SUMMARY STATEMENT

ITEM NO.: DRPA-19-092

SUBJECT: Renewal of DRPA/PATCO Commercial General Liability Policy

COMMITTEE: Finance

COMMITTEE MEETING DATE: October 2, 2019

BOARD ACTION DATE: October 16, 2019

PROPOSAL: That the Board authorizes staff to bind the renewal of the Authority’s Commercial General Liability insurance policy. This policy is placed by our Broker/Consultant, Turner Surety & Insurance Brokerage (TSIB).

Pursuant to DRPA-18-054, TSIB is paid a fixed annual service fee of not-to-exceed $160,380.00 payable in quarterly installments of $40,095. 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.

In 2019, TSIB marketed the DRPA’s Commercial General Liability policy to several carriers to secure the most competitive premium. A summary of the marketing efforts is as follows:

- Lexington - Quoted $111,100 (incumbent)
- Scion Underwriting - Lloyds of London Syndicate 2987 Quoted $103,000
- Chubb - Minimum deductible $50,000 Current deductible $25,000)
- Allianz - Declined, could not compete on price
- Selective - Declined, could not compete on price

PURPOSE: To reduce the DRPA’s exposure to loss by insuring against third-party Bodily Injury and Property damage claims that occur at all properties owned by the Authority including, but not limited to One Port Center, and other lots and blocks, such as ballfields in Philadelphia, and vacant lots along Admiral Wilson Blvd. in Camden.

BACKGROUND: Pursuant to DRPA-18-101, the Board authorized staff to renew the Authority’s Commercial General Liability policy effective December 31, 2018 to December 31, 2019. This policy insures the Authority against 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 Authority’s existing Commercial General Liability policy will expire December 31, 2019.
The policy provides an Occurrence Limit of $1 million per occurrence (general aggregate $5 million) subject to a $25,000 deductible per claim.

The current premium for the policy term December 31, 2018 to December 31, 2019 is $101,000.00, (this is Lexington’s minimum premium based upon the exposure basis - ratable square footage) including the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA). This policy is not subject to the NJ Property-Liability Insurance Guaranty Association (NJ PLIGA) tax.

Lexington has offered the following renewal option for our consideration:

- A proposed a 10% increase or an increase in premium of $10,100.00; and
- A change in the policy terms and conditions from a “broad form policy form” to a “designated locations schedule policy form”; and
- Revised policy language to the endorsement, “Designated Services or Operations” exclusion stating that coverage will not apply to “any and all bridges.” The current exclusion endorsement only lists the following schedule of excluded operations under the Commercial General Liability policy:
  
  Cruise Terminal(s), Passenger Ferry(s) and ticket booth(s);
  Railway(s), Equipment Buildings @ Bridge plazas, Tollbooth(s)

Presently, the policy is silent regarding the bridges, however, any bridge risk was never a part of the underwriting exposure for this particular policy, for the renewal term, December 31, 2019 to December 31, 2020, Lexington will specifically exclude any and all bridges, which is a restriction.

The proposed renewal premium for the policy term December 31, 2019 to December 20, 2020 is estimated at $111,100 (including TRIPRA). The proposed term December 31, 2019 to December 20, 2020 is concurrent with the Commercial Umbrella Liability Policy term December 31, 2019 to December 20, 2020.

Alternatively, TSIB has secured an optional quote from Scion Underwriting, which is backed by the Lloyds Syndicate 2987, for the
estimated annual premium of $103,000.00, (including TRIPRA), which is less than a 2% increase or $2,000 compared to the expiring premium; or a savings of $8,100.00 compared to Lexington’s renewal quote of $111,100.00.

The A.M. Best rating for Scion Underwriting is A, and financial size is XV. This carrier is non-admitted, the same as Lexington.

Scion Underwriting (Lloyds Syndicate 2987) matched the same expiring policy limits and deductible as Lexington. The differences in the policy terms and conditions from the current policy, are as follows:

- Auditable upon expiration @ 354.09 per square foot

- Wrap-Up Exclusion – as this policy is intended to be a non-construction policy, the CGL provided by Scion will not provide contingent/excess coverage for any wrap-ups the Authority may sponsor or participate in.

- Exclusion for Unmanned Aircraft (Authority-owned drones) – in the event the Authority purchases drones, TSIB will negotiate the removal of this exclusion along with recommending the appropriate insurance coverage

- Exterior Insulation and Finish Systems (EIFS) Exclusion - Engineering should determine whether any owned buildings include this exposure to third parties (potential “mold” claims as a result of water damage)

- Earth Movement Exclusion – Scion Underwriting/Lloyds has agreed to remove this exclusion upon binding authorization

TSIB does not represent Scion Underwriting (Lloyds Syndicate 2987) on a direct basis. Therefore, TSIB accessed Scion Underwriting (Lloyds Syndicate 2987) via the wholesale broker, RT Specialty of Irvine, CA. RT Specialty will receive a commission from Lloyds Syndicate 2987, but will not pay TSIB any commission, or any contingent, supplemental or other forms of additional compensation. Therefore, the proposed policy premium is net of commission.

TSIB recommends that staff accept the proposed quote from Scion Underwriting (Lloyds Syndicate 2987), for the policy term December 31, 2019 to December 20, 2020, at an estimated annual
premium of $103,000.00 (including TRIPRA) and net of commission. Staff recommends that the Board authorize TSIB to work with RT Specialty of Irvine, CA, as the Wholesale Broker, on behalf of the Authority to place the Commercial General Liability policy with Scion Underwriting (Lloyds Syndicate 2987).

Benefits of transitioning from Lexington to Scion Underwriting:

- Reduced annual premium, resulting in $8,100 savings
- Maintaining a “Broad Policy Form” as expiring. Note: Lexington was not willing to renew the Broad form; instead, they offered a “Designated Locations Schedule Policy Form”.

RT Specialty will receive a commission from Lloyds Syndicate 2987, but will not pay TSIB any commission, or any contingent, supplemental or other forms of additional compensation. Therefore, the proposed policy premium is net of commission.

Staff agrees with TSIB’s recommendation.

SUMMARY:  
Amount: Approximately $103,000.00 (including TRIPRA, and net of commission)
Source of Funds: Revenue and General Funds
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. Commitment 770100
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: December 31, 2019 to December 20, 2020
Parties Involved: Turner Surety & Insurance Brokerage (TSIB), Scion Underwriting (Lloyds Syndicate 2987) and RT Specialty of Irvine, CA
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to accept the proposed premium from Scion Underwriting (Lloyds Syndicate 2987), as the new carrier for the Authority’s Commercial General Liability Policy for the policy term 12/31/2019-12/31/2020, at an estimated annual minimum premium of $103,000; (including TRIPRA), and net of commission; and be it further

RESOLVED: That the Board of Commissioners authorizes RT Specialty of Irvine, CA, as the Wholesale Broker for the placement of this policy. RT Specialty will receive a commission from Lloyds Syndicate 2987, but will not pay TSIB any additional income, including commission, or any contingent, supplemental or other forms of additional compensation; 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:

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Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: December 31, 2019 to December 20, 2020
Parties Involved: Turner Surety & Insurance Brokerage (TSIB), Scion underwriting (Lloyds Syndicate 2987) and RT Specialty of Irvine, CA