SUMMARY STATEMENT

ITEM NO.: DRPA-19-099

SUBJECT: Renewal of DRPA/PATCO Claims Made Excess Liability Insurance 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 Claims Made Excess Liability insurance policy. This policy is placed by our Broker/Consultant, Turner Surety & Insurance Brokerage (TSIB).

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 proposed policy premium is net of commission.

TSIB marketed the Authority’s Claims Made Excess Liability insurance policy to several insurance companies to secure the most competitive premium.

TSIB marketed the coverage to the following companies:

- Lexington (incumbent) - Quoted $870,000 (including TRIPRA), Limit reduced from $25 mil to $10 mil; declined to offer alternate quotes for higher limits over other carrier quotes

- Apollo Liability Consortium 9984 (a member of Lloyds of London) - Quoted $395,000 (Incl. TRIPRA) @ $10 million in limits

- Berkley Custom - Declined, minimum attachment $25 Mil

- Colony - Declined, treaty exclusion

- Gemini Ins. Company - Quoted $595,000 (including TRIPRA), at $15 million in limits

- Great American - Declined, could only participate excess of $25 million in limits

- HCC - Declined, no risk appetite

- Liberty - Declined, no risk appetite

- Westchester - Declined, treaty exclusion
PURPOSE: To renew the required property and casualty insurances to reduce the Authority’s exposure to loss and to insure against liability.

BACKGROUND: Pursuant to DRPA-18-107, the Board authorized staff to renew the Authority’s Claims Made Excess Liability insurance policy effective December 31, 2018 to December 31, 2019. 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 current Claims Made Excess Liability policy will expire December 31, 2019. The December 31, 2018 to December 31, 2019 premium for the Claims Made Excess Liability Policy is $942,409.00 including Terrorism Risk Insurance Program Reauthorization Act (TRIPRA). 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. The projected 2019 and 2020 traffic (vehicle count), bridge revenue and PATCO ridership numbers were provided by Finance.

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<tr>
<th>Policy Term</th>
<th>2018-2019</th>
<th>2019-2020</th>
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<tbody>
<tr>
<td>Bridge Traffic</td>
<td>53,353,668</td>
<td>53,950,409</td>
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<tr>
<td>Bridge Revenue</td>
<td>$336,730,056</td>
<td>$337,661,298</td>
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<tr>
<td>PATCO Ridership</td>
<td>10,600,000</td>
<td>10,700,000</td>
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</tbody>
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TSIB advises that Lexington’s parent company, AIG, has issued a new corporate mandate reducing policy limits and increasing rates across the board on their book of business. This hard stance is affecting all current policyholders with Lexington. AIG is content with the possibility of losing long-term policyholders that are not receptive to these changes.

Lexington has offered the following renewal option for our consideration:

- A reduced limit of $10 million each accident/aggregate, down from $25 million; and
- A reduced renewal premium of $870,000 (including TRIPRA); and
- No other changes to the policy terms and conditions from the existing policy.

TSIB does not view Lexington’s proposed renewal terms and conditions as advantageous for the Authority. From a premium standpoint, the proposed
renewal premium would be reduced from $942,409 to $870,000. However, the difference of $72,409 in premium is insufficient to purchase the additional $15 million in limits from another company (at $4,800 per mil).

If the Authority were to accept the Lexington proposed renewal offer at $10 million in limits at $870,000 and then purchase an additional $15 million in limits, TSIB estimates the cost to be an additional annual estimated premium of $480,000. Therefore, the total costs to match the expiring limits of $25 million would be approximately $1,350,000; which represents an increase of $407,591 from expiring ($942,409), or a 43% premium increase.

As an alternative, TSIB has secured two (2) optional quotes from two (2) different companies that will curb the renewal pricing for the full $25 million limits. Both options are very close to the expiring Lexington premium with minimal changes to the policy terms and conditions. TSIB is conducting a policy form analysis and will negotiate the most favorable terms and conditions to match the expiring policy.

The alternative quotes are as follows:

**Gemini Insurance Company**
- $15 million in limits;
- $595,000 estimated annual premium (including TRIPRA)

**Apollo Liability Consortium 9984 (a member of Lloyds of London)**
- $10 million in limits;
- $395,000 estimated annual premium (including TRIPRA)

Total costs for $25 million in limits is $990,000 annually. The Gemini/Apollo layered placement would represent an increase of 5% or $47,591 from the expiring premium.

The A.M. Best rating for Gemini Insurance Company is A+, and financial size is XV. This carrier is non-admitted, the same as Lexington.

The A.M. Best rating for Apollo Liability Consortium 9984 is A, and financial size is XV. This carrier is non-admitted, the same as Lexington.

TSIB does not represent Gemini or Apollo on a direct basis. Therefore, TSIB accessed these companies via the wholesale broker, AmWINS of Satellite Beach, FL. AmWINS will receive a commission from Gemini and Apollo but will not pay TSIB any commission or any contingent, supplemental or other forms of compensation.

TSIB recommends that staff accept the proposed 12-month Claims Made Excess Liability quote offered by Gemini Insurance Company, including a $15 million each accident/aggregate, subject to a $5 million self-insured retention,
for the policy term December 31, 2019 to December 31, 2020, at the estimated total annual premium of $595,000 (including TRIPRA) and net of commission.

Furthermore, these same parties recommend that staff accept the proposed 12-month Claims Made Excess Liability quote offered by Apollo Liability Consortium 9984 (a member of Lloyds of London), including a $10 million each accident/aggregate excess limit, subject to a $5 million self-insured retention, for the policy term December 31, 2019 to December 31, 2020, at the estimated total annual premium of $395,000 (including TRIPRA) and net of commission.

Staff concurs with this recommendation.

The proposed policy term December 31, 2019 to December 31, 2020 is concurrent with the four underlying policies for the term December 31, 2019 to December 31, 2020. Staff agrees with this recommendation.

| SUMMARY: | Amount: | Approximately $595,000 (Including TRIPRA and net of commission); Approximately $395,000 (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 |
| Other Parties Involved: | Turner Surety & Insurance Brokerage, (TSIB), AmWINS of Satellite Beach, FL, Gemini Insurance Company and Apollo Liability Consortium 9984 (a member of Lloyds of London) |
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to accept the proposed 12-month premium from Gemini Insurance Company, as the new carrier for the Authority’s $15 million primary limit, Claims Made Excess Liability policy, 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 authorizes AmWINS of Satellite Beach, FL, as the Wholesale broker for the placement of this policy. AmWINS will receive commission from Gemini Insurance Company, 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: That the Board of Commissioners authorizes staff to accept the proposed 12-month premium from Apollo Liability Consortium 9984 (a member of Lloyds of London), as the new carrier for the Authority’s $10 million excess limit, Claims Made Excess Liability policy, for the policy term December 31, 2019 to December 31, 2020, for an estimated annual premium of $395,000 (including TRIPRA); net of commission; and be it further

RESOLVED: That the Board of Commissioners authorizes AmWINS of Satellite Beach, FL, as the Wholesale broker for the placement of this policy. AmWINS will receive commission from Apollo Liability Consortium 9984 (a member of Lloyds of London), 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 (Including TRIPRA and net of commission); Approximately $395,000 (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 |
| Other Parties Involved: | Turner Surety & Insurance Brokerage, AmWINS of Satellite Beach, FL, Gemini Insurance Company and Apollo Liability Consortium 9984 (a member of Lloyds of London) |