SUMMARY STATEMENT

ITEM NO.: DRPA-11-053   SUBJECT: Renewal of DRPA Excess Workers’ Compensation & Employers’ Liability Policy

COMMITTEE:   Finance

COMMITTEE MEETING DATE: June 8, 2011

BOARD ACTION DATE: July 6, 2011

PROPOSAL: That the Board authorizes staff to bind the renewal of the DRPA Excess Workers’ Compensation insurance policy. This policy is placed by our Broker/Consultant, Willis of New Jersey, Inc.

PURPOSE: Major accidents or illnesses during the scope of employment can result in substantial medical bills and this policy provides statutory benefits for DRPA employees who work in Pennsylvania and New Jersey. The Excess Workers’ Compensation policy is designed to reduce DRPA’s exposure for catastrophic incidents excess of the $1 million Self-Insured Retention each accident.

BACKGROUND: All Workers’ Compensation claims at DRPA are self-insured up to the first $1 million. Claims that exceed $1 million are payable under DRPA’s Excess Workers’ Compensation & Employers’ Liability insurance policy by the insurance company. The Excess Workers’ Compensation policy provides coverage for DRPA employees who work in our NJ and PA facilities. The policy provides a specific loss limit of $5 million each accident, plus a $1 million Employers’ Liability Limit, both subject to a $1 million self-insured retention.

Last year, the incumbent carrier (Midwest Employers) experienced large losses in its overall book of business which caused a scrutiny of underwriting for all renewal accounts. As such, Midwest proposed increasing the rate per hundred of payroll from 28 cents to 44 cents per hundred of payroll. Accepting this rate would have increased the annual premium in 2010-2011 for the same coverage from $174,373 to $186,712. Willis marketed this coverage for the 2010-2011 policy term to several insurance companies to secure the most competitive premium available to the Authority.
As a result of that marketing, the Board authorized renewal coverage with Safety National Insurance Company at a rate of 27 cents per hundred of payroll for an estimated annual premium of $115,453 representing a premium reduction of $58,920 or a decrease of 33.79%. The AM Best Rating of Safety National is A/X (Excellent).

Medical inflation has increased at approximately 7% every year, and medical costs now represent over 50% of the overall Workers’ Compensation costs. Last year, Willis aggressively marketed this coverage to various carriers. This year, Willis has learned that several of the insurance companies that it approached last year are no longer writing Excess Workers’ Compensation & Employers’ Liability coverage. With the passage of the federal Patient Protection & Affordable Care Act, it is hopeful that medical inflation and medical costs will be reduced, thereby attracting new insurance companies which may result in more competitive rates in the future. As a result, Willis has recommended that we wait one more year to market the coverage for DRPA. Safety National Insurance Company has offered to renew the rate per hundred of payroll at 28 cents for an estimated annual premium of $110,838. (The premium decrease is a reflection of a reduction in payroll.)

Staff recommends that the Board authorizes staff to bind the renewal of the DRPA Excess Workers’ Compensation & Employers Liability policy for the policy term August 1, 2011 – August 1, 2012, for the annual estimated premium of $110,838.

SUMMARY:  
Amount: $110,838  
Source of Funds: Revenue  
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: August 1, 2011 – August 1, 2012  
Other Parties Involved: Willis of New Jersey and Safety National Insurance Company
Renewal of DRPA Excess Workers’ Compensation & Employers’ Liability Policy

RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to renew the DRPA Excess Workers’ Compensation & Employers’ Liability policy for the policy term August 1, 2011 – August 1, 2012, for the annual estimated premium of $110,838; 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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