

SUMMARY STATEMENT

ITEM NO.: DRPA-17-083

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

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/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 \$942,409, includes TRIA (incumbent)
- Allianz - Declined, could not compete on the pricing provided by the incumbent carrier
- Navigators - Declined, could not match the existing terms and conditions of the current policy form at the current pricing

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, 2017. The 12/31/2016–12/31/2017 premium for the Claims Made Excess Liability Policy is \$933,519 (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 is bridge traffic, bridge revenue and PATCO ridership numbers.

Policy Term	2016- 2017	2017- 2018
Bridge Traffic	50,095,246	52,412,493
Bridge Revenue	\$312,800,000	\$332,620,079
PATCO Ridership	10,500,000	10,600,000

The projected 2017 and 2018 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, Lexington has increased the renewal pricing by .95% or \$8,890 over the existing premium. This represents a flat rate renewal for the policy, with the increase in premium solely as a result of the .95% increase in the estimated exposure basis of the PATCO Ridership. The increase in premium does not reflect any negative claims experience.

Lexington has proposed a renewal quote of \$942,409 (including TRIA) for the policy term of 12/31/2017 to 12/31/2018, for the same policy terms and conditions as the existing policy, which is a premium increase of \$8,890.

TSIB recommends that staff accept the renewal quote offered by incumbent, Lexington Insurance Company for the policy term 12/31/2017-12/31/2018, at an estimated annual premium of \$942,409 (including TRIA) and net of commission. The proposed term 12/31/2017-12/31/2018 is concurrent with the five underlying policies for the term 12/31/2017-12/31/2018. Staff agrees with this recommendation.

SUMMARY STATEMENT
Finance Committee 10/4/2017

Renewal of DRPA/PATCO Claims Made
Excess Liability Insurance

SUMMARY:	Amount:	Approximately \$942,409 (Including TRIA and 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, 2017-December 31, 2018
	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, 2017 – December 31, 2017, an estimated annual premium of \$942,409 (including TRIA) which represents an increase of approximately .95% or \$8,890; due solely to the .95% increase in the estimated exposure base of PATCO Ridership used to determine the final premium; 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.

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