SUMMARY STATEMENT

ITEM NO.  SUBJECT: Short Term Disability Coverage Mid-Year Renewal 2010 (DRPA)

COMMITTEE: New Business

COMMITTEE DATE: N/A

BOARD DATE: March 17, 2010

PROPOSAL: Staff seeks Board authorization to accept the renewal of DRPA’s Short Term Disability (STD) coverage with Prudential Financial for a 12-month term beginning May 1, 2010 through May 1, 2011.

PURPOSE: To continue to provide Short Term Disability Insurance to active FOP and IUOE employees pursuant to their respective collective bargaining agreements.

BACKGROUND: As part of its benefits package for DRPA employees represented by the FOP and IUOE the Short Term Disability (STD) program is currently administered by Prudential Financial.

We first marketed the STD coverage as part of the overall Basic Life, Accidental Death & Dismemberment (AD&D), and Long Term Disability (LTD). Initially, the Basic Life, AD&D, and LTD rates were guaranteed for three years, beginning January 1, 2008 through December 31, 2010.

The STD rate was only good for two years, beginning 1/1/2008 through December 31, 2009. Prudential extended the original STD rates through May 1, 2010. Our annual premiums totaled $128,460.

For the period 1/1/08-11/1/09, the STD plan produced a 111% loss ratio. To date, our STD claims continue to exceed our STD premiums.

Prudential’s underwriting analysis initially called for a 76.3% premium increase. However, Prudential later agreed to an increase of 38.2%, for an annual premium of $177,532. Prudential has guaranteed the rate for a 12-month period. However, the DRPA is not prohibited from marketing the entire package for a January 1, 2011 start date.
Our broker, Willis, marketed the STD coverage to the following carriers:

- Aetna: 27.38% increase over present premium
- Mutual of Omaha: 30.15% increase over present premium
- Assurant: Declined to bid
- MetLife: Declined to bid
- Hartford: No Response
- Standard: No Response

Willis shared the marketing results with our incumbent carrier, Prudential, and Prudential agreed to match the best competitive quote. In the end, Prudential reduced the STD premium increase from 38.2% to 27.38% for an annual premium of $163,638.

Given our past claims experience, our broker, Willis of NJ, recommends that we accept Prudential’s renewal, and market the STD program as part of the larger package (which would include basic life, AD&D, Supplemental Life and LTD insurances) for a January 1, 2011 effective date. We believe that additional carriers (beyond Aetna and Mutual of Omaha) will be interested in quoting on our STD program when it is part of a larger package.

Amount: Approximately $163,638 annually
(Note – This covers FOP and IUOE employees at DRPA. This rate is based on our current census, and may change as the census changes.)

Source of Funds: Revenue Fund, General Fund
Capital Project #: N/A
Operating Budget: DRPA Employee Services Expense
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: One Year
Other Parties Involved: Prudential Financial
RESOLUTION

RESOLVED: That the Board of Commissioners of the Delaware River Port Authority authorizes staff to negotiate a contract with Prudential Financial for the provision of Short Term Disability Insurance for FOP and IUOE employees; 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 the 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, the Chief Executive Officer shall execute such document(s) on behalf of the DRPA.

SUMMARY:  Amount:  Approximately $163,638 annually  
(Note – This covers both FOP and IUOE employees at DRPA. This rate is based on our current census, and may change as the census changes.)  
Source of Funds:  Revenue Fund, General Fund  
Capital Project #:  N/A  
Operating Budget:  DRPA Employee Services Expense  
Master Plan Status:  N/A  
Other Fund Sources:  N/A  
Duration of Contract:  One Year for Short Term Disability  
Other Parties Involved:  Prudential Financial