



CITY COUNCIL AGENDA ITEM

REQUESTED COUNCIL MEETING DATE 06/19/07

SUBJECT: Pollution and Remediation Legal Liability Insurance

DEPARTMENT: Finance Department

RECOMMENDED MOTION:

Approve the selection of the Indian Harbor Insurance Company ("XL") to provide underground and above ground storage tank pollution liability plus fixed site pollution legal liability insurance coverage for the period from June 21, 2007 to June 21, 2008.

SUMMARY:

In order to provide the broadest financial protection for incidents arising from an environmental event involving pollution and remediation exposures, staff recommends the selection of the proposal provided by XL. Proposals were solicited, through the City's insurance broker, Brown & Brown Insurance, from insurance markets specializing in this type of coverage; two insurance companies submitted proposals and five companies declined to offer a proposal. XL has an A.M. Best's Rating of A+, XV.

The premiums for the 07-08 policy term will be \$34,304.65; the incumbent insurer submitted a proposal of \$40,000.00. The proposal submitted by XL is \$6,944.65 higher than the expiring policy premium, or about 25% higher than last year. The increase in premium cost is due to the City's adverse claims experience during the past year.

Staff recommends the selection of XL for the fuel storage tank coverage for the policy term June 21, 2007 through June 21, 2008. Further information can be obtained from Bob Newell, Risk Manager.

ATTACHMENTS: Ordinance Resolution Budget Resolution

Other Support Documents/Contracts Available for Review in City Manager's Office

| | | | |
|---------------------------|------------------------------------|------|---------|
| DEPARTMENT HEAD | John A. Shelley, Finance Director | Date | |
| FINANCE DEPARTMENT | Approved as to Budget Requirements | Date | 6/4/07 |
| CITY ATTORNEY | Approved as to Form and Legality | Date | |
| CITY MANAGER | Approved Agenda Item For: | Date | 6/19/07 |

COUNCIL ACTION: Approved as Recommended Disapproved Tabled Indefinitely
 Continued to Date Certain Approved with Modification:

City of Port Orange

Insurance Proposal

Effective: 6/21/07 – 6/21/08

Presented By:

**Bobbi Barlow, CPCU
Vice-President**

**Cindy Scott, AAI, CPIW
Senior Account Manager**

**Debbie Dee, AAI
Marketing Analyst**

**Joyce Huddleston
Claims Analyst**



This proposal contains only a general description of the coverage(s) and does not constitute a policy/contract. For complete policy information, including exclusions, limitations, and conditions, refer to the policy document. A specimen copy is available upon request. In the event of any differences between the policy and this summary, the policy will control

Liberty Surplus Insurance

FIXED SITE & STORAGE TANK POLLUTION LEGAL LIABILITY

Coverage Form:

Fixed Site Pollution Legal Liability Coverage including Underground and Above Ground Storage Tanks

Claims made and reported coverage, defense within limits

Insuring Agreements:

Clean-up Costs Resulting from New Pollution Conditions (applies to on-site & off-site cleanup costs)

Bodily Injury & Property Damage Resulting from Pollution Conditions (applies to third party BI/PD)

Retroactive Date:

Insuring Agreements are subject to retro date of 6/21/03

Covered Sites:

Wastewater Treatment Facility
R. Dwayne Huffman Reclaimed Water Plant, 817 Oak St.
Water Treatment Facility
Garnsey Plant, 4400 Wellfield Dr,
Public Works
407 Virginia Ave

Includes coverage for any unknown tanks and any unknown historical conditions

Pollution Limits of Liability:

| | | |
|------------------------------------|----|-----------|
| Per Pollution Incident Limit | \$ | 1,000,000 |
| Insuring Agreement Aggregate Limit | \$ | 1,000,000 |
| Total Policy Aggregate Limit | \$ | 1,000,000 |

Deductible:

\$50,000 Each Incident

**FIXED SITE & STORAGE TANK POLLUTION LEGAL LIABILITY
(Con't)**

Scheduled Covered Locations:

| | |
|--|------------------------------------|
| 4400 Wellfield Rd, Port Orange | 5,200 Gallons Diesel (AST) |
| 817 Oak St, Port Orange | (2) 4,000 Gallons Diesel (AST) |
| 4270 S Atlantic Ave, Wilbur by the Sea | 500 Gallons Diesel (AST) |
| Richel Road, Port Orange | 500 Gallons Diesel (AST) |
| 2755 Artesian Dr, Port Orange | 500 Gallons Diesel (AST) |
| 2440 Dreama Way, Port Orange | 500 Gallons Diesel (AST) |
| 4668 S Peninsula Dr, Ponce Inlet | 280 Gallons Diesel (AST) |
| 3655 Nova Rd, Port Orange | 250 Gallons Diesel (AST) |
| 5891 Airport Rd, Port Orange | 472 Gallons Diesel (AST) |
| 6701 Airport Rd, Port Orange | 3,000 Gallons Diesel (UST) |
| 1395 Dunlawton Ave, Port Orange | 12,000 Gallons Unleaded (UST) |
| 1395 Dunlawton Ave, Port Orange | 2,000 Gallons Diesel (UST) |
| 2842 Ridge Rd, Daytona Beach Shores | 500 Gallons Diesel (AST) |
| 6202 Williamson Blvd, Port Orange | 500 Gallons Diesel (AST) |
| 407 Virginia Avenue, Port Orange | 1,000 Gallons of Waste Oil (AST) |
| 407 Virginia Ave, Port Orange | 12,000 Gallons Unleaded (New UST) |
| 407 Virginia Ave, Port Orange | 12,000 Gallons Diesel (New UST) |
| 4200 Ridgewood Avenue, Port Orange | Fire Station Generator (AST) |
| 5839 Trailwood Drive, Port Orange | Fire Station Generator (AST) |
| 1090 City Center Blvd, Port Orange | Fire Station Generator (AST) |
| 4701 City Center Parkway, Port Orange | YMCA Generator (AST) |
| 1000 City Center Circle, Port Orange | City Hall Generator (AST) |
| 1999 City Center Circle, Port Orange | Lakeside Community Generator (AST) |

Underground Tanks (UST) must be scheduled:

| | |
|---------------------------------|-------------------------------|
| 6701 Airport Rd, Port Orange | 3,000 Gallons Diesel |
| 1395 Dunlawton Ave, Port Orange | 12,000 Gallons Unleaded |
| 1395 Dunlawton Ave, Port Orange | 2,000 Gallons Diesel |
| 407 Virginia Ave, Port Orange | 12,000 Gallons Unleaded (new) |
| 407 Virginia Ave, Port Orange | 12,000 Gallons Diesel (new) |

Aboveground Tanks (AST) do not need to be scheduled:

However, an exclusion will apply to the Emergency Generator Day Tank at the 6701 Airport Road (Fire Station #4) location. This exclusion can be removed upon receipt of written documentation that the repair or removal of this tank has been completed.

FIXED SITE & STORAGE TANK POLLUTION LEGAL LIABILITY
(Con't)

Exclusions Include But Are Not Limited To:

Biological Contaminants
Certified Acts of Terrorism (Optional)

Subject To:

Receipt of the Terrorism Disclosure prior to binding

SUMMARY OF PROPOSED PREMIUMS AND RELATED INFORMATION

| <u>Premiums as Proposed:</u> | <u>Expiring</u> | <u>Renewal</u> |
|--------------------------------|---------------------|---------------------|
| Pollution | \$ 27,360.00 | \$ 40,000.00 |
| 1% Florida Hurricane Surcharge | \$ 0.00 | \$ 400.00 |
| | <hr/> | <hr/> |
| Total | \$ 27,360.00 | \$ 40,400.00 |

Terrorism Option:

TRIA can be added for \$4,000 additional premium.

Payment Plan:

Agency Bill- Annual premium due in full

Please refer to the individual proposed coverage parts for terms and conditions that this proposal may be subject to.

This proposal is based upon the exposures to loss made known to the Agency. Any changes in these exposures (i.e., new operations, new products, additional states of hire, etc.) need to be promptly reported to us in order that proper coverage(s) may be put into place.

MARKET SUMMARY

| <u>Company</u> | <u>Response</u> |
|----------------|---|
| AIG | Verbal Declination, can't compete with pricing |
| Zurich | Verbal Declination, can't compete with pricing |
| Hudson | Pending |
| XL | Indication: Pending final Terms & Conditions |
| LIU | Quoted |
| Chubb | Decline, couldn't quote any tanks 18 years or older |
| Ace | Decline, recent claims |

RELATED INFORMATION

Compensation: In addition to the commissions or fees received by us for assistance with the placement, servicing, claims handling, or renewal of your insurance coverages, other parties, such as excess and surplus lines brokers, wholesale brokers, reinsurance intermediaries, underwriting managers and similar parties, some of which may be owned in whole or in part by Brown & Brown, Inc., may also receive compensation for their role in providing insurance products or services to you pursuant to their separate contracts with insurance or reinsurance carriers. That compensation is derived from your premium payments. Additionally, it is possible that we, or our corporate parents or affiliates, may receive contingent payments or allowances from insurers based on factors which are not client-specific, such as the performance and/or size of an overall book of business produced with an insurer. We generally do not know if such a contingent payment will be made by a particular insurer, or the amount of any such contingent payments, until the underwriting year is closed. That compensation is partially derived from your premium dollars, after being combined (or "pooled") with the premium dollars of other insureds that have purchased similar types of coverage. We may also receive invitations to programs sponsored and paid for by insurance carriers to inform brokers regarding their products & services, including possible participation in company-sponsored events such as trips, seminars, and advisory council meetings, based on the total volume of business placed with the carrier you select. We may, on occasion, receive loans or credit from insurance companies. Additionally, in the ordinary course of our business, we may receive and retain interest on premiums you pay from the date we receive them until the date the premiums are remitted to the insurance company or intermediary. In the event we assist with placement and other details of arranging for the financing of your insurance premium, we may also receive a fee from the premium finance company.

Wholesale Broker/Managing General Agent: *Environmental Insurance Agency*

The intermediary **Environmental Insurance Agency** is not owned in whole or in part by Brown & Brown, Inc., the parent company of Brown & Brown of Florida Inc. – Daytona Beach. Brown & Brown entities operate independently and are not required to utilize other companies owned by Brown & Brown, Inc., but routinely do so. In addition to providing access to the insurance company, the Wholesale Insurance Broker/Managing General Agent may provide additional services including, but not limited to: underwriting; loss control; risk placement; coverage review; claims coordination with insurance company; and policy issuance. Compensation paid for those services may be up to 15% of the premium you pay for coverage, and any compensation paid for those services is derived from your premium payment.

Questions and Information Requests. Should you have any questions, or require additional information, please contact this office at 1-800-877-2769 or, if you prefer, submit your question or request online at:
<http://www.bbinsurance.com/customerinquiry.shtml>.

A.M. BEST FINANCIAL RATING

The insurance company providing coverage has the following A. M. Best* Financial rating:

* **Rating Guide:** A++ to C- = Highest to lowest rating
15 to 1 = Largest to smallest rating

| | <u>Rating for Stability</u> | <u>Rating for Assets/Surplus</u> |
|--------------------------------------|---------------------------------|--------------------------------------|
| ** Liberty Surplus Insurance Company | A | 15 |

** Denotes excess & surplus lines insurance company. See attached Statement Acknowledging that Coverage has been placed with a Non-Admitted Carrier. Please review and return to Brown & Brown.

** Brown & Brown does not have direct binding authority with this excess and surplus lines market.