SUMMARY STATEMENT

ITEM NO.: DRPA-13-129  SUBJECT: Renewal of DRPA Excess Workers’ Compensation & Employers’ Liability Policy

COMMITTEE: Finance

COMMITTEE MEETING DATE: November 1, 2013

BOARD ACTION DATE: November 20, 2013

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.

As Aon performed an extensive marketing effort last year, Aon solicited a renewal quote from the incumbent carrier, Safety National Casualty Corporation.

- Safety National - Estimated premium $126,109

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. DRPA’s existing Excess Workers’ Compensation & Employers’ Liability Policy will expire December 31, 2013.
The expiring premium for the $5,000,000 per occurrence maximum limit of indemnity for the policy term 12/31/2012-12/31/2013 was $104,805 (including TRIA). DRPA-13-038 authorized staff 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 maximum limit of indemnity to $25,000,000. The estimated pro-rated additional premium for the increased limits is $12,801 and same will be invoiced upon policy audit (180 days after expiration date of 12/31/2013). If we have had a $25,000,000 per occurrence maximum limit for the entire year, the premium would have been $117,605 (Including TRIA).

Aon reports seeing double digit rate increases across the board for all policyholders. Some of the driving factors for the double-digit rate increases are medical inflation, prescription drug cost, comorbidity, obesity and current interest rates. Aon was successful in securing a 7.23% rate increase for the annual renewal term 12/31/2013-12/31/2014, which will continue to include the $25,000,000 per occurrence maximum limit.

The 12/31/2012–12/31/2013 premium for the Excess Workers Compensation Policy was $117,605 (including TRIA).

Aon has presented the following renewal option for our consideration:

- Safety National Casualty Corporation has offered an annual estimated premium for the policy term 12/31/2013-12/31/2014 for $126,109 (including TRIA). This would result in an annual premium increase of $8,504. The premium increase is based entirely on the single-digit rate increase, and is not the result of higher payroll. Under the terms of the policy the premium will be audited for payroll upon expiration, which may result in a return premium or an additional premium due. This policy term will run concurrently with the Commercial Umbrella Liability Policy Term 12/31/2013-12/31/2014.

Staff recommends that we accept the renewal option offered by the incumbent, Safety National Casualty Corporation, for the policy term 12/31/2013-12/31/2014, at an estimated annual premium of $126,109 (including TRIA).
<table>
<thead>
<tr>
<th><strong>SUMMARY:</strong></th>
<th><strong>Amount:</strong></th>
<th>Approximately $126,109 (including TRIA) subject to payroll audit upon expiration, which may result in a return premium or an additional premium due.</th>
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<tbody>
<tr>
<td><strong>Source of Funds:</strong></td>
<td>Revenue</td>
<td></td>
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<tr>
<td><strong>Capital Project #:</strong></td>
<td>N/A</td>
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<tr>
<td><strong>Operating Budget:</strong></td>
<td>DRPA Risk Mgt. C/E #8</td>
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<td><strong>Master Plan Status:</strong></td>
<td>N/A</td>
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<td><strong>Other Fund Sources:</strong></td>
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<td><strong>Duration of Contract:</strong></td>
<td>December 31, 2013 – December 31, 2014</td>
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<td><strong>Other Parties Involved:</strong></td>
<td>Aon/Safety National Casualty Corporation</td>
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RESOLUTION

RESOLVED: That the Board authorizes staff to accept the renewal premium from incumbent, Safety National Casualty Corporation, for the Excess Workers’ Compensation & Employers’ Liability Policy for the policy term 12/31/2013 – 12/31/2014, at an estimated annual premium of $126,109 (including TRIA) and subject to a payroll audit upon expiration which may result in a return premium or an additional premium due; 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 $126,109 (including TRIA) subject to payroll audit upon expiration, which may result in a return premium or an additional premium due.
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/Safety National Casualty Corporation