



## **STAFF REPORT**

**TITLE:** 2024-2025 Property Casualty and Workers Compensation Insurance Renewal

### **BOARD ACTION:**

By Motion:

The Board of Directors approves the property casualty and workers compensation insurance renewals as indicated in Exhibit A: Proposed 2024-2025 Schedule of Insurance.

### **BACKGROUND:**

Tahoe Donner Association's property casualty and workers compensation insurance policies are set for renewal on October 1, 2024. Tahoe Donner's insurance is placed by InterWest Insurance Services, Inc. (InterWest) with policies carried by various companies with coverage expiring September 31, 2024. The expiring estimated premium and fees for all policies – property casualty insurance and workers compensation – was \$2,278,188. This year's renewal equates to a net cost increase in estimated premiums of 3.0% which is much more favorable than the renewal rate increase of 15% in the previous year. These insurance costs are approximately 8.5% of the draft budget 2025 operating expenses (excluding COGS).

The board of directors is being asked to approve the recommended 2024-2025 property casualty and workers compensation insurance renewal (Exhibit A) for a total of \$2,347,881 inclusive of fees; a net increase of 3.0% over the prior year.

### **DISCUSSION/ANALYSIS:**

The Association's property casualty and workers compensation insurance policies are renewed annually. 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 (ExMod): loss experience for employee injuries and illnesses on the job, and future risk forecasting



Management worked with InterWest again in 2024 for a market proposal. The insurance expense represents a substantial 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 (a.k.a., 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 \$115.7M to \$130.40M
- 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 reviewed and sought the broadest coverage while remaining cost-conscious. InterWest submitted its proposal for policy renewal (Exhibit B), summarized in the Proposed Schedule of Insurance (Exhibit A).

The recommendation proposes an estimated expense of \$2,347,881 inclusive of taxes, fees, and broker service fees. The proposed renewal package's estimated cost is a 3.0% (\$72,649) increase over the prior year

## **Workers Compensation Insurance**

### *Workers Compensation Highlights Impacting Renewal*

- Workers Compensation Insurance Rating Bureau (WCIRB) pure rates increased by .52% on average, which negatively impacted the renewal.
- The Tahoe Donner ExMod decreased from 1.15 to 1.08. Despite this positive change, which reflects policy and practice, workers compensation rates have increased this year by 12.5%. This impact is from high medical costs in California which is accentuated in our Truckee region.
- Estimated payroll increase of 2.62%.



The estimated payroll for the 2024-2025 renewal is \$13,623,081 which is a 2.62% increase over the expiring policy year's estimated payroll. This reflects estimated impacts due to the downhill ski area's anticipated reduced operations while the ski lodge is constructed.

The renewal recommendation of coverage proposes binding with the current carrier Starstone, for a total estimated expense of \$577,239 inclusive of taxes, fees, and broker service fees. The proposed renewal package's estimated cost reflects a 12.5% increase compared to the expiring year.

#### *Broker Service Fees*

InterWest held their broker service fee flat from last year and is proposing a broker fee of \$51,700. InterWest continues to be a strong partner with Tahoe Donner providing excellent client and claims services, and discounts on risk management resources benefiting Tahoe Donner's risk management program.

Staff has prepared Exhibit A: Proposed Schedule of Insurance 2024-2025 with the advisement of InterWest Insurance Services for a recommendation of binding coverage.

#### **OUTREACH:**

Not Applicable

#### **FISCAL IMPACT:**

The 2024 Operating Budget includes \$2.2M for estimated premium Prop and Casualty costs for the expiring and renewing policies. The 2025 Operating Budget includes Q1-3 of the 2024/2025 renewing premium, plus a conservative net premium increase estimate of 15% for Q1 of the 2025/2026 renewal at \$2.3M.

#### **RECOMMENDATION:**

The Board recommended action is as follows:

By Motion:

The Board of Directors approves the following:

1. The property casualty and workers compensation insurance renewals as indicated in Exhibit A: Proposed 2024-2025 Schedule of Insurance.

Alternative(s) the Board may consider:

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 2024-2025 Schedule of Insurance

Exhibit B: InterWest Insurance Renewal Proposal

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Staff Report Prepared By: Sydney Stokes, Administrative Services Manager

Reviewed By: Jason Hajduk-Dorworth, Director of Administrative Services

Reviewed By: Justin Malley, Director of Finance and Accounting

Reviewed By: Annie Rosenfeld, General Manager

Board of Directors Meeting: September 27, 2024