

## **SUMMARY STATEMENT**

**ITEM NO.:** DRPA-17-082

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

**COMMITTEE:**

Finance

**COMMITTEE MEETING DATE:**

October 4, 2017

**BOARD ACTION DATE:**

October 18, 2017

**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.

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 Public Safety patrol boat operations.

**BACKGROUND:** Pursuant to DRPA-16-107, the board authorized 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 12-month policy term from 12/31/2016 to 12/31/2017.

The total premium for the 12-month term 12/31/2016 to 12/31/2017 is \$26,650 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, 2017.

The 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 12/31/2016 to 12/31/2017 follows:

**Component #1 – Marine General Liability (\$8,200 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 (\$11,275 including TRIA and the NJ PLIGA tax)**

The conveyance of the Ferry boat has been transferred to the Delaware River Waterfront Corporation (DRWC) and has been deleted from the policies. 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.

The agreed value of the Patrol Boat for Hull & Machinery is currently \$325,000. With the age of the Patrol Boat being over ten years and with the addition of the new twin Yamaha 300-hp motors, an appraisal has been recommended in order to determine the Patrol Boat's actual cash value. Starr has valued the Patrol Boat with the new twin Yamaha 300-hp motors @ \$215,000. The non-binding indication premium for the renewal term is based upon the agreed value of \$215,000. Upon receipt of the appraisal, Starr may adjust the premium.

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Hull & Machinery, Including Protection &  
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Insurance Policies**

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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 (\$7,175 including TRIA and the NJ PLIGA tax)**

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 from 12/31/2016 to 12/31/2017:**

The annualized premium for the Patrol Boat is \$26,650.

Starr has offered a non-binding 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. TSIB requested a quote for a multiple-year policy term. Starr offered a 24-month policy term from 12/31/2017-12/31/2019. The 24-month renewal indication includes the same rates, terms and conditions as expiring. TSIB was able to negotiate a flat renewal premium for the Marine Program policies as follows:

Marine General Liability (24-month premium)	\$16,400
Hull & Machinery including Protection & Indemnity (24-month premium)	\$20,014
Marine Umbrella (24-month premium)	<u>\$14,350</u>
Total	\$50,764

**Note:** All premium indications above include TRIA and the NJ PLIGA tax. The 24-month policy term will be billed on an annual basis of \$25,382.

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Hull & Machinery, Including Protection &  
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**Please note that the non-binding renewal indication 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, 12/31/2017, 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 non-binding renewal indication from Starr Indemnity & Liability Insurance Company for the 24-month policy term from 12/31/2017-12/31/2019 for the estimated premium of \$50,764 (including TRIA and the NJ PLIGA tax), net of commission, billed on an annual premium basis of \$25,382, 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 \$50,764 for the 24-month term, billed on an annual basis of \$25,382, (including TRIA &amp; NJ PLIGA tax and 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>12/31/2017 – 12/31/2019</b>
	<b>Other Parties Involved:</b>	<b>Turner Surety &amp; Insurance Brokerage and Starr Indemnity and Liability Insurance Company</b>

**DRPA-17-082**  
**Finance: October 4, 2017**  
**Board Date: October 18, 2017**  
**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 non-binding proposed premium indication for the 24-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, 2017 – December 31, 2019, at an estimated premium of \$50,764, including TRIA and the NJ PLIGA tax; billed on an annual basis of \$25,382, net of commission; and be it further
- RESOLVED:** That the board recognizes that upon receipt of the appraisal for the Patrol Boat, Starr may adjust the premium for the Hull & Machinery agreed value of \$215,000 to the appraisal amount; and be it further
- RESOLVED:** That the board recognizes that the proposed non-binding premium indication 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 12/31/2017, 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.

**SUMMARY:**

<b>Amount:</b>	<b>Approximately \$50,764 for the 24-month term, billed on an annual basis of \$25,382 (including TRIA &amp; NJ PLIGA tax and 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>12/31/2017 – 12/31/2019</b>
<b>Other Parties Involved:</b>	<b>Turner Surety &amp; Insurance Brokerage and Starr Indemnity and Liability Insurance Company</b>