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, Aon Risk Services.

Pursuant to DRPA-12-066, Aon is paid a fixed annual service fee not-to-exceed $129,000 payable in quarterly installments. Therefore, the proposed policy premium is net of commission.

At the Board’s direction, Aon marketed the DRPA’s Excess Workers’ Compensation & Employers’ Liability Policy.

Aon marketed the coverage to the following carriers:
- Safety National - quoted $107,949 (incumbent)
- Ace - declined exposure/pricing
- Arch - declined
- Midlands - quoted $158,146
- Midwest Employers - declined exposure/pricing
- US Specialty - declined due to exposure

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.

The expiring premium for the policy term 8/1/2011-8/1/2012 was $110,86,877 (including 10% commission). The extension policy premium
from 8/1/2012 to 12/31/2012 term was $45,995 (including 10% commission). This year, the annual estimated premium will be $107,949, net of commission and is based upon expiring payroll. DRPA’s existing Excess Workers’ Compensation & Employers’ Liability Policy will expire December 31, 2012.

Our broker recommends that we accept the renewal quote offered by incumbent, Safety National, per the expiring terms and conditions. It is the intent of Aon to negotiate in Quarter 4 of 2013 an extension of the policy from 12/31/2013-8/1/2014. In addition, Aon intends to present staff with options to increase the limits from $5m to $10m, $15m, $20mil or $25m.

Staff recommends that we accept the renewal proposal for the Excess Workers’ Compensation & Employers’ Liability Policy for the policy term December 31, 2012 - December 31, 2013, at an estimated annual premium of $107,949. It is staff’s further recommendation that the Board authorize Aon to negotiate an extension of the policy from 12/31/2013 - 8/1/2014. Staff would return to the Board with the extension quote option for approval before binding same. Staff will also return to the board with the results of the options to increase the limits from $5m to $10m, $15m, $20mil or $25m.

SUMMARY:

- Amount: Approximately $107,949
- 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
- Other Parties Involved: Aon Risk Services and Safety National Casualty Corporation
RESOLUTION

RESOLVED: That the Board authorizes staff to accept the renewal proposal from Safety National Insurance for the Excess Workers’ Compensation & Employers’ Liability Policy for the policy term December 31, 2012 - December 31, 2013, at an estimated annual premium of $107,949 and be it further

RESOLVED: That the Board authorizes staff to direct Aon to negotiate an extension of the policy from December 31, 2013- August 1, 2014, with the understanding that staff would return to the Board with the extension quote option for approval before binding same; 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: Approximately $107,949
Source of Funds: Revenue
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Other Fund Sources: N/A
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