

Decision No. 55684**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 TRANSCONTINENTAL BUS SYSTEM, INC.)
 and CONTINENTAL PACIFIC LINES for)
 authority to self-insure and for) Application No. 39353
 waiver of the rules requiring the)
 filing of policies of insurance)
 covering the operations of the)
 applicants in the State of California.)

O P I N I O N

This is an application for an order of the Commission for authority to self-insure the operations of the applicants in the State of California and for the applicant, Transcontinental Bus System, Inc., to act as guarantor or surety for the operations of its wholly-owned subsidiary, the applicant, Continental Pacific Lines. Applicants propose that they become self-insured for bodily injury and property damage in the primary sum of \$10,000 and carry excess insurance of not less than \$999,000 over and above said retained limit as self-insurance.

The application shows that Transcontinental Bus System, Inc., and Continental Pacific Lines, operate in this State as passenger stage corporations engaged in interstate and intrastate business pursuant to authority granted by the Interstate Commerce Commission and by this Commission. Transcontinental reports that it has been qualified, and now is qualified, as a self-insurer with the Interstate Commerce Commission in accordance with the laws of the United States applicable to self-insurance by motor carriers, and the rules and regulations of said Commission promulgated thereunder. It has filed,

with this application, a copy of the order of the Interstate Commerce Commission granting to it the authority to act as a self-insurer.

Transcontinental Bus System has, in effect, been self-insured for the past nine years for most of its operations; surety bonds have been filed with the Interstate Commerce Commission and various states as evidence of financial responsibility. Excess insurance, in excess of the \$10,000 retained, has been carried with underwriters of Lloyds, London, in amounts up to \$2,000,000.

Transcontinental's self-insured loss and excess insurance experience, by comparison with other passenger carrying operations of a similar nature, is satisfactory; in 1956 loss expenses totaled \$972,000, while gross revenue amounted to approximately \$27,000,000, a loss ratio of 3.6 per cent. Said ratio is below the industry average.

It is further alleged that applicants maintain a safety organization and program designed to reduce accidents resulting from negligence in the operation, maintenance and use of motor vehicles. They have an experienced claims department composed of ten persons, and in addition, maintain representation by adjustment agencies and companies at strategic points throughout the State and nation. Such organization consists of a driver training school, safe driving awards to qualified operators, the use of psycho-physical testing machines for trainee and new operators, the use of a brake detonator device to check reaction time, distribution of safety bulletins and pamphlets, and constant counseling with groups and individual operators in all phases of safe driving practices and operations of motor buses. Buses are also equipped with tachographs, a device which gives management a running and tabulated record of the operations of each bus on each schedule.

It is claimed that if authorized to self-insure, applicants would save a substantial portion of the fee now paid annually for surety bonds; in addition, self insurance would release for working capital the funds now held on deposit with the bonding company.

Upon reviewing this application, we find that Transcontinental Bus System, Inc., has been and now is qualified as a self-insurer with the Interstate Commerce Commission, that it has met the requirements of General Order No. 101 of this Commission with respect to financial responsibility to act as a self-insurer, and that it should be exempt from the provisions of said General Order, as provided in Paragraph 7 thereof, with respect to providing for insurance against liability imposed by law for the payment of damages for personal bodily injuries (including death resulting therefrom), and for damage to or destruction of property. We are satisfied that the applicants are capable of meeting their financial obligations for public liability and property damage without affecting the stability and permanency of the business of such passenger stage corporations.

The authorization requested will not be adverse to the public interest. A public hearing is not necessary.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary and that the application should be granted, therefore,

IT IS HEREBY ORDERED:

(1) That Transcontinental Bus System, Inc., and Continental Pacific Lines are hereby qualified as self-insurers and are authorized to self-insure the operations of their businesses as passenger

stage corporations with respect to their liability for payment of final judgment recovered against them for bodily injuries to or the death of persons, or loss of or damage to property of others resulting from negligence in the operation, maintenance or use of motor vehicles within the State of California.

(2) That Transcontinental Bus System, Inc., is hereby authorized to act as guarantor and surety of Continental Pacific Lines pursuant to and in accord with the authority granted by the Interstate Commerce Commission, as to intrastate operations in the State of California.

(3) That Transcontinental Bus System, Inc., is hereby exempted from the requirements of General Order No. 101 so long as its qualification as a self-insurer with the Interstate Commerce Commission remains effective, or unless and until hereafter otherwise ordered and directed. Said company shall be exempt from furnishing the policy or certificate of insurance or bond provided for in said General Order. However, said company shall comply with the provisions set forth in paragraph (6) of this order.

(4) That Transcontinental Bus System, Inc., and Continental Pacific Lines shall maintain, so long as they continue to self-insure, insurance covering any amount they may have to pay in excess of \$10,000 as a result of any single accident or occurrence involving the death of or bodily injury to any person and/or loss of, or damage to property of others, resulting from negligence in the operation, maintenance, or use of motor vehicles, for limits of \$990,000 in excess of \$10,000.

(5) That Transcontinental Bus System, Inc., shall maintain, so long as it continues to act as surety for Continental Pacific Lines, insurance covering any amount it may have to pay in excess

of \$10,000 as a result of any single accident or occurrence involving the death of or bodily injury to any person and/or loss of, or damage to property of others resulting from negligence in the operation, maintenance, or use of motor vehicles, for limits of \$990,000 in excess of \$10,000.

(6) That Transcontinental Bus System, Inc., and Continental Pacific Lines shall cause the insurance company or companies providing the excess insurance referred to in paragraphs (4) and (5) of this order to certify to this Commission that such excess insurance is in force and that it will not be terminated or altered in any material respect except on thirty days' notice to this Commission.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 15th day of October, 1957.

Arthur E. ...
President

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Commissioners