SUMMARY STATEMENT

ITEM NO.: DRPA-15-036  SUBJECT: Renewal of DRPA/PATCO Commercial Non-Bridge Property Policy

COMMITTEE: Finance

COMMITTEE MEETING DATE: April 1, 2015

BOARD ACTION DATE: April 15, 2015

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, net of commission. Pursuant to DRPA-12-066, Aon is paid a fixed annual service fee not-to-exceed $129,000, payable in quarterly installments of $32,250.

For purposes of administration, staff recommends that we renew the existing policy term from 8/1/2015 to 12/31/16. The purchase of a 16-month policy will lock-in the proposed annual rate of .0584, which is a decrease from the expiring annual rate of .0595.

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 incumbent carrier is Affiliated FM Global. DRPA-14-087 approved an annual policy term of 8/1/2014-8/1/2015, at a rate reduction of 2% @ 0.0595 cents. The expiring premium for the 12-month policy is $322,746, including Terrorism Risk Insurance Act (TRIA) and NJ Property-Liability Insurance Guaranty Association (PLIGA) tax.

The Commercial Non-Bridge Property policy provides insurance for non-bridge assets including One Port Center, PATCO buildings and garages to name a few. In addition, the policy provides coverage for Boiler and Machinery, Business Interruption, and Terrorism. The property insurance for non-bridge assets insures DRPA and PATCO’s real and
personal property (premises, buildings, equipment, 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 loss 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 $521,396,978. For the 16-month policy term from 8/1/2015 to 12/31/2016, Aon recommended trending the real property (buildings) by 2.9% and the personal property values by 1.6% or by $12,268,639, increasing the total blanket loss limit to $533,665,617.

Despite the overall increase in blanket loss limits, Affiliated FM Global has offered a lower annual renewal rate of 0.0584 cents for a 16-month extended renewal policy term. The total premium for the 16-month renewal policy term from 8/1/2015-12/31/2016 is estimated at $456,479, including TRIA and the NJ PLIGA tax.

Aon recommends that we accept the proposed renewal quote from Affiliated FM Global for the 16-month policy term of August 1, 2015 to December 31, 2016. If approved, the estimated premium for the 16-month renewal term will be $456,479, including NJ PLIGA tax and TRIA, and net of commission. Staff agrees with Aon’s recommendation.
<table>
<thead>
<tr>
<th><strong>SUMMARY</strong>:</th>
<th><strong>Amount:</strong></th>
<th>Estimated 16-month term premium $456,479 (including NJ PLIGA tax and TRIA, net of commission)</th>
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</thead>
<tbody>
<tr>
<td><strong>Source of Funds:</strong></td>
<td>Revenue and General Funds</td>
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<tr>
<td><strong>Capital Project #:</strong></td>
<td>N/A</td>
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<td><strong>Operating Budget:</strong></td>
<td>DRPA Risk Mgt. C/E #8 (DRPA/OPC) PATCO Admin. Ins &amp; Claims – TBD</td>
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<td><strong>Master Plan Status:</strong></td>
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<td><strong>Other Fund Sources:</strong></td>
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<td><strong>Duration of Contract:</strong></td>
<td>August 1, 2015-December 31, 2016</td>
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<td><strong>Other Parties Involved:</strong></td>
<td>Aon and Affiliated FM Global</td>
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RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to accept the 16-month policy term quote from incumbent, Affiliated FM Global Insurance Company, for the Commercial Non-Bridge Property Policy, for the policy term of August 1, 2015 – December 31, 2016, at an estimated premium of $456,479, 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 16-month term premium $456,479 (including NJ PLIGA tax and TRIA, net of commission)

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: August 1, 2015-December 31, 2016
Other Parties Involved: Aon and Affiliated FM Global