SUMMARY STATEMENT

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

COMMITTEE: | New Business

COMMITTEE MEETING DATE: | N/A

BOARD ACTION DATE: | June 10, 2009

PROPOSAL: That the Board authorize the renewal of the DRPA/PATCO Commercial Non-Bridge Property insurance policy placed through our brokers at Willis of New Jersey, Inc., for a one year term from August 1, 2009 through July 31, 2010.

The property insurance policy for non-bridge assets, including boiler and machinery, business interruption and terrorism coverage, will expire August 1, 2009.

Willis of New Jersey, Inc. aggressively marketed this coverage for the 2008-2009 policy period to several insurance companies in order to secure the most competitive pricing available to the Authority. Last year’s marketing summary has been provided to the Board. No carriers could match the terms and conditions offered by our current incumbent, Affiliated FM. Specifically, no carriers were willing to provide $100 million limits in flood coverage. Our broker has recommended that we refrain from marketing the coverage on an annual basis.

Last year’s coverage was based on a blanket loss limit of $292,490,513. This year, as a result of the increased values of nine newly appraised properties, and additional values added to the Business Interruption figure (which include PATCO net revenues, in addition to payroll), the overall insured value will increase to $318,944,475. This represents a 9.04% increase in overall value. Despite the increase in blanket loss limits, given the “tough” economic climate, Affiliated FM applied a 5% rate decrease to keep the overall premium at about the same level as the expiring premium.

The premium for last year’s coverage was $256,491. This year, as a result of the increased insured value, the premium will be $261,602, which is an increase of $5,111, or a 1.99% increase.

Affiliated FM maintains an AM Best Rating of A+ (Superior).

PURPOSE: To reduce the Authority’s exposure to risk by insuring against physical damage, economic loss, and business interruption.

BACKGROUND: The property insurance for non-bridge assets insures DRPA and PATCO 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 One Port Center, PATCO Facilities, the Cruise Terminal, and Ferry Terminals.
The policy carries a $100,000 deductible (higher deductibles apply to damages from Earth Movement and Flood).

**SUMMARY:**

- **Amount:** $261,602
- **Source of Funds:** Revenue and General Funds
- **Capital Project #:** N/A
- **Operating Budget:** DRPA Risk Mgt. C/E #8 – TBD (DRPA/OPC/Cruise Terminal)
- **PATCO Admin. Ins & Claims -TBD**
- **Master Plan Status:** N/A
- **Other Fund Sources:** N/A
- **Duration of Contract:** August 1, 2009 – July 31, 2010
- **Other Parties Involved:** Willis of New Jersey
RESOLUTION

RESOLVED: That the Board of Commissioners approves and authorizes the placement of the DRPA and PATCO Commercial Non-Bridge Property insurance policy with Affiliated FM Insurance Company, for a one year term beginning August 1, 2009 through July 31, 2010. The policy provides a blanket loss limit of $318,944,475, subject to a $100,000 deductible per occurrence. The total premium for this policy is $261,602; 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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