PROPOSAL: That the Board authorizes staff to bind the new placement of a PATCO Excess Workers’ Compensation insurance policy with Safety National Casualty Corporation. This policy would be 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.

PURPOSE: Major accidents or illnesses during the scope of employment can result in substantial medical bills and this policy provides statutory benefits for PATCO employees who work in Pennsylvania and New Jersey. The Excess Workers’ Compensation policy is designed to reduce the Authority’s exposure for catastrophic incidents excess of the $1 million Self-Insured Retention each accident.

BACKGROUND: Pursuant to DRPA-13-129, the board authorized staff to renew the DRPA’s Excess Workers’ Compensation & Employers’ Liability Policy effective December 31, 2013 to December 31, 2014. The Authority’s Excess Workers’ Compensation policy provides coverage for DRPA employees working in PA and NJ. All DRPA Workers’ Compensation claims are self-insured up to the first $1 million. Claims that exceed $1 million are payable by the insurance company under the DRPA Excess Workers’ Compensation & Employers’ Liability insurance policy. 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.

At PATCO all Workers’ Compensation claims are self-insured from the first dollar. There is no Excess Workers’ Compensation coverage for PATCO claims.
The nature of the job functions performed by many PATCO employees have resulted in catastrophic injuries. With the rising cost of medical care, and PATCO’s aging workforce, these catastrophic injuries have the potential to exceed $1 million. In order to put PATCO’s potential catastrophic claims history into perspective we asked the Authority’s Third Party Administrator, Qual-lynx, to provide us with claims data. The below data reflects injuries that occurred in three separate PATCO departments. Each claim remains open, and are being paid for by PATCO. The below data is current as of 12/31/2013:

<table>
<thead>
<tr>
<th>Date of injury</th>
<th>Incurred to date</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/22/1998</td>
<td>$1,323,000</td>
<td>Grounds &amp; Maintenance</td>
</tr>
<tr>
<td>5/7/2006</td>
<td>$482,663</td>
<td>Storeroom</td>
</tr>
<tr>
<td>10/24/2013</td>
<td>$400,325</td>
<td>Track Maintenance</td>
</tr>
</tbody>
</table>

At staff’s request, Aon solicited a quote from the DRPA’s Excess Workers’ Compensation incumbent carrier, Safety National Casualty Corporation. Safety National Casualty Corporation was willing to combine both DRPA and PATCO into one policy for the 12/31/2013 to 12/31/2014 policy term. However, Safety National was unwilling to provide a discount for combining the two entities into one policy. Instead, Safety National Casualty Corporation offered to:

- keep the two separate rates; or
- calculate a blended rate that matches each of the entity’s premiums

Our broker advises that combining both entities 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. Upon completion of that review, Safety National’s underwriters determined that the final rate per hundred of payroll for DRPA will always be lower than that for PATCO. 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.

Aon has presented the following Excess Workers’ Compensation options for PATCO for our consideration. Each of the following options are based on an annual estimated payroll of $18,240,108 (auditable upon expiration):
New PATCO Excess Workers’ Compensation & Employers’ Liability Insurance

Option 1 (Mirrors DRPA’s Excess Workers’ Compensation policy)
- Excess Workers’ Comp limit: $25,000,000;
- Employers’ Liability limit: $1,000,000/$1,000,000;
- Self-Insured Retention: $1,000,000;
- Excess Rate per Hundred of Payroll: .622; and
- Deposit & Minimum Premium (including TRIA): $113,453

Option 2
- Excess Workers’ Comp limit: $10,000,000;
- Employers’ Liability limit: $1,000,000/$1,000,000;
- Self-Insured Retention: $1,000,000;
- Excess Rate Per Hundred of Payroll: .515; and
- Deposit & Minimum Premium (Including TRIA): $93,937

Staff recommends that we accept Aon’s Option 1 offered, for an annual policy term to be bound at the earliest possible date after the NJ Governor’s Veto Period expires. The estimated annual premium for Option 1 is $113,453 (including TRIA), auditable upon expiration. This option mirrors the terms and conditions of the current DRPA Excess Workers Compensation & Employers’ Liability policy.

SUMMARY:  
Amount:  Estimated $113,453 (including TRIA) subject to payroll audit upon expiration, which may result in a return premium or an additional premium due.

Source of Funds:  General
Capital Project #:  N/A
Operating Budget:  DRPA Risk Mgt. C/E #8
Master Plan Status:  N/A
Other Fund Sources:  N/A
Duration of Contract:  TBD
Other Parties Involved:  Aon/ Safety National Casualty Corporation
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to bind, at the earliest possible date after the NJ Governor’s Veto Period expires, the proposed PATCO Excess Workers’ Compensation & Employers’ Liability insurance policy, which mirrors the existing DRPA Excess Workers’ Compensation & Employers’ Liability policy from Safety National Casualty Corporation; and be it further

RESOLVED: That the estimated annual premium will be $113,453 (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.
<table>
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