SUMMARY STATEMENT

ITEM NO.: DRPA-19-093

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

COMMITTEE: Finance

COMMITTEE MEETING DATE: October 2, 2019

BOARD ACTION DATE: October 16, 2019

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-18-054, TSIB is paid a fixed annual service fee not-to-exceed $160,380.00 payable in quarterly installments of $40,095.00. 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. Therefore, the proposed policy premium is net of commission.

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 $158,485 (incumbent)
- Arch - Declined, due to DRPA exposures
- ACE- Declined, did not fit appetite guidelines

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 reduces DRPA’s exposure to loss from catastrophic incidents in excess of the $1 million Self-Insured Retention for each accident.

BACKGROUND: Pursuant to DRPA-17-079, the Board authorized staff to renew the DRPA Excess Workers’ Compensation & Employers’ Liability Policy effective December 31, 2017 to December 31, 2019. 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.
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, 2019.

The current premium for the $25,000,000 per occurrence maximum limit of indemnity for the policy term December 31, 2018 to December 31, 2019 is $149,245.00 the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) based upon a total payroll of $42,279,024.00. The policy is auditable upon expiration.

Safety National initially proposed a 3% pure rate increase. TSIB reviewed the loss history with Safety National and pointed out there has never been a paid loss under the policy. Safety National agreed to revise their proposed rate increase. In addition, TSIB negotiated an option of a flat 24-month policy term with Safety National. Safety National agreed and proposed a 24-month policy term at the same rates as expiring for the renewal term, December 31, 2019 to December 20, 2021.

As 2019 budgeted payroll numbers were not available during the early renewal process, the quote is based upon the December 31, 2018 to December 31, 2019 policy term payroll of $42,279,024.00, plus a 6.19% increase for the renewal term, or an estimated payroll totaling $44,896,553.00.

Safety National proposed the following renewal quotation:

- 24-month policy, with the same policy terms and conditions at the same FLAT rate of $0.353 per $100 of payroll, subject to an annual estimated premium of premium of $158,485.00, for the policy term December 31, 2019 to December 20, 2020; auditable upon expiration.

The quotation is subject to the following:

- Renewal quote is subject to receipt and underwriting review of updated loss information (valued within 90 days of effective date) for any material change in loss experience which may affect the final quoted rate and terms. Loss information to be received prior to or upon binding coverage (TSIB will obtain directly from the Authority’s TPA).

TSIB recommends that staff accept the renewal quote offered by the incumbent, Safety National Casualty Corporation, for the 24-month policy term December 31, 2019 to December 20, 2021, at an estimated annual premium of $158,485.00 (including TRIPRA), for the policy term December 31, 2019 to December 20, 2020, based on an annual estimated payroll of $44,896,553.00 (which is the December 31, 2018 to
December 20, 2019 policy payroll figure increased by 6.19% and net of commission. This policy is auditable upon expiration. The increase in premium of $9,240 or 6.19%, is the result of the annual increase in payroll estimates.

**SUMMARY:**
- **Amount:** Approximately $158,485.00 (including TRIPRA), Net of commission and subject to payroll audit upon expiration, which may result in a return premium or an additional premium due.
- **Source of Funds:** Revenue Fund
- **Capital Project #:** N/A
- **Operating Budget:** DRPA Risk Mgt. Commitment 770230
- **Master Plan Status:** N/A
- **Other Fund Sources:** N/A
- **Duration of Contract:** December 31, 2019 to December 31, 2021
- **Other Parties Involved:** Turner Surety & Insurance Brokerage, (TSIB) and Safety National Casualty Corporation
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to accept the proposed renewal quote from incumbent, Safety National Casualty Corporation, for the DRPA Excess Workers’ Compensation & Employers’ Liability Policy for the 24-month policy term December 31, 2019 to December 20, 2021; at an estimated annual premium of $158,485 from December 31, 2019 to December 20, 2020 (including TRIPRA), net of commission; and be it further

RESOLVED: That the estimated annual premium will be $158,485 (including TRIPRA) for the December 31, 2019 to December 20, 2020 policy term; based upon the December 31, 2018 to December 20, 2019 policy estimated payroll of $42,279,024.00 plus an increase of 6.19% for a total estimated payroll of $44,896,553.00 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 renewal premium from December 31, 2020 to December 20, 2021 will be quoted by Safety National Casualty Corporation, upon submission of the estimated payroll for that policy term at the same FLAT rate of $0.353 per $100 of payroll, subject to a payroll audit upon expiration; 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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