ITEM NO.: DRPA-12-106  
SUBJECT: Renewal of DRPA/PATCO Commercial Automobile Liability Policy

COMMITTEE: New Business

COMMITTEE MEETING DATE: November 7, 2012

BOARD ACTION DATE: November 21, 2012

PROPOSAL: That the Board authorizes staff to bind the renewal of the DRPA’s Commercial Automobile Liability Policy. This policy is placed by our Broker/Consultant, Aon Risk Services.

Pursuant to DRPA-12-066, Aon is paid a fixed annual service fee not-to-exceed $129,000 payable in quarterly installments. Therefore, the proposed policy premium is net of commission.

At the Board’s direction, Aon marketed the DRPA’s Commercial Automobile policy

Aon marketed the coverage to the following carriers:

- Lexington/Chartis - indication in excess of $800,000
- Crum & Forster - declined class of business/pricing
- CV Starr - indication of $615,000
- Hartford - declined class of business
- Liberty Mutual - quoted $609,500
- Philadelphia Ins. - declined loss history/pricing
- Travelers - declined loss history/pricing
- XL Insurance - declined due to current pricing
- Selective - did not accept Broker of Record
- Berkley - declined due to current pricing
- Gladfelter - declined due to class of business
- McKee Risk - declined due to loss history
- PMA - declined police units/losses
- RLI - declined due to current pricing

PURPOSE: To renew the Commercial Automobile Liability policy for the policy term of December 31, 2012 through December 31, 2013.

BACKGROUND: The August 1, 2011-August 1, 2012 premium for the Commercial Automobile Liability Policy was $535,279 (including 12.5% commission). The extension policy premium for the 8/1/2012 to 12/31/2012 is $222,676 (including 12.5% commission).
Our incumbent insurance carrier, Selective Insurance Company, did not accept Aon’s Broker of Record Letter. Selective has declined to offer Aon a “one account” contract and Selective has declined to issue a renewal quote to the DRPA as Selective is not a direct writer. Aon is still trying to secure a renewal quote from Selective.

The expiring policy provides a combined single limit of $1 million for any accident or loss (no aggregate), and also provides an Uninsured/Underinsured Motorist limit of $35,000 per occurrence. The policy will continue not to include any automobile physical damage coverage on the Authority’s power units. With the exceptions of the coverage for Garagekeepers’ coverage, which has a deductible of $100 comprehensive, and $500 for collision, there are no other deductibles for this policy.

Liberty Mutual has offered a quote for an annual estimated premium of $609,500 (plus taxes). This estimated premium is based on 308 power units. The Liberty Mutual policy form offers broad coverage. However, the Selective policy has an endorsement on the current policy entitled “Elite Pac Commercial Automobile Extension”. Many of the coverage extensions provided by the Elite Pac endorsement are embedded within the Liberty Mutual policy form. The policy term will be 12/31/2012-12/31/2013. Our broker recommends that we accept the proposal quote offered by Liberty Mutual. It is the intent of Aon to negotiate in Quarter 4 of 2013 an extension of the policy from 12/31/2013-8/1/2014.

Staff recommends that we accept the proposal quote for the Commercial Automobile Liability Policy for the policy term 12/31/2012-12/31/2013, at an estimated annual premium of $609,500 (plus taxes), based on 308 power units. It is staff’s further recommendation that the Board authorizes Aon to negotiate an extension of the policy from 12/31/2013-8/1/2014. Staff would return to the Board with the extension quote option for approval before binding same.
SUMMARY STATEMENT
New Business 11/21/2012

SUMMARY:  
Amount: $609,500  
Source of Funds: Revenue and General Funds  
Capital Project #: N/A  
Operating Budget: DRPA Risk Mgt. C/E#8  
                       PATCO Admin. C/E Insurance  
Master Plan Status: N/A  
Other Fund Sources: N/A  
Other Parties Involved: Aon Risk Services and Liberty Mutual  

Renewal of DRPA/PATCO Commercial Automobile Liability Policy
RESOLUTION

RESOLVED: That the Board authorizes staff to accept the proposal quote from Liberty Mutual for the Commercial Automobile Liability Policy for the policy term December 31, 2012 - December 31, 2013, at an estimated annual premium of $609,500 (plus taxes); and be it further

RESOLVED: That the Board authorizes staff to direct Aon to negotiate an extension of the policy from December 31, 2013-August 1, 2014, with the understanding that staff would return to the Board with the extension quote option for approval before binding same; 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.

SUMMARY:

Amount: $609,500
Source of Funds: Revenue & General Funds
Capital Project#: N/A
Operating Budget: DRPA Risk Mgt. C/E#8-TBD
PATCO Admin. C/E Insurance & Claims
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: December 31, 2012- December 31, 2013
Other Parties Involved: Aon Risk Services and Liberty Mutual