SUMMARY STATEMENT


COMMITTEE: Finance

COMMITTEE MEETING DATE: October 14, 2015

BOARD ACTION DATE: October 21, 2015

PROPOSAL: That the Board authorizes staff to bind the renewal of the DRPA’s Commercial Automobile Liability Policy. This policy is placed by our Broker/Consultant, Turner Surety & Insurance Brokerage (TSIB).

Pursuant to DRPA-15-062, TSIB is paid a fixed annual service fee of not-to-exceed $141,000 payable in quarterly installments. Pursuant to the terms of the Broker/Consultant Service Agreement, TSIB understands that no commissions shall be paid on any insurance policies placed on DRPA’s behalf. Therefore, the proposed policy premium is net of commission.

TSIB marketed the Authority’s Commercial Automobile Liability policy to several insurance companies to secure the most competitive premium.

TSIB marketed the coverage to the following carriers:

• Liberty Mutual - quoted $499,000 (incumbent, tax TBD)
• Selective Ins. Co. - quoted $493,000 (tax TBD)
• Utica National - declined, no police units
• Travelers - declined, not enough time to quote
• Hartford - declined, not enough time to quote

PURPOSE: To renew the Commercial Automobile Liability policy for the term of December 31, 2015 through December 31, 2016.

BACKGROUND: DRPA’s existing Commercial Automobile Liability will expire December 31, 2015.

The expiring policy provides a combined single limit of $1 million for any accident or loss (no aggregate), and also provides an Uninsured/Underinsured Motorist limit of $35,000 per occurrence. The policy will continue not to provide any Comprehensive or Collision damage coverage to any of the Authority’s power units.
The Authority continues to self-insure all physical damage on all owned and insured power units and trailers.

With the exception of the coverage for Garagekeepers’ liability, there are no deductibles. The Garagekeepers’ liability coverage includes a $1,000 deductible for comprehensive coverage (e.g., fire, theft, glass breakage) for any vehicles in the “care, custody, and control” of the DRPA while located on the two designated impound lots) and a $1,000 deductible for collision coverage of any vehicles while in the “care, custody, and control” of the DRPA in designated impound lots. There is a maximum deductible of $5,000 for both the comprehensive and collision coverage only (e.g., if one event were to cause damage to 10 vehicles), the maximum deductible of $5,000 would apply.

Under the policy, the DRPA is not subject to any deductibles under the Bodily Injury and Property Damage coverages. The expiring policy provides a combined single limit of $1 million for any accident or loss (no aggregate). The policy also provides an Uninsured/Underinsured Motorist limit of $35,000 per occurrence.

The 12/31/2014–12/31/2015 premium for the Commercial Automobile Liability Policy was $561,434 based on 244 power units.

TSIB has presented the following renewal option for our consideration:

- Liberty Mutual has proposed a renewal quote for the annual policy term 12/31/2015-12/31/2016 for an estimated premium of $499,000 (NJ PLIGA tax TBD). This is a savings of $62,434 from the current premium or an 11.12% decrease in premium. The renewal quote is based on 244 power units, the same number of power units as last year.

- Selective Insurance Company has proposed a quote for the annual policy term 12/31/2015-12/31/2016 for an estimated premium of $493,000 (NJ PLIGA tax TBD). This is a savings of $68,434 from the current premium or a 12.18% decrease in premium.
Selective Insurance Company was the Authority’s former Commercial Automobile Liability insurance company (August 1, 2011-December 31, 2012), which was placed by the broker, Willis of NJ Inc. DRPA-12-066 appointed Aon as the broker of record in 2012. Aon did not represent Selective Insurance Company. Selective did not accept Aon’s Broker of Record Letter. Selective declined to issue a renewal quote to the DRPA since Selective is not a direct writer. As a result, Aon placed the Commercial Automobile Liability insurance with Liberty Mutual. TSIB does represent Selective and secured an aggressive quote and coverage form. The Selective policy form provides the same coverage as the current policy but provides several enhancements compared to the expiring policy form with Liberty Mutual:

- Expenses for Bail bonds - $3,000
- Loss of earnings - $1,000 per day
- Employees as insureds - covers employees who borrow a non-owned auto for either business or personal affairs and provides coverage should DRPA be named in a lawsuit.
- Non-ownership extension for public entities – covers “Non-employees” such as elected officials, volunteers, etc. should these individuals operate a non-owned auto in business affairs related to DRPA/PATCO
- Care, custody and Control - if a vehicle is being towed, coverage applies to the vehicle under the Garagekeepers form, but extends $1,000 coverage to any property in DRPA/PATCO’s care, custody and control that is located inside that vehicle

The Selective quotation is subject to favorable motor vehicle reports for all Authority licensed drivers. As part of the underwriting process, Selective randomly orders and reviews motor vehicle reports from a sampling of drivers and may request that the Authority exclude drivers not meeting its acceptability criteria. Selective reviewed the Authority’s Fleet Safety policy to compare the differences between each other’s definition of “unacceptable driver”. The DRPA has a more restrictive policy in some respects. Selective’s motor vehicle report acceptability criteria are “guidelines” for determining acceptable drivers. These guidelines are not hard and fast rules and Selective realizes that there are exceptions that need to be made or situations that require or deserve extra consideration. The MVR criteria is to be used as a tool to assist Selective and the
Authority to manage the Authority’s Fleet Safety Program and to help minimize the chance of loss.

This policy term will run concurrently with the Commercial Umbrella Liability Policy Term 12/31/2015 - 12/31/2016.

TSIB recommends that staff accept the renewal option offered by Selective Insurance Company, for the policy term 12/31/2015-12/31/2016, at an estimated annual premium of $493,000 (NJ PLIGA tax TBD).

SUMMARY:

Amount: Approximately $493,000 (NJ PLIGA tax TBD)
Source of Funds: Revenue and General Funds
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. C/E#8
                           PATCO Admin. C/E Insurance
Master Plan Status: N/A
Other Fund Sources: N/A
Other Parties Involved: Turner Surety & Insurance
                         Brokerage and Selective Ins. Company
RESOLUTION

RESOLVED: That the Board authorizes staff to accept the proposed renewal premium from Selective Insurance Company for the Commercial Automobile Liability Policy for the policy term 12/31/2015-12/31/2016, at the annual estimated premium of $493,000 (NJ PLIGA tax TBD); 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, 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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