SUMMARY STATEMENT

ITEM NO.    SUBJECT: Renewal of DRPA/PATCO Commercial Non-Bridge Property Insurance

COMMITTEE: New Business

COMMITTEE MEETING DATE: N/A

BOARD ACTION DATE: July 18, 2007

PROPOSAL: That the Board authorize the renewal of the DRPA/PATCO Commercial Non-Bridge Property insurance policy procured through our brokers at Willis of New Jersey, Inc., for a one year term from August 1, 2007 through July 31, 2008.

The property insurance policy for non-bridge assets, including boiler and machinery, business interruption and terrorism coverage, will expire August 1, 2007.

Willis of New Jersey, Inc. has marketed our program to carriers and will be at the July 18th Board meeting to present its recommendations. Staff will provide the Commissioners with a chart summarizing the quotations received from each carrier, the carriers financial rating, policy limits and deductibles, and premium costs, on or before the July 18, 2007 Board Meeting.

PURPOSE: To reduce the DRPA’s exposure to risk by insuring against physical damage and economic loss.

BACKGROUND: The property insurance for non-bridge assets insures DRPA and PATCO’s real and personal property (premises, buildings, equipment, piers, substations, computers, furniture, rental income, machinery and inventories, etc.) against direct physical loss in the event of, among other perils – fire, flood, explosion, collapse, interruption of utility service, theft or theft damage, terrorism. The policy also provides coverage for business interruption due to losses or damage at various locations including the Bridge Plazas, One Port Center, PATCO Facilities, the Cruise Terminal, and Ferry Terminals.

The expiring premium for this policy was $354,268, which was based on total property and asset values of $269,078,062. The policy carries a $10,000 deductible. (Higher deductibles apply to damages from Earth Movement and Flood) Affiliated FM Insurance Company is the incumbent carrier for the non-bridge property policy.
A comprehensive marketing exercise was carried out during the 2006 renewal where several alternative markets were approached for quotations. The marketing exercise indicated that although markets are available, there are a limited number of carriers willing to write Public Authority type risks. Carriers that declined to offer quotes did so mainly because the DRPA risk did not fit their underwriting parameters. Other insurers did not feel that they could be competitive on this type of risk.

In view of the marketing efforts in 2006 it was decided that, for the most part, the incumbent insurers would be approached first and that other markets would be sought only in the event that the incumbent was unable to quote or that the quoted premium did not fit into DRPA’s budgetary requirements.

Preliminary indications from Willis suggest the premium rate will be reduced by approximately 5 - 10% but the property values will be adjusted upward by approximately 3 - 4% due to the increased costs of building materials (steel and concrete), and thus we could see a relatively minor effect on the premium cost. We have also directed Willis to obtain quotes for increasing the deductible on the policy from $10,000, to $50,000 and $100,000 respectively. However, as in past years, Willis does not anticipate that the effect on the premium cost will be substantial enough to justify increasing the deductible.

SUMMARY:

Amount: $334,389
Source of Funds: Revenue and General Funds
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. C/E #8 - $173,882.28 (DRPA/OPC/Cruise Terminal)
                      PATCO Admin. Ins & Claims - $160,506.72
Master Plan Status: N/A
Other Fund Sources: N/A
Other Parties Involved: Willis of New Jersey
RESOLUTION

RESOLVED: That the Board of Commissioners approves and authorizes the placement of the DRPA and PATCO non-bridge property insurance policy with Affiliated FM Insurance Company, for a one year term beginning August 1, 2007 through July 31, 2008. The policy provides a blanket loss limit of $278,810,083, subject to a $10,000 deductible per occurrence. The total premium for this policy is $334,389; and be it further

RESOLVED: That the Chairman, Vice Chairman 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 Chairman, Vice Chairman and Chief Executive Officer and if thereafter either the Chairman or Vice Chairman 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 Chairman and Vice Chairman 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.

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