SUMMARY STATEMENT


COMMITTEE: Finance

COMMITTEE MEETING DATE: November 10, 2015

BOARD ACTION DATE: November 18, 2015

PROPOSAL: That the Board authorizes staff to bind the renewal of the DRPA Marine Insurance Program. This program includes three policies: (1) Marine General Liability, and (2) Hull & Machinery, which includes Protection & Indemnity Coverage; and (3) Marine Umbrella Liability Insurance. These policies are 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.

Since the Marine Insurance Program does not renew until 2/1/2016, (more than 120 days in advance of the expiration date), the following markets declined to offer a quote to TSIB:
- Endurance
- RSUI
- Navigators

Starr Indemnity & Liability Insurance Company has been the incumbent carrier since 12/31/2012 when the former carrier, The Chubb Group, exited from this class of business. Starr has been flexible with the offering of an extended policy term and has provided very competitive pricing.

PURPOSE: To reduce the DRPA’s exposure to loss arising out of its marine exposure including liability for bodily injury, property damage and contractual liability, related to the Authority’s Ferry and Public Safety patrol boat operations.

BACKGROUND: The expiring Marine Insurance Program, includes the following three components: (1) Marine General Liability, (2) Hull & Machinery, which includes Protection & Indemnity coverage; and (3) Marine Umbrella Liability Insurance. A summary of the three program components, along with premiums for each component for policy term 8/1/2014 – 2/1/2016 follows:
The expiring Marine Insurance Program, includes the following three components: (1) Marine General Liability, (2) Hull & Machinery, which includes Protection & Indemnity coverage; and (3) Marine Umbrella Liability Insurance. A summary of the three program components, along with premiums for each component for policy term 8/1/2014 – 2/1/2016 follows:

Component #1 – Marine General Liability ($11,326 including taxes & TRIA)

The Marine General Liability Policy provides coverage for marine operations pertaining to the Public Safety Patrol Boat. The Marine General Liability Policy includes a $1 million limit for any one occurrence, subject to a $2 million general aggregate. The deductible per any one occurrence is $10,000.

Component #2 – Hull & Machinery, including Protection & Indemnity ($26,231 including taxes & TRIA* (term premium after reduction in hull value from $2,500,000 to $1,250,000)

The Authority owns one Ferry Boat, which is currently under a passenger ferry management agreement with Delaware River Waterfront Corporation (DRWC). There is a pending sale of the Ferry boat subject to Federal Highway approval. Pursuant to the terms of the passenger ferry management agreement, the DRPA shall be reimbursed by DRWC for its pro-rata share of all insurance premium costs applicable to the time period during which the DRWC engages the services of an operator to provide passenger services. The DRWC shall require its operators to either reimburse the DRPA for the insurance premium costs incurred, or to procure and pay for its own policy of insurance with coverage equivalent to the reflected insurance exhibit in the agreement’s insurance requirements. The operator is obligated to provide Hull & Machinery, including Protection & Indemnity coverage for the Ferry Boat. The passenger ferry management agreement shall continue for the balance of the exclusivity period, terminating on December 31, 2018, unless sooner terminated. It is anticipated that the Management Agreement will be extended from 1/1/16 to 12/31/16.

The DRPA owns one Patrol Boat, which is operated by the Marine Unit of the Public Safety Division. The Patrol Boat is a 2005 Safe Boat International 27’ cabin boat. DRPA is responsible for providing the Hull & Machinery, including Protection & Indemnity for the Patrol Boat.

Under the current policy with Starr, the Hull & Machinery deductible is $15,000 per occurrence for the Patrol Boat and $15,000 per occurrence for
the Ferry Boat while port-side. The insured value of the Patrol Boat for Hull & Machinery is $300,675. The insured value of the Ferry Boat for Hull & Machinery is $1,250,000. The Protection & Indemnity limits of liability are $1 million per occurrence, with no policy aggregate. The Protection & Indemnity deductible per occurrence is $5,000 for Bodily Injury and $10,000 deductible per occurrence for Property Damage.

Component #3 – Marine Umbrella Liability ($13,801 including taxes & TRIA)
The Marine Umbrella Liability Insurance provides coverage excess of the Marine General Liability and the Protection & Indemnity Liability policies. The Marine Umbrella Liability insurance limit is $4 million per occurrence and in the aggregate.

Total Premium for Components 1, 2, and 3:
Starr Indemnity issued a long-term policy from 8/1/2014-2/1/2016 for the premium of $51,358, including taxes and TRIA.

Starr has offered a renewal indication (indication as versus firm renewal quote since it is more than 120 days in advance of the expiration date) with the same rates, terms and conditions as expiring. Staff requested a quote for an 11-month policy term from 2/1/2016-12/31/2016 to be concurrent with the expiration date of the Vessel Pollution Policy. Although adjusted for the shorter renewal term, Starr has offered a flat renewal indication with the same terms and conditions as expiring.

Please note that the renewal indications for each of the three component policies is subject to the following:

- The renewal indication will be reviewed 90 days prior the renewal date;
- The renewal indication may be withdrawn at any time prior to acceptance and in no event will it remain open beyond 30 days or the effective, 2/1/2016, whichever comes first;
- The renewal indication is strictly conditioned upon no material change in information provided to Starr. In the event of such change in the exposure or conditions, Starr may (at their sole discretion and whether or not this renewal indication has already been accepted by the Authority) modify and/or withdraw the renewal indication.

TSIB recommends that staff accept the proposed renewal indication from Starr Indemnity & Liability Insurance Company for the 11-month policy.
SUMMARY STATEMENT
Finance 11/10/2015

Renewal of Marine General Liability, Hull & Machinery, Including Protection & Indemnity, and Marine Umbrella Liability Insurance Policies

term from 2/1/2016-12/31/2016 for the estimated 11-month premium of $38,301.18 (including taxes & TRIA) for the Marine General Liability, Hull & Machinery, including Protection & Indemnity, and Marine Umbrella Liability Insurance.

SUMMARY:
Amount: Approximately $38,301.18, 11-month policy (including NJ PLIGA tax & TRIA)
Source of Funds: Revenue and General Funds
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. C/E #8 – TBD (DRPA)
Master Plan Status: N/A
Other Fund Sources: N/A
Other Parties Involved: Turner Surety & Insurance Brokerage and Starr Indemnity and Liability Insurance Company
RESOLUTION

RESOLVED: That the Board authorizes staff to accept the proposed 11-month policy term renewal indication from Starr Indemnity & Liability Insurance Company, for the Marine General Liability, Hull & Machinery, including Protection and Indemnity, and Marine Umbrella Liability Insurance Policies, for the 11-month policy term February 1, 2016 – December 31, 2016, at an estimated 11-month premium of $38,301.18, including NJ PLIGA tax & TRIA; 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: Approximately $38,301.18, 11-month policy (including NJ PLIGA tax & TRIA)
Source of Funds: Revenue and General Funds
Capital Project #: N/A
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