



Former Fort Ord
Pollution Legal Liability Insurance
Presentation/Request for Authorization

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- ▶ Current 10-Year policy expires 31 DEC 2014
 - \$100M in coverage / \$6M premium
- ▶ It covers clean up costs, personal injury, property damage and defense costs
- ▶ Includes explosive risk from “Munitions and Explosives of Concern (MEC)”
- ▶ PLL purchased pre-ESCA
- ▶ ESCA liability coverage limited to ESCA-related work

- ▶ ESCA Grant included \$916K for ESCA-related PLL
- ▶ ESCA-related PLL not purchased due to expense and restrictive market
- ▶ ESCA PLL funds held by FORA as PLL self-insurance
- ▶ ESCA PLL funds may be used to reduce participant costs, reduce self-insured retention (or both)

Current Status

- ▶ FORA Board direction: replace existing policy upon expiration
- ▶ PLL insurance carriers contacted and provided RFP
- ▶ Five (5) attended bidders' conference at FORA
- ▶ Three (3) carriers responded with proposals
- ▶ Responding carriers rank-ordered based on premium, terms and conditions, financial stability (all responders financially sound)
- ▶ Negotiations on-going with one carrier/proposal is clearly superior
- ▶ Significant progress made in negotiations 08 OCT 2014
- ▶ Premium significantly lower than anticipated
- ▶ Coverage is base-wide, not just ESCA property
- ▶ Includes pollution condition coverage excluded from other coverage (CGL/pool)

Terms and Conditions

- ▶ New policy extends beyond ESCA performance
- ▶ Proposed limits are \$50M
- ▶ Self-insured retention (SIR) is either \$500K or \$1M
- ▶ Land holding jurisdictions have option to obtain portion of coverage
- ▶ Developers can obtain portion of coverage as additional insured
- ▶ Coverage survives FORA expiration
- ▶ FORA, as first-named insured, will manage coverage while extant
- ▶ Identify FORA's successor as first-named insured before policy is bound
- ▶ Expected cost of new policy significantly lower than original policy

Analysis

POLICY

NEW PLL Policy

1/1/15 - 12/31/24

EXPIRING PLL Policy

1/1/05 - 12/31/14

Coverage	50,000,000	100,000,000
Term	10 years	10 years
SIR - MEC	500,000	1,000,000
SIR - Non-MEC	500,000	500,000

COST

Premuim	1,442,640	5,574,150
Broker Fee, Surplus Line Tax	262,560	425,850
Financing	TBD	1,162,462
	1,705,200	7,162,462

PAYMENTS

FORA (ESCA PLL funds)	705,200	-
FORA/Jurisdictions	1,000,000	7,162,462

Cost/per 1 M coverage/10 years

20,000

71,625

- ▶ Authorize Executive Officer upon advice and counsel of insurance broker (Marsh) and Special Authority Counsel to negotiate, consistent with this presentation:
 - Policy terms and conditions
 - Bind coverage effective 31 DEC 2014 if premium is < \$2M
 - Identify first-named insured to replace FORA after 30 JUN 2020