitled matter, and the Commission having considered the evidence and being of the opinion that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED that the Commission hereby approves San Bernardino Valley Transit Company's application under General Order No. 101 for authority to act as a self-insurer of its obligations for public liability and property damage, with provision for excess coverage, as outlined in the application.

IT IS HEREBY FURTHER ORDERED that this order will become effective on January 1, 1952, and will continue in effect unless and until hereafter otherwise ordered or directed.

Dated at San Francisco, California, this 18<sup>th</sup> day of December, 1951.

[Signature]  
President

[Signature]  
[Signature]

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Commissioners