Avaltroni, Robert

From: Hoffer, Mark
Sent: Friday, July 19, 2002 5:11 PM
To: Avaltroni, Robert; Gilsenan, Michael (ex)
Cc: Schiano, Frank
Subject: FW: World Trade Center Issues

This relates to the extra layer of environmental risk insurance that the City might buy to protect its interests on the residential apartment clean-up program. Recall that we are asking the contractors to buy $10MM of this coverage, and AIG is apparently willing to sell the City $90MM more (for a total of $100MM in coverage). The premium to AIG would be steep (this type of insurance is generally expensive and the WTC aspect makes it even more so in this case) — about $4.5 MM for 3 years' worth of coverage on a claims made basis (that is, in order to get AIG to make payment on a claim, the claim must be filed within the 3 year policy period; if an apartment owner sues us 20 years down the road, the policy would not cover).

What Larry Martin is now asking is: Did we run the question by FEMA as to whether this coverage would be paid for by them, if the City bought it? If not, can we do so?

Please advise.

-----Original Message-----
From: Martin, Lawrence [mailto:lmartin@law.nyc.gov]
Sent: Friday, July 19, 2002 4:45 PM
To: 'markh@dep.nyc.gov'
Cc: Kahn, Lawrence
Subject: FW: World Trade Center Issues

I've be following up w/ Marsh. A question about FEMA: Do you know who at DEP or OMB would know the status of advance approval for this insurance by FEMA? This is crucial BEFORE the insurance is placed.

-----Original Message-----
From: Kahn, Lawrence
Sent: Friday, July 19, 2002 2:14 PM
To: Martin, Lawrence
Cc: Mark Hoffer (E-mail)
Subject: FW: World Trade Center Issues

Mark says Dan Lavoie of Marsh McLennan told him that AIG would only

be willing to provide an additional reporting period of one year and that would probably cost us about twice the premium previously quoted for the three year period (Option B) discussed below.
Dan said he would like to talk directly to you about the precise

language to be used to describe the
City's insured status. Dan suggested you give him a call at 212-345-7078.
If you have the time, could you give him a call?

Thanks.

-----Original Message-----
From: Hoffer, Mark [mailto:markh@dep.nyc.gov]
Sent: Tuesday, July 02, 2002 9:55 AM
To: 'lkahn@law.nyc.gov'

Cc: Schiano, Frank
Subject: World Trade Center Issues

I. Insurance

Confirming what I reported orally this AM, we have checked with our insurance contact (Dan Lavoie of Marsh McLennan; 212-345-7078) and he reports as follows:

1. The Environmental Markets do not want to touch the additional CGL coverage we are looking for, so Dan canvassed the excess markets (firms such as Zurich and Lexington). They will provide the $50MM CGL in excess of the $50MM to be provided through the contractor, on an occurrence form, for a cost of approx. $1 Million-$1.5 Million.

2. Environmental Liability Coverage through AIG:

AIG is prepared to offer us two options. Option A is straight Contractors Pollution Liability Coverage - which they described as a straight contractors form WITHOUT professional coverage (merely for the contractor's operations). This would be for $90MM in excess of the $10MM to be provided by the contractor, for 3 years on a CLAIMS MADE form with a $250,000 deductible per claim, for a one-time premium of $400,000.

Option B is Contractors Pollution Liability Coverage WITH professional coverage (where they believe the bulk of the exposure is: "you said it was clean, but it was not"). This would be for $90MM in excess of the $10MM to be provided by the contractor, for 3 years on a CLAIMS MADE form with a $250,000 deductible per claim, for a total premium of $2.7 Million-$4.5 Million (exact quote would be subject to underwriting review of the final contract form and the contract values). An extended reporting period MAY be available for a period of 90 days to 3 years for an additional premium (this would need further discussion with the carrier, including final contract form and contract values).

II. EPA Work above 79th Street

I spoke with Bob Avaltroni, our D/C for Environmental Compliance, and he advises as follows: We are only doing asbestos downtown because that is the only air contaminant of concern where there is an EPA standard at present. EPA is doing tests uptown to try to get info. on background levels of other substances, to eventually set standards for these substances. Having successfully convinced EPA to take the lead and manage the cleaning program on asbestos downtown, Bob is loathe to open up the scope of work again for fear that this will cause EPA to reconsider the program/their role.