



STAFF REPORT

DATE: September 26, 2023

TITLE:

2023-2024 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 2023-2024 Schedule of Insurance.

Authorizes a change to the General Liability policy deductible from \$15,000 to \$50,000 or \$75,000 if the quotes result in 5% or better than the proposed \$15,000 deductible GL policy offers.

BACKGROUND:

Tahoe Donner Association's property casualty and workers compensation insurance policies are set for renewal on October 1, 2023. Tahoe Donner's insurance is placed by Interwest Insurance Services, Inc. (Interwest) with policies carried by various companies with coverage expiring October 1, 2023. The approved expiring estimated premium and fees for all policies – property casualty insurance and workers compensation – was \$1,945,228-inclusive of fees. Last year's renewal equated to a net cost increase in estimated premiums of 14.2% over the renewal of the prior year. These insurance costs are 8.5% of Tahoe Donner's 2023 operating expenses (excluding COGS) budget and 9.1% of the draft budget 2024 operating expenses (excluding COGS).

The board of directors is being asked to approve the recommended 2023-2024 property casualty and workers compensation insurance renewal (Exhibit A) for a total of \$2,290,125; a net increase of 17.7% over the prior year.

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 2023 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 like directors and officers liability (aka management policy)
- Continuance of addressing inflation of building replacement values in part due to advisement on price per square foot of buildings, and tightening of policy language regarding building replacement
- Total insured building and contents limit change from \$86.5M to \$115.7M
- Increase to other exposures such as estimated gross receipts and other insured contents/assets
- 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) which is summarized in the Proposed Schedule of Insurance (Exhibit A).

We are still waiting on the requested quotes to consider a change to the General Liability (GL) deductible from \$15,000 to \$50,000 or \$75,000 to mitigate the cost increase. Staff recommends a change to the GL deductible should the result in premium savings of 5% or better than the proposed \$15,000 deductible GL policy offers.

The recommendation proposes an estimated expense of \$1,757,473 inclusive of taxes, fees, and broker service fees. The proposed renewal package's estimated cost is a 21% increase over the prior year.

Workers Compensation Insurance

Workers Compensation Highlights Impacting Renewal

- Workers Compensation Insurance Rating Bureau (WCIRB) pure rates decreased by 2.6% on average, which positively impacted renewal
- Medical costs in California are high, and much more so in the Truckee region, and impacts claims expense
- The Tahoe Donner Experience Modification Rate (ExMod) increased 4.5% from 1.10 to 1.15. Projected 2024 ExMod indicates TDA's ExMod reducing from 1.15 to 1.01
- Estimated payroll increase of 7.3%

The estimated payroll for the 2023-2024 renewal is \$13,211,000: a 7.3% 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 2024 while the ski lodge is constructed. The renewal recommendation of coverage proposes binding with the current carrier StarStone, for a total estimated expense of \$532,652, inclusive of taxes, fees, and broker service fees. The proposed renewal package's estimated cost reflects a 7.9% increase compared to the expiring year.





Broker Service Fees

Interwest has held their broker service fees flat for the last 5-plus years. This year, they propose a modest increase from \$47,000 to \$51,700 (10%) which is still less than benchmarked broker service fees for all property casualty lines. Interwest continues to be a strong partner with Tahoe Donner providing excellent client and claims services, and discounts on risk management resources benefitting Tahoe Donner's risk management program.

Staff has prepared Exhibit A: Proposed Schedule of Insurance 2023-2024 with the advisement of Interwest Insurance Services for a recommendation of binding coverage.

OUTREACH:

None

FISCAL IMPACT:

The 2023 Operating Budget includes \$1,426,745 for estimated premium Prop and Casualty costs. Quarter 4 of 2023 is impacted by the 2023-2024 renewal cost impacting the 2023 Operating Budget unfavorably by \$35,000 of estimated premium. The 2024 draft operating budget includes the remaining portion of the 2023 – 2024 renewal cost, \$1,717,594, plus an estimated increase for the 2024-2025 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 2023-2024 Schedule of Insurance

Exhibit B: Interwest Insurance Renewal Proposal

Prepared By: Sydney Stokes, Administrative Services Manager

Reviewed By: Todd Martyn-Jones, Director of Finance, Accounting and Business Services

Reviewed By: Annie Rosenfeld, Interim General Manager

Board Meeting Date: September 28, 2023

