SUMMARY STATEMENT

ITEM NO.: DRPA-13-038  SUBJECT:  DRPA Excess Workers’ Compensation & Employers’ Liability Policy – Increase in Limits

COMMITTEE:  Finance

COMMITTEE MEETING DATE:  March 6, 2013

BOARD ACTION DATE:  March 20, 2013

PROPOSAL:  That the Board authorizes staff to accept the recommendation from Aon Risk Solutions to increase the current limits of the DRPA Excess Workers’ Compensation insurance policy from $5,000,000 per occurrence to $20,000,000, bringing the total per occurrence limit to $25,000,000. The estimated annual additional premium for the increased limits would be $12,801 (to be pro-rated until the expiration date of 12/31/2013). The DRPA’s existing Excess Workers’ Compensation policy expires on 12/31/2013.

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:  Self-insured employers purchase Excess Workers’ Compensation insurance as stop-loss to protect them against catastrophic or long-term claims that eventually exceed their retentions. On November 21, 2012, the Board authorized staff to renew the DRPA Excess Workers’ Compensation insurance policy with Safety National Casualty Corporation. The policy term is December 31, 2012-December 31, 2013.

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. The policy provides a specific loss limit of $5 million per occurrence above a $1 million self-insured retention.

At the time the renewal recommendation was presented to the Board, staff was authorized to seek additional limit proposals from Aon. The alternative quote secured by Aon provides an additional $20 million in limits for a total limit of $25 million per occurrence. The annual premium for the additional limits is estimated to be $12,801 (to be pro-rated until the expiration date of 12/31/2013). Our broker recommends that we accept the additional limits quote offered by incumbent, Safety National.
To date there have been no claims that have exceeded the existing $5 million per occurrence limit. In a January 2013 edition of the *Business Insurance* periodical, Safety National Casualty Corporation was quoted in an article entitled, Stand-alone Excess Comp. In that article, employers were advised that issues such as prescribing pain medications for pain management, federal Medicare set-aside demands, medical cost inflation, an aging workforce, obesity and increased comorbidities among injured workers are driving increases in claim severities. In the event of a catastrophic loss exceeding $5 million Aon suggests that the DRPA consider the “worst case scenario” with no additional limits in place and to ask the following question retrospectively: “*In the wake of a catastrophic loss exceeding $5,000,000 would the DRPA want $20,000,000 excess of $5,000,000 for (an estimated) $12,801 (additional) annual premium?”*

Staff recommends that we accept the additional limit quote of $20,000,000 recommended by Aon for the estimated annual premium of $12,801 (to be pro-rated until the expiration date of 12/31/2013) for the existing Excess Workers’ Compensation & Employers’ Liability policy term.

**SUMMARY:**

- Amount: Approximately $12,801
- 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 recommendation from Aon Risk Solutions to increase the current limits of the DRPA Excess Workers’ Compensation insurance policy from $5,000,000 per occurrence to $20,000,000, bringing the total per occurrence limit to $25,000,000; and be it further

RESOLVED: That the estimated annual premium for the increased limits would be $12,801 (to be pro-rated until the expiration date of 12/31/2013); 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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