PROPOSAL: The Authority has a $25 Million Claims Made Excess Liability policy. From December 31, 2018-December 31, 2019, this policy was placed with Lexington Insurance Company, an AIG company. At the time of the renewal, Lexington would only offer a reduced limit of $10 million, down from the previous limits of $25 million. For the reasons stated in the ‘Background Section’, staff is seeking Board approval to amend DRPA-19-099, which acknowledges the actions that our broker, Turner Surety & Insurance Brokerage (TSIB), took on the Authority’s behalf to ensure continuity of coverage as of December 31, 2019, at 12:01 a.m. The actions taken by our broker are as follows:

- Replace Gemini Insurance Company (a Berkley company) with Queen’s Island Insurance Company (a sister company to Gemini), for the first $15 million in limits,

- Replace Apollo Liability Consortium 9984 (a Lloyd’s of London member) for the next $10 million in limits with the following three (3) members of Lloyd’s of London:
  
  o (1) Aegis Casualty Consortium 9224 (for 34.33% quota share);
  o (2) AmTrust Casualty Consortium 9148 (for 33.33% quota share); and
  o (3) Apollo Liability Consortium 9984 (for 33.33% quota share),

all members of Lloyd’s of London.

The total loss limits provided by the replacement companies identified above total the same $25 million policy limits as expiring. TSIB does not represent Berkley or Lloyd’s of London companies on a direct basis. Therefore, our broker used the Board-approved wholesale broker, AmWINS of Satellite Beach, FL to broker this placement. AmWINS will receive a commission from Queen’s Island Insurance Company, Aegis Casualty Consortium 9224, AmTrust Casualty Consortium 9148 and Apollo Liability Consortium 9984, but pursuant to DRPA-18-055, AmWINS will not pay TSIB any commission or contingent, supplemental or other forms of compensation.
Pursuant to DRPA-18-055, TSIB is paid a fixed annual service fee not-to-exceed $120,625.00, payable in quarterly installments of $30,156.25. 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 replacement policy premiums are net of commission.

PURPOSE:
To insure against liability and to reduce the Authority’s exposure to loss by maintaining the $25 million Claims Made Excess 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.

BACKGROUND:
The Authority carried a Claims Made Excess Liability Policy with Lexington Insurance Company, (a company of AIG) with a $25 million each accident/aggregate, subject to a $5 million self-insured retention. The policy term was from December 31, 2018 to December 31, 2019 at the annual premium of $942,409.

At the time of renewal, Lexington offered a reduced limit of $10 million each accident/aggregate, down from the previous limits of $25 million. In an effort to reduce exposure for high limit policies, AIG determined that its companies would no longer offer limits higher than $10 million. Lexington quoted an annual estimated renewal premium of $870,000, (including TRIPRA), down from $942,409. The premium was reduced to take into consideration the reduced policy limits. As such, our broker did not view Lexington’s proposed limits to be advantageous to the Authority.

As an alternative, TSIB marketed the Authority’s Claims Made Excess Liability insurance policy to several insurance companies to secure the most competitive premium. Six (6) companies declined and two (2) companies provided optional quotes for our consideration, Gemini and Apollo. After carefully reviewing the terms offered by both companies, our broker recommended the following:

- Gemini Insurance Company (AM Best Rating A+, XV) – Gemini would insure the first $15 million in limits at the estimated annual premium of $595,000, net of commission, including TRIPRA; and

- Apollo Liability Consortium 9984 (a member of Lloyd’s of London) (AM Best Rating A+, XV) – Apollo would insure the next $10 million in limits at the estimated annual premium of $395,000, net of commission, including TRIPA

On October 16, 2019, pursuant to DRPA-19-099, the Board authorized staff to place the Authority’s Claims Made Excess Liability insurance policy effective December 31, 2019 to December 31, 2020 with Gemini Insurance Company (a
subsidiary company of the Berkley Corporation) and Apollo Liability Consortium 9984 (a member of Lloyd’s of London).

In December 2019, staff was anticipating receipt of the binders and invoices. On January 6, 2020, our broker contacted staff that the Gemini placement ($15 M layer) had been changed to Queen’s Island Insurance Company, another Berkley subsidiary company (for the same $15 M layer). The wholesale broker advised our broker that this move was necessary in order to match as many of the key expiring manuscript endorsements previously issued by Lexington. Queen’s Island has the same AM Best rating (A+, XV) as its sister company, Gemini. The annual estimated premium for the Queen’s Island quote for the first $15 million in limits remains the same as that with Gemini, $595,000, net of commission.

In addition, our broker also advised that several underwriters at Apollo left the company without notice. The unexpected departures by the underwriters prompted Apollo to review all previous quotes proposed by the former underwriters. The new London underwriters required additional time to review and agree to the previous quoted terms and conditions. Working with a tight deadline, the wholesale broker (AmWINS) advised our broker (TSIB) that the best plan forward was to place the $10 M layer with the following three (3) syndicate members of Lloyd’s of London on a quota share basis:

- Aegis Casualty Consortium 9224 (the lead syndicate 34.33%);
- AmTrust Casualty Consortium 9148 (33.33%); and
- Apollo Liability Consortium 9984 (33.33%).

All of the syndicates above are members of Lloyd’s of London and benefit from the AM Best rating of A, XV assigned to Lloyd’s of London. The excess $10 million layer follows the terms and conditions of the lead $15 million with Queen’s Island Insurance Company.

To avoid any gap in coverage our broker authorized AmWINS to take the following actions:

- Bind a $15 million limit policy with Queen’s Island Insurance Company for an annual estimated premium of $595,000, net of commission. *(Previously, the Finance Committee approved placing this layer of coverage with Gemini. The Committee’s recommendation was approved by the Board on October 16, 2019 – DRPA-19-099.)*

- Bind a $10 million limit policy on a quota-share basis with (1) Aegis, (2) AmTrust, and (3) Apollo for a combined estimated annual premium of $350,000, net of commission *(Previously, the Finance Committee approved placing this layer of coverage with Apollo at 100%. The Committee’s recommendation was approved by the Board on October 16, 2019 – DRPA-19-099.)*
• The total estimated annual premium for the policies offered by the replacing companies will be $945,000, down from $990,000, for a premium savings of $45,000.

• Political Contribution & Certification Form Process – This review process is complete.

In reviewing the Queen’s Island binder, our broker discovered a policy provision that differs from the original negotiated terms with Gemini. Specifically, in the event the DRPA cancels or does not renew the policy, the new Queen’s Island policy percentage for the 24-month extended claims made reporting period is 250% up from Lexington’s 50%. By way of example, if DRPA does not renew the policy, Gemini would have charged 50% of the expired premium for a 24-month extended claims made reporting period (just as Lexington had in the past). The binder with Queen’s Island states a premium charge of 250%. Our broker is in the process of rejecting this policy condition with Queen’s Island in favor of the 50% charge of the annual premium for the 24-month coverage tail.

Staff recommends that DRPA-19-099 be amended to reflect the following actions that our broker directed be taken on the Authority’s behalf:

• Replace Gemini Insurance Company (a Berkley company) with Queen’s Island Insurance Company (a sister company to Gemini), for the first $15 million in limits,

• Replace Apollo Liability Consortium 9984 (a Lloyd’s of London member) for the next $10 million in limits with the following three (3) members of Lloyd’s of London:
  o (1) Aegis Casualty Consortium 9224 (for 34.33% quota share);
  o (2) AmTrust Casualty Consortium 9148 (for 33.33% quota share); and
  o (3) Apollo Liability Consortium 9984 (for 33.33% quota share), all members of Lloyd’s of London.

The estimated total annual premium for the $25 M policies will be $945,000. The above actions have resulted in a total annual premium savings of $45,000, net of commission.
SUMMARY:  
Amount:  Approximately $595,000 (lead $15 million in limits, including TRIPRA and net of commission); Approximately $350,000 ($10 million excess limits, three (3) quota-share participating syndicates, including TRIPRA and net of commission)

Source of Funds:  Revenue Fund and General Fund (PATCO portion)

Capital Project #:  N/A
Operating Budget:  DRPA Risk Mgt. Commitment 770180  
PATCO Admin. Commitment 770180

Master Plan Status:  N/A
Other Fund Sources:  N/A
Duration of Contract:  December 31, 2019 to December 31, 2020
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to accept the placement of the 12-month premium from Queen’s Island Insurance Company, as the replacement carrier for Gemini Insurance Company for the lead $15 million limit, for the policy term December 31, 2019 – December 31, 2020, for an estimated annual premium of $595,000 (including TRIPRA); net of commission; and be it further

RESOLVED: That the Board of Commissioners also authorizes staff to accept the placement of the 12-month premium from Aegis Casualty Consortium 9224 (a member of Lloyd’s of London) as the lead replacement syndicate for Apollo Liability Consortium 9984, to be participating on a quota-share basis up to 34.33% of the next $10 million excess limits, for the policy term December 31, 2019 – December 31, 2020, for an estimated annual premium of $116,690 (including TRIPRA); net of commission; and be it further

RESOLVED: That the Board of Commissioners also authorizes staff to accept the placement of the 12-month premium from AmTrust Casualty Consortium 9148 (a member of Lloyd’s of London) as the replacement syndicate for Apollo Liability Consortium 9984, to be participating on a quota-share basis up to 33.33% of the next $10 million excess limits, for the policy term December 31, 2019 – December 31, 2020, for an estimated annual premium of $116,655 (including TRIPRA); net of commission; and be it further

RESOLVED: That the Board of Commissioners also authorizes staff to accept the placement of the 12-month premium from Apollo Liability Consortium 9984 (a member of Lloyd’s of London) down from a 100% placement, to a participating quota-share basis of up to 33.33% of the next $10 million excess limits, for the policy term December 31, 2019 – December 31, 2020, for an estimated annual premium of $116,655 (including TRIPRA); net of commission; and be it further

RESOLVED: AmWINS of Satellite Beach, FL remains the Board-approved wholesale broker for the placement of the policies with Queen’s Island, Aegis Casualty, AmTrust and Apollo Liability syndicates. AmWINS will receive commission from Berkley and the Lloyd’s of London syndicates, but will not pay any additional income to TSIB, including commission, or any contingent, supplemental or other forms of additional compensation; 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.

SUMMARY: 

Amount: Approximately $595,000 (lead $15 million in limits, including TRIPRA and net of commission); Approximately $350,000 ($10 million excess limits, three (3) quota-share participating syndicates, including TRIPRA and net of commission)

Source of Funds: Revenue Fund and General Fund (PATCO portion)

Capital Project #: N/A

Operating Budget: DRPA Risk Mgt. Commitment 770180

PATCO Admins. Commitment 770180

Master Plan Status: N/A

Other Fund Sources: N/A

Duration of Contract: December 31, 2019 to December 31, 2020