

**SUMMARY STATEMENT**

**ITEM NO.: DRPA-16-107**

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

**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 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 12/31/2016, (more than 120 days in advance of the expiration date), Starr was only insurance carrier willing to propose a non-binding renewal indication.**

**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:**

**In order to have a concurrent expiration date with the balance of the Traditional Property & Casualty insurance policies, the board authorized by DRPA-15-138, the renewal of the Marine General**

**Liability, Hull & Machinery, Including Protection & Indemnity, and Marine Umbrella Liability Insurance Policies with the incumbent, Starr Indemnity & Liability Insurance Company for the 11-month policy term from 2/1/2016 to 12/31/2016. The total premium for the 11-month term 2/1/2016 to 12/31/2016 is \$38,301.18 including the Terrorism Risk Insurance Act (TRIA) and the NJ Property-Liability Insurance Guaranty Association (NJ PLIGA) tax. The policies will expire on December 31, 2016.**

**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 2/1/2016 to 12/31/2016 follows:**

**Component #1 – Marine General Liability (\$7,687.50 including TRIA and the NJ PLIGA) tax.**

**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 (\$22,157.43 including TRIA and the NJ PLIGA taxes)**

**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 conveyance 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 prior to when DRWC engaged the services of an operator to provide passenger services and to provide the required insurance coverage. 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. The passenger ferry management agreement was first extended from 1/1/16 to 12/31/16. If the transfer of ownership does not occur as of 12/31/16, the Authority will add the M/V Freedom back onto all three policies.**

**TSIB has provided a renewal option with and without coverage for the ferry boat.**

**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 existing 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 has been increased from \$300,675 to \$325,000.**

**On March 31, 2016, The M/V Freedom was deleted from the Hull & Machinery policy (insured for a value of \$1,250,000) after receiving confirming documentation from DRWC that the operator had been insuring the ferry boat during the term of the contract, not just on a seasonal basis. A return premium of \$12,236.95 was issued by Starr therefore adjusting the 2/1/2016 to 12/31/2016 term premium to \$9,678.51, for the Hull & Machinery, including Protection & Indemnity policy.**

**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.**

**Note: There was no return premium issued by Starr Indemnity for Component #1, Marine Liability, since the premium charged is the minimum premium.**

**Component #3 – Marine Umbrella Liability (\$8,456.25 including TRIA and the NJ PLIGA taxes)**

**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.**

**SUMMARY STATEMENT**  
Finance 9/14/2016

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

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There was no return premium issued by Starr Indemnity for Component #3, Marine Umbrella Liability since the premium charged is the minimum premium.

**Total Premium for Components 1, 2, and 3 from 2/1/2016 to 12/31/2016:**

Including the M/V Freedom and patrol boat	\$38,301.18
Excluding the M/V Freedom and including the patrol boat	\$26,064.23

The annualized premium including the ferry boat and patrol boat is \$41,783.10.

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 a 12-month policy term from 12/31/2016-12/31/2017, both with and without the M/V Freedom. Starr has offered a 12 month renewal indication that includes the increased value of the Patrol Boat, the rate for the 6 crew on the Patrol Boat, with the same terms and conditions as expiring. As a result, the premiums increased by \$1,783.10 or 1.9%.

**Option #1 insuring the M/V Freedom and the patrol boat:**

Marine General Liability	\$ 8,200
Hull & Machinery including Protection & Indemnity	\$24,600
Marine Umbrella	<u>\$ 8,200</u>
Total	\$41,000

Note: All premium indications above include TRIA and the NJ PLIGA tax.

**Option #2 insuring the patrol boat exclusively:**

Marine General Liability	\$ 8,200
Hull & Machinery including Protection & Indemnity	\$11,275
Marine Umbrella	<u>\$ 7,175</u>
Total	\$26,650

Note: All premium indications above include TRIA and the NJ PLIGA tax.

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**Please note that both options above 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, 12/31/2016, 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 for Option #1 from Starr Indemnity & Liability Insurance Company for the 12-month policy term from 12/31/2016-12/31/2017 for the estimated premium of \$41,000 (including TRIA and the NJ PLIGA tax), net of commission for the Marine General Liability, Hull & Machinery, including Protection & Indemnity, and Marine Umbrella Liability Insurance. Staff agrees with the recommendation.**

<b>SUMMARY:</b>	<b>Amount:</b>	<b>Approximately \$41,000 (including TRIA &amp; NJ PLIGA tax, net of commission)</b>
	<b>Source of Funds:</b>	<b>Revenue and General Funds</b>
	<b>Capital Project #:</b>	<b>N/A</b>
	<b>Operating Budget:</b>	<b>DRPA Risk Mgt. Commitment 770000</b>
	<b>Master Plan Status:</b>	<b>N/A</b>
	<b>Other Fund Sources:</b>	<b>N/A</b>
	<b>Duration of Contract:</b>	<b>12/31/2016 – 12/31/2017</b>
	<b>Other Parties Involved:</b>	<b>Turner Surety &amp; Insurance Brokerage and Starr Indemnity and Liability Insurance Company</b>

**DRPA-16-107**  
**Finance: September 14, 2016**  
**Board Date: September 21, 2016**  
**Renewal of Marine General Liability, Hull &**  
**Machinery Including Protection & Indemnity, and Marine**  
**Umbrella Liability Insurance Policies**

**RESOLUTION**

**RESOLVED:** That the Board authorizes staff to accept the proposed premium indication for Option #1, for the 12-month policy term 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 policy term December 31, 2016 – December 31, 2017, at an estimated premium of \$41,000, including TRIA and the NJ PLIGA tax; net of commission and be it further

**RESOLVED:** That the board recognizes that the proposed premium indication for Option #1, from Starr Indemnity & Liability Insurance for each of the three component policies is subject to the renewal indication to 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 date of 12/31/2016, whichever comes first; and 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, 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.

<b>SUMMARY:</b>	<b>Amount:</b>	<b>Approximately \$41,000 (including TRIA and the NJ PLIGA tax, net of commission)</b>
	<b>Source of Funds:</b>	<b>Revenue and General Funds</b>
	<b>Capital Project #:</b>	<b>N/A</b>
	<b>Operating Budget:</b>	<b>DRPA Risk Mgt. Commitment 770000</b>
	<b>Master Plan Status:</b>	<b>N/A</b>
	<b>Other Fund Sources:</b>	<b>N/A</b>
	<b>Duration of Contract:</b>	<b>12/31/2016 – 12/31/2017</b>
	<b>Other Parties Involved:</b>	<b>Turner Surety &amp; Insurance Brokerage and Starr Indemnity and Liability Insurance Company</b>