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**FINANCE AND BUDGET COMMITTEE
JANUARY 21, 1998**

Metropolitan
Transportation
Authority

**SUBJECT: ENVIRONMENTAL OWNER CONTROLLED INSURANCE
PROGRAM**

One Gateway Plaza
Los Angeles, CA
90012-2932

**ACTION: AWARD CONTRACTOR POLLUTION LIABILITY POLICY
TO AIG GROUP**

(213) 922-2000

RECOMMENDATION

1. Approve and ratify award of Contractor Pollution Liability Policy to the AIG Group at a five-year premium cost of \$386,663.
2. Authorize the CEO and/or his designee to execute all necessary documentation.

RATIONALE

The AIG policy provides compliance with the MTA's contractual obligation to provide environmental liability coverage for MTA environmental contractors. The AIG Program also broadens coverage to include covered events for all construction contracts. The new policy also improves coverage by broadening the terms from "claims made" to "occurrence" form.

BUDGET IMPACT

Funding for the Environmental Owner Controlled Insurance Program is included in the revised FY98 capital budget for rail construction in the total amount of \$1,000,000. The proposed new 5-year premium amount of \$386,663 will reduce the MTA's FY98 budget by \$613,337 and eliminate the need to budget \$1,000,000 per year required under the prior Environmental Liability Program. The above action will result in a total budget savings of \$4,613,337 over the next five years, while increasing the financial strength of the MTA's insurance provider and improving terms of coverage.

ALTERNATIVES CONSIDERED

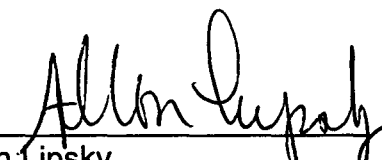
There are no viable alternatives because the MTA is contractually obligated to provide the coverage and the recommended policy is the least expensive and broadest coverage available.

BACKGROUND

The MTA's current Environmental Insurance Program conforms to two principles established by previous Board actions. First, to minimize the environmental liability incurred during the course of its construction and operations of its commuter rail projects by means of risk transfer. Secondly, to protect the public interest by maximizing coverage under the environmental insurance coverage to address the myriad of construction operations incorporated in the rail projects including property acquisitions, construction, remediation and completed operations.

The previous policy issued by Zurich Insurance Company at an annual premium cost of \$947,500 expired by its terms on November 1, 1997. MTA's insurance adviser Sedgwick/MTIA canvassed the market for available coverage and obtained specific proposals from three insurance carriers. The policy offered by AIG provides the best coverage at the lowest cost. Coverage was bound effective upon expiration of the previous policy. The terms of the proposed AIG policy are summarized in Attachment A.


Steven F. Mauck
Managing Director
Risk Management


Allan Lipsky
Office of the Chief Executive Officer

Attachment A: Contractor Pollution Liability Policy Summary

ATTACHMENT A

**CONTRACTOR POLLUTION LIABILITY (CPL) OCIP
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**

AMERICAN INTERNATIONAL GROUP (AIG)

Program Term: 11/01/1997 to 11/01/2002

Coverages/Terms/Conditions	Selected Program
Occurrence Form	Yes
\$20,000,000 Annual Limit	Yes
Self Insured Limit \$500,000	Yes
Claims arising from Asbestos	Yes
Claims arising from Lead	Yes
Action Over Claims-Delete Employee BI Exclusion	Yes
Retroactive Date August 1, 1990	Yes
On-Site Staging & Transportation	Yes
Additional Named Insureds	Yes
Coverage for Non-Environmental Contractors	Yes
3 Years Completed Operations	Yes
Loss Control	Yes-Initial Survey
Claims Handling Included	Yes
Premium for 5 Year Project	\$386,663
Minimum Earned Premium	50% 1st Year
Commission	Net
Premium Non-Auditable-Flat	Yes
Payment Schedule	Payment in Full
Best's Rating	A++XV

