



STAFF REPORT

DATE: September 28, 2022

TITLE:

2022-2023 Property Casualty and Workers Compensation Insurance Renewal

RECOMMENDATION:

By Motion:

The Board of Directors approves the property casualty and workers compensation insurance renewals as indicated in Exhibit A: Proposed 2022-2023 Schedule of Insurance.

BACKGROUND:

Tahoe Donner Association's property casualty and workers compensation insurance policies are set for renewal on October 1, 2022. Tahoe Donner's insurance is placed by Interwest Insurance Services with policies carried by various companies with coverage expiring October 1, 2022. The approved expiring estimated premium and fees for all policies – property casualty insurance and workers compensation – is \$1,703,221. Last year's renewal equated to a net cost increase in premiums of 19% over the renewal of the prior year. The insurance costs are 14% of Tahoe Donner's 2022 operating budget.

The board of directors is being asked to approve the recommended 2022-2023 property casualty and workers compensation insurance renewal (Exhibit A) for a total of \$1,945,328; a net increase of 14.2% over prior year. Staff budgeted an increase of approximately 25% to the property casualty and workers compensation insurance, which is reflected in the preliminary 2023 budget numbers that have been presented to the Board. The actual costs represent a \$167,000 decrease against the projected budget numbers which equates to an approximate decrease of \$25 to the overall draft operating fund assessment.

ANALYSIS:

The association's property casualty and workers compensation 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 adequate 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 risk, prime umbrella, excess umbrella, directors and officers, employment practice and workers compensation insurance to name a few; see Exhibit A. The prime umbrella and excess lines perform an important function in the risk program providing coverage for the "if and when" potential of large claims made.

The property casualty insurance premiums are based on several factors:

- Risk exposures: projected and actual gross revenue receipts, assets covered, activities, etc.
- Loss experience: types of risk exposure to the association
- Industry rate adjustments due to regional and national loss

The workers compensation insurance premium is based on:

- Estimated payroll
- Experience modification rate: loss experience for employee injuries and illnesses on the job, and future risk forecasting





Management worked with Interwest Insurance Services again in 2022 for a market proposal. The insurance expense represents a large portion of the operating budget. As such, a rigorous approach to renewal and risk management is in place. In addition to year-long client services provided by Interwest Insurance Services, staff worked with the company to strategize mitigation activities against increasing premiums and focus on analyzing alternative options like group captive and other alternative markets outside the standard policy framework. This is true for all coverage, but especially looking at the general liability, property/equipment breakdown and workers compensation insurance.

Property Casualty Insurance

Property Casualty Highlights Impacting Renewal

- Regional and national catastrophic losses impacting the insurance industry continue in certain lines, but are stabilizing in others
- Increased building replacement values and other exposures such as estimated gross receipts
- TDA's risk and safety management reputation and low loss record beneficially impact renewal quotes

Following the submittal of applications and update of exposure schedules, quotes for renewing the property casualty lines were procured. When weighing options, staff and Interwest Insurance Services personnel reviewed and sought the broadest coverage while remaining cost-conscious. Interwest has submitted its proposal for policy renewal, (Exhibit B) and summarized in the Proposed Schedule of Insurance (Exhibit A). The recommendation proposes an estimated expense of \$1,451,845 inclusive of taxes, fees and broker service fees. The proposed renewal package estimated cost is a 10% increase over the prior year.

Workers Compensation Insurance

Workers Compensation Highlights Impacting Renewal

- Workers Compensation Insurance Rating Bureau (WCIRB) pure rates increase of 7.8% on average, and Expected Loss Rates decrease can negatively impact renewal
- Medical costs in California are high, and much more so in the Truckee region
- The Tahoe Donner Experience Modification Rate (ExMod) increased 32.5% from .83 to 1.10
- Estimated payroll increase of 6.5%

Estimated payroll for the 2022-2023 renewal was \$12,314,500: a 6.5% percent increase over the expiring policy year's estimated payroll. This reflects estimated impacts due to the downhill ski area's anticipated reduced operations in December 2023 while the ski lodge is constructed. The renewal recommendation of coverage proposes binding with the current carrier StarStone, for a total estimated expense of \$493,483, inclusive of taxes, fees, and broker service fees. The proposed renewal package estimated cost reflects a 30% increase compared to the expiring year and directly proportional to the ExMod increase.

Staff has prepared Exhibit A: Proposed Schedule of Insurance 2022-2023 with the advisement of Interwest Insurance Services for a recommendation of binding coverage.





OUTREACH:

None

FISCAL IMPACT:

The 2022 Operating Budget includes \$1,320,000 for estimated premium Prop and Casualty costs. Quarter 4 of 2022 is impacted by the 2022-2023 renewal cost impacting the 2022 Operating Budget unfavorably by \$34k of estimated premium. The 2023 operating budget includes the remaining portion of the 2022 – 2023 renewal cost, \$1,470,746, plus an estimated increase for the 2023-2024 renewal.

ALTERNATIVE:

The Board has a number of alternatives:

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

ATTACHMENTS:

Exhibit A: Proposed 2022-2023 Schedule of Insurance

Exhibit B: Interwest Insurance Renewal Proposal

Prepared By: Annie Rosenfeld, Director of Administrative Services
Reviewed By: Todd Martyn-Jones, Director of Finance, Accounting and Business Services
Board Meeting Date: September 29, 2022
General Manager Approval to Place on the Agenda: _____

