



DECISION PAPER

DATE September 18, 2020

TITLE:

Tahoe Donner Association Workers Compensation Insurance Policy Renewal 2020 - 2021

RECOMMENDATION:

By Motion:

The Board of Directors approve Interwest Insurance Service's proposal for the Workers Compensation Insurance renewal with Starstone/Enstar for the policy year, October 1, 2020 through October 1, 2021; with total estimated premium and costs of \$380,697 inclusive of taxes, fees and broker's fee.

BACKGROUND:

Tahoe Donner Association's Workers Compensation insurance policy is set for renewal on October 1, 2020. Tahoe Donner is currently placed by InterWest Insurance Services, Inc. and carried by (Startstone/Enstar Group) with coverage expiring October 1, 2020; total approved estimated premium and fees of \$398,763 plus brokers fee of \$25,000 for a total of \$420,763.

ANALYSIS:

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 WCIRB released its First Quarter 2020 Experience Report highlighting "California written premium for the first quarter 2020 is 5 percent below that for the first quarter of 2019" and "The Average charged rate for the first quarter of 2020 is 7 percent below that for 2019 and 39 percent below the peak in 2014." 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 improved with a reduction of .18 from .94% to .76%. The .76% ExMOD is a result of 4 consecutive years of low experience and claims expenses, which continues consecutive performance under Tahoe Donner's 10-year average ExMOD of 117% or 1.17. The total claims reserves per year for the last six 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.

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





Estimated payroll for the 2020-2021 renewal was \$11,011,450; a 6.7% percent decrease over the expiring policy year estimated payroll, reflecting estimated impacts due to the COVID19 pandemic. Interwest proposes coverage with Starstone/Enstar for a total estimated premium of \$358,697, and broker's fee of \$22,000; a total of \$380,697. The proposed renewal package is 9.5% less than the expiring year.

While COVID-19 impact to rates did not effect this year's renewal, the Association should anticipate rate increases for the following policy year and 2021 operational budget due to approved 4% base rate increase and forthcoming increases related to the presumptive ruling of COVID-19 infection.

OUTREACH:

N/A

FISCAL IMPACT:

2020 operational budget includes \$450,000 for estimated workers compensation premium costs. The 2021 draft operational budget includes estimate for workers compensation insurance premium which includes the last three quarters of the 2020-2021 policy year and first quarter of the 2021-2022 policy year.

ALTERNATIVE:

The board has a number of alternatives:

1. The board may choose to direct staff to work with the insurance broker to bind coverage with a different carrier.
2. The board may choose to extend the policy to work towards alternative insurance options.

ATTACHMENTS:

Interwest Insurance Services, Inc. Tahoe Donner Association Workers Compensation Insurance Proposal 2020-2021

Prepared by: Brian Yohn, Assistant Director of Risk Management and Real Property

Reviewed by: Annie Rosenfeld, Director of Risk Management and Real Property

Board Meeting Date:

General Manager Approval to Place on the Agenda: _____

