

**SUMMARY STATEMENT**

**ITEM NO.: DRPA-17-084**

**SUBJECT: Additional \$100 Million Property Damage Limits to the DRPA Bridge Property Damage and Loss of Revenue Insurance**

**COMMITTEE:**

**Finance**

**COMMITTEE MEETING DATE:**

**October 4, 2017**

**BOARD ACTION DATE:**

**October 18, 2017**

**PROPOSAL:**

**That the Board authorizes staff to purchase an additional \$100 million in Bridge Property Damage limits from the current incumbent carriers, Travelers Property Casualty Company of American and Zurich American Insurance Company. The current Loss Limit is \$600 million for the Bridge Property Damage and Loss of Revenue Insurance policies. The purchase of another \$100 million from the incumbent carriers would make a new total Loss Limit of \$700 million (up from \$600 million). This policy is placed by our Broker/Consultant, Turner Surety & Insurance Brokerage (TSIB).**

**Pursuant to DRPA-15-089, TSIB is paid a fixed annual service fee not-to-exceed \$107,000 payable in quarterly installments. Pursuant to the terms of the Broker/Consultant Service Agreement, TSIB understands that no commissions shall be paid on any insurance policies placed on DRPA's behalf. Therefore, the proposed policy premiums are net of commission.**

**Pursuant to the board's recommendation for staff to seek higher property damage limits for the Bridge Property Damage and Loss of Revenue Insurance, TSIB approached the incumbent carriers to increase their current participation by \$100 million. The additional \$100 million in property damage limits were quoted as follows:**

- Travelers - Quoted \$50 mil in limits for \$48,423, (TRIA and NJ PLIGA tax included)**
- Zurich - Quoted \$50 mil in limits for \$85,914, (TRIA and NJ PLIGA tax included)**
- XL - Incumbent, declined to offer any more additional limits**

**In addition, TSIB approached several markets for an additional \$50 million in limits. These markets provided "premium ranges" of \$194,000 to \$204,000 for an additional limit of \$50 million. Those markets were:**

- **ACE/Chubb**
- **HDI Gerling**
- **Liberty Internat'l**

**PURPOSE:** To increase the Loss Limit of the Bridge Property Damage and Loss of Revenue insurance policies from \$600 million to \$700 million; to reduce the DRPA's exposure to risk, and to insure against physical damage and economic loss.

**BACKGROUND:** Pursuant to DRPA-16-105, the board authorized the renewal of the Bridge Property Damage and Loss of Revenue insurance policies for a two-year term from 12/31/2016 to 12/31/2018. The policies cover the DRPA against direct physical damage or property loss to the four bridges. The policies also insure 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 \$600 million, subject to a \$25 million deductible per occurrence (a \$75million 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 December 31, 2018.

**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;
- 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 \$312,800,000. The policy excludes revenues derived from PATCO operations.

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 three policies written on a Participation-Share Property Limit for a total Loss Limit of \$600 million per occurrence with three insurance carriers.

The following three (3) carriers participate as follows:

- (1) 25% (or \$150 million) – Travelers Property Casualty Company of America participates;
- (2) 50% (or \$300 million) – XL Insurance America; and
- (3) 25% (or \$150 million) - Zurich American Insurance Company

The existing Bridge Property & Loss of Toll Revenue Program is based upon a total insured value of \$2,387,247,000. In March of 2016, HNTB provided a replacement cost appraisal report for the bridge reconstruction costs of the Pennsylvania and New Jersey approaches and the main river spans. That figure totaled \$2,119,883,000. In September of 2017, HNTB provided an escalation trend analysis from the March 2016 report. HNTB's escalation trend analysis for the 2017-2018 policy term estimates the bridge reconstruction costs of the Pennsylvania and New Jersey approaches and the main river spans as \$2,188,170,000 (which is an increase of \$68,287,000, or approximately a 3.221% increase in values from 2016).

**Recommendation:**

- Staff concurs with the broker's recommendation that we accept the 12-month policy quote from 12/31/2017-12/31/2018, for the additional \$100 million in property damage limits, making a total new Loss Limit of \$700 million with the two (2) incumbents: Travelers Property Casualty Company of America, and Zurich American Insurance Company, for a premium of \$134,337 (TRIA and NJ PLIGA tax included).

**SUMMARY STATEMENT**  
**Finance 10/4/2017**

**Additional \$100 million Property Damage limits to  
the DRPA Bridge Property Damage and Loss of  
Revenue Insurance**

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<b>SUMMARY:</b>	<b>Amount:</b>	<b>12-month term premium: \$134,337</b> <b>For \$100 million in additional limits under the</b> <b>Bridge Property Damage &amp; Loss of Toll Revenue</b> <b>insurance policies (TRIA and NJ PLIGA tax</b> <b>included).</b>
	<b>Source of Funds:</b>	<b>Revenue Fund</b>
	<b>Capital Project #:</b>	<b>N/A</b>
	<b>Operating Budget:</b>	<b>DRPA Risk Mgt. Commitment 770000</b>
	<b>Master Plan Status:</b>	<b>N/A</b>
	<b>Other Fund Sources:</b>	<b>N/A</b>
	<b>Duration of Contract:</b>	<b>December 31, 2017-December 31, 2018</b>
	<b>Other Parties Involved:</b>	<b>TSIB, Travelers and Zurich</b>

**DRPA-17-084**  
**Finance: October 4, 2017**  
**Board Date: October 18, 2017**  
**Additional \$100 million Property Damage**  
**Limits to the DRPA Bridge Property**  
**Damage and Loss of Revenue Insurance**

**RESOLUTION**

**RESOLVED:** That the Board authorizes staff to accept the 12-month proposed policy term quote from the incumbent carriers, Travelers and Zurich for an additional \$100 million in limits under the Bridge Property Damage and Loss of Toll Revenue Policies for a new total Loss Limit of \$700 Million, for the policy term December 31, 2017 -December 31, 2018, at an estimated premium of \$134,337 (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.

<b>SUMMARY:</b>	<b>Amount:</b>	<b>12-month term premium: \$134,337</b> <b>For \$100 million in additional limits under the</b> <b>Bridge Property Damage &amp; Loss of Toll</b> <b>Revenue insurance policies (Including TRIA</b> <b>and NJ PLIGA tax).</b>
	<b>Source of Funds:</b>	<b>Revenue Fund</b>
	<b>Capital Project #:</b>	<b>N/A</b>
	<b>Operating Budget:</b>	<b>DRPA Risk Mgt. Commitment 770000</b>
	<b>Master Plan Status:</b>	<b>N/A</b>
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