SUMMARY STATEMENT

ITEM NO.: PATCO-14-041          SUBJECT: Renewal of the PATCO Excess Workers’ Compensation & Employers’ Liability Insurance

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 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-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.

In May 2014, the Board authorized staff to bind the first ever Excess Workers Compensation and Employers Liability Policy for PATCO claims. In order for this new policy to be concurrent with the Commercial Umbrella Liability Policy, as well as the DRPA’s Excess Workers’ Compensation policy, the Board authorized the placement of a short-term policy (7 months). That short-term policy will expire on December 31, 2014.

Aon solicited a full 12-month renewal proposal from the incumbent, Safety National Casualty Corporation. For the above reasons, Aon did not market the PATCO Excess Workers’ Compensation insurance policy.

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 PATCO-14-020, the board authorized staff to bind the PATCO Excess Workers’ Compensation & Employers’ Liability Policy effective May 8, 2014 to December 31, 2014. The short term policy expires on the same date as the DRPA Excess Workers’ Compensation policy. The PATCO Excess Workers’ Compensation policy provides coverage for PATCO employees working in PA and NJ. All PATCO 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 PATCO 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.

The expiring premium for the $25,000,000 per occurrence maximum limit of indemnity for the short term policy 5/8/2014-12/31/2014 is $73,631 (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 flat rate increase for the annual renewal term 12/31/2014-12/31/2015.

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 PATCO (proposed rate for 2015 - .6220) will always be higher than that for DRPA (proposed rate for 2015 - .3464). 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 $113,453 (including TRIA) based on an annual estimated payroll of $18,240,108 (auditable upon expiration).
SUMMARY STATEMENT  - 3 -  Renewal PATCO Excess Workers
Finance 10/1/2014  Workers’ Compensation &
Employers’ Liability Insurance

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 Fund
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 bind to accept the renewal premium from incumbent, Safety National Casualty Corporation, for the PATCO Excess Workers’ Compensation & Employers’ Liability Policy for the policy term 12/31/2014 – 12/31/2015, at an estimated annual premium of $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 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>
<thead>
<tr>
<th><strong>SUMMARY:</strong></th>
<th><strong>Amount:</strong></th>
<th>Estimated $113,453 (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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<tr>
<td><strong>Operating Budget:</strong></td>
<td><strong>Master Plan Status:</strong></td>
<td>N/A</td>
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<tr>
<td><strong>Other Fund Sources:</strong></td>
<td><strong>Duration of Contract:</strong></td>
<td>N/A</td>
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<td><strong>Other Parties Involved:</strong></td>
<td><strong>December 31, 2014 – December 31, 2015</strong></td>
<td>Aon Risk Services and Safety National Casualty Corporation</td>
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