



## STAFF REPORT

### DATE

September 24, 2021

### TITLE:

Tahoe Donner Association Property and Casualty Insurance Policies Renewal 2021 - 2022

### RECOMMENDATION:

#### By Motion:

Management recommends the Board of Directors consider delegation of authority to staff to bind all property/casualty lines on behalf of Tahoe Donner Association with existing limits utilizing an estimated budget not to exceed \$1,308,115 plus brokers fees of \$25,000 for a total of \$1,333,115.

(Staff will then back brief the board of directors at the next board of directors meeting)

### BACKGROUND:

Tahoe Donner Association's Property Casualty insurance policies is set for renewal on October 1, 2021. Tahoe Donner is currently placed by Interwest Insurance Services, Inc. and policies carried with various companies with coverage expiring October 1, 2021. The total approved estimated premium and fees for all policies for expiring year is \$1,006,243 plus brokers fee of \$25,000 for a total of \$1,031,243. Last year's October 1, 2020, renewal presented a cost increase to premiums of 33% over the prior year renewal.

### ANALYSIS:

The Association Property and Casualty insurance policies renew on an annual basis. The Association has a well-designed and enhanced enterprise risk program, set up in a layering fashion to provide appropriate coverage given the comprehensive activities and services the Association provides. These insurance policies include coverage for property (buildings, contents, lifts, equipment, business income, etc.), general liability, automobile, difference in conditions (earthquake and flood, etc.), Crime, Cyber/Digital, Prime Umbrella, Excess Umbrella, and Directors' and Officers' insurance. The Prime Umbrella and Excess Umbrella and Excess Crime perform an important function in the risk program providing coverage for the "if, and when" potential of large claims made.

The property and casualty insurance premiums are based on several factors:

- Projected and actual gross revenue receipts
- Loss experience, types of risk exposure of the Association
- Industry rate adjustments because of regional and national loss

### *Property Casualty Market Highlights*

- Property Casualty insurance operates in a global market with impacts of catastrophic exposures (earthquake, flood, coastal windstorm, convective storms, wildfires, civil unrest/riots) reducing capacity





- of insurance carriers and reinsurance carriers to provide coverage at the same limits and cost as compared to prior years.
- The Property Casualty market has shown consistent signs of firming over the last 9 Quarters.
- Carriers instituting rates increase to California markets due to catastrophic loss events: Natural disasters wildfire and hurricanes with subsequent flooding.
- Consistent increases to rates and policies in California for auto policies with auto incidents relating to distracted drivers rising and unprecedented jury awards.
- Employee Practices and Liability Insurance market have been volatile recognizing the potential for employment claims increases that could rise out of the prolonged COVID-19 pandemic.
- Directors and Officers liability insurance market continues to harden- claims have rocketed in the last four years due to societal expectations/higher standards (#metoo movement), social media shaming (e.g., PG&E, Wells Fargo), securities class action suits holding boards accountable for wrongful acts with more vigor than ever before, causing significant tightening in underwriting.

This year management worked with Interwest Insurance Services, Inc for a market proposal. As the board is aware, Interwest Insurance Services is still waiting for AIG, the parent company of most of Tahoe Donner's renewing lines, to release their quotes. This delay is directly attributable to the insurance industry's response to the catastrophic wildfire losses.

When comparing the 2019/2020 and 2020/2021 property casualty policy year renewals, an increase of 33% or \$326,992 was realized year to year. Staff worked with Interwest Insurance Services to review historical market policy premium trends and evaluate current market conditions to forecast for increase to the property and casualty premiums for the 2021/2022 policy renewal. With consideration of this evaluation, staff recommends a conservative approach, to assure that existing policy limits can be achieved for approval of funding for a potential estimated 30%, or \$301,873, policy renewal cost increase.

The Board will consider approval of binding policies prior to receipt of final policy premium costs due to the carrier holding all west coast renewals while they watch the impacts of wildfires in California and across the Western United States. Consequentially, we will need to request approval from the board of directors to delegate authority to staff to bind all property/casualty lines on behalf of Tahoe Donner Association with existing limits utilizing a budget not to exceed \$1,333,115, inclusive of brokers fees. Staff will then back brief the board of directors at the next board of directors meeting.

Additionally, Tahoe Donner may need to request an extension for all property/casualty lines to allow the time necessary for the rest of the policies to provide final quotes, otherwise we could face lapses in coverage. The expiring umbrella and excess policies only cover the expiring policies and cannot cover new policies.

Management has prepared an Estimated Schedule of Insurance 2021-2022 with the assistance of Interwest Insurance Services. This estimate is drafted to develop a not-to-exceed amount for the board to review and approve. Management will provide a full back brief with actual premiums once received.





**OUTREACH:**

N/A

**FISCAL IMPACT:**

The 2021 operational budget includes \$1,055,000 for estimated property and casualty insurance premium costs, a 2.25% increase to 2020/2021 policy premium costs.

Staff worked with Interwest Insurance Services to review historical policy premium trends and forecast the potential for an estimated 30%, or \$301,873, increase to the property and casualty premiums for the 2021/2022 policy renewal. Using the forecast potential of a 30% increase results in the budget approval request for \$1,333,115, exceeding the available budget by \$278,115.

**ALTERNATIVE:**

1. Direct staff to extend existing policies and consider options for reductions of coverage limits to reduce costs.
2. Hold a special board of director meeting for review and approval of proposals once policy renewal premium costs are received if prior to the policy expiration.

**ATTACHMENTS:**

2021-2022 Schedule of Insurance – Forecast for renewal

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

Reviewed by: Todd Martyn-Jones, Director of Finance

Board Meeting Date: September 24, 2021

General Manager Approval to Place on the Agenda: \_\_\_\_\_

