SUMMARY STATEMENT

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

COMMITTEE: Finance

COMMITTEE MEETING DATE: May 21, 2008

BOARD ACTION DATE: June 11, 2008

PROPOSAL: That the Board authorize the renewal of two insurance policies procured through our brokers at The Graham Company – (1) Bridge Property Damage & Use and Occupancy (Loss of Revenue) and (2) Claims Made Excess Railroad Liability (Excess Liability) for a one year term beginning June 30, 2008 to June 30, 2009.

The Graham Company is marketing the bridge property and Authority-wide excess liability program to several 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 well in advance of the June 11, 2008 Board Meeting, and possibly in time for the May 21, 2008 Committee Meeting. As soon as staff obtains this information from The Graham Company, the Commissioners will be provided with a chart summarizing the quotations received from each carrier, including the carrier’s financial rating, any proposed changes to values, policy loss limits or deductibles, and premium costs.

PURPOSE: To procure required property and casualty insurance to reduce the DRPA’s exposure to risk, and in order to insure against physical damage, liability and economic loss.

BACKGROUND: The Bridge Property and Loss of Revenue insurance covers the DRPA 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 2007 policy was $1,530,139 and the policies were placed with XL Insurance America, Travelers Property Casualty Company of America and Zurich American Insurance Company, each of who equally share in losses up to the $300 million loss limit. The DRPA also purchased Terrorism Coverage for the policies, 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 of the 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. The increase in replacement cost value from the 2006 appraisal report is 3.57%.

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 renew 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 is increased by $100 million or by $200 million, to $400 million and $500 million respectively.

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 for 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 2007 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 the expiring policy.

Over the past few years, insurance rates in general have trended downward from the hard market following September 11, 2001. Preliminary indications from The Graham Company are that as the soft market continues it is likely that the premium rate will decrease for this renewal period, based on our current program, although in an effort to
maintain profitability during this trend, carriers are placing additional coverage restrictions on their policies. While we anticipate a rate reduction, final premium costs will depend on whether the Board decides to modify its program for the June renewal, based on our broker’s recommendations. For example, the decision to increase the policy limits for the bridge property policy would increase the premium accordingly.

SUMMARY:

<table>
<thead>
<tr>
<th>Amount:</th>
<th>To be determined</th>
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</thead>
<tbody>
<tr>
<td>Source of Funds:</td>
<td>Revenue Fund and General Fund (PATCO portion)</td>
</tr>
<tr>
<td>Capital Project#:</td>
<td>N/A</td>
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<tr>
<td>Operating Budget:</td>
<td>DRPA Risk Mgt. C/E #8 PATCO Admin. C/E Insurance &amp; Claims</td>
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<tr>
<td>Master Plan Status:</td>
<td>N/A</td>
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<tr>
<td>Other Fund Sources:</td>
<td>N/A</td>
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<tr>
<td>Duration of Contract:</td>
<td>June 30, 2008 to June 30, 2009</td>
</tr>
<tr>
<td>Other Parties Involved:</td>
<td>N/A</td>
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RESOLUTION

RESOLVED: That the Board of Commissioners approves and authorizes the placement of the DRPA 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, each whom will provide a $100,000,000 pro rata share of a $300,000,000 loss limit, subject to a $25 million deductible per occurrence; and with ACE Fire Underwriters Insurance Company who will provide an additional layer of $100 million that will sit excess of the $300 million base layer. The term of each policy will be for one year, beginning June 30, 2008 to June 30, 2009. Together, these policies provide a total loss limit of $400,000,000 for a total premium cost of $1,483,469 and be it further

RESOLVED: That the Board approves and authorizes the placement of the Claims Made Excess Railroad Liability (Excess Liability) policy with Lexington Insurance Company for a one year term beginning June 30, 2008 to June 30, 2009. The policy limit is $20 million subject to a $5 million self-insured retention. The total premium for this policy is $758,134 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: $1,483,469
Excess Liability: $758,134
$2,241,603

Source of Funds: Revenue Fund and General Fund (PATCO portion)

Capital Project#: N/A
Operating Budget: DRPA Risk Mgt. C/E #8 - $1,681,202
PATCO Admin. C/E Insurance & Claims $560,401
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: June 30, 2008 to June 30, 2009
Other Parties Involved: N/A