SUMMARY STATEMENT

ITEM NO.: DRPA-14-087
SUBJECT: Renewal of DRPA/PATCO Commercial Non-Bridge Property Policy

COMMITTEE: Finance

COMMITTEE MEETING DATE: June 4, 2014
BOARD ACTION DATE: June 19, 2014

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.

The incumbent carrier is Affiliated FM Global. On 12/31/2012, Affiliated FM offered an 18-month term (12/31/2012-8/1/2014), which the Board approved. The premium for that 18-month policy was $456,999, including TRIA and NJ PLIGA tax. Affiliated FM is unwilling to offer another 18-month policy. Instead, they have offered a 12-month policy term (8/1/2014-8/1/2015) at the same rate of .0595 cents. The estimated premium for the 12-month policy is $323,638, including TRIA and NJ PLIGA tax.

At staff’s direction, Aon marketed the DRPA’s Commercial Non-Bridge policy to the following carriers to secure the most competitive premium:

- Affiliated FM Global - quoted estimated annual premium of $323,638 including NJ PLIGA tax and TRIA (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
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- 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
- 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 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 and PATCO Facilities. The policy carries a $100,000 deductible (higher deductibles apply to losses resulting from Earth Movement and Flood).

In 2014, the policy coverage was based on a blanket loss limit of $514,445,005. This year, Aon recommended trending the real and personal property values by 2% or by $6,951,973, bringing the total blanket loss limit to $521,396,978.

Despite the overall increase in blanket loss limits, Affiliated FM Global has
offered the same flat renewal rate of .0595 cents. Our broker asked Affiliated FM Global to quote a long term policy; however, Affiliated FM Global said they could not accommodate the request for the upcoming renewal.

The Terrorism Risk Insurance Act (TRIA) was enacted in 2002 following the September 11, 2001, terrorist attacks to address the near complete withdrawal of private terrorism coverage from the property and casualty commercial lines market. It provides private insurers with a Federal “backstop” for certain large terrorism events and requires that carriers of “covered lines” make coverage available for losses resulting from certified acts of terrorism. Last reauthorized in 2007, TRIA is set to expire on December 31, 2014, unless extended by Congress. Three bills that would extend TRIA are currently pending before the US House of Representatives. In the event Congress does not extend TRIA, Affiliated FM Global has agreed not to make any mid-term changes to the policy effective 8/1/2014. We will continue to have terrorism coverage throughout the full term of the policy, and will not be charge any additional premium beyond the $20,000 that is already included in the proposed annual premium.

The total estimated premium for a 12-month policy term is $323,638, including TRIA and applicable taxes.

Aon recommends that we move forward with the proposed renewal quote from Affiliated FM Global for an annual policy term of August 1, 2014 to August 1, 2015. If approved, the annual estimated premium will be $323,638, including NJ PLIGA tax and TRIA, and net of commission. Staff agrees with Aon’s recommendation.
### SUMMARY:

<table>
<thead>
<tr>
<th>Amount:</th>
<th>Estimated $323,638 (including NJ PLIGA tax and TRIA, net of commission for the annual term)</th>
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<tbody>
<tr>
<td>Source of Funds:</td>
<td>Revenue and General Funds</td>
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<td>Capital Project #:</td>
<td>N/A</td>
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<td>Operating Budget:</td>
<td>DRPA Risk Mgt. C/E #8</td>
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<td>(DRPA/OPC)</td>
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<td>PATCO Admin. Ins &amp; Claims – TBD</td>
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<td>Master Plan Status:</td>
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<td>Other Fund Sources:</td>
<td>N/A</td>
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<tr>
<td>Duration of Contract:</td>
<td>August 1, 2014-August 1, 2015</td>
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<td>Other Parties Involved:</td>
<td>Aon Risk Services and Affiliated   FM Global</td>
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RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to accept the annual renewal quote from incumbent, Affiliated FM Global Insurance Company, for the Commercial Non-Bridge Property Policy, for the annual policy term of August 1, 2014 – August 1, 2015, at an estimated annual premium of $323,638, including NJ PLIGA tax and TRIA, and net of commission; 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: Estimated $323,638 (including NJ PLIGA tax and TRIA, net of commission for the annual term

Source of Funds: Revenue and General Funds

Capital Project #: N/A

Operating Budget: DRPA Risk Mgt. C/E #8

(PATCO/OPC)

PATCO Admin. Ins & Claims – TBD

Master Plan Status: N/A

Other Fund Sources: N/A

Duration of Contract: August 1, 2014-August 1, 2015

Other Parties Involved: Aon Risk Services and Affiliated FM Global