SUMMARY STATEMENT

ITEM NO.   SUBJECT: Renewal of DRPA Bridge Property/Use and Occupancy and DRPA and PATCO Excess Liability Insurance

COMMITTEE: New Business

COMMITTEE MEETING DATE: June 13, 2007

BOARD ACTION DATE: June 13, 2007

PROPOSAL: That the Board authorize the renewal of two insurance policies procured through our brokers at The Graham Company – Bridge Property Damage & Use and Occupancy (Loss of Revenue) and Claims Made Excess Railroad Liability (Excess Liability) for a one year term beginning June 30, 2007 to June 30, 2008. We are further requesting that Board authorize the Chief Executive Officer, Chair and Vice Chair to approve the execution of all necessary and appropriate contracts to bind the Bridge Property and Excess Liability insurance policies by June 30, 2007 in the event that final premium quotations are not available from the carriers in time for the June 13, 2007 Board meeting.

At this time, The Graham Company has taken our program to market with domestic and international insurance companies in order to secure the most competitive pricing available to the DRPA, but at this time we have not received quotations for the coverage. The Graham Company will review all quotations and we anticipate receiving their recommendations for selecting a carrier in advance of the June 13, 2007 Board Meeting. Staff intends to provide the Commissioners with a chart summarizing the quotations received from each carrier, the carrier’s financial rating, identifying the incumbent carriers quotations, describing any proposed changes to values, policy loss limits or deductibles, and premium costs on or before the June 13, 2007 Board Meeting. However, in the event our broker has not received all of the quotations by the time of the Board Meeting, the information will be provided to the Chief Executive Officer, Chair and Vice Chair and each Commissioner in advance of selecting the carriers for our program or entering into any contract.
PURPOSE: To procure required property and casualty insurance to reduce the DRPA’s exposure to risk in order to insure against physical damage, liability and economic loss.

BACKGROUND: The Bridge Property and Loss of Revenue coverage insures the DRPA is protected against physical damage to any of the bridges or bridge properties, and economic loss resulting from any interruption in bridge operations. The loss limit of the expiring policy is $300 million, subject to a $25 million deductible per occurrence. The total premium paid for the 2006 policy was $1,530,139 and the policy was placed with ACE Fire Underwriters Insurance Company, Travelers Property Casualty Company of America and Zurich American Insurance Company, each of whom provide $100 million of the $300 million loss limit. The DRPA also purchased Terrorism Coverage for this policy, which was included in the aforementioned premium cost.

In December 2006 the DRPA received updated bridge replacement cost estimates for the four bridges from HNTB Corporation. These values are used to calculate exposure and premium costs, and serve as the basis for determining appropriate levels of coverage for the DRPA. The appraisal presents an estimate of costs for each bridge, based on two scenarios: Total Replacement and Worst Case Catastrophe, and for each scenario, includes a breakdown of costs for each approaches (NJ & PA) and the main span. The costs are further itemized into three components: Reconstruction, which represents the most significant cost component, Demolition/Salvage and Engineering. Historically, the DRPA and The Graham Company have only factored in the reconstruction cost component when analyzing exposures and selecting coverage limits.

For purposes of this renewal and to provide the Board with additional alternatives, we have directed The Graham Company to obtain quotes from each carrier that would reflect a number of different scenarios including:
1. Premium cost to renewal at expiring values, policy limits and deductibles.
2. Replacement value factoring in the costs of reconstruction only as well as the additional price to include demolition/salvage and engineering costs.
3. Effect on premium if policy loss limit were increased by $50 million and $100 million, to $350 million and $400 million respectively.
4. Effect on premium if deductible is increased by $25 million or $50 million to $50 million and $75 million respectively.

Final premium costs will depend on the whether the Board decides to modify its program for the June renewal. Preliminary indications from The Graham Company indicate that based on the current program, the premium rate is expected to remain virtually flat for this renewal period. However, a decision to consider increasing the deductible or increasing the policy limits for this policy would reduce, or increase the premium accordingly.
The Claims Made Excess Railroad Liability policy provides coverage to DRPA and PATCO for losses by reason of liability imposed by law or assumed under contract by claims involving bodily injury, personal injury, property damage or advertising injury. The policy limit for the expiring policy is $20 million, subject to a $5 million self-insurance retention. The total premium cost for the expiring 2006 policy was $842,371 and the current carrier is the Lexington Insurance Company.

At this time staff is not aware of any open issues related to the Excess Liability policy and anticipates the policy limit and the self-insurance retention will remain the same as in the expiring policy.

SUMMARY:
- Amount: To be determined
- Source of Funds: Revenue Fund and General Fund (PATCO portion)
- Capital Project#: N/A
- Operating Budget: DRPA Risk Mgt. C/E #8
- Master Plan Status: N/A
- Other Fund Sources: N/A
- Duration of Contract: June 30, 2007 to June 30, 2008
- Other Parties Involved: N/A
RESOLUTION

RESOLVED: That the Board of Commissioners approves and authorizes the placement of the Bridge Property Damage & Use and Occupancy (Loss of Revenue) policy with XL Insurance America, Travelers Property Casualty Company of America, and Zurich American Insurance Company for a one year term beginning June 30, 2007 to June 30, 2008. The loss limit of this renewal policy is $300 million, subject to a $25 million deductible per occurrence. The total premium for this policy is $1,530,138, which includes $319,500 for terrorism coverage and $26,319, for the New Jersey Property Liability Insurance Guarantee Association (NJPLIGA), and be it further

RESOLVED: That the Board approves and authorizes the placement of the Claims Made Excess Railroad Liability (Excess Liability) policy with the Lexington Insurance Company for a one year term beginning June 30, 2007 to June 30, 2008. The policy limit is $20 million subject to a $5 million self-insurance retention. The total premium for this policy is $842,371 and be it further

RESOLVED: The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer and if thereafter either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of DRPA.

SUMMARY: Amount: 
Bridge Property: $1,530,138
Excess Liability: $842,371
$2,372,509
Source of Funds: Revenue Fund and General Fund (PATCO portion)
Capital Project#: N/A
Operating Budget: DRPA Risk Mgt. C/E #8
PATCO Admin. C/E Insurance & Claims
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: June 30, 2007 to June 30, 2008
Other Parties Involved: N/A