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

October 10, 2014

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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)
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
<table>
<thead>
<tr>
<th>POLICY</th>
<th>NEW PLL Policy 1/1/15 - 12/31/24</th>
<th>EXPIRING PLL Policy 1/1/05 - 12/31/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage</td>
<td>50,000,000</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Term</td>
<td>10 years</td>
<td>10 years</td>
</tr>
<tr>
<td>SIR - MEC</td>
<td>500,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>SIR - Non-MEC</td>
<td>500,000</td>
<td>500,000</td>
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</tbody>
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| COST                |                                 |                                      |
|---------------------|                                 |                                      |
| Premium             | 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 |
Recommendation

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