

SUMMARY STATEMENT

ITEM NO.: DRPA-16-101

**SUBJECT: Renewal of DRPA/PATCO
Commercial Automobile Liability Policy**

COMMITTEE:

Finance

COMMITTEE MEETING DATE:

September 14, 2016

BOARD ACTION DATE:

September 21, 2016

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:

- Hartford - declined, due to current pricing/risk appetite
- Liberty Mutual - declined, lack of time to quote
- Selective Ins. Co. - quoted \$963,361 (incumbent)
- Travelers - declined, due to current risk appetite
- Utica National - declined, no police units

PURPOSE: To renew the Commercial Automobile Liability policy for a 24-month policy term from December 31, 2016 through December 31, 2018.

BACKGROUND: DRPA's existing Commercial Automobile Liability will expire December 31, 2016.

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' \$30,000 limit of 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 12/31/2015–12/31/2016 premium for the Commercial Automobile Liability Policy was \$492,990 based on 244 power units and 62 trailers.

TSIB has presented the following renewal option for our consideration:

Selective Insurance Company of America has offered a renewal quote for a 24-month policy term to lock-in the rates from 12/31/2016-

12/31/2018, for an estimated premium of \$963,361 (NJ PLIGA tax included) based upon 248 power units (an increase of 4 units) and 90 trailers (an increase of 28 units). This premium is payable in two annual installments of \$481,681. This represents an annualized savings of \$11,309 from the current premium of \$492,990 or a 2% decrease. The decrease in premium can be directly related to the reduction of both the frequency of and severity of the number of motor vehicle accidents; including the zero reported quarterly police pursuits and the management of the Authority's Fleet Safety Program.

TSIB secured an aggressive renewal quote and the Selective policy form provides the same terms and conditions as the current policy. Some of the policy enhancements are:

- Expenses for Bails 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.

The final subjectivity to the proposed 24-month renewal quotation is a requirement for the Authority to complete a voluntary composite-rated automobile worksheet at the expiration of the first 12 months of the policy term (12/31/2017). Selective requires that the Authority obtain the accurate vehicle count at that time and complete the voluntary composite-rated automobile worksheet. If the number of power units and trailers deviate from the rated number of 248 and 87, respectively, Selective will either issue an invoice for an additional premium or issue a credit invoice for a return premium.

Selective has proposed a 24-month renewal policy from 12/31/2016-12/31/2018 at the estimated premium of \$963,361 (including NJ PLIGA tax), payable in two annual installments of \$481,681. This represents an annualized savings of \$11,309 from the current premium of \$492,990 or a 2% decrease.

TSIB recommends that staff accept the renewal premium quote from incumbent, Selective Insurance Company, for the 24-month policy term 12/31/2016-12/31/2018, at the estimated premium of \$963,361 including the NJ PLIGA tax; net of commission and payable in two annual installments of \$481,681 each. Staff agrees with TSIB's recommendation.

**SUMMARY: Amount: Approximately \$963,361
(Including NJ PLIGA tax) net of commission payable
in two annual installments of \$481,681 each**

Source of Funds:	Revenue and General Funds
Capital Project #	N/A
Operating Budget:	DRPA Risk Mgt. Commitment 770000 PATCO Admins. Commitment 770000
Master Plan Status:	N/A
Other Fund Sources:	N/A
Duration of Contract:	December 31, 2016–December 31, 2018
Other Parties Involved:	Turner Surety & Insurance Brokerage and Selective Insurance Company of America

DRPA-16-101
Finance: September 14, 2016
Board Date: September 21, 2016
Renewal of DRPA/PATCO Commercial
Automobile Liability Policy

RESOLUTION

- RESOLVED:** That the Board authorizes staff to accept the 24-month renewal policy quote from incumbent, Selective Insurance Company of America for the Commercial Automobile Liability Policy for the policy term 12/31/2016-12/31/2018, at the estimated premium of \$963,361 including NJ PLIGA; payable in two annual installments of \$481,681 each and net of commission; and be it further
- RESOLVED:** That the Board recognizes that pursuant to the final subjectivity staff must complete a voluntary composite-rated automobile worksheet at the expiration of the first 12 months of the policy term (12/31/2017). Selective requires that the Authority obtain the accurate vehicle count at that time and complete the voluntary composite-rated automobile worksheet. If the number of power units and trailers deviate from the rated number of 248 and 87, respectively, Selective will either issue an invoice for an additional premium or issue a credit invoice for a return premium; 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.

SUMMARY:	Amount:	Approximately \$963,361 (Including NJ PLIGA tax) net of commission and payable in two annual installments of \$481,681 each
	Source of Funds:	Revenue and General Funds
	Capital Project #	N/A
	Operating Budget:	DRPA Risk Mgt. Commitment 77000 PATCO Admins. Commitment 770000
	Master Plan Status:	N/A
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	Duration of Contract:	December 31, 2016–December 31, 2018
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