SUMMARY STATEMENT

ITEM NO.      SUBJECT: Renewal of DRPA Bridge Property Damage and Loss of Revenue Insurance; Excess Bridge Property Damage and Loss of Revenue Insurance; and Claims Made Excess Liability Insurance

COMMITTEE:     New Business

COMMITTEE MEETING DATE:   N/A

BOARD ACTION DATE:    May 20, 2009

PROPOSAL: That the Board authorizes staff to negotiate the renewal of three insurance policies placed through our brokers at The Graham Company: (1) Bridge Property Damage & Loss of Revenue; (2) Excess Bridge Property Damage & Loss of Revenue; and (3) Claims Made Excess Liability for a one-year term beginning June 30, 2009 to June 30, 2010.

The Graham Company marketed the DRPA’s Property & Casualty program to several domestic and international insurance companies to secure the most competitive pricing. Graham’s Marketing Summary has been provided to the Board for review.

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

BACKGROUND: The Bridge Property Damage and Loss of Revenue insurance covers the DRPA against direct physical damage to or loss to any of the bridges. The policy also insures against loss of revenue on our four bridges when the covered loss results from an interruption in toll revenue. The loss limit of the expiring policy is $300 million, subject to a $25 million deductible per occurrence. The total premium paid for the 2008 policy was $1,345,448 and the policies were insured with XL Insurance America, Travelers Property Casualty Company of America, and Zurich American Insurance Company, each of who share equally in losses up to the $300 million loss limit. Last year, the DRPA purchased Terrorism Coverage (for foreign and domestic acts), which was included in the aforementioned premium cost.

Staff recommends that we renew the existing Bridge Property Damage & Loss of Toll Revenue coverages with the same carriers (XL, Travelers, and Zurich). As expected, the renewal will be flat in 2009. In 2008, the total insured values and projected revenues for DRPA were $1.65 billion; in 2009, the total insured values and projected revenues for DRPA will be $1.91 billion. Due to an increase
in the total insured values and projected bridge revenues, the overall premium for the Bridge Property Damage & Loss of Revenue policy will increase from $1,345,448 to $1,558,503 ($213,055 or an 8.6% premium increase).

The Excess Bridge Property Damage & Loss of Revenue insurance follows the terms and conditions of the primary property damage policies covered by XL, Travelers, and Zurich. The loss limit of the current excess policy is $100 million per occurrence, excess of the underlying $300 million. In 2008, the policy was placed with Ace USA Insurance Company, at an annual premium of $133,802. This additional coverage provides the DRPA with a total of $400 million coverage for bridge property damage and loss of revenue claims. Ace has offered a flat renewal rate for the excess policy. In 2008, the premium for this coverage was $133,802. In 2009, the premium for the same coverage (but with increased insured values and projected Toll Revenue) will be $154,114 ($20,312 or 8.7% premium increase).

In addition to negotiating a flat renewal rate, we were also able to successfully negotiate other coverage enhancements, at no additional premium. A few of the policy enhancements include, but are not limited to:

1. A 2-year rate guarantee with Zurich and Travelers. Assuming no losses are paid under the base Bridge Property Damage & Loss of Revenue policy this year, the 6/30/09-10 insurance rates will be extended to the 6/30/10-11 policy period.

2. A $75,000 Aggregate Deductible “Cap” has been established. Regardless of the number of separate Occurrences that take place during the 6/30/09-10 policy period, the DRPA’s annual Deductible obligations will be limited to $75,000,000.

3. The Deductible for Scheduled Bridge Surveillance Equipment has been lowered from $25,000,000 Per Occurrence to $25,000.

4. The Loss of Toll Revenue Deductible has been amended from $25,000,000 to a 14-day waiting period.
SUMMARY STATEMENT  Renewal of DRPA Bridge Property Damage and Loss of Revenue Insurance; Excess Bridge Property Damage and Loss of Revenue Insurance; and Claims Made Excess Liability Insurance

5. The “Knowledge” of Occurrence Condition was amended to apply only to General Counsel. DRPA will be deemed to have Knowledge of an Occurrence, and thereby have a duty to notify the Insurance Carriers of a loss as soon as practicable, when the DRPA’s General Counsel becomes aware of the Occurrence.

The Claims Made Excess Liability policy is a third-party liability policy that 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 current carrier is the Lexington Insurance Company. The policy limit for the expiring Claims Made Excess Liability policy is $20 million each accident/aggregate, subject to a $5 million self-insurance retention. The total premium cost for the expiring 2008 policy was $758,134. In 2009, the rate for the same coverage with Lexington will be $758,134. Due to a soft market, for an additional $45,000 in premium we have an opportunity to increase our $20 million limit of liability each accident/aggregate to $25 million. This would bring the 2009 premium to $803,134. Staff recommends that we increase the limit of liability on our Claims Made Excess Liability policy.

In addition to negotiating a flat renewal rate were successful in our efforts to have Defense Expenses incurred be in addition to, and not a reduction of available limits.

SUMMARY: Amount: $2,515,751.00
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, 2009 to June 30, 2010
Other Parties Involved: N/A
RESOLUTION

RESOLVED: That the Board of Commissioners approves and authorizes the placement of the Bridge Property Damage & Loss of Revenue policy with XL Insurance America, Inc., Travelers Property Casualty Company of America, and Zurich American Company (a “True Quota Share” Program) for a one year term beginning June 30, 2009 to June 30, 2010. 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 $1,558,503; and be it further

RESOLVED: That the Board of Commissioners approves and authorizes the placement of the Excess Bridge Property Damage & Loss of Revenue policy with Ace USA Insurance Company for a one year term beginning June 30, 2009 to June 30, 2010. The loss limit of this renewal policy is $100 million. The total premium for this policy is $154,114; and be it further

RESOLVED: That the Board approves and authorizes the placement of the Claims Made Excess Liability policy with Lexington Insurance Company for a one year term beginning June 30, 2009 to June 30, 2010. The policy limit is $25 million each accident/aggregate, subject to a $5 million self-insurance retention. The total premium for this policy is $803,134; 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: $1,558,503
Excess Bridge Property: $154,114
Claims Made Excess Liability: $803,134

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

Capital Project #: N/A
Operating Budget: DRPA Risk Mgmt. C/E #8
                  PATCO Admin. C/E Insurance & Claims
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: June 30, 2009 to June 30, 2010
Other Parties Involved: N/A