SUMMARY STATEMENT

ITEM NO.: DRPA-15-128                     SUBJECT: Renewal of DRPA/PATCO
                                              Claims Made Excess Liability Insurance Policy

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
Claims Made Excess Liability 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.

In 2014, the former broker marketed the policy to the following carriers:

• Lexington - quoted $872,370, includes TRIA (incumbent)
• Zurich - has expressed interest in quoting but did not respond by the due date
• XL Insurance - no response
• Gemini - declined due to bridge exposure
• Liberty Mutual - declined due to size of risk
• Swiss Re - declined, cannot be competitive with current pricing, terms and conditions
• ACE - declined due to bridge and rail exposures

PURPOSE: To renew the required property and casualty insurances to reduce the
DRPA’s exposure to loss and to insure against liability.

BACKGROUND: The Claims Made Excess Liability policy is a third-party liability policy that
provides coverage to DRPA and PATCO for losses by reason of liability imposed by law or assumed under contract for claims involving bodily injury, personal injury, property damage or advertising injury. The current carrier is Lexington Insurance Company. The policy limits for the expiring Claims Made Excess Liability policy is $25 million each accident/aggregate, subject to a $5 million self-insured retention.

The Authority’s existing Claims Made Excess Liability policy will expire December 31, 2015. The 12/31/2014–12/31/2015 premium for the Claims Made Excess Liability Policy is $872,370 (including TRIA).
TSIB advises that due to the increase in the exposure basis in two of the underlying policies, (see below), the overall impact in the renewal premium is a 2.4% increase or $21,076 over the expiring premium. The 2.4% increase is attributed to exposure increases, thereby increasing the underlying policy premiums and does not reflect any negative claims experience.

<table>
<thead>
<tr>
<th>Policy Term</th>
<th>2014-2015</th>
<th>2015-2016</th>
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</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>$330 million</td>
<td>$333 million</td>
</tr>
<tr>
<td>PATCO Payroll</td>
<td>$18.2 million</td>
<td>$19.2 million</td>
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</table>

Lexington has proposed an estimated renewal quote of $893,466 (including TRIA) for the policy term of 12/31/2015 to 12/31/2016.

The renewal quote is subject to receipt, review and acceptance of copies of the 2015 audited financials or annual report, when available.

TSIB recommends that staff accept the renewal quote offered by incumbent, Lexington Insurance Company for the policy term 12/31/2015-12/31/2016, at an estimated annual premium of $893,466 (including TRIA).

**SUMMARY:**

- **Amount:** Approximately $893,466 (Including TRIA)
- **Source of Funds:** Revenue Fund and General Fund (PATCO portion)
- **Capital Project #:** N/A
- **Operating Budget:** DRPA Risk Mgt. C/E #8
- **Master Plan Status:** N/A
- **Other Fund Sources:** N/A
- **Duration of Contract:** December 31, 2015-December 31, 2016
- **Other Parties Involved:** Turner Surety & Insurance Brokerage and Lexington Insurance Company
RESOLUTION

RESOLVED: That the Board authorizes staff to accept the renewal premium from the incumbent carrier, Lexington Insurance Company, for the Claims Made Excess Liability policy for the policy term December 31, 2015 – December 31, 2016, an estimated annual premium quote of $893,466 (including TRIA) which represents an increase of approximately 2.4% or $21,076 as a result of higher underlying exposures thereby increasing the underlying policy premiums; 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: Approximately $893,466 (Including TRIA)
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
Other Parties Involved: Turner Surety & Insurance Brokerage and Lexington Insurance Company