April 6, 1999

To: Board of Directors (Engineering and Operations Committee--Information)

From: General Manager

Submitted by: Lambertus H. Becker
Chief Financial Officer

Subject: Second Annual Stewardship Report on Inland Feeder Project's Owner Controlled Insurance Program (Inland Feeder OCIP)

RECOMMENDATION

For information only.

EXECUTIVE SUMMARY

Annually, Sedgwick/Dickerson (Sedgwick), the Inland Feeder Owner Controlled Insurance Program (OCIP) Administrator, completes a stewardship report on the Inland Feeder OCIP performance as of December. A copy of the report which includes an Executive Summary is attached. Claims and safety experience, and costs for the OCIP are updated each year and compared with the State of California workers' compensation standards. The Inland Feeder OCIP achieved a net $4.9 million cost savings from the use of an OCIP as compared with a traditional construction insurance program.

A total cost savings of $14.4 million (the $4.9 million plus an additional savings of $9.5 million) may be realized if the combined losses (workers' compensation and general liability) result in a 55% or lower loss ratio (losses as a percentage of the total paid premium). Of the $9.5 million, Metropolitan has received $666,000 for favorable claims experience in the first year of this project. The 55% loss ratio continues to be a realistic target.

As of March 1999, 40% of the Board approved OCIP appropriation ($35,627,407) has been spent. The Inland Feeder OCIP appropriation is expected to cover remaining OCIP expenditures through the completion of the project.

DETAILED REPORT

In July 1996, the Board authorized the General Manager to enter into a contract with Sedgwick to provide broker/administrator services in support of the Inland Feeder OCIP. In November 1996 and August 1998, the Board approved OCIP appropriations totaling $35,627,407 for the completion of the project.

The Owner Controlled Insurance Program (OCIP) for the Inland Feeder Project is a multi-year agreement to provide a project-based insurance program covering all contractors and Metropolitan. The Inland Feeder OCIP provides a comprehensive insurance, claims and safety program for all contractors; and supports a Project Labor Agreement with provisions for the use of a workers' compensation alternative dispute resolution (ADR) process under California Labor Code Section 3201.5. The cumulative effect of the OCIP results in lowering the cost of insurance premiums, claims management and settlements. This program returns cost savings (from favorable claims experience) to Metropolitan versus the traditional insurance program which returns costs savings to the contractor while the owner pays the full cost of insurance coverage.

An overview of the Inland Feeder OCIP is provided in the Executive Summary of the accompanying Stewardship Report. Updated information pertaining to the Inland OCIP performance, as of March 1999, follows:

- ❑ Both the Project and the National average for lost-time incident rates (number of lost-time incidents per 200,000 hours worked) have declined (from 6.52 to 5.36 and 3.90 to 3.40, respectively).

- ❑ The total incurred loss ratio changed from 12% to 15%. As claims information matures, adjustments in incurred loss costs contributed to the change in the loss ratio. The 55% loss ratio continues to be a realistic target.

In conclusion, the Inland Feeder OCIP achieved a $5.5 million ($4.9 plus an additional savings of $666,000) cost savings in project costs compared to a traditional insurance program. If the combined losses result in a 55% loss ratio, as expected, Metropolitan will save an additional $9.5 million. The OCIP expenditures are on budget and are expected to meet OCIP expenses by the completion of the project.

BYA

Attachment 10-17A

Attachment 10-17A

INLAND FEEDER PROJECT

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EXECUTIVE SUMMARY

The Metropolitan's (MET's) board authorized Sedgwick/Dickerson to proceed with the brokerage and administration of an OCIP for the Inland Feeder on October 31, 1996. The Board action was based on an estimated cost savings of a minimum of $4 million with a likelihood of $12-$16 million savings based upon a prudent loss ratio target. We have elected to repeat a brief background discussion of the Owner Controlled Insurance Program (OCIP) and its advantages to ensure a common understanding among the Board as to why it made the original decision to proceed with an OCIP.

An OCIP, or its other terminology, "Wrap-Up" Insurance, is an insurance program designed for large construction projects. Under such a plan, the owner obtains certain insurance coverage for contractors and subcontractors performing job site operations. The OCIP replaces the traditional approach where owners require contractors to provide Workers' Compensation, General Liability and Property Insurance.

An OCIP presents advantages over traditional construction insurance and loss control procedures for two reasons: the economies of scale produced by centralizing the purchase of insurance coverage, and stream lining of project management by coordinating a number of on-site functions (loss control, safety, record keeping, etc.) under a single authority. The key to the operation and success of and OCIP is control – control of essential project insurance lines (i.e., workers' compensation, general liability and builders' risk), and control of site security and loss control programs by a single project manager.

Characteristics of an OCIP include:

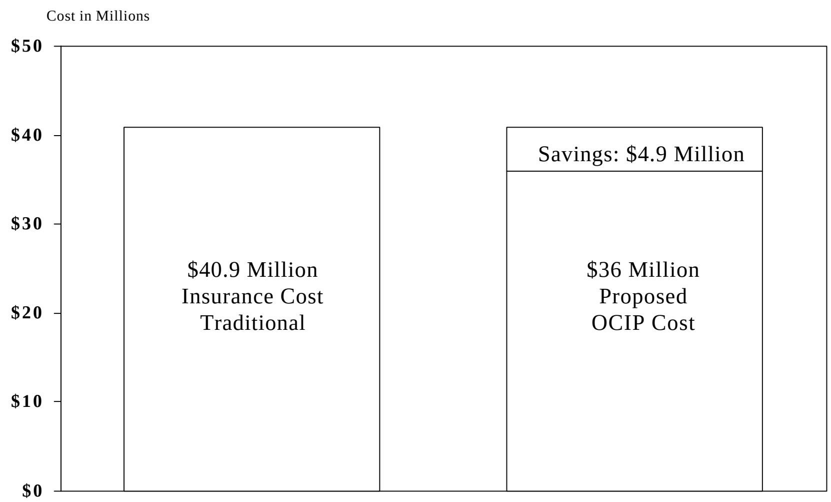
- Usually confined to a single location or a definitive project.
- Generally in force for a finite number of years (3-5 years actual construction period).
- Control of all contractors and subcontractors in a single insurance program managed by the owner of the project.
- Projects with large financial expenditures ($200 + million) and with large labor components (25-30%).
- Project manager designs and administers a stringent loss control program.

Sedgwick of California, and its Joint Venture Partner, Dickerson Insurance Services, negotiated an insurance program with the Hartford Insurance Company for Metropolitan Water District's Inland Feeder OCIP. The Hartford Program totaled $36 million, $4.9 million below the traditional insurance premium estimate of $43 million. In addition, the potential for added savings is based upon the Project achieving a 55% claim loss ratio and a reduction in contractor bids.

The following chart (Exhibit 1) reflects the revised savings of $4.9 million. The reduction in savings is a result of the revised payroll estimate of $180 million as compared to the original payroll estimate of $310 million.

Exhibit 1

Cost Comparison
Inland Feeder Project
OCIP vs. Traditional Insurance Program*
Period 1996 to 2002
Project Cost
(55% Loss Ratio)



1. Includes total OCIP expected expenditures for the project.
2. Revision based on reduction of cost.

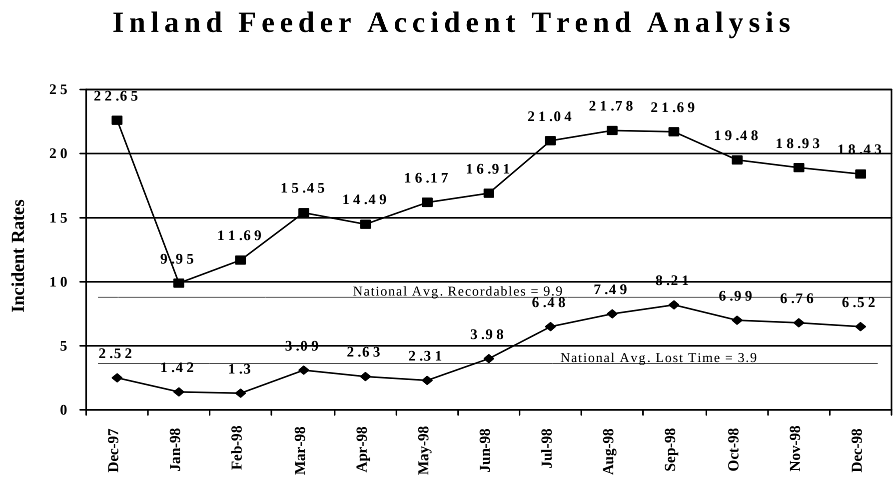
* The traditional insurance program represents the estimated cost of insurance for contractors based upon 1996 rates and paid by the owner of the project as part of the cost of the bid. Note that the lower ratio is a function of the higher premium deposit and any refunds for good claims experience would be returned to the contractors, not to MET.

MET's decision to authorize the OCIP was based on MET's Finance and Business Services Division's conclusion that the program would save a minimum of $4 million based upon a profitable safety program and good claims experience.

Inland Feeder Project Major Accomplishments:

- Disability claims represented 25% of all claims versus statewide average of 47% of all construction claims.
- Additional savings of $9.5 million (via return premium) are available should combined losses at completion of project be equal to or less than **$15.4 million**.
- The trend analysis for loss time accidents (6.52) and recordable incident rates (18.43) are above the national average (3.90 and 9.90 respectively) but trending down (see Exhibit 2). It is expected that the accident trend will decrease as construction hours increase and our overall safety effort improves.

Exhibit 2



Inland Feeder Project

If MET used the contractors' traditional insurance program for this project, at the end of two years, MET's construction cost would increase by $12 million. Exhibit 3 shows what the loss ratio would be using total incurred losses* and the contractors' traditional premium cost for the first two years. Note that the lower ratio of 5.5% is a function of the higher premium deposits and any refunds for good claims experience would be returned to the contractors, not to MET.

* **Total losses incurred** are actual loss dollars paid and dollars entrusted to cover claims that have occurred but not settled.

Exhibit 3

Inland Feeder Project-To-Date Results
1996 - 1998
Incurred Losses vs. Traditional Obligation

- Total losses incurred for workers' compensation and general liability insurance elements ($659,520) divided by the first 2 years of traditional premium ($10.8 million) results in a loss ratio of 6%

$ 659,520 =	6%
$10,800,000 *	

* Premiums for first 2 years of project

With the use of an OCIP, MET reduced construction costs by $4.2 million and paid $6.6 million for OCIP insurance and administrative costs for the same period (Exhibit 4). Note: The refunds for good claims experience will return annually to MET.

Exhibit 4

Incurred Losses vs. Premium Paid Obligation
1996 – 1998

- Total losses incurred of $659,520 divided by the first 2 years of Hartford's premium and OCIP administrative costs of $6.6 million results in a loss ratio of 10%.

$ 659,520	=	10%
$6,600,000 *		

* Premiums for first 2 years of project and administrative costs.

II. RECAP OF SERVICES, SIGNIFICANT EVENTS and FIGURES FOR 1998

A. Administration:

Effective management of the OCIP for the Inland Feeder Project is essential to a safe, productive and profitable project.

Administrative management activities have consisted of the following:

- Enhancing communication through various safety and management meetings with Metropolitan's staff and contractors of all tiers associated with the project.
- Analyzing incidences and trends that impact the project and developed action plans to improve results.
- Developing clear and concise safe work practices guidelines and procedures for contractors of all tiers and vendors to follow while on the project site.
- The tracking of key indicators such as payrolls, contractors' deductibles and claims through our Construction Project Risk Information Management System (COPRIMS) to identify trends which may impact the project. Most importantly, we used the information to make the appropriate adjustments to areas in need of improvement.
- Continued self-evaluation with input from Metropolitan Water District management and staff.
- Finalizing procedures for processing builders risk claims.
- Produced cash flow reports for MET Risk Manager.

Major accomplishments:

Marketing and administrative activities:

- Addressed the insurance coverage issue of Earthquake versus Earth movement. The MET legal department is working on amending the construction contract language. Currently the Hartford's policy excludes Earth movement.
- Compared the Inland Feeder Project costs and losses against other OCIP Projects. The projects varied in nature and the loss ratios ranged from 38% to 231% (See Exhibit 15). The information was derived via telephone. It was not subject to audit nor did the inquirer validate the data.
- Provided the Hartford with reforecast estimated construction payroll and requested that they make appropriate premium adjustments to reflect the new exposure base.
- Reconciled the COPRIMS contractors reported payroll figures. The adjustments resulted in an increase in reported payroll, which increased the program premiums and lowered the loss ratio.

- The OCIP team provided status reports on the project's loss control and safety issues in the following monthly management activities:
  - Inland Feeder ACEs meeting
  - Contractors Joint Safety Committee meeting
  - RE (Resident Engineer) meeting
  - Contractors Tool Box meeting
  - Hartford's Quarterly Claims review meeting
  - Metropolitan Risk Management administration meeting

B. Safety and Loss Control:

Effective management of the resources within the control of the OCIP team has a significant impact on the quality of safety, goodwill with contractors, and overall loss experience.

Safety and Loss Control management activities:

- Developed a Safety Incentive Program to be implemented on the Inland Feeder.
- Improved our safety and loss control program through better engineering and planning to reduce exposures to losses. Maintained visibility and accessibility to MET management, vendors, and contractors of all tiers.
- Conducted various training and orientation sessions for contractors to reinforce safety standards and safe work practices.
- Examined the type of injuries suffered by the workers and surrounding community and utilized the information to develop appropriate action plans to decrease the number of losses.
- Reviewed the Eastside Reservoir Project pipelines experience to develop more comprehensive tunneling guidelines and procedures.

Major Accomplishments:

- The OCIP safety team through site inspections and planning has helped to decrease the accident recordable incident rate from a high of 22.65 in December 1997 to 18.43 in December 1998 (8.53 points above the national average of 9.90). The lost time incident rate increased from 2.52 points in December 1997 to 6.52 in December 1998 (2.62 points above the national average of 3.90).

  High risks involved with tunnel and pipe installation resulted in early injuries. We analyzed the type of injuries suffered by workers and community. A fatality and a high number of work related strains and contusions account for the increase. The OCIP team recommended the following corrective action:

- Develop training for high risk exposure.
- Separate oversight of high risk activity.
- Additional safety representation.

C. Claims Management:

Claims management activities consisted of the following:

- The OCIP Ombudsperson continues to make contact with all injured workers and informed them of claims policies and procedures. In addition, she follows up with injured workers regarding their current medical status, temporary disability checks, requests for mileage reimbursement, and provides assistance in the workers' compensation injury process.
- Continuing to monitor claims handling procedures on a quarterly basis.
- The OCIP team continues to conduct reviews of the Workers' Compensation and General Liability claims files with MET and The Hartford.
- The OCIP team, along with MET and contractors' safety representative, investigated all new claims.
- The OCIP team participated in arbitration and mediation cases.

Major Accomplishments:

- Approved medical facilities in the area to treat injured workers.

Alternative Dispute Resolution (ADR) major accomplishments included:

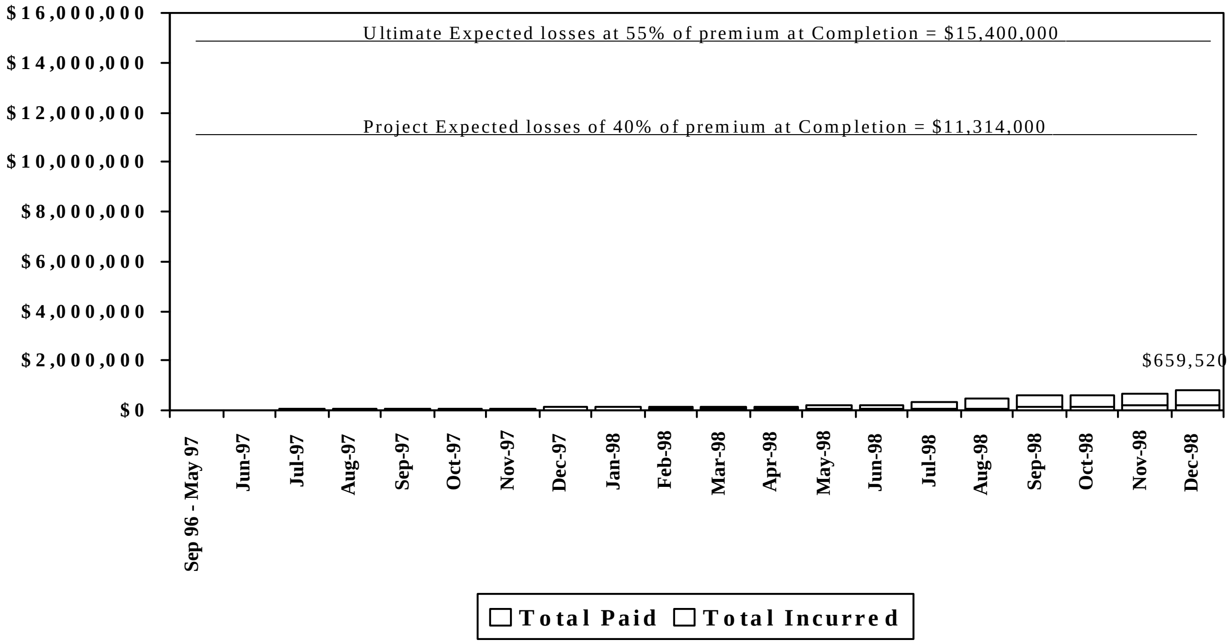
- Establishment of procedures to operate under Labor Code 3201.5. This included publishing an ADR Procedures Manual, writing all the pamphlets required under the Labor Code, and designing the Employee Claim Form
- Updating a Procedures Manual for Mediators/Arbitrators
- Conducting training sessions for Mediators/Arbitrators

D. Claims Activity/Loss Ratios/Large Losses:

At the completion of the Project there would be an additional savings of $12.6 million if premiums ($28 million) and losses ($15.4 million) remain constant (see Exhibit 5 below). The goal is to complete the project with a favorable combined Workers' Compensation (WC) and General Liability (GL) loss ratio of 55% or less and earn the additional savings for the MET.

Exhibit 5

Inland Feeder Project's Combined WC and GL Losses
Loss Summary Project Year-To-Date
As of December 1, 1998



Loss ratios: At the end of December, 1998, The Inland Feeder Project's combined Workers' Compensation and General Liability loss ratio, based upon premiums paid (earned premium) and total incurred losses generated a loss ratio of 12% (see Exhibit 6 below). The Builders' Risk program is not included in the loss sensitive calculation.

Exhibit 6

Loss Ratio based on Total Incurred Losses
Project-To-Date 1996 to 1998

Line of Insurance	**Earned Premium (1)**	**Total incurred Losses**	**Loss Ratio**
Work Comp As of Dec. 1998	$5,164,633	$ 585,687	11%
Gen. Liability Of Dec. 1998	$ 416,700 $ 500,000 SIR	$ 73,863	N/A
Combined (2)	**$ 5,581,333**	**$ 659,550**	**12%**
Builders' Risk	$ 515,000	$ 224,675	44%
Project Total	**$ 6,096,333**	**$ 884,225**	**N/A**

Another evaluation of the loss ratio is to review actual paid losses compared to earned premium. The combined loss ratio based on earned and scheduled premiums and actual paid losses equals 4% (See Exhibit 7)

Exhibit 7

Loss Ratio based on Actual Paid Losses
Project-To-Date
1996 - 1998

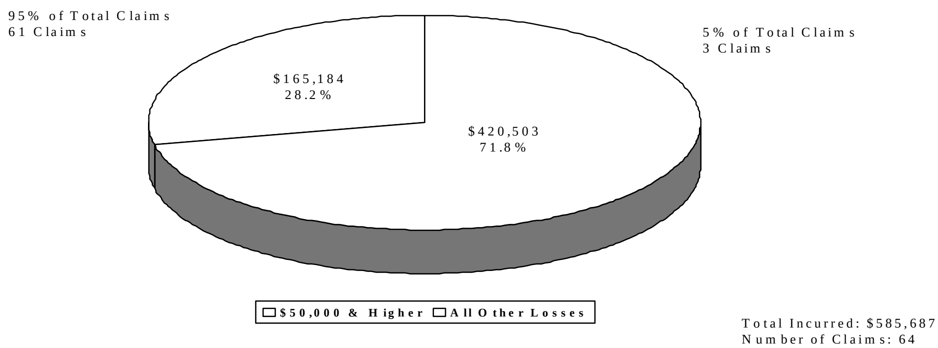
Line of Insurance	Earned Premium (1)	Actual Paid Losses	Loss Ratio
Work Comp As of Dec. 1998	$5,164,633	$ 220,516	4%
Gen. Liability As of Dec. 1998	$ 416,700 $ 500,000 SIR	$ 8,863	N/A
Combined (2)	**$5,581,333**	**$ 229,379**	**4%**
Builders' Risk	$ 515,000	$ 224,675	44%
Project Total	**$ 6,096,333**	**$ 454,054**	**N/A**

Note:
1. The premium used in the calculation are the scheduled paid and audited premiums.
2. Represents combined workers' compensation and primary liability premiums which are used in the retrospective calculation.

Large Loss: The project's financial exposure as well as the largest portion of premium is tied to workers' compensation insurance. As of December, 1998, total incurred losses estimated at $50,000 and higher have accounted for 71.8% ($420,503) of the total incurred losses, but represent only 5% (3) of the reported claims (see Exhibit 8).

Exhibit 8

Inland Feeder Project
Workers' Compensation Claims
$50,000 and Higher
Percentage of Total Incurred
1996-1998



- **Nature of Injuries:** Strains represent the largest category of injuries suffered by workers. It is inconclusive whether the losses are caused by lack of proper techniques with respect to lifting, pulling and carrying; physical condition of workers; age of workers; and/or steep slopes at the project. Investigation of the nature of injuries by the OCIP team is ongoing. Listed below is a chart of the nature of injuries suffered by workers (Exhibits 9 and 9A).

Exhibit 9

Workers' Compensation Nature of Injuries
1994-1998
Total Incurred - $585,687

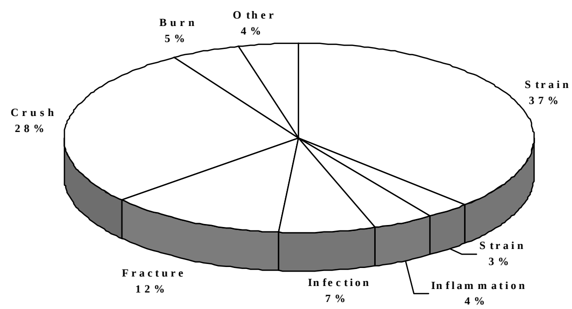


Exhibit 9A

Nature of Injuries Suffered by the Workers

Nature of Injury	# Claims	% of Incurred	Total Incurred
Strain	13	40	$237,126
Contusion	8	1	$ 5,726
Fracture	6	13	$ 77,013
Laceration	4	1	$ 876
Inflammation	6	5	$ 28,351
Other	27	40	$236,595
Total	**64**	**100**	**$585,687**

- **Other Significant Statistical Data:**

Different benchmarks for evaluating workers' compensation performance are shown in Exhibits 10 and 11.

Exhibit 10

Workers' Compensation Program
Cost per $100 of payroll

Program Year	No. of Claims	Actual Payroll	Incurred Cost	Cost per $100/Pay.
12/31/96-97	10	$ 2,703,316	$ 80,342	$2.97
12/31/97-98	54	$10,001,001	$505,345	$5.05
Total	64	$12,704,317	$585,687	$4.61

Exhibit 11

Workers' Compensation Program
Cost Per 100 Manhours

Program Year	No. of Claims	Actual Manhours	Incurred Cost	Cost per 100 Manhours
12/31/96-97	10	93,005	$ 80,342	86.38
12/31/97-98	54	361,637	$505,345	139.74
Total	64	454,642	$585,687	$ 128.82

Exhibit 12 tracks the development of paid losses over time.

Exhibit 12

Loss Triangle Valued on a Paid Loss Basis

Year	(One Year)	(Two Years)	(Three Years)
12/31/96-97	$25,708.99	$59,650.68	$8,781.71
12/31/97-98	$127,963.43	$21,304.27	

E. Risk Control Activities:

The OCIP team has emphasized teamwork among all colleagues (MET, contractors of all tiers and OCIP team) to yield a successful project. Most importantly, the OCIP team continued to function as a safety and loss control resource for all parties associated with the project.

Safety and Loss Control Activities:

- Utilized developed data from Eastside Reservoir Project to enhance results at the Inland Feeder.
- Maintained visibility and accessibility to all colleagues, vendors, and contractors of all tiers.
- Conducted various training and new contractors safety orientation sessions.
- Provided safety manuals, reviewed safety standards and safe work practices.
- Examined the type of injuries suffered by the workers and the surrounding community and utilized the information to develop appropriate action plans to decrease the number of losses.
- Maintained the project safety manual.

F. 1998 Insurance/Risk Management Expense:

1. Broker/Administrative Cost by Year (see Exhibit 13 below)

Sedgwick/Dickerson employs one ombudsperson (split 50/50 between The Eastside Reservoir Project and The Inland Feeder Project), two safety representatives, and one account coordinator. In addition to field activities, Sedgwick maintains the Inland Feeder Site Office and overseas the marketing and underwriting, claims and safety programs for the contractors and MET. Service fees paid for December 31, 1997 to December 31, 1998 are $608,310.

Exhibit 13

Service Fees Annual Recap

Policy Year	Amount Invoiced
1996-97	$379,515
1997-98	$608,310
Total	$987,825

A. Sedgwick paid $182,117 to MBE Consultants which equals 18% of OCIP administrative costs paid as of December, 1998. Our contract requires 15% participation. We have exceeded the requirement by 3%.

B. No interest has been earned on float income from premiums.

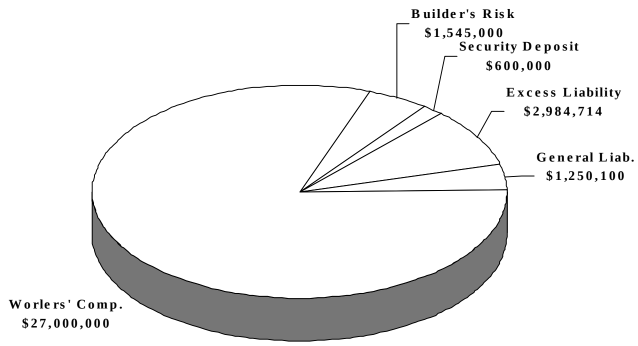
C. 3% commission from premiums is earned to pay for one safety position.

2. Premiums Paid (Premium deposits subject to audit):

- Hartford's Program premiums by line of insurance is shown in Exhibit 14

Exhibit 14

Inland Feeder Project Program Premiums
1996-2002



Total Premiums: $32,129,714
*Eligible for retro claim experience

*Combined Premium used in loss sensitive program,
$27 million is basket aggregate total for workers' compensation and general liability.

Adjustment may be necessary depending upon length of project. MET approved $31,503,000.

III. PLANS FOR 1998-1999

A. Market Trend

As in the 1997-1998 period, the market place for the major lines of OCIP's, Workers' Compensation and General Liability continues to be competitive. Despite continued merger and consolidation activity, there is still abundant capacity. Insurance markets will intensify their efforts to identify and target particular customer segments in order to dominate with improved products and services rather than concentrate on market share.

We have asked Hartford to reevaluate the impact current market conditions and recalculated construction cost estimates would have on the project premiums. We plan to meet in early 1998 to discuss these issues.

B. Market Security

Sedgwick of California, Inc. as part of the Sedgwick Group, plc, participates in a group effort to monitor information and financial results of markets in which client's insurance is placed. It is vital that the placement involves underwriting companies which can demonstrate the financial capability to service the client's needs.

In most jurisdictions, particularly in the United States, the insurer markets are subject to the filings of financial data at least annually with state insurance regulators, who have the prime responsibility to determine the solvency of the companies permitted or licensed to write insurance. In addition, the regulator's audit powers allow for the examination of records that are not part of publicly released statements or documents. Private rating organizations exist for the purpose of evaluating the size and financial strength of insurance companies operating in the United States. The oldest and best known company for this purpose is A.M. Best & Co., which is not affiliated with any other insurance organization and rates over 1700 property and casualty companies and a similar number of life insurance companies.

However, the existence of regulatory agencies and private rating organizations hasn't been sufficient.

Security of Market at Sedgwick

Sedgwick recognized the need to supplement regulatory and other outside sources for monitoring the financial resources of insurance markets. In 1982, it established a security function to monitor markets. This included involvement of senior management, operating personnel and staff for this purpose. This was integrated as a similar function at Sedgwick when the companies merged in 1985.

To date, the Sedgwick North America Security Function monitors and reviews the financial results on insurance markets regularly used in North America (U.S. and Canada) on client business. It provides communication of important developments on security matters to the offices and access to conditions involving markets outside North America, via lineage with a similar group function in London.

Conclusion

The security work of the Sedgwick Group adds a further dimension to that which is available through the regulatory process and other sources. However, the analysis and review process are largely dependent upon publicly released financial information and the complexities of financial statements, which must be made in compliance with regulatory convention requirements and generally accepted accounting procedures. The financial accounts may be impacted by non-public information or future events, outside the control of the company, which may give rise to significant change in the value of assets held or in the company's estimate of certain future liabilities.

While we attempt to make a reasonable and prudent effort in regard to market security, we cannot guarantee the solvency of any market, either now or in the future. We welcome any questions clients may have concerning the markets utilized on their behalf and encourage inquiries prior to market selection by the client.

C. Major Activities/Goals for the Third Year:

Sedgwick will:

- Continue to meet or exceed all scope of services.
- Continue to administer the OCIP to achieve maximum savings and effectiveness of the Insurance, Safety and Loss Control Programs on the project.
- Continue development and management of the ADR program.

D. Changes Anticipated in Insurance and Risk Management Expense:

Sedgwick will resubmit request for quarterly premium payments, now that Hartford has some loss experience with the project, to improve the project cash flow. The original request for quarterly payments would have resulted in additional project insurance cost.

E. 1999 Loss Projection:

MET's Construction engineers originally projected a payroll expenditure of $17,640,000 for 1998-1999 policy year. This projection would generate a combined premium of $2,155,277. Using the project goal of 55%, we can anticipate losses in the neighborhood of $1,185,402 for the 1998-1999-policy period.

IV. OUTSTANDING/ANTICIPATED PROBLEMS & RECOMMENDATIONS:

Sedgwick will:

- Review the need for additional safety personnel and submit a recommendation to MET Risk Management.
- Meet with the project security service and address issues related to safety.
- Continue to evaluate the nature of claims suffered by workers and recommend appropriate action to decrease loss frequency.
- Emphasize to all contractors during various safety meetings and training sessions the importance of promptly reporting all claims.
- Continue to work with the Hartford on the prompt settlement and closure of outstanding claims.
- Revise the monthly report.
- Amend the contract provisions to reflect the purchase of Sedgwick by Marsh, Inc.

V. APPENDIX:

A. Current Public Agencies Project OCIP's

The four projects listed below are a sample of other public agencies major projects. All are different in nature, some include Alternative Dispute Resolution (ADR) and Project Labor Agreement (PLA). However, they illustrate the OCIP experience of other agencies. The interim loss ratios range from 38% to 231%.

The numbers furnished were derived via oral phone communiqué and are meant to be illustrative. They have not been subjected to audit or validation on the part of the inquirer (See Exhibit 15 below).

Exhibit 15

CURRENT SEDGWICK PUBLIC AGENCY OCIPs IN CALIFORNIA

Project Name	Construction Value	Duration	Completion Date	WC & GL Prem. As of Dec.1998	Total Incurred Losses
Eastside Reservoir Project	**$1,094,700,000**	**6 years**	**12/99**	**$19,616,409**	**$9,758,489**
Metropolitan Transportation Authority	**$1,100,000,000**	**10 years**	**9/00**	**$30,212,599**	**$70,000,000**
City of San Diego Municipal Waste Water Dept.	**$771,907,623**	**6 years**	**7/00**	**$ 11,987,757**	**$5,106,929**
Bay Area Rapid Transit Extensions	**$617,965,419**	**6 years**	**5/97**	**$ 13,579,642**	**$8,959,554**
Contra Costa Water Authority Reservoir Dam	**$205,306,059**	**4 years**	**6/98**	**$ 7,144,363**	**$2,769,437**
Los Angeles Harbor Authority WorldPort LA	**$573,979,437**	**3 years**	**12/97**	**$ 13,500,000**	**$6,130,793**

Among the other benchmarks used for workers' compensation experience are:

1. Average incurred cost per $100 of payroll (see Exhibit 16)
2. Average incurred cost claim (see Exhibit 17)

Exhibit 16

Inland Feeder Project
OCIP Workers' Compensation
Total Average Incurred per $100 of Payroll

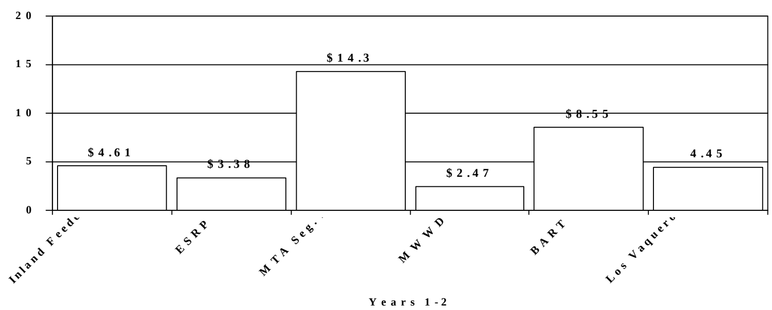
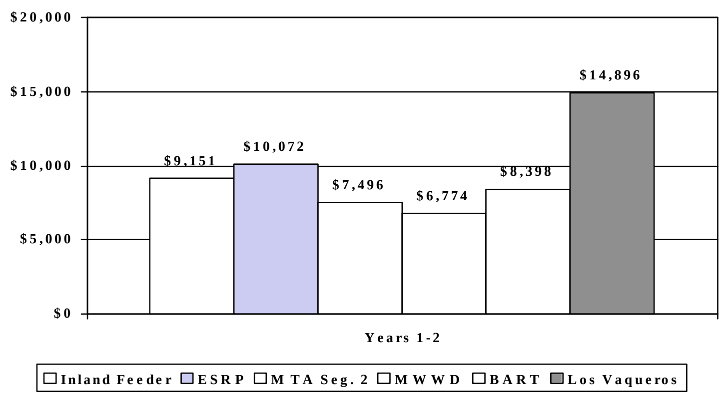


Exhibit 17

Inland Feeder Project
OCIP Workers' Compensation
Total Average Incurred Cost per Claim*



* Average Incurred Cost = Incurred Cost/Number of Claims

Developed by Sedgwick of California, Inc.
Information valued as of March 31, 1999.

Policy Register (see Exhibit 18)

Exhibit 18

POLICY REGISTER
INLAND FEEDER PROJECT

DESCRIPTON - 42 mile,12 to 14 foot-diameter pipeline and tunnel system.

DURATION - February 1996 - February 1998

COVERAGES	POLICY PERIOD	POLICY NUMBER	COMPANY
* Workers Compensation	12-01-96/12-01-98	WBRQW3401	Hartford
General Liability	12-01-96/12-01-98	72CSEOW3400	Hartford
Builders'Risk	03-20-95/03-20-98	MSKF5774	Hartford
Excess Liability	12-01-96/12-01-98	U4C0149	London
* Master policies only. Individual contractor policies also issued.			

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C. Contractor Roster (see Exhibit 19)). Available on request. Lotus or hard copy only

D. OCIP Organization Chart (see Exhibit 20)

Exhibit 20

Project Administration Organization