SUMMARY STATEMENT

ITEM NO.: DRPA-14-129

SUBJECT: Renewal of DRPA Excess Workers’ Compensation & Employers’ Liability Policy

COMMITTEE: Finance

COMMITTEE MEETING DATE: October 1, 2014

BOARD ACTION DATE: October 16, 2014

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-14-070, 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.

Aon marketed the DRPA’s Excess Workers’ Compensation insurance policy to several insurance companies to secure the most competitive premium.

Aon marketed the coverage to the following carriers:

• Safety National - quoted $138,680 (incumbent)
• ACE - premium indication in excess of $50,000 over expiring premium
• Arch - declined due to DRPA/PATCO exposures
• US Specialty - declined due to DRPA/PATCO exposures
• Midlands - premium indication in excess of $50,000 over expiring premium

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, 2014.
The expiring premium for the $25,000,000 per occurrence maximum limit of indemnity for the policy term 12/31/2013-12/31/2014 is $126,109 (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. The 10% increase ($12,571) is a pure rate increase of .3150 to .3464 per hundred of payroll by Safety National and not attributed to any increase in payroll or negative claims experience.

Aon continues to advise that combining both DRPA and PATCO into one policy would not result in a savings based on economy of scale. In determining the premiums for DRPA and PATCO Excess Workers’ Compensation policies, Safety National considered the following factors: (1) the varying payroll classifications (job descriptions) at DRPA & PATCO; and (2) historical loss experience. Safety National’s underwriters have determined that the final rate per hundred of payroll for DRPA (proposed rate for 2015 - .3464) will always be lower than that for PATCO (proposed rate for 2015 - .6220). Based on this evaluation, Aon recommends that the Authority maintain two separate policies in order to take advantage of the lower rate per hundred of payroll for DRPA.

Staff recommends that we accept the renewal option offered by the incumbent, Safety National Casualty Corporation, for the policy term 12/31/2014-12/31/2015, at an estimated annual premium of $138,680 (including TRIA) based on an annual estimated payroll of $40,034,698 (auditable upon expiration).
SUMMARY: Amount: Approximately $138,680 (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 Risk Services and Safety National Casualty Corporation
RESOLUTION

RESOLVED: That the Board authorizes staff to accept the renewal premium from incumbent, Safety National Casualty Corporation, for the DRPA Excess Workers’ Compensation & Employers’ Liability Policy for the policy term 12/31/2014 – 12/31/2015, at an estimated annual premium of $138,680 (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:

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