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, 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 Non-Bridge policy to several insurance companies to secure the most competitive premium.

Aon marketed the coverage to the following carriers:

- Affiliated FM Global – quoted $454,140 (incumbent)
- Axis Capital – declined cannot write 100% capacity
- Chubb – declined flood exposure and cannot write 100% capacity
- C.N.A. – declined due to exposures
- Firemen’s Fund – declined cannot be competitive
- Lexington – declined quote deadline
- Liberty Mutual – declined capacity restraints
- QBE – declined cannot write 100% capacity
- Philadelphia Ins. – declined cannot be competitive
- Travelers – declined cannot be competitive
- Starr Tech – declined capacity restraints
- Swiss Re – declined due to exposures
- Zurich – declined class of business is outside of underwriting appetite
- XL Insurance – declined capacity restraints and cannot be competitive
PURPOSE: To reduce the Authority’s exposure to risk by insuring against physical damage to non-bridge property, economic loss, and business interruption.

BACKGROUND: The policy provides property insurance for non-bridge assets, including Boiler Machinery, Business Interruption, and Terrorism coverage. The extension policy will expire on December 31, 2012.

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).

In 2011, the policy coverage was based on a blanket loss limit of $375,954,808. This year, an appraisal of certain property locations have increased the values approximately 40% over expiring values or by $138,080,198.

Affiliated FM Global has agreed to increase the total values in two phases and to lock in the rates until August 1, 2014. Under the renewal proposal, FM Global will increase the policy values by half for the first policy term of December 31, 2012 to December 31, 2013 with a blanket loss limit of $444,994,907. For the second policy term, December 31, 2013 to August 1, 2014, FM Global proposes to increase the values by the remaining $69,040,099, bringing the total blanket loss limit to $514,445,005.

Despite the overall increase in blanket loss limits, Affiliated FM applied a rate decrease from .07 cents to .0595 cents. The premium for last year’s coverage was $261,340 (including 12% commission). The extension policy premium from 8/1/2012 to 12/31/2012 term was $106,750. (including 12% commission).

Under the renewal proposal, the premium for the initial policy term December 31, 2012 to December 31, 2013 will be approximately $275,215 (plus taxes). The premium for the second policy term December 31, 2013 to August 1, 2014 will be approximately $306,608 (plus taxes). The total estimated premium for the long term policy option is approximately $454,140 (plus taxes); net of commission and is payable in two premium installments, 50% due on 12/31/2012 and the balance due on 12/31/2013.
Our broker recommends that we accept the renewal quote offered by incumbent, Affiliated FM Global, for long-term coverage for the term December 31, 2012 to August 1, 2014. Staff recommends that we accept the renewal proposal for the Commercial Non-Bridge Policy for the extended policy term of 12/31/2012-8/1/2014, at an estimated annual premium of $451,140 (plus taxes).

SUMMARY:

Amount: Approximately $454,140 (plus taxes)
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: December 31, 2012-August 1, 2014
Other Parties Involved: Aon Risk Services and Affiliated FM Global
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to accept the renewal proposal from incumbent, Affiliated FM Global Insurance Company, for the Commercial Non-Bridge Property Policy, for the extended policy term of December 31, 2012 – August 1, 2014, at an estimated annual premium of $454,140 (plus taxes); 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:  Approximately $454,140 (plus taxes)  
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:  December 31, 2012-August 1, 2014  
Other Parties Involved:  Aon Risk Services and Affiliated FM Global