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/PATCO Crime insurance 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 Crime policy to several insurance companies to secure the most competitive premium.

TSIB marketed the coverage to the following carriers:
- Zurich - quoted $36,728 (incumbent)
- AIG - declined, not enough time to quote

PURPOSE: To reduce the DRPA’s exposure to loss by insuring against Employee Dishonesty, Forgery or Alteration, Theft, Disappearance and Destruction, Robbery and Safe Burglary, Computer Fraud/Wire Transfer, Money Order and Counterfeit Currency and Credit Card Forgery.

BACKGROUND: The Authority’s existing three-year Crime policy will expire December 31, 2015. The policy provides a single loss limit of $15 million each for Employee Dishonesty, Forgery or Alteration, Theft, Disappearance and Destruction, Robbery and Safe Burglary, and Computer Fraud and Wire Transfer, all subject to a $250,000 deductible. The policy has a separate $1,000 deductible for Money Orders and Counterfeit Currency and Credit Card Forgery. There are no aggregate loss limits. The current three-year Crime policy is billed on annual installments of $36,564 ($109,692 three-year term premium).
After gathering information from the Finance, HRS, and the Legal departments, staff submitted a completed but unsigned Zurich application to TSIB as part of the renewal underwriting process. TSIB has secured a renewal proposal from Zurich offering another three-year policy term, for the same terms and conditions as expiring and billed on annual installments. The three-year renewal premium will be $110,184 including NJ PLIGA tax, an increase of $492 from expiring.

Zurich will require the previously submitted application to be dated and signed by the CEO. The proposed renewal premium is strictly conditional upon no material changes in the previously submitted application (and attachments) occurring between 9/21/2015 (the date of the quote) and 12/31/2015, the effective date of the proposed policy. In the event of any change in risk, Zurich may in its sole discretion, whether or not this renewal premium has been already accepted by the Authority, may modify and/or withdraw their renewal quotation.

TSIB recommends that staff accept the renewal quote offered by incumbent, Zurich American, for the three-year policy term 12/31/2015-12/31/2018, at the three-year estimated premium of $110,184, payable in annual installments of $36,728.

**SUMMARY:**

| Amount: | 3-year approximate premium $110,184 (including NJ PLIGA tax); Payable in annual installments of $36,728 |
| Source of Funds: | Revenue and General Funds |
| 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 |
| Duration of Contract: | December 31, 2015-December 31, 2018 |
| Other Parties Involved: | Turner Surety & Insurance Brokerage and Zurich American |
RESOLUTION

RESOLVED: That the Board authorizes staff to accept the renewal premium from incumbent, Zurich American Insurance Company, for the Crime policy for the policy term December 31, 2015-December 31, 2018, at an estimated three-year premium of $110,184, including the NJ PLIGA tax) payable in annual installments of $36,728; 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: 3-year approximate premium $110,184 (including the NJ PLIGA tax); payable in annual installments of $36,728
Source of Funds: Revenue and General Funds
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. C/E #8 – TBD
PATCO Admin. C/E Insurance & Claims - TBD
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: 12/31/2015 – 12/31/2018
Other Parties Involved: Turner Surety & Insurance Brokerage and Zurich American