ITEM NO.: DRPA-11-054  SUBJECT: Renewal of DRPA/PATCO Commercial Umbrella Liability Policy

COMMITTEE:     Finance

COMMITTEE MEETING DATE:   June 8, 2011

BOARD ACTION DATE:    July 6, 2011

PROPOSAL:  That the Board authorizes staff to bind the renewal of the DRPA’s Commercial Umbrella Liability Policy. This policy is placed by our Broker/Consultant, Willis of New Jersey, Inc.

Willis marketed the DRPA’s Commercial Umbrella Liability Policy. Willis provided its marketing summary to staff to review, and a copy of same has been provided to the Board.

PURPOSE:  Staff seeks to reduce the DRPA’s exposure to risk by providing Umbrella liability coverage over the following underlying policies:  (1) General Liability; (2) Commercial Automobile Liability; and (3) Part 2 of Worker’s Compensation, Employers Liability

Accordingly, staff seeks to renew the Commercial Umbrella Liability Policy for the policy term of August 1, 2011 – August 1, 2012.

BACKGROUND:  The policy term for 2009-2010, was with Crum & Forster, and it was an Excess Liability policy. Last year, the Board accepted St. Paul Surplus Lines Insurance Company’s proposal for a true Umbrella policy, which broadened the overall coverage that had previously been written on an Excess Liability basis with Crum & Forster. The St. Paul Umbrella Policy includes an $8 million General Aggregate Maximum, for the combined total of all damages, arising out of any location. (The previous Crum & Forster Excess Liability Policy provided a $4 million occurrence/aggregate limit.)

The Umbrella policy proposed by St. Paul extended the limits of the three underlying liability policies (General Liability, Automobile Liability, and Employers’ Liability), but the former Crum & Forster Excess Liability policy did not offer the extended limits. The St. Paul Umbrella Policy is designed to fill coverage gaps by providing primary coverage, whereas the Crum & Forster Excess Liability did not. St. Paul has an AM Best rating of A+ (Superior) as compared to the AM Best rating of A (Excellent) for Crum & Forster.
A summary of the Willis marketing efforts is as follows:

- St. Paul Surplus Lines (d/b/a Travelers) - $143,518 (increase of $9,865 or 7.38%)
- Crum & Forster - Declined to offer a quote

SUMMARY:

- Amount: $143,518
- Source of Funds: Revenue and General Funds
- 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: August 1, 2011-August 1, 2012
- Other Parties Involved: Willis of New Jersey and St. Paul Surplus Lines Insurance Company (d/b/a Travelers)
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to renew the Commercial Umbrella Liability Policy with St. Paul Surplus Lines Insurance Company, for a one year term beginning August 1, 2011 through August 1, 2012. The Each Occurrence and Aggregate Maximum Limit of this policy is $8 million, following form of the underlying policies forms, terms and conditions, and the premium for this policy is $143,518; 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, 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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