ITEM NO.: DRPA-13-131
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: Finance

COMMITTEE MEETING DATE: November 1, 2013

BOARD ACTION DATE: November 20, 2013

PROPOSAL: That the Board authorizes staff to bind the renewal of the following policies:

(1) Bridge Property Damage & Loss of Toll Revenue Policies; and
(2) Claims Made Excess Liability.

These policies are placed by our Broker/Consultant, Aon Risk Services.

Pursuant to DRPA-12-075, Aon is paid a fixed annual service fee not-to-exceed $118,250 payable in quarterly installments. Therefore, the proposed policy premiums are net of commission. Aon marketed the DRPA’s Bridge Property Damage and Loss of Toll Revenue Policies to several markets.

PURPOSE: To renew the 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 or property loss to the four 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 $500 million, subject to a $25 million deductible per occurrence (a $75 million Aggregate Deductible “Cap” has been added to the policy). DRPA’s existing policies for the Bridge Property will expire on December 30, 2013.

The current Bridge Property Damage and Loss of Toll Revenue Program consists of four insurance carriers on a $500 million per occurrence participation-share property limit: (1) Arch Insurance Company participates at 10% or $50 million; (2) Travelers Property Casualty Company of America participates at 20% or $100 million; and (3) XL Insurance America participates at 30% or $150 million; and (4) Zurich American Insurance Company participates at 40% or $200 million. The expiring Bridge Property & Loss of Toll Revenue Program was based upon a total insured value of $2,289,087,604. Aon has recommended
trending the total insured values by 2% or $2,327,756,181 for the renewal term.  
The expiring annual premium for the 12/30/2012-12/30/2013 program was $1,856,241 (including TRIA and NJ PLIGA tax). 

Bridge Property Damage and Loss of Toll Revenue Marketing Results:  

- Arch  - Estimated premium $224,503 (incumbent)  
- Zurich  - Estimated premium $697,527 (incumbent)  
- XL Insurance  - Estimated premium $602,978 (incumbent)  
- Travelers  - Estimated premium $354,999 (incumbent)  
- ACE  - Response is pending  
- Ironshore  - Declined to quote  
- Lexington  - Response is pending  
- Munich Re  - Response is pending  
- Swiss Re  - Updated response is pending  

NOTE: The TRIA premium and the NJ PLIGA tax is included.  

Aon has presented two renewal options for our consideration:  

1. The expiring annual premium was $1,856,241 (including TRIA and NJ PLIGA tax). The estimated premium for policy term 12/30/2013-12/30/2014 will be $1,880,006 (including TRIA and NJ PLIGA tax). The quote includes a 2% trending of the total insured values from $2,289,087,604 to $2,327,756,181. This is a premium increase of $23,765 over current.  

2. In the alternative, in order to resume a 6/30 renewal expiration and to take advantage of the flat renewal rate for an additional six-month period, Aon has negotiated an 18-month policy option from 12/30/2013-6/30/2015, for an estimated 18-month premium of $2,818,311 (including TRIA and NJ PLIGA tax). By taking advantage of the 18-month policy term, the DRPA will be able to (a) lock in the property rate through June 30, 2015, (b) avoid rate increases that accounts with flood exposure are experiencing currently; and (c) avoid an overall market rate increase of close to 10% in 2014 and 2015.  

Based on the above, Aon recommends that we accept the 18-month policy term offered by the four incumbents: Arch Insurance Company, Travelers Property Casualty Company of America, XL Insurance America and Zurich American Insurance Company at an estimated premium of $2,818,311
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

(including TRIA and NJ PLIGA tax). Staff concurs with Aon’s recommendation.

Claims Made Excess Liability Policy

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 limits for the expiring Claims Made Excess Liability policy is $25 million each accident/aggregate, subject to a $5 million self-insured retention.

The Authority’s existing Claims Made Excess Liability policy will expire December 31, 2013.

Aon solicited a renewal quote from the incumbent carrier, Lexington Insurance Company.

Lexington - Estimated indication premium $842,870 (TRIA is included). *This remains an indication only, not a firm quote.*

Aon has presented two renewal options for our consideration:

1. The expiring annual premium was $802,733 (including TRIA). The estimated indication premium for policy term 12/31/2013-12/31/2014 will be $842,870 (including TRIA). This is an estimated premium increase of $40,137.

2. In the alternative, in order to resume a 6/30 renewal expiration, Aon has negotiated a six-month extension of the existing policy from 12/31/2013-6/30/2014, at the current premium rate for an estimated extension premium of $401,367 (including TRIA). With the latter option the extension premium could increase by 5% for the 6/30/2014-6/30/2015 policy term.

Aon recommends that we accept the renewal option offered by incumbent, Lexington Insurance Company for the policy term 12/31/2013-12/31/2014, at an estimated annual indication premium of $842,870 (including TRIA). Staff concurs with the recommendation.
<table>
<thead>
<tr>
<th>SUMMARY:</th>
<th>Amount:</th>
<th>Bridge Property approximately: $2,818,311 (TRIA and NJ PLIGA tax included). Claims Made Excess Liability Approximately: $842,870 (TRIA included) *This remains an indication only, not a firm quote.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source of Funds:</td>
<td>Revenue Fund and General Fund (PATCO portion)</td>
<td></td>
</tr>
<tr>
<td>Capital Project #:</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>
| 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: | December 30, 2013-June 30, 2015 (for Bridge Property Program)  
December 31, 2013-December 31, 2014 (for Claims Made Excess Liability Policy) |
| Other Parties Involved: | Aon Risk Services and Arch, Zurich, XL Insurance, Travelers, and Lexington Insurance Company |
RESOLUTION

RESOLVED: That the Board authorizes staff to accept the renewal premium from the incumbent carriers, Arch, Zurich, XL Insurance and Travelers for the Bridge Property Damage and Loss of Toll Revenue Policies for the 18-month policy term December 30, 2013 – June 30, 2015, at an estimated premium of $2,818,311 (TRIA and NJ PLIGA tax included); and be it further

RESOLVED: That the Board authorizes staff to accept the renewal premium from the incumbent carrier, Lexington Insurance Company, for the Claims Made Excess Liability policy for the policy term December 31, 2013 – December 31, 2014, at an estimated annual indication premium of $842,870 (TRIA is included); *This remains an indication only, not a firm quote; 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 approximately: $2,818,311 (TRIA and NJ PLIGA tax included).

Claims Made Excess Liability Approximately: $842,870 (TRIA included)

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: December 30, 2013-June 30, 2015 (for Bridge Property Program)

December 31, 2013-December 31, 2014 (for Claims Made Excess Liability Policy)

Other Parties Involved: Aon Risk Services and Arch, Zurich, XL Insurance, Travelers, and Lexington Insurance Company