SUMMARY STATEMENT

ITEM NO.: DRPA-19-095


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 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-18-054, TSIB is paid a fixed annual service fee of not-to-exceed $141,000 payable in quarterly installments of $40,095. In accordance with 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-17-082, 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 24-month policy term from 12/31/2017 to 12/31/2019.
The total premium for the 24-month policy term from 12/31/2017 to 12/31/2019 is $51,615 including the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA). The policy is not subject to the NJ Property-Liability Insurance Guaranty Association (NJ PLIGA) tax. The policies will expire on December 31, 2019.

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 12/31/2018 to 12/31/2019 follows:

Component #1 – Marine General Liability ($8,200 annual premium including TRIPRA).
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 ($10,858 annual premium including TRIPRA)
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. The agreed value of the Patrol Boat for Hull & Machinery is currently $275,000. Under the existing policy with Starr, the Hull & Machinery deductible is $15,000 per occurrence for the Patrol Boat.

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 annual premium including TRIPRA)
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 12/31/2018 to 12/31/2019:

The expiring annual premium for the Patrol Boat is $26,233.

Starr has offered a non-binding renewal premium indication (indication as versus firm renewal quote since it is more than 120 days in advance of the expiration date) subject to a new company-wide minimum premium of $10,000 per policy and quoted with the same terms and conditions as expiring. TSIB requested a renewal quote for another multiple-year policy term. Starr offered a 24-month policy term from 12/31/2019-12/31/2021, to be billed in annual installments. The 24-month renewal premium indication includes a new company-wide minimum premium of $10,000 per policy (plus TRIPRA), or $30,750 annually. The proposed 12-month renewal premium of $30,750 represents an annual increase of $4,517 or an increase of 17.2% over the expiring annual premium of $26,233. Starr Indemnity offered a renewal premium indication for the Marine Program policies as follows:

Marine General Liability (24-month premium) $20,500
Hull & Machinery including Protection & Indemnity (24-month premium) $20,500
Marine Umbrella (24-month premium) $20,500
Total $61,500

Note: All premium indications above include TRIPRA. The 24-month policy term will be billed in annual installments of $30,750.

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, 12/31/2019, 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 12/31/2019-12/31/2021 for the estimated
premium of $61,500 (including TRIPRA), net of commission, billed in annual installments of $30,750, for the Marine General Liability, Hull & Machinery, including Protection & Indemnity, and Marine Umbrella Liability Insurance. Staff agrees with the recommendation.

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<tr>
<th>SUMMARY</th>
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<tbody>
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<td><strong>Amount:</strong></td>
<td>Approximately $61,500 for the 24-month term, billed in annual installments of $30,750, (Including TRIPRA); net of commission</td>
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<td>Source of Funds:</td>
<td>Revenue Fund</td>
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<td>Capital Project #:</td>
<td>N/A</td>
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<td>Operating Budget:</td>
<td>DRPA Risk Mgt. Commitment 770190</td>
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<td>Master Plan Status:</td>
<td>N/A</td>
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<td>Other Fund Sources:</td>
<td>N/A</td>
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<td>Duration of Contract:</td>
<td>December 31, 2019 to December 31, 2021</td>
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<td>Other Parties Involved:</td>
<td>Turner Surety &amp; Insurance Brokerage (TSIB) and Starr Indemnity and Liability Insurance Company</td>
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RESOLUTION

RESOLVED: That the Board authorizes staff to accept the non-binding proposed premium indication for the 24-month policy term from incumbent, 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, 2019 – December 31, 2021, at an estimated premium of $61,500, including TRIPRA; billed on annual basis in the amount of $30,750; net of commission; 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 12/31/2019, 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:

Amount: Approximately $61,500 for the 24-month term, billed in annual installments of $30,750, (Including TRIPRA; net of commission

Source of Funds: Revenue Fund
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. Commitment 770190
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: December 31, 2019 to December 31, 2021
Other Parties Involved: Turner Surety & Insurance Brokerage (TSIB) and Starr Indemnity and Liability Insurance Company