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; Additional Bridge Property Damage and Loss of Revenue Insurance; Claims Made Excess Liability Insurance; and Service Fee Agreement

COMMITTEE: Executive

COMMITTEE MEETING DATE: April 21, 2010

BOARD ACTION DATE: May 19, 2010

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

The Board authorizes staff to place an additional $100 million limit property policy excess of $400 million with Landmark Insurance and Axis Insurance under a “quota share” arrangement, similar to the structure of our primary $300 million quota share layer with Arch Insurance, Travelers Property, and Zurich American. This additional layer of property insurance would bring the total limit for bridge property damage and loss of revenue claims to $500 million.

That the Board authorize staff to execute a one-year service fee agreement with The Graham Company for $55,000. The term of the agreement is from June 30, 2010 to June 30, 2011.

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, and to obtain unique insurance and risk management services available during the policy term.

BACKGROUND: The Bridge Property Damage and Loss of Revenue insurance covers the DRPA against direct physical damage to or property loss to the four designated 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 (a $75 million Aggregate Deductible “Cap” has
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Renewal of DRPA Bridge Property Damage and Loss of Revenue Insurance; Excess Bridge Property Damage and Loss of Revenue Insurance; Additional Bridge Property Damage and Loss of Revenue Insurance; Claims Made Excess Liability Insurance; and Service Fee Agreement

been established. The total premium paid for the 2009 policy was $1,558,500, and the policies were insured with Arch Insurance Company, 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. The premium includes coverage for foreign and domestic acts of terrorism.

Staff also recommends that we renew the existing Bridge Property Damage & Loss of Toll Revenue coverages with the same carriers, (Arch, Travelers, and Zurich). The overall rate for the Bridge Property Damage & Loss of Revenue policy will be flat (due to second year rate guarantee and decreased insured values including projected toll revenue). The estimated premium for the 2010-2011 policy term will be $1,519,785, an estimated decrease of $38,715.

The Excess Bridge Property Damage & Loss of Revenue insurance follows the terms and conditions of the primary property damage policies covered by Arch, Travelers, and Zurich. The loss limit of the current excess policy is $100 million per occurrence, excess of the underlying $300 million. This additional property coverage provides the DRPA with a total limit of $400 million coverage for bridge property damage and loss of revenue claims. Ace has offered a flat renewal rate for this excess policy. In 2009, the premium for this coverage was $153,354. In 2010, the estimated premium for the same coverage will be $151,260, an estimated decrease of $2,094.

Landmark Insurance and Axis Insurance have both provided a quote for an additional $100 million excess of $400 million in property limits. This additional coverage would provide the DRPA with a total loss limit of $500 million for bridge property damage and loss of revenue losses. The additional coverage would be provided by Landmark and Axis under a quota share arrangement similar to the structure that is in place for our primary $300 million layer with Arch Insurance, Travelers Property, and Zurich American. This additional $100 million limit of property insurance can be provided for an estimated annual premium of $113,000. Staff recommends that we exercise this option.

Several key policy enhancements that were negotiated as part of last year’s renewal remain in effect. Those enhancements include:

1. A $75 million Aggregate Deductible “Cap” remains in effect. Regardless of the number of separate Occurrences that take place during the 6/30/10-11 policy period, the DRPA’s annual Deductible obligations will be limited to $75 million.
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Renewal of DRPA Bridge Property Damage and Loss of Revenue Insurance; Excess Bridge Property Damage and Loss of Revenue Insurance; Additional Bridge Property Damage and Loss of Revenue Insurance; Claims Made Excess Liability Insurance; and Service Fee Agreement

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

3. The Loss of Toll Revenue Deductible remains a 14-day waiting period as opposed to a $25,000,000 deductible.

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 $25 million each accident/aggregate, subject to a $5 million self-insurance retention. In 2009, the premium for the coverage with Lexington was $803,154. While Lexington had expected to submit a flat renewal, recent events in Moscow have caused the market to constrict. Accordingly, Lexington’s underwriters are calling for a 5% premium increase. This would bring the 2010 estimated premium to $843,281, an estimated increase of $40,127.

The Graham Service Fee Agreement provides compensation for the unique insurance and risk management services available during the policy term. For instance, under this fee, certified insurance professionals at The Graham Company review indemnification and insurance-related contract provisions; provide technical and other safety resources; review contractor certificates of insurance; and respond to numerous coverage and risk management questions raised in connection with our varied operations, among other tasks.

SUMMARY:

<table>
<thead>
<tr>
<th>Amount:</th>
<th>Total: $2,682,326</th>
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<tbody>
<tr>
<td>Bridge Property:</td>
<td>$1,519,785</td>
</tr>
<tr>
<td>Excess Bridge Property:</td>
<td>$151,260</td>
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<tr>
<td>Add’l Excess Bridge Property:</td>
<td>$113,000</td>
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<tr>
<td>Claims Made Excess Liability:</td>
<td>$843,281</td>
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<td>The Graham Service Fee:</td>
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<td>Source of Funds:</td>
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<td>Capital Project #:</td>
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<td>PATCO Admin. C/E Insurance &amp; Claims</td>
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<tr>
<td>Master Plan Status:</td>
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<tr>
<td>SUMMARY STATEMENT</td>
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<td>Other Fund Sources:</td>
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<td>Duration of Contract:</td>
<td>June 30, 2010 to June 30, 2011</td>
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<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 Bridge Property Damage & Loss of Revenue policy with Arch Insurance Company, Travelers Property Casualty Company of America, and Zurich American Company (a “True Quota Share” Program) for a one year term beginning June 30, 2010 to June 30, 2011. The loss limit of this renewal policy is $300 million, subject to a $25 million deductible per occurrence. The total estimated premium for this policy is $1,519,785; 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, 2010 to June 30, 2011. The loss limit of this renewal policy is $100 million. The total estimated premium for this policy is $151,260; and be it further

RESOLVED: That the Board of Commissioners approves and authorizes the placement of another Excess Bridge Property Damage & Loss of Revenue policy with Landmark Insurance and Axis Insurance on a quota share basis, for a one year term beginning June 30, 2010 to June 30, 2011. The loss limit of this additional is $100 million, bringing the DRPA’s total coverage to $500 million. The total estimated premium for this policy is $113,000; and be it further

RESOLVED: That the Board approves and authorizes the renewal of the Claims Made Excess Liability policy with Lexington Insurance Company for a one year term beginning June 30, 2010 to June 30, 2011. The policy limit is $25 million each accident/aggregate, subject to a $5 million self-insurance retention. The total premium for this policy is $843,281; and be it further

RESOLVED: That the Board authorizes staff to execute the annual service agreement with The Graham Company for the period June 30, 2010
through June 30, 2011, in the amount of $55,000.

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: Total: $2,682,326
Bridge Property: $1,519,785
Excess Bridge Property: $151,260
Excess Bridge Property: $113,000
Claims Made Excess Liability: $843,281
Graham Service Fee: $55,000

Source of Funds: Revenue Fund and General Fund (PATCO portion)
Capital Project #: N/A
Operating Budget: DRPA Risk Mgmt. C/E #8
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: June 30, 2010 to June 30, 2011
Other Parties Involved: N/A