SUMMARY STATEMENT

ITEM NO.: PATCO-15-007
SUBJECT: Renewal of the PATCO Rolling Stock Property Coverage for Rehabilitated Passenger Trains

COMMITTEE: Finance

COMMITTEE MEETING DATE: April 1, 2015
BOARD ACTION DATE: April 15, 2015

PROPOSAL: That the Board authorizes staff to bind the coverage for the renewal of the PATCO Rolling Stock Property policy covering the rehabilitated passenger transit cars.

This policy is placed by our Broker/Consultant, Aon Risk Services, net of commission. Pursuant to DRPA-12-066, Aon is paid a fixed annual service fee not-to-exceed $129,000 payable, in quarterly installments of $32,250.

For purposes of administration, staff recommends that we extend the existing policy term from 6/18/2015 to December 31, 2015.

PURPOSE: To reduce the Authority’s exposure to risk by insuring against property damage losses to the fleet of rehabilitated PATCO passenger transit cars.

BACKGROUND: PATCO 14-021 authorized staff to bind property coverage for the PATCO rehabilitated passenger transit cars with ACE American Insurance Company effective June 18, 2014 to June 18, 2015 for the annual premium of $167,820 including TRIA. The total annual premium is $169,331 when including the NJ Property-Liability Insurance Guaranty Association (PLIGA) tax. The policy is auditable based on actual rail car delivery and is subject to a minimum premium of $41,944.

The Rolling Stock Property policy for the PATCO transit cars provides coverage against direct physical loss in the event of, amongst other perils – fire, flood, explosion, collapse, theft or theft damage, and terrorism. The limit of insurance is $100,000,000 Rolling Stock (loss limit would re-set with each
SUMMARY STATEMENT
Finance 4/1/2015

Renewal of the PATCO Rolling Stock Property Coverage for Rehabilitated Passenger Trains

The policy also includes:
$10,000,000 – Flood Limit for Zone A
$25,000,000 – Limit for All Other Flood Zones

Deductibles:
$100,000 except
$250,000 Flood (non-Zone A)
$500,000 Zone A Flood
$250,000 Earth movement and a $250,000 Named Storm deductible

In 2014, it was anticipated that fifty-two (52) rehabilitated rail cars would be accepted and delivered during the policy term. The policy premium of $167,820 (excluding NJ PLIGA tax) was based upon this estimated delivery schedule. However, the stream of transit rail car deliveries was zero (0) in 2014. Therefore, the minimum policy premium of $41,944 applies for the current policy term, 6/18/2014-6/18/2015. This leaves a premium credit balance of $125,876 ($167,820 - $41,944) to be applied to the renewal policy.

Forty-four (44) rehabilitated rail cars are projected to be delivered and accepted by PATCO between March 31 and December 31, 2015. In order for the transit rail cars to be conditionally accepted, they must pass a defined series of tests, which are currently in progress.

Aon requested ACE American Insurance Company offer a renewal extension based on the expiring terms and conditions, for a term of 6/18/2015-12/31/2015. ACE offered an extension policy from 6/18/2015-12/31/2015 for the estimated premium of $121,169, (including TRIA and NJ PLIGA tax), and net of commission.

With the premium credit balance from the current policy, the net premium charge to the Authority is $0 for the extension term of 6/18/2015 to 12/31/2015:

- $125,876 Premium credit from policy term 6/18/2014-6/18/2015
- $120,837 Estimated renewal term premium 6/18/2015-12/31/2015 (less NJ PLIGA tax)
  $ 5,039 Premium credit due DRPA

(Because the policy is auditable upon expiration on 12/31/2015, no return premium will be due at this time as the policy is auditable)
Aon recommends that we accept the extension policy proposal offered by ACE, effective June 18, 2015 to December 31, 2015 for $0 premium. The terms and conditions will remain as expiring. The premium will be audited upon expiration based on actual rail car delivery dates during the policy term.

### SUMMARY:

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount:</td>
<td>Estimated term premium $0</td>
</tr>
<tr>
<td></td>
<td>(auditable based on actual rail car delivery)</td>
</tr>
<tr>
<td>Source of Funds:</td>
<td>General Funds</td>
</tr>
<tr>
<td>Capital Project #:</td>
<td>N/A</td>
</tr>
<tr>
<td>Operating Budget:</td>
<td>DRPA Risk Mgt. C/E #8</td>
</tr>
<tr>
<td>Master Plan Status:</td>
<td>N/A</td>
</tr>
<tr>
<td>Other Fund Sources:</td>
<td>N/A</td>
</tr>
<tr>
<td>Duration of Contract:</td>
<td>6/18/2015-12/31/2015</td>
</tr>
<tr>
<td>Other Parties Involved:</td>
<td>Aon and ACE American</td>
</tr>
</tbody>
</table>
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to accept the extended policy term quote from incumbent, ACE American Insurance Company, for the PATCO Rolling Stock Property Policy, for the policy term of June 18, 2015 – December 31, 2015, at a $0 premium charge; and be it further

RESOLVED: That the Board of Commissioners recognizes that the final premium for the policy term of June 18, 2015- 12/31/2015 is estimated until the final audit upon policy expiration. The audit will be based upon the actual number of rail car deliveries during the policy term; 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: Estimated term premium $0 (auditable based on actual rail car delivery)
Source of Funds: General Funds
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. C/E #8
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: 6/18/2015-12/31/2015
Other Parties Involved: Aon and ACE American