SUMMARY STATEMENT

ITEM NO. | SUBJECT: Renewal of DRPA Excess Workers Compensation Insurance

COMMITTEE: New Business

COMMITTEE MEETING DATE: N/A

BOARD ACTION DATE: July 18, 2007

PROPOSAL: That the Board authorize the renewal of the DRPA Excess Workers Compensation insurance policy procured through our brokers at Willis of New Jersey, Inc., for a one year term beginning August 1, 2007 through July 31, 2008.

The DRPA’s existing Excess Workers Compensation policy will expire August 1, 2007.

Willis of New Jersey, Inc. has marketed our program to carriers, and Willis representatives will be present at the July 18, 2007 Board Meeting to give their recommendations. Staff will provide the Commissioners with a chart summarizing the quotations received from each carrier, the carriers financial rating, policy limits and deductibles, and premium costs, on or before the July 18, 2007 Board Meeting.

PURPOSE: To reduce the DRPA’s exposure to risk by insuring against liability and economic loss.

BACKGROUND: This Excess Workers Compensation policy provides coverage in excess of the $1 million Self-Insured Retention for DPRA employees based in New Jersey. Major accidents or illnesses can result in substantial medical bills and this policy is designed to reduce exposure for catastrophic incidents. The DRPA is currently self-insured for its PATCO and Pennsylvania-based employees because of certain statutory regulations. However, we are working with Willis to identify programs that would also capture PATCO and PA-based employees at a reasonable cost to the DRPA.

The expiring premium for this policy was $99,999, which provides a workers compensation loss limit of $5 million, plus a $1 million employers liability limit, subject to a $1,000,000 self-insurance retention. Midwest Employers Casualty Company is the incumbent carrier for the Excess Workers Compensation policy.
A comprehensive marketing exercise was carried out during the 2006 renewal where several alternative markets were approached for quotations. The marketing exercise indicated that although markets are available, there are a limited number of carriers willing to write Public Authority type risks. Carriers that declined to offer quotes did so mainly because the DRPA risk did not fit their underwriting parameters. Other insurers did not feel that they could be competitive on this type of risk.

In view of the marketing efforts in 2006 it was decided that, for the most part, the incumbent insurers would be approached first and that other markets would be sought only in the event that the incumbent was unable to quote or that the quoted premium did not fit into DRPA’s budgetary requirements.

SUMMARY:

Amount: $100,000
Source of Funds: Revenue
Capital Project #: N/A
Operating Budget: DRPA Risk Mgt. C/E #8 - $100,000
Master Plan Status: N/A
Other Fund Sources: N/A
Other Parties Involved: Willis of New Jersey
RESOLUTION

RESOLVED: That the Board of Commissioners approves and authorizes the placement of the DRPA Excess Workers Compensation Insurance Policy with Midwest Employers Casualty Insurance Company, for a one year term beginning August 1, 2007 through July 31, 2008. The loss limit of this renewal policy is $5 million subject to a $1 million self-insurance retention. The premium for this policy is $100,000; 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.

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