SUMMARY STATEMENT

ITEM NO.: DRPA-12-109          SUBJECT: Renewal of DRPA/PATCO Crime 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/PATCO Crime insurance policy placed. 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 Crime Policy.

Aon marketed the coverage to the following carriers:
- Zurich - quoted $36,400 (incumbent)
- ACE - declined cannot quote $15mil limit
- Axis - declined cannot quote $15mil limit
- Chubb - declined due to class of business/pricing
- Travelers - declined class of business/pricing

PURPOSE: To reduce the DRPA’s exposure to risk by insuring against Employee Dishonesty, Forgery or Alteration, Theft, Disappearance and Destruction, Robbery and Safe Burglary, Computer Fraud/Wire Transfer, Money Order and Counterfeit Currency and Credit Card Forgery.

BACKGROUND: The expiring premium for this policy was $42,400 (including 17% commission) which provides a loss limit of $15 million single loss limit of liability, subject to a $250,000 deductible (Employee Dishonesty, Forgery or Alteration, Theft, Disappearance and Destruction, Robbery and Safe Burglary, and Computer Fraud and Wire Transfer). We have a $1,000 deductible for Money Orders and Counterfeit Currency and Credit Card Forgery. There are no aggregate loss limits. The extension policy premium for the 8/1/2012-12/31/2012 was $17,644. (including 17% commission). This year, Zurich offered several premium options:

1. Annual policy term Premium $36,400
2. 12/31/12 to 8/1/14 policy term Premium $57,650
3. Three year policy term 12/31/12-12/31/15 Premium $109,200*

* (payable in annual installments of $36,400)
Coverage terms and conditions are the same as expiring with the exception of the following enhancements:

1. Employee Theft language rather than Employee Dishonesty language
2. 90 Days’ notice of cancellation rather than 60 days
3. Extended coverage for terminated employees to 90 day after termination
4. Include in the definition of employee those who are on leave for military service
5. Increased investigative expense coverage from $100,000 to $150,000

Our broker recommends that we accept the renewal option offered by incumbent, Zurich American, for the three-year policy term 12/31/2012-12/31/2015, at the annual estimated premium of $109,200, net of commission, payable in annual installments of $36,400.

Staff recommends that we accept the optional renewal proposal for the Crime Policy for the policy term 12/31/2012-12/31/2015, at an estimated three-year premium of $109,200, payable in annual installments of $36,400.

SUMMARY: Amount: 3-year approximate premium $109,200 Payable in annual installments of $36,400
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: December 31, 2012-December 31, 2015
Other Parties Involved: Aon Risk Services and Zurich American
RESOLUTION

RESOLVED: That the Board authorizes staff to accept the optional renewal proposal from incumbent, Zurich American Insurance Company, for the Crime Policy for the policy term December 31, 2012-December 31, 2015, at an estimated three-year premium of $109,200, (plus taxes) payable in annual installments of $36,400; 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: 3-year approximate premium $109,200 Payable in annual installments of $36,400
Source of Funds: Revenue and General Funds
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. C/E #8 – TBD
PATCO Admin. C/E Insurance & Claims - TBD
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: 8/31/2012 – 8/31/2015
Other Parties Involved: Aon Risk Services and Zurich American