SUMMARY STATEMENT

ITEM NO.: DRPA-11-055  SUBJECT: Renewal of DRPA/PATCO Commercial Non-Bridge Property 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/PATCO Commercial Non-Bridge Property insurance policy. This policy is placed by our Broker/Consultant, Willis of New Jersey, Inc.

Willis marketed the DRPA’s Commercial Non-Bridge policy to several insurance companies to secure the most competitive premium. Willis provided its marketing summary to staff to review, and a copy of same has been provided to the Board.

PURPOSE: To reduce the Authority’s exposure to risk by insuring against physical damage to non-bridge property, economic loss, and business interruption. Staff seeks to renew the Commercial Non-Bridge Property Policy for the policy term of August 1, 2011 - August 1, 2012.

BACKGROUND: The policy covers property insurance for non-bridge assets, including Boiler Machinery, Business Interruption, and Terrorism coverage, will expire August 1, 2011.

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, amongst other perils — fire, flood, explosion, collapse, interruption of utility service, theft or theft damage, and terrorism.

The policy also provides coverage for Business Interruption due to a covered losses at various locations including the One Port Center, PATCO Facilities, and Ferry Terminals. The policy carries a $100,000 deductible (higher deductibles apply to damages from Earth Movement and Flood).
Last year’s coverage was based on a blanket loss limit of $362,468,820. This year, as a result of certain capital improvement projects that have enhanced the value of certain DRPA/PATCO non-bridge facilities, the blanket loss limit has been increased to $375,954,808. This represents a 3.72% increase in overall value. (Values related to the Cruise Terminal are not included in the overall blanket loss limit.) Despite the overall increase in blanket loss limits, Affiliated FM applied a 4.96% rate decrease. The premium for last year’s coverage was $265,668. This year, the premium will be $261,915, (which is an decrease of $3,753 or 1.41% decrease).

A summary of Willis’ marketing efforts is as follows:

Affiliated FM - $261,915
Liberty Mutual - Did not respond to Request to Quote
Chartis - Declined due to time frame
Ace - Declined due to current competitive pricing; terms/conditions
CNA - Did not respond to Request to Quote
Zurich - Declined; unable to meet deadline for quote

No carriers could match the terms and condition offered by the incumbent insurance carrier, Affiliated FM.

SUMMARY:

Amount: $261,915
Source of Funds: Revenue and General Funds
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. C/E #8
                 (DRPA/OPC)
                 PATCO Admin. Ins & Claims TBD
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 Affiliated FM
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to renew the DRPA and PATCO Commercial Non-Bridge Property insurance policy with Affiliated FM Insurance Company, for a one year term beginning August 1, 2011 – August 1, 2012. The policy provides a blanket loss limit of $375,954,808, subject to a $100,000 deductible per occurrence. The total premium for this policy is $261,915; 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.

SUMMARY:

- Amount: $261,915
- Source of Funds: Revenue and General Funds
- Capital Project #: N/A
- 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 Affiliated FM