SUMMARY STATEMENT

ITEM NO.: DRPA-14-053
SUBJECT: Addendum to the TSIB Broker/Consultant Agreement for Owner Controlled Insurance Program to Perform Limited Administration and Close-Out Reviews of AIG Billings

COMMITTEE: Finance

COMMITTEE MEETING DATE: April 2, 2014

BOARD ACTION DATE: April 16, 2014

PROPOSAL: That the Board authorizes Turner Surety and Insurance Brokerage (TSIB), the Authority’s current OCIP Administrator and Broker/Consultant, to represent DRPA in all matters related to the administration and close out of any AIG billings, on an as-needed basis.

If approved, the representation would be limited all matters related to the administration and close-out of any AIG billings concerning the former and now expired OCIP policies (1/7/2000-3/7/2004 and 3/7/2004-3/7/2008). These former, and now expired policies were placed previously by The Graham Company.

For this work, TSIB has proposed an hourly rate of $175, not-to-exceed $25,000 annually. TSIB has confirmed, in writing, that it will not receive any commissions on any retro-adjustments payable to AIG.

PURPOSE: To allow TSIB, the Authority’s current OCIP Broker/Consultant to perform limited administration and close-out reviews of AIG billings, on an as-needed basis, of the Authority’s former and now expired OCIP policies (1/7/2000-3/7/2004 and 3/7/2004-3/7/2008). As noted above, these policies were previously placed by The Graham Company.

BACKGROUND: In August 2012, pursuant DRPA-12-064, the Board appointed TSIB as the Broker/Consultant to administer the Authority’s Owner Controlled Insurance Program (OCIP). Under that authorization, TSIB provides contractual review, program design, insurance marketing, and claims management, among other tasks.

Since there was no Broker/Consultant Agreement with The Graham Company at the time the earlier two OCIP programs were placed, The Graham Company has taken the position that it has no contractual obligation to review and recommend payment for any retro-adjustments demanded from AIG. The administrative transfer
SUMMARY STATEMENT
Finance 4/2/2014

Addendum to the TSIB Broker/
Consultant Agreement for Owner
Controlled Insurance Program to Perform
Limited Administration and Close-Out
Reviews of AIG Billings

of the OCIP insurance program(s) obligations from the former broker, The Graham Company to TSIB was not listed as part of the program management tasks shown in the OCIP Brokerage and Consulting Services Agreement executed on August 16, 2012 OCIP. Under the terms of the current agreement, TSIB was provided limited authority as Broker of Record.

Since TSIB has no contractual obligation to review and recommend payment for any retro-adjustments associated with former and now expired OCIP policies, staff recommends an Addendum to the existing OCIP Broker/Consulting Agreement with TSIB. This recommendation was discussed with General Counsel on July 29, 2013, as the approved process for addressing future retro-adjustments that the Authority may owe. She concurred with the recommendation, and an addendum was prepared for these technical but critical administrative processes. However, staff was subsequently counseled by DRPA Assistant General Counsel to seek Board approval because the $25,000 exceeds 10% of the overall contract value of $100,000.

TSIB has requested that the Authority hold TSIB harmless and to indemnify the broker for any claims or deficiencies in the placement of the expired OCIP policies (1/7/2000-3/7/2004 and 3/7/2004-3/7/2008), which were formerly placed by The Graham Company programs. It is further understood that any deficiencies with the former and now expired OCIP policies for claims occurring before the limited Broker of Record letter remains the responsibility of the former broker, The Graham Company.

Staff recommends that the Board approve an Addendum to the current OCIP Broker/Consultant Agreement with TSIB. The Addendum would authorize TSIB to represent DRPA in all matters pertaining to the administration and close-out of any AIG billings, on an as-needed basis, related to OCIP expired policies (1/7/2000-3/7/2004 and 3/7/2004-3/7/2008), which were previously placed by The Graham Company. If approved, the hourly rate for TSIB’s services would be $175, not-to-exceed $25,000 annually.
SUMMARY STATEMENT  
Addendum to the TSIB Broker/Finance 4/2/2014 Consultant Agreement for Owner Controlled Insurance Program to Perform Limited Administration and Close-Out Reviews of AIG Billings

<table>
<thead>
<tr>
<th>SUMMARY:</th>
<th>Amount:</th>
<th>Total: An hourly rate of $175, not-to-exceed $25,000 annually</th>
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<tr>
<td>Source of Funds:</td>
<td>Revenue Fund and General Fund (PATCO portion)</td>
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<tr>
<td>Capital Project #:</td>
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<tr>
<td>Operating Budget:</td>
<td>DRPA Risk Mgt. C/E #8, PATCO Admin. C/E Insurance &amp; Claims</td>
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<td>Master Plan Status:</td>
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<td>Other Fund Sources:</td>
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<td>Duration of Contract:</td>
<td>Term of the TSIB Broker/Consulting Agreement for the OCIP</td>
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<tr>
<td>Other Parties Involved:</td>
<td>Turner Surety and Insurance Brokerage and AIG</td>
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RESOLUTION

RESOLVED: That the Board authorizes TSIB, the current OCIP Administrator and Broker/Consultant, to represent DRPA, on an as-needed basis, in all matters pertaining to the administration and close-out of any AIG billings, of the expired OCIP policies (1/7/2000-3/7/2004 and 3/7/2004-3/7/2008), previously placed by the Graham Company; and be it further

RESOLVED: That the Board authorizes an hourly rate of $175, not-to-exceed $25,000 annually; and be it further

RESOLVED: That the Board authorizes an Addendum be executed to the current OCIP Broker/Consultant Agreement with TSIB; and be it further

RESOLVED: The Chair, Vice Chair 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 Chair, Vice Chair and Chief Executive Officer and if thereafter either the Chair or Vice Chair 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 Chair and Vice Chair 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: Total: An hourly rate of $175, not-to-exceed $25,000 annually
Source of Funds: Revenue Fund and General Fund (PATCO portion)
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
Addendum to the TSIB Broker/Consultant Agreement for Owner Controlled Insurance Program to Perform Limited Administration and Close-Out Reviews of AIG Billings

Duration of Contract: Term of the TSIB Broker/Consulting Agreement for the OCIP
Other Parties Involved: Turner Surety and Insurance Brokerage and AIG