



**Property and Liability Insurance
Procurement**

June 20, 2012

Insurance Need Basics

- Purchasing a financial product
- Required protection for Tollway operations
- Not all insurance policies are alike
- Specifications of coverage and policy forms need to be developed
- Financial stability of carriers varies
- Underwriting of carriers varies

Agency Insurance Needs

Insurance Programs	Expires	Premiums
■ Commercial General Liability/		
■ Business Automobile Liability	5/31/13	\$562,876
■ Excess Liability	5/31/13	\$327,523
Six insurance policies		
■ Blanket Property Insurance	2/28/13	\$694,480
■ CA Property Insurance	2/02/13	\$51,313
■ Equipment Breakdown Insurance	7/31/12	\$9,427
■ Public Officials Bond	3/14/13	\$1,634
■ Insurance for Benefit Programs		
<input type="checkbox"/> HMO Illinois/BlueAdvantage HMO	2/28/13	\$6,000,000 est.
<input type="checkbox"/> PPO Health Plans with BlueCross/BlueShield	2/28/13	\$9,720,000 est.
<input type="checkbox"/> Employee Life Ins through Minn Life Insurance	4/30/13	\$450,000 est.



Methods to Obtain Insurance

■ The methods are generally used by businesses to obtain insurance

- Request for qualifications
- Request for proposals/broker of record
- Request for proposals/open bidding
- How do we obtain low cost coverage while encouraging competition among brokers?



Request For Qualifications (RFQ)

- A systematic approach to find a broker/agent to represent needs in the insurance market place
- The selected broker seeks the best insurance coverage while working with the client



Request For Proposals/Broker of Record

- A process of assigning markets to agents/brokers in order to procure insurance coverage
- Brokers would receive a “broker of record” from the client so the insurance carrier is aware the broker has exclusive assignment to the carrier



Request For Proposals/Open Bidding

- A process of advertising the need for insurance on an open market basis
- Specifications are released and each broker/agent is allowed to approach any carrier
- Many times insurance carriers will receive information from more than one broker
 - This is the method used by the Tollway as directed by CMS



Request For Qualifications – Challenges and Opportunities

- Process is more time consuming – broker is selected prior to beginning search for best insurance carrier
- Procurement of best insurance program becomes a collaborative effort of broker and the agency
- Process helps ensure selection of broker with knowledge of markets and relationships with best carriers

Request For Proposal/Broker Record – Challenges and Opportunities

- Success is based on matching the right broker with the right carrier
- Assumes the process is more fair to obtain the best proposal
- There may not be enough markets/carriers to provide equal selection for each broker – depends how many brokers are selected



Request For Proposals/Open Bidding - Challenges and Opportunities

- Brokers may tie up potential markets for the insurance
- Incumbent brokers may have advantage in open bidding process due to their knowledge of their client (Tollway) and their business relationships with incumbent insurance carriers
- Brokers may have an opportunity to be creative in developing proposed insurance program



Challenges of Procurement Process

- Insurance marketplace prefers longevity of relationships – will not take annual request for proposals seriously for best rates
- Certain carriers specialize in certain industries
- Process may seem unfair by agents/brokers
- Current costs and coverage are competitive, but number of proposals have been limited



Property Insurance Comparison

Toll Agency	Road Miles	Bridge Coverage	Building Coverage	Does the Agency Insure Roads	Insurance Carriers	Annual Premium
Massachusetts DOT (former Turnpike)	138	Bridge, Tunnels, Culverts \$500 M coverage with \$10.5 M deductible Securing Turnpike bonds other bridges uninsured	\$200 M limit with \$250 M deductible with factory mutual	No indication of coverage	Lloyds' of London Munich Re Swiss Re and others	Buildings \$641,00 Bridges \$3,624,00
New York State Thruway	496	Tappen Zee Bridge \$450 Mill limit with \$2.5 M deductible other bridges \$150 M limit with either \$2.5 or \$5 M deductible	Covers only administrative headquarters	No indication of coverage	Ace America Lloyds of London Lexington Fireman's Fund landmark Federal	\$3.1 Mill
New Jersey Turnpike 2012 Premiums	294	\$164 Mill limit of liability unknown deductibles	\$25 M limit of liability non-bridge property unknown deductibles	No indication of coverage	Lexington Ace	\$3,380,679
Illinois Tollway 2012 Premiums	286	Bridge, Culverts, retaining walls, plazas, m-sites \$200 M limit of liability \$1 M SIR	Central administration facility with \$52 Mill limit of liability	Not included	RSUI Ins for blanket policy Chubb Group for CA facility	Blanket Policy \$694,480 CA Building \$51,313
Pennsylvania Turnpike 2010 program		Bridges part of \$125 M limit of liability \$2 M SIR bridges	\$1 Mill SIR buildings	None	St. Paul Ins	\$1,350,620

Most information obtained through IBTTA - fall 2009



Liability Insurance Comparison 2012

<u>Primary Liability</u>	<u>New Jersey Turnpike</u>	<u>Illinois Tollway</u>
Limit per occurrence	\$25 million	\$20 million
Self insured retention	\$2 million	\$250,000
Annual Premium	\$839,488	\$562,876
<u>Excess Liability</u>		
Total aggregate coverage	\$75 million	\$130 million
Annual premium	\$354,261	\$327,523
Broker fee	N/A	\$75,000
Total limits	\$100 million	\$150 million
Total cost	\$1,193,749	\$965,399
<u>Public Officials Insurance</u>		
Limit	\$30 million	Included in primary liability
Deductible	\$500,000	\$250,000
Premium	\$335,392	Included in primary liability





THANK YOU