

SUMMARY STATEMENT

ITEM NO.: DRPA-16-106

SUBJECT: Renewal of DRPA/PATCO
Claims Made Excess Liability Insurance 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/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.

TSIB marketed the DRPA/PATCO Claims Made Excess Liability Insurance policy to the following carriers:

- Lexington - Quoted \$933,519, includes TRIA (incumbent)
- Chubb - Declined, required a higher retention than expiring
- Liberty Mutual - Declined, required a higher retention than expiring
- Munich Re - Non-responsive – unable to meet quote by deadline
- Zurich - Declined, required a higher retention than expiring

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, 2016. The 12/31/2015–12/31/2016 premium for the Claims Made Excess Liability Policy is \$893,446 (including TRIA). The NJ

Property-Liability Insurance Guaranty Association (NJ PLIGA) tax is not applicable to this policy.

Lexington's rating basis for determining the final premium charge is bridge traffic, bridge revenue and PATCO ridership numbers.

Policy Term	2015-2016	2016- 2017
Bridge Traffic	49,943,488	50,095,246
Bridge Revenue	\$311,849,152	\$312,800,00
PATCO Ridership	10,200,000	10,500,000

The projected 2016 and 2017 traffic (vehicle count), bridge revenue and PATCO ridership numbers were provided by Finance. TSIB advises that due to the increase in the exposure basis shown above and coupled with an economic/inflationary rate increase across its book of business, Lexington has increased the renewal pricing by 4.5% or \$40,073 over the existing premium. A 3% premium increase is attributed to exposure increases with the balance of 1.5%, as a pure economic/inflationary rate increase by AIG. The rate increase does not reflect any negative claims experience.

Lexington has proposed a renewal quote of \$933,519 (including TRIA) for the policy term of 12/31/2016 to 12/31/2017, for the same policy terms and conditions as the existing policy, which is a premium increase of \$40,073.

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 \$933,519 (including TRIA) and net of commission. The proposed term 12/31/2016-12/31/2017 is concurrent with the five underlying policies for the term 12/31/2016-12/31/2017. Staff agrees with this recommendation.

SUMMARY STATEMENT
Finance Committee 9/14/2016

Renewal of DRPA/PATCO Claims Made
Excess Liability Insurance

SUMMARY:	Amount:	Approximately \$933,519 (Including TRIA; net of commission))
	Source of Funds:	Revenue Fund and General Fund (PATCO portion)
	Capital Project #:	N/A
	Operating Budget:	DRPA Risk Mgt. Commitment 770000 PATCO Admin. Commitment 770000
	Master Plan Status:	N/A
	Other Fund Sources:	N/A
	Duration of Contract:	December 31, 2016-December 31, 2017
	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, 2016 – December 31, 2017, an estimated annual premium quote of \$933,519 (including TRIA) which represents an increase of approximately 4.5% or \$40,073; 3% attributed to exposure increases with the balance of 1.5%, as a pure economic/inflationary rate increase by Lexington;, net of commission; 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 \$947,315 (Including TRIA; net of commission)
	Source of Funds:	Revenue Fund and General Fund (PATCO portion)
	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, 2015-December 31, 2016
	Other Parties Involved:	Turner Surety & Insurance Brokerage and Lexington Insurance Company