SUMMARY STATEMENT

ITEM NO.: DRPA-13-009
SUBJECT: DRPA/PATCO Owner Controlled Insurance Program Policy Extensions

COMMITTEE: Finance

COMMITTEE MEETING DATE: January 9, 2013
BOARD ACTION DATE: January 16, 2013

PROPOSAL: Staff seeks Board authorization to extend the remaining six (6) OCIP policies, which are scheduled to expire on March 7, 2013.

1. Primary General Liability
2. Primary Workers’ Compensation
3. Lead Excess Layer - $25M Limit
4. First Excess Layer - $25M to $25M
5. Second Excess Layer - $50M to $50M
6. Railroad Protective Liability

If approved, the existing OCIP policies would be extended until June 30, 2014, which is the projected completion date of the currently enrolled OCIP construction projects. The carrier for all policies remains AIG. The terms and conditions for all policies remain the same.

PURPOSE: Since 2000, the DRPA has used an Owner Controlled Insurance Program (OCIP) as an alternative method by which to recognize and address the risks inherent in the various construction and maintenance projects at all of its facilities, including PATCO in a fiscally-sound manner. Through the OCIP, the DRPA provides insurance coverage for qualifying construction and maintenance capital projects. The DRPA secures broad coverage and higher liability limits. The broad coverage allows the inclusion of all parties involved as insured.

Each of the Authority’s OCIP has been for a four-year term: 2000-2004; 2004-2008; and 2008-2012.

2008-2012 OCIP:

Eight (8) policies support this OCIP.

Before the last OCIP expired on March 7, 2012, the Board authorized our former OCIP Broker/Administrator to extend all of the OCIP policies for an additional six months. The extension policies had varied expiration dates.
Two OCIP policies -- Builder’s Risk Liability and Contractors’ Pollution Liability -- had earlier expiration dates. The Board twice approved policy extensions to coincide with the anticipated completion date of the currently enrolled OCIP projects, which is June 30, 2014. The extension Contractors’ Pollution Liability Policy now expires on June 30, 2014. The extension Builder’s Risk Policy now expires on September 30, 2014.

To allow for the completion of capital projects that were previously enrolled in the 2008-2012 OCIP, the Board, on August 1, 2012, extended the OCIP for 14 months or until June 30, 2014. The remaining six (6) OCIP policies will expire on March 7, 2013, and need to be extended to coincide with the projected completion date (June 30, 2014).

BACKGROUND: As part of the Request for Proposal for an OCIP Broker/Administrator (issued on June 25, 2012) Respondents were asked to propose fixed service fees for the OCIP brokerage, consultant, and administration responsibilities for the following three (3) options:

- **Option #1**: A fixed service fee for services required extending the current OCIP program until all currently enrolled OCIP projects are completed on or about June 30, 2014. (A list of the currently enrolled OCIP projects was attached to the RFP);

- **Option #2**: A fixed service fee for services required for a three-year OCIP renewal policy term from September 7, 2012 to March 7, 2015; and

- **Option #3**: A fixed service fee for services required for a four-year OCIP renewal policy term from September 7, 2012 to March 7, 2016

On August 1, 2012, the Board appointed Turner Surety Insurance Brokerage, Inc. (TSIB) as the new OCIP administrator. In doing so, the Board determined that the Authority would elect to extend the expiring OCIP to June 30, 2014 (“Option #1).

The extended OCIP includes the following lines of coverage:

- Primary General Liability
- Primary Workers’ Compensation
- Lead Excess Layer - $25M limits
- First Excess Layer - $25M x $25M
- Second Excess Layer - $50M x $50M
- Railroad Protective Liability
- Builder’s Risk
- Contractor’s Pollution Liability

Shortly after being appointed as OCIP Broker/Administrator, TSIB secured and the Board approved the following extension quotes:

- Builder’s Risk (Lexington Insurance Co./AIG)
  September 30, 2012-September 30, 2014
  Estimated Premium: $44,168

- Contractor’s Pollution Liability (Commerce and Industry Co./AIG)
  August 28, 2012-June 30, 2014
  Estimated Premium: $80,849

The remaining six (6) OCIP policies will expire on March 7, 2013, and staff seeks Board authorization to extend them until June 30, 2014 (the projected termination date of the extended OCIP).

- Primary General Liability (AIG)
  Estimated Premium - $75,000
- Primary Worker’s Compensation (AIG)
  Estimated Premium - (included in General Liability pricing)
- Lead Excess Liability (AIG)
  Estimated Premium - $135,000
- First Excess Layer (Lexington/AIG)
  Estimated Premium - $67,500
- Second Excess Layer (AIG)
  Estimated Premium - $81,500
- Railroad Protective Liability (AIG)
  Estimated Premium – (included in General Liability pricing)

Total Estimated Premium = $359,000 (all premiums are net of commission).

AIG required DRPA to issue Letters of Credit (“LOC”) for the 2008-2012 term valued at approximately $10.5 million. The LOC was subsequently reduced to $5.2 million due to the resolution of claims.
Extensions

associated with the 2000-2004 and 2004-2008 OCIPs. The term of 
LOC was extended through December 31, 2013. The DRPA may be 
required to renew its current LOCs to cover the policy terms through 
September 30, 2014 and beyond to cover any remaining open claims. 
DRPA may also be required to furnish additional collateral based on 
AIG's review of the DRPA's financial statements.

SUMMARY:

Amount: estimated $359,000
Source of Funds: General Fund
Capital Project #: OCIP08
Operating Budget: N/A
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: March 7, 2013-June 30, 2014
LOCs through a date to be determined
Other Parties Involved: Turner Surety and Insurance Brokerage, 
Inc., AIG Insurance Companies
RESOLUTION

RESOLVED: That the Board authorizes staff to extend until June 30, 2014 (the projected termination date of the extended OCIP) the following six (6) policies: Primary General Liability (estimated $75,000), Primary Workers’ Compensation (premium included in General Liability pricing), Lead Excess Layer-$25M limits (estimated $135,000), First Excess Layer-$25M to $25M (estimated $67,500), Second Excess Layer-$50M to $50M (estimated $81,500) and Railroad Protective (premium included in General Liability pricing) for a total estimated premium of $359,000 (net of commission), under the same terms and conditions with the incumbent carrier, AIG; and be it further

RESOLVED: That the Board authorizes staff to extend the Letters of Credit for the 2008-2012 OCIP for a date yet to be determined; 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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