PROPOSAL: That the Board authorizes staff to bind the renewal of the Bridge Property Damage and Loss of Revenue insurance policies.

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.

During the last renewal term in 2013, Aon marketed the DRPA’s Bridge Property Damage and Loss of Toll Revenue Policies to the following markets:

- Ironshore - Offered some capacity but not competitive vs incumbents
- RSUI - Declined
- Axis Specialty - Declined
- Aspen - Declined
- Markel - Declined
- Hartford - Declined
- Lexington - Declined; could not be competitive
- Munich Re - Never received a final response
- Swiss Re - Offered 30% capacity but not competitively priced
- Zurich, XL, Travelers and Arch, the incumbent companies offered renewal terms which were board approved

For purposes of administration, staff recommends that we renew the existing policy (which was to expire on 6/30/2015) for another 18-month policy. If approved, the new policy term would be 6/30/2015-12/31/2016. The purchase of an 18-month policy will lock-in the proposed term rate of $0.1119, which is a decrease of -6.74% from the current term rate of $0.1200.
PURPOSE: To renew the required Bridge Property Damage and Loss of Revenue insurances to reduce the DRPA’s exposure to risk, and to insure against physical damage 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 Damage and Loss of Toll Revenue will expire on June 30, 2015.

Covered Property
Under the Bridge Property Damage Program the covered properties and locations include:

- jurisdictional boundaries associated with the Ben Franklin, Betsy Ross, Commodore Barry and Walt Whitman Bridges (as noted in the survey maps on file);
- bridge decks, piers, anchorages, abutments supports, hangers, and approaches, including all related structures, substructures, lighting, equipment, foundations, roadways, pavement or barriers and any other property necessary or incidental to the bridges or bridge operations;
- surveillance equipment;
- underground wells, piping, mains, sewers and drains, including business property therein that is a part of the bridge.

Covered Perils
The perils insured under the Bridge Property Damage Program include:

- direct physical loss of, or damage to property insured;
- damage caused by flood, earthquake;
- both certified and non-certified acts of terrorism; and

Loss of Toll Revenue Insurance
The Loss of Toll Revenue insurance provides coverage against loss of toll revenue on our four bridges, on a per occurrence basis up to a limit of $290,960,000. The policy excludes revenues derived from PATCO operations or the Ferry.

When a covered loss results in an interruption of toll revenue, the policy is subject to a 14-day waiting period (e.g. 14-days of toll revenue).
Structure of Current Bridge Property Damage Program

We have a $500 million Loss Limit per occurrence policies written as a Participation-Share Property Limit. The following four (4) carriers participate:

1. 10% (or $50 million) - Arch Insurance Company;
2. 20% (or $100 million) - Travelers Property Casualty Company of America participates;
3. 30% (or $150 million) - XL Insurance America; and
4. 40% (or $200 million) - Zurich American Insurance Company

The current Bridge Property & Loss of Toll Revenue Program was based upon a total insured value of $2,327,756,181. Aon has recommended trending the total insured values by 3% or $2,387,247,380 for the renewal term. The current term premium for the 12/30/2013-6/30/2015 program is $2,818,312 (including TRIA and NJ PLIGA tax).

For the renewal term, XL has offered to increase its current participation-share of 30% (or $150 million property limit) up to 42% (or $210,000,000). XL’s proposed increase in participation eliminates the need for the 10% participation-share by Arch.

Bridge Property Damage and Loss of Toll Revenue Renewal Quotes:

- Zurich - Estimated premium $ 963,613 (incumbent)
- XL Insurance - Estimated premium $1,237,114 (incumbent)
- Travelers - Estimated premium $ 494,945 (incumbent)

$2,695,672

Note: Arch Participation-share @ 10% no longer needed

Aon presented three renewal options for our consideration:

1) An extension from 6/30/2015-12/31/2015 Est. $955,879
2) Annual renewal from 6/30/2015-6/30/2016 Est. $1,865,463
3) 18-month term from 6/30/2015-12/31/2016 Est. $2,695,672

The most advantageous option is the one to renew for the same 18-month policy term. By taking advantage of the 18-month policy term, the DRPA will be able to (a) lock in the property rate through December 31, 2016, (b) avoid rate increases that accounts with flood exposure are currently experiencing; and (c) avoid any possible market rate increase until 2016.
Recommendation:
The current 18-month term premium for a $500 million Loss Limit is $2,818,312 (including TRIA and NJ PLIGA tax).

The renewal premium is estimated to be $2,695,672 (including TRIA and NJ PLIGA tax) for policy term 6/30/2015-12/31/2016. This is a premium decrease of $122,640 over the current premium and a rate decrease of -6.74% from the current term rate.

- Our broker recommends that we accept the 18-month policy term 6/30/15-12/31/2016, for a $500 million Loss Limit with the three (3) incumbents: Travelers Property Casualty Company of America, XL Insurance America and Zurich American Insurance Company, for an estimated premium of $2,695,672 (including TRIA and NJ PLIGA tax).

Staff concurs with the broker’s recommendation above.

SUMMARY:  
Amount: Estimated 18-month term premium: $2,695,672  
$500 million Bridge Property Damage & Loss of Toll Revenue insurance (TRIA and NJ PLIGA tax included).

Source of Funds: Revenue Fund  
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, 2015-December 31, 2016  
Other Parties Involved: Aon and Zurich, XL Insurance, and Travelers
RESOLUTION

RESOLVED: That the Board authorizes staff to accept the 18-month policy term quote from the incumbent carriers, Zurich, XL Insurance and Travelers for the Bridge Property Damage and Loss of Toll Revenue Policies at the $500 million Loss Limit, for the policy term June 30, 2015 – December 31, 2016, at an estimated premium of $2,695,672 (TRIA and NJ PLIGA tax included); 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: Estimated 18-month term premium: $2,695,672
$500 million Bridge Property Damage & Loss of Toll Revenue insurance (TRIA and NJ PLIGA tax included).
Source of Funds: Revenue Fund
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, 2015-December 31, 2016
Other Parties Involved: Aon and Zurich, XL Insurance, and Travelers