SUMMARY STATEMENT


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 Marine Insurance Program. This program includes three policies: (1) Marine General Liability, and (2) Hull & Machinery, which includes Protection & Indemnity Coverage; and (3) Excess Marine Liability Insurance. These policies are placed by our Broker/Consultant, Willis of New Jersey, Inc.

Willis marketed the DRPA’s Marine Insurance Program to another insurance company 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 DRPA’s marine and terminal operator’s exposure to risk by providing coverage for operations, work in progress, liability for loss of life and contractual liability, including Excess Marine Liability coverage related to the Authority’s Ferry and Public Safety operations.

BACKGROUND: The expiring Marine Insurance Program, includes the following three components: (1) Marine General Liability, (2) Hull & Machinery, which includes Protection & Indemnity coverage; and (3) Excess Marine Liability Insurance. Staff proposes to broaden the coverage of the Marine Liability Insurance Program for the policy term 2011-2012 by replacing the Excess Marine Liability Insurance Policy with a true Umbrella Policy Form.

A summary of the three program components, along with premium quotes for each component for policy term 2011-2012 follows:

Component #1 – Marine General Liability
The Marine General Liability Policy provides coverage for marine operations pertaining to the Public Safety Patrol Boat. The Marine General Liability Policy includes a $1 million limit for any one occurrence, subject to a $2 million general aggregate. The deductible per any one occurrence is $10,000.

- Federal Insurance (d/b/a Chubb) - $16,622 (decrease of $8,878 -34.82% decrease)
- Starr Marine – $15,150
Component #2 – Hull & Machinery, including Protection & Indemnity

The Authority owns one Ferry Boat, which is operated by HMS Global Maritime. Pursuant to the terms of the Ferry Services contract, the operator is obligated to provide Hull & Machinery, including Protection & Indemnity coverage for the Ferry Boat.

The DRPA owns one Patrol Boat, which is operated by the Marine Unit of the Public Safety Division. The Patrol Boat is a 2005 Safe Boat International 27’ cabin boat. DRPA is responsible for providing the Hull & Machinery, including Protection & Indemnity for the Patrol Boat.

Under the current policy with Federal Insurance Company (d/b/a Chubb), the Hull & Machinery deductible per occurrence is $15,000. The insured value of the Patrol Boat for Hull & Machinery is $300,675, which is the estimated replacement cost. The Protection & Indemnity limits of liability are $1 million per occurrence, with no policy aggregate. The Protection & Indemnity deductible per occurrence is $5,000.

- Federal Insurance - $14,317 (increase of $62)
- Starr Marine - $16,000

Component #3 – Marine Umbrella Liability

The Marine Umbrella Liability Insurance provides coverage excess of the Marine General Liability and the Protection & Indemnity Liability policies. The Marine Umbrella Liability insurance limit is $4 million per occurrence and in the aggregate.

- Federal Insurance - $5,936 (decrease of $3,244)
- Starr Marine - $7,070

Summary of Premiums for DRPA Marine Insurance Program

The expiring premium for the DRPA Marine Insurance Program is $48,935 (this includes the premium for all three components, above).

The quoted premiums for the Marine Insurance Program for policy term 2011-2012 is as follows:

- Federal Insurance Company – d/b/a Chubb - (incumbent) - $36,875
- Starr Marine - $38,220
Recommendation:

It is staff’s recommendation that the DRPA renew the Marine Insurance Program with Federal Insurance Company (d/b/a Chubb) for a one-year term, beginning August 1, 2011-August 1, 2012 for the annual premium of $36,875 (a $12,110 decrease over current premium).

Federal Insurance Company has provided all insurance coverages related to the DRPA’s Marine Liability Program for several years. Representatives from Federal Insurance Company have made two site inspections of our marine operations and are familiar with the risks associated with the policies. Over the years, Federal Insurance has partnered with DRPA to broaden coverage and control premium costs. For the 2011 - 2012 policy term, Federal Insurance proposed an Umbrella policy form. The Umbrella policy form is designed to fill coverage gaps by providing primary coverage, whereas the Excess Liability form did not. The Marine Umbrella Liability quote from Federal Insurance has no policy deductible. Federal Insurance has an AM Best Rating of A ++/XV (Superior). The expiring premium for the Excess Liability policy was $9,180. The premium for the 2011-2012 policy term for a Marine Umbrella policy will be $5,936 (a $3,244 decrease, or 35.34% decrease).

SUMMARY:

Amount: $36,875
Source of Funds: Revenue and General Funds
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. C/E #8 – TBD (DRPA)
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 Federal Insurance Company (d/b/a Chubb)
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to renew the Marine Insurance Program, which includes the following components: (1) Marine General Liability, and (2) Hull & Machinery, Protection & Indemnity coverage with Federal Insurance Company; and (3) Marine Umbrella Liability Insurance for a one year term beginning August 1, 2011 through August 1, 2012. The total premium for this policy is $36,875; 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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