SUMMARY STATEMENT


COMMITTEE: Finance

COMMITTEE MEETING DATE: October 14, 2015

BOARD ACTION DATE: October 21, 2015

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, Turner Surety & Insurance Brokerage (TSIB).

Pursuant to DRPA-15-062, TSIB is paid a fixed annual service fee not-to-exceed $141,000 payable in quarterly installments. Therefore, the proposed policy premium is net of commission. Pursuant to the terms of the Broker/Consultant Service Agreement, TSIB understands that no commissions shall be paid on any insurance policies placed on DRPA’s behalf.

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

TSIB marketed the coverage to the following carriers:

• Safety National Casualty Corp - quoted $135,144 (incumbent)
• Arch - declined due to DRPA exposures
• Midwest Employers - declined, could not compete against current rate

PURPOSE: The Excess Workers’ Compensation policy is designed to provide statutory benefits to DRPA’s employees in Pennsylvania and New Jersey who are injured or become ill within the scope of their employment. The policy reduce DRPA’s exposure to loss from catastrophic incidents in excess of the $1 million Self-Insured Retention for 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 $25 million each accident, plus a $1 million Employers’ Liability Limit, both subject to a $1 million self-insured retention. DRPA’s current Excess Workers’ Compensation & Employers’ Liability Policy will expire December 31, 2015.
The current premium for the $25,000,000 per occurrence maximum limit of indemnity for the policy term 12/31/2014-12/31/2015 is $138,680 (including TRIA) based upon a total payroll of $40,034,698. The policy is auditable upon expiration.

Last year, Safety National proposed a 10% pure rate increase ($12,571) advising several driving factors for the double-digit rate increase as:

- Medical inflation
- Prescription drug cost
- Comorbidity, obesity and
- Current interest rates

The current market average is approximately a 3.7% pure rate increase for 2016 Excess Workers’ Compensation renewals. For the renewal term, Safety National has proposed a 1.9% pure rate increase. The proposed rate per hundred of payroll would increase from $0.3464 to $0.3530. The 1.9% rate increase is largely due to medical inflation. Another contributing factor is low investment returns from low-yielding bonds.

The renewal quotation is subject to the following:
1) Quote is subject to receipt and underwriting review of updated loss information (valued within 90 days of effective date) to be received prior to or upon binding coverage;
2) Subject to receipt, review and acceptance of information requested in SNCC’s Employee Concentration Information application form prior to binding; and
3) Subject to receipt of payroll projections for 2016

TSIB recommends that staff accept the renewal option offered by the incumbent, Safety National Casualty Corporation, for the policy term 12/31/2015-12/31/2016, at an estimated annual premium of $135,144 (including TRIA) based on an annual estimated payroll of $38,284,486 (which is the audited payroll figure from 12/31/13-12/31/14). This policy is auditable upon expiration.
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<tr>
<th>SUMMARY:</th>
<th>Amount:</th>
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<tr>
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<td>Approximately $135,144 (including TRIA) subject to payroll audit upon expiration, which may result in a return premium or an additional premium due.</td>
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<td>Source of Funds:</td>
<td>Revenue</td>
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<td>Capital Project #:</td>
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<td>Operating Budget:</td>
<td>DRPA Risk Mgt. C/E #8</td>
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<td>Master Plan Status:</td>
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<td>Other Fund Sources:</td>
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<td>Other Parties Involved:</td>
<td>Turner Surety &amp; Insurance Brokerage and 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 DRPA Excess Workers’ Compensation & Employers’ Liability Policy for the policy term 12/31/2015 – 12/31/2016, at an estimated annual premium of $135,144 (including TRIA), which represents an increase of approximately 1.9% over the expiring rate per hundred of payroll as a result of a pure rate increase; and be it further

RESOLVED: That the estimated annual premium will be $135,144 (including TRIA) and is 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 $135,144 (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: Turner Surety & Insurance Brokerage and Safety National Casualty Corporation