

CITY OF WASILLA

290 E. HERNING AVE.
WASILLA, ALASKA 99654-7091
PHONE: (907) 373-9050
FAX: (907) 373-0788

COUNCIL MEMORANDUM NO. 92-70

From: Deputy Administrator
Date: July 6, 1992
Subject: Design Engineer for Sewer Treatment System

In April, 1992 the Council engineer selection committee authorized the administration to enter into an engineering design contract with Polarconsult. Since that time, we have kept Council informed of our efforts to obtain evidence of Polarconsult's errors and omissions insurance that is recognized in Alaska. As of this date, Polarconsult has not met the insurance requirement.

Administration recommends that Council approve notification to Polarconsult that their firm has been rejected for reasons as cited above and to re-advertise for letters of interest.

Robert E. Harris
Deputy Administrator

REH/sbh



CITY OF WASILLA

290 E. HERNING AVE.

WASILLA, ALASKA 99654-7091

PHONE: (907) 373-9050

FAX: (907) 373-0788

July 7, 1992

Mr. Earle Ausman, President
Polarconsult Alaska, Inc.
1503 West 33rd, Suite 310
Anchorage, Alaska 99503

Re: E & O Insurance

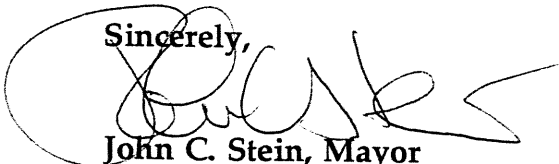
Dear Mr. Ausman:

The Wasilla City Council meets Monday, July 13, 1992. It has now been thirteen (13) weeks since your proposal for sewer plant upgrade engineering services was selected by the Council. To date we have not been able to agree on acceptable errors and omissions insurance coverage for your firm.

On June 8, at a meeting you attended, the Council authorized an additional \$15,000 to cover costs of an E & O policy written by a company recognized in Alaska. A follow-up letter was sent June 16 and your acknowledgement was received July 2.

Unless the insurance issue is resolved by July 13, the Administration will ask Council to reject your proposal and readvertise for letters of interest.

Sincerely,



John C. Stein, Mayor
City of Wasilla

JCS/sbh.

polarconsult alaska, inc.

ENGINEERS • SURVEYORS • ENERGY CONSULTANTS

Bob
Council

City of Wasilla
290 East Herning Avenue
Wasilla, Alaska 99645

RECEIVED June 29, 1992

JUL 2 - 1992

Attn: Mr. John C. Stein
Mayor

City of Wasilla, Alaska

Sub: E & O insurance for "Recirculating Granular Medial Filter Addition to the
Wasilla Waste Water Treatment Facility"

Dear Mayor Stein:

Recieved your June 16 letter and we have made inquires with our insurance agents,
Willis Corroon as to the needed insurance. As soon as we get a reply we will
communicate the results.

Sincerely yours;



Earle Ausman
President

Attachments: Foreign exchange

Not attached JS

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CITY OF WASILLA

290 E. HERNING AVE.
WASILLA, ALASKA 99654-7091
PHONE: (907) 373-9050
FAX: (907) 373-0788

June 16, 1992

Mr. Earle Ausman, P. E.
Polarconsult Alaska, Inc.
1503 West 33rd Avenue, Suite 310
Anchorage, Alaska 99503

Dear Earle:

I'm sure that by now you are well on the way to investigating the availability and the particulars of obtaining errors and omissions insurance as requested by the City Council. However, I wanted to relay to you what I perceive to be the desires of the City relative to your insurance coverage.

The errors and omissions coverage should be written by a company that is approved by the State of Alaska - meaning that they are backed by the state indemnity fund. As a very minimum, the company must be authorized to do business in the State of Alaska - meaning that any suit by the City would be litigated in the Alaska court system.

The term of the errors and omissions insurance would be determined as to whether it is claims based or is occurrence based. The same is true for the general liability policy. If the insurance is claims based, we ask for two (2) years of coverage following contract completion. If it is occurrence based then coverage would apply during time of performance.

I hope that this is useful to clarify our requests. If we can provide further information please call on us. We anticipate hearing from you. soon.

Sincerely,

John C. Stein, Mayor
City of Wasilla

JCS/sbh

polarconsult alaska, inc.

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RECEIVED

City of Wasilla
290 East Herning Avenue
Wasilla, Alaska 99645

JUL 20 1992

July 13, 1992

City of Wasilla, Alaska

Attn: Mr. John C. Stein
Mayor

Sub: E & O insurance for "Recirculating Granular Medial Filter Addition to the
Wasilla Waste Water Treatment Facility"

Dear Mayor Stein:

Received your July 7 letter which gave us a *deadline* of today for insurance. We forwarded this letter on to our insurance agents, the two most competent firms in Alaska, Willis Corroon and Johnson & Higgins, and they have been striving mightly to meet this schedule.

Based on our inquiry with them today, they are still several days from being able to give us a definitive answer. We have quotations from two companies. They wish to provide our entire insurance. The problem is that the reasonable one, Tudor Insurance is non admitted to the market in Alaska, which means it does not meet the added criteria you asked for.

According to the insurance agents, all of E&O policies are *claims made* and as such have to be renewed each year. Because of the way Wasilla wrote the RFP, it is possible because of project funding, to run two years before our work is completed. This increases costs and does not provide the degree of absoluteness, that may be desired. There is a insurance company that will give us a one year policy with a two year tail, but they state that if the policy ran for two years it would jump from \$15,000 to as much as \$100,000.

We have also investigated using Lloyds of London as a guarantor of Winterthur, which would in essence insure the insurer. This would be very secure and would be written in English. Unfortunately, because of the recent losses at Lloyds, the insurance that could be normally acquired is not now easy to get, especially for a small project such as this.

We have expended a great deal of time and effort in our attempt to meet the City's special requests, and we will need a little more time to achieve them. It takes time to get these answers, we do not control the insurance companies, and there is considerable paper work, other correspondence and telephone calls, involved in doing this. We have not asked for additional time earlier, as it might have been possible to meet the recent deadline imposed by the city. However, we can not, so we are asking for additional time.

WILLIS CORROON



Fax Transmission

From Brigitte Ressel

Date 7/13/92

Willis Corroon Corporation of Anchorage

Telephone 907-562-2266

4220 B Street, Anchorage, AK 99503

562-2266

Fax 907-563-6483

For enquiries on transmissions call

To Earle Ausman/Polarconsult

Company

Town/Country

Fax 258-2419

Number of pages 1 (including this cover)

Subject/reference Project- Wasilla- Quote
\$1,000,000 each claim

Message \$1,000,000 aggregate
\$ 10,000 deductible

About 15 minutes after talking to you I received the following quote:

Premium indication for the first year is \$13,074.50 including fee and tax.
The policy will be evaluated every year and the premium adjusted depending
on how much work has been done.

I get more details in writing on the tail (discovery period) insurance.

B. Ressel



Established 1945

July 13, 1992

Earle Ausman, President
Polarconsult Alaska, Inc.
1503 West 33rd, Suite 310
Anchorage, AK 99503

RE: Engineers Errors & Omission Insurance

Dear Earle:

I have approached several insurance companies on your behalf in order to procure a specific project policy for the City of Wasilla's sewer treatment plant job.

Our London broker has indicated that Lloyds of London and other London Insurance Companies currently have a minimum premium for any single project of \$100,000. As you are probably aware, London has been experiencing exceptionally difficult times as the result of a series of national disasters, investment market reverses and soft prices. As a result of substantial losses in the 1988-89 underwriting years and projected loss in the 1990 underwriting year, pressure has occurred for internal changes in their methods of underwriting.

The London market is important to your request for a specific errors and omissions policy as many of the domestic markets rely on London for a portion of or all of their reinsurance. It is for that reason that many domestic companies are now setting higher minimum premiums of \$100,000.

I have located a very financially sound carrier who has the ability to offer limits of \$1,000,000, without purchase of any reinsurance, if the project does not exceed one year. The underwriter advised his minimum premium for a one year policy would be \$15,000. He would also be willing to offer a two year extended reporting period for an additional premium. He cannot, however, offer a specific project errors and omissions policy that exceeds one year as he would need to purchase reinsurance and that would make his minimum premium \$100,000.

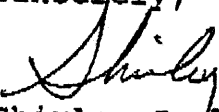
Johnson & Higgins of Alaska, Inc.

Earle Ausman, President
Polarconsult Alaska, Inc.

If you believe this specific job can be finished in one year, and you can obtain more time from the City of Wassila, I will be happy to continue to work with this insurance carrier, as well as complete my market survey for the coverage you have requested. A week and a half does not give me the time necessary to complete a placement for Engineers errors and omissions coverage.

Please advise me if you wish for me to proceed.

Sincerely,


Shirley Coulson
Assistant Vice President

SC:ja

polarconsult alaska, inc.

ENGINEERS • SURVEYORS • ENERGY CONSULTANTS

City of Wasilla
290 East Heming Avenue
Wasilla, Alaska 99645

July 27, 1992

Attn: Mr. John C. Stein
Mayor

Sub: E & O insurance for "Recirculating Granular Media Filter Addition to the Wasilla Waste Water Treatment Facility"

Dear Mayor Stein:

As we promised in our July 17 letter we are providing you with the insurance offers we have received. Our agents are still trying to find additional insurance that could be less expensive.

The entire matter has been complicated by the need to guarantee insurance over a four year period. To individually insure a project for a one year period is relatively easy, and not too expensive, but when the insurance companies have to extend to subsequent years they cushion their potential risks with increased prices. And, many of them refuse to write such a policy, period.

The second issue is most of the insurance companies are not insured in the state of Alaska. This was one of the city's requests. The reason they are not, is the market is small, the costs are high, and it makes no sense for them to take on the additional expense.

The single quote we have with an *admitted* company is much higher than the other insurance, and comes with no multi year agreement as does *project* insurance.

Based on the information we have arrived at a better way which can more fully protect Wasilla from the experiences of the past.

o Wasilla is concerned about our very good Winterthur insurance because of fear of the chain of events which follow. In risk analysis this is called a failure tree.

1. We have a failure on the project.
2. We are out of business or declare bankruptcy.
3. The court or we provide Wasilla with the option of pursuing our insurance company.
4. The insurance company does not agree with the city, and the city has to take them to court to collect.

polarconsult

5. Wasilla has to engage a lawyer in Denmark, which costs more than if they had to pursue the similar course of events in Alaska. Therefore, this effects their ability for redress.
6. Wasilla wins the case
7. Winterthur goes bankrupt and Wasilla can not collect its \$300,000 which is the maximum that the state will provide as an insurance pool.

o With a firm admitted in Alaska the situation is as follows:

1. We have a failure on the project.
2. We are out of business or declare bankruptcy.
3. The court or we provide Wasilla with the option of pursuing our insurance company.
4. The insurance company does not agree with the city, and the city has to take them to court to collect.
5. Wasilla can engage a local lawyer and try the case in an Alaskan court
6. Wasilla wins the case.
7. The insurance company goes bankrupt and Wasilla, provided they win the claim, can be awarded up to \$300,000.

Although all of the quotes are not available yet, we have an alternative which will be superior to what the city asked for, and will end up costing less money. This alternative is to take one of the lower cost US insurance companies, and to subjugate the Winterthur insurance. With this combination, the following events would have to happen to not obtain *full* redress.

1. We have a failure on the project.
2. We are out of business or declare bankruptcy.
3. The court or we provide Wasilla with the option of pursuing our insurance company.
4. The US insurance company does not agree with the city, and the city has to take them to court to collect.
5. The city is awarded the money.
6. The US insurance company goes broke.
7. Winterthur is asked to pay, it pays, or:8. Winterthur refuses to pay, and case goes to US or Danish court
Upside can collect up to \$1,400,000 instead of \$300,000*.
This amount will more then pay for any extra legal costs.**
9. Down side Winterthru also goes broke.

The city may wish to consider that insurance laws and regulations are under review, because of their excessive costs. The State's revenues are diminishing. As a result *guarantees of a \$300,000 pool to back up failed insurance companies may not be available if the city needs them. Diversification of risks, is a action that all prudent investors engage in, and in our modern world, most investors include investments outside of the US to reduce their risks. Any insurance company we deal with in the US

will likely not carry the full value of the risk but will spread it out to underwriters throughout the world.

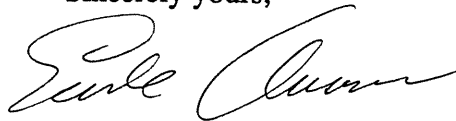
** Republic Insurance states that the legal costs are much lower in Europe than the US, and almost every one that is educated, speaks fluent English. Try calling our parent Bigum & Steenfos, and you can hear this is true, 011-45-31-42-1501. I am sure the City's lawyer could do quite well there. Republic also states that a case settled in Alaska would likely be recognized in Denmark.

We received insurance and present prices and main features as follows:

1. Evanston Insurance Co., Project insurance. Not part of State guarantee fund
Cost: \$24,216 for 4 years, 1st year cost \$13,074.50
2. Tudor Insurance, Claims made, not part of State guarantee fund
Cost: \$16,198.97 for each year.
3. Victor O. Schinnerer, Claims made, part of State guarantee fund
Cost: \$27,192 for each year.
4. Winterthur, Project insurance, amount \$1,400,000.
Cost \$2,000 per project.

One thing that should be understood, are the problems that we are having with this insurance, will be the same for everyone as they also will have claims made insurance

Sincerely yours;



Earle Ausman
President

Attachments: Fax Coroon
Fax Johnson

Note: Added Johnson because of the critical nature of the July 7 letter.
Johnson dropped out because they found Wills Coroon had covered all of the companies.

Was-E&O5