SUMMARY STATEMENT

ITEM NO.: PATCO-15-030  
SUBJECT: Renewal of PATCO Excess Workers’ Compensation & Employers’ Liability Insurance

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 PATCO 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. 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 PATCO 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 $122,012 (incumbent)
- Arch - declined due to PATCO exposures
- Midwest Employers - declined, could not compete against the current rate

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 place the PATCO Excess Workers’ Compensation & Employers’ Liability Policy effective December 31, 2014 to December 31, 2015. 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 current PATCO 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 $113,453 (including TRIA) based upon a total payroll of $18,240,108. The policy is auditable upon expiration.

The current market average is approximately a 3.7% pure rate increase for 2016 Excess Workers’ Compensation renewals. For the renewal policy term, TSIB advises that Safety National has proposed a 2% pure rate increase. The proposed rate per hundred of payroll would increase from $0.6220 to $0.6340. The 2% rate increase is largely due to medical inflation. Another contributing factor is low investment returns from low-yielding bonds.

The quotation is subject to the following:

1) Quote offer 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;
3) Subject to receipt of payroll projections for 2016; and
4) Subject to the continued placement of the DRPA Excess Workers’ Compensation insurance coverage with Safety National Casualty Corporation

TSIB recommends that staff accept the renewal quote offered by the incumbent, Safety National Casualty Corporation, for the policy term 12/31/2015-12/31/2016, at an estimated annual premium of $122,012 (including TRIA) based on an annual estimated payroll of $19,244,817 (which is the audited payroll figure from 12/31/13-12/31/14). This policy is auditable upon expiration.
SUMMARY STATEMENT - 3 - Renewal of PATCO Excess Workers
Workers’ Compensation &
Employers’ Liability Policy
Finance 10/14/2015

SUMMARY:

Amount: Approximately $122,012 (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: PATCO Admin. C/E Insurance & Claims
Master Plan Status: N/A
Other Fund Sources: N/A
Other Parties Involved: Turner Surety & Insurance Brokerage and
Safety National Casualty Corporation
RESOLUTION

RESOLVED: That the Board of Commissioners authorizes staff to accept the renewal premium from incumbent, Safety National Casualty Corporation, for the PATCO Excess Workers’ Compensation & Employers’ Liability Policy for the policy term 12/31/2015 – 12/31/2016, at an estimated annual premium of $122,012 (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 $122,012 (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 $122,012 (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: PATCO Admin. C/E Insurance & Claims
Master Plan Status: N/A
Other Fund Sources: N/A
Other Parties Involved: Turner Surety & Insurance Brokerage and Safety National Casualty Corporation