

Decision Paper



Workers Compensation Insurance Renewal

September 13, 2019

Revised September 18, 2019

Updates:

- TDA current carrier, Starstone/Enstar, provided an updated quote to Interwest which is \$10,993 less in premium than StateFund's quote.
- Change to recommended carrier coverage for renewal.
- Decrease in recommended total cost of renewal.

ISSUE:

Tahoe Donner Association's Workers Compensation insurance policy is set for renewal on October 1, 2019.

BACKGROUND:

The underlying costs (indemnity and medical) of Workers Compensation Insurance continued to grow this last year, while the Workers Compensation Insurance Review Bureau (WCIRB) reports exposure (actual losses) has not increased at the rate it has been over the last several years. The California Insurance Board approved an overall 10% decrease to base rates effective June 1, 2019. The WCIRB Governing & Actuarial Committee noted in their determination to reduce pure premium rates based on positive loss development due to dramatic reductions in pharmaceutical costs.

Tahoe Donner's experience modification (ExMOD) rate slightly fluctuated from .88 to .94. This reflects the result of the 2014 policy year claims and payroll data falling off from the calculation and 2018 losses being included. In April, there were (4) claims closures which resulted in a 2% decrease over what was projected at the beginning of the year. The 94% ExMOD is a result of 3 years of low experience and claims expenses which maintains a 3rd consecutive year under Tahoe Donner's 10-year average ExMOD of 121% or 1.21. The total claims reserves per year for the last five years provide a downward trend due to focus on pro-active loss controls and claims management as part of the risk management plan for the association. In summary, state level changes coupled with Tahoe Donner's workers compensation claims management provides a favorable climate for positive renewal this year.

Tahoe Donner is currently placed by InterWest Insurance Services, Inc. and carried by (Startstone/Enstar Group) with coverage expiring September 30, 2019; total approved premium of \$476,439 plus brokers fee of \$20,000 for a sum total of \$496,439. Expiring policy year estimated payroll is \$10,290,000.

This year management worked with Interwest Insurance Services for a market proposal. Safehold Special Risk (NOVA), prior brokerage and Workers Compensation resort package declined to propose a quote for this year.



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Estimated payroll for the 2019-2020 renewal is \$11,055,000; 6.9% percent increase over the expiring policy year estimated payroll. Interwest proposes coverage with ~~State Fund~~ Starstone/Enstar for a total premium of ~~\$409,756~~ \$398,763, and broker's fee of \$22,000; a sum total of ~~\$431,756~~ \$420,763. This is a less than 16% decrease in premium over prior year premium.

Interwest provided the market proposal recommending State Fund (SCIF). Incumbent carrier, Starstone/Enstar Group was the competitive quote with other carriers denying a proposal due to diversity of risk. Both carriers recognize the tremendous efforts made at Tahoe Donner towards controlling workers compensation injury frequency and severity. Interwest did request Starstone/Enstar Group to review the renewal proposal again as a result of State Fund's proposal, however, at the time of this decision paper submission they had not responded. Interwest anticipates a possible change to their proposal to be more competitive with State Fund.

RECOMMENDATION:

Management recommends the Board of Directors consider approving Interwest Insurance Service's proposal for total cost of ~~\$431,756~~ \$420,763 including taxes, fees and broker's fee for the Workers Compensation Insurance renewal for the policy year, October 1, 2019 through September 30, 2020.

Prepared By: Annie Rosenfeld

Board Meeting Date: September 21, 2019

General Manager Approval to Place on the Agenda: _____

