

## SUMMARY STATEMENT

**ITEM NO.:** PATCO-17-033

**SUBJECT:** Renewal of PATCO Excess Workers' Compensation & Employers' Liability Insurance

**COMMITTEE:**

Finance

**COMMITTEE MEETING DATE:**

October 4, 2017

**BOARD ACTION DATE:**

October 18, 2017

**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 \$127,564 (incumbent)
- Arch - declined due to PATCO exposures
- ACE - declined, did not fit appetite guidelines

**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-15-030, the Board authorized staff to renew the PATCO Excess Workers' Compensation & Employers' Liability Policy effective December 31, 2016 to December 31, 2017. 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, 2017.

The current premium for the \$25,000,000 per occurrence maximum limit of indemnity for the policy term 12/31/2016-12/31/2017 is \$125,062 (including TRIA) based upon a total payroll of \$19,725,938. The policy is auditable upon expiration.

Safety National initially proposed a 3-5% pure rate increase. TSIB reviewed the loss history with Safety National and pointed out there has never been a paid loss under this program. 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, 12/31/2017 to 12/31/2019.

As 2018 budgeted payroll numbers were not available during the renewal process, the quote is based upon the 12/31/2016 -12/31/2017 policy term payroll of \$19,725,938, plus a 2% increase for the renewal term, or an estimated payroll totaling \$20,120,456.

Safety National proposed the following renewal quotation:

- 24-month policy, with the same policy terms and conditions at the same FLAT rate of \$0.634 per \$100 of payroll, subject to an annual estimated premium of premium of \$127,564; auditable upon expiration.

The quotation is subject to the following:

- 1) 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 12/31/2017-12/31/2019, at an estimated annual premium of \$127,564 (including TRIA) based on an annual estimated payroll of \$20,120,456 (which is the 12/31/16-12/31/17 policy payroll figure increased by 2%) and net of commission. This policy is auditable upon expiration. The increase in premium of \$2,502 or 2%, is the result of the annual increase in payroll estimates.

<b>SUMMARY:</b>	<b>Amount:</b>	<b>Approximately \$127,564 (Including TRIA) Net of commission, subject to payroll audit upon expiration, which may result in a return premium or an additional premium due.</b>
	<b>Source of Funds:</b>	<b>General</b>
	<b>Capital Project #:</b>	<b>N/A</b>
	<b>Operating Budget:</b>	<b>PATCO Admins. Commitment 770000</b>
	<b>Master Plan Status:</b>	<b>N/A</b>
	<b>Other Fund Sources:</b>	<b>N/A</b>
	<b>Duration of Contract:</b>	<b>December 31, 2017 – December 31, 2019</b>
	<b>Other Parties Involved:</b>	<b>Turner Surety &amp; Insurance Brokerage and Safety National Casualty Corporation</b>

**PATCO-17-033**  
**Finance: October 4, 2017**  
**Board Date: October 18, 2017**  
**Renewal of PATCO Excess Workers' Compensation**  
**& Employers' Liability Insurance**

**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 24-month policy term 12/31/2017 – 12/31/2019, at an estimated annual premium of \$127,564 (including TRIA); ), net of commission; and be it further
- RESOLVED:** That the estimated annual premium will be \$127,564 (including TRIA) and is based upon the 12/31/2016 to 12/31/2017 policy estimated payroll of \$19,725,938 plus an increase of 2% for a total estimated payroll of \$20,120,456; 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 12/31/2018 to 12/31/2019 will be quoted by Safety National Casualty Corporation, upon submission of the estimated payroll for that policy term at the same FLAT rate of \$0.634 per \$100 of payroll, 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 \$127,564 (Including TRIA)**  
**Net of commission, subject to payroll audit upon**  
**expiration, which may result in a return premium**  
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**Duration of Contract:**                    **December 31, 2017 – December 31, 2019**  
**Other Parties Involved:**                    **Turner Surety & Insurance Brokerage and**  
**Safety National Casualty Corporation**