



STAFF REPORT: 2026-2027 Workers' Compensation Insurance Program Evaluation – Group Captive and Traditional Market

BOARD ACTION:

For information and Board feedback.

Staff recommends that the Board of Directors provide direction to:

1. Continue due diligence and negotiations regarding participation in the RST Group Captive as an option for Tahoe Donner Association's workers' compensation insurance program, with final terms and a staff recommendation presented as part of the workers' compensation insurance renewal for Board consideration at a September 2026 meeting; and
2. Incorporate the anticipated collateral requirements into the 2026 Operating Fund Forecast and 2027 financial planning scenario, with final participation subject to completion of due diligence and final program terms remaining materially consistent with the financial and risk parameters presented in this report.

EXECUTIVE SUMMARY:

Tahoe Donner has historically purchased workers' compensation insurance through the traditional insurance market, transferring most insured risk to an insurance carrier in exchange for a fixed annual premium. While Tahoe Donner's workplace safety efforts, claims management, and favorable loss experience have improved the Association's individual risk profile, annual premiums still reflect statewide loss trends, medical costs, carrier pricing, and other market factors outside Tahoe Donner's direct control.

Staff and the Finance Committee have therefore been evaluating whether Tahoe Donner's loss history, safety performance, and financial position support a different approach to financing workers' compensation risk. The most viable option under consideration is a group captive program. Under this model, Tahoe Donner would retain a defined portion of predictable losses, share intermediate losses with other captive members, and transfer larger losses to an admitted insurance carrier. In exchange for greater financial participation and collateral, Tahoe Donner would retain a larger share of the financial benefit generated by favorable loss performance.

Tahoe Donner worked with InterWest Insurance Services (see Exhibit B) and Garnet Captive Services (see Exhibit B) to perform an initial assessment of whether Tahoe Donner's historical loss performance supported further evaluation of a captive insurance structure. Because Tahoe Donner's 2026 Experience Modification Factor (ExMod)¹ and a formal proposal provided by Garnet Captive Services (Garnet) partner RST (see Exhibit B) were not yet available, this preliminary analysis relied on estimated program assumptions. After confirming Tahoe Donner's 0.80 ExMod (see Exhibit C), a formal proposal was provided by RST (See Exhibit A). This

1. ExMod is a mathematical multiplier applied to workers' compensation insurance premium. The formula is Experience Modification = Actual Losses/Expected Losses. An ExMod of 1.0 is average. A great ExMod is between 0.80 and 0.90, with significantly fewer or less severe claims history than peers in specific Workers Comp class codes. Generally earning a 10-20% insurance discount. Workers' Compensation Insurance Rating Bureau, 2026.



proposal establishes the current proposed program structure and financial assumptions used throughout this report.

The formal proposal estimates an annualized total program pay-in of \$516,308, compared with Tahoe Donner's current workers' compensation cost of approximately \$625,453, and an annualized initial collateral requirement of approximately \$124,425. Based on Tahoe Donner's historical losses and RST's historical program performance, the proposal estimates an annualized projected ultimate cost of \$346,201, with a modeled maximum cost of \$640,732 (see Exhibit A). These estimates do not guarantee future results.

Staff believes the proposal warrants serious consideration not simply as an opportunity to reduce a single year's insurance premium, but as a long-term risk-financing strategy that more directly aligns Tahoe Donner's workers' compensation costs with its safety performance and claims results.

Additionally, this initiative has not been pursued in prior years because available funding needed to be prioritized for other initiatives/investments. Receipt of the COVID-19 Employee Retention Tax Credit (ERC) now gives Tahoe Donner a unique opportunity to allocate a portion of these one-time funds toward the group captive's initial funding and collateral requirements, rather than relying on funding otherwise needed for other investments.

BACKGROUND:

Tahoe Donner maintains workers' compensation insurance not only to meet its legal obligations, but also as a key component of its enterprise risk management program. The Association's diverse workforce includes administrative and office positions, food and beverage, ski operations, aquatics, golf, maintenance, forestry, snow removal, and other activities with significantly different workplace exposures.

Tahoe Donner has proactively managed these exposures through insurance procurement, proactive claims management, loss control initiatives, employee safety programs, and ongoing workplace risk evaluation. These efforts have contributed to favorable claims performance and improved Tahoe Donner's ExMod from 1.00 to 0.80.

Despite this performance, traditional insurance pricing still reflects factors beyond Tahoe Donner's individual claims experience. During the 2025–2026 renewal, workers' compensation market rates increased even as Tahoe Donner's ExMod improved. Statewide workers' compensation cost pressures are continuing into the 2026–2027 renewal cycle.

Effective September 1, 2026, the California Insurance Commissioner adopted an average advisory pure premium rate of \$1.65 per \$100 of payroll, representing a 6.6% increase over the approved September 2025 rate. While advisory pure premium rates are not the actual rates individual carriers charge, the increase reflects continued upward pressure on underlying California workers' compensation costs.



Because favorable employer performance does not necessarily translate directly into comparable premium reductions in the traditional market, Tahoe Donner has periodically evaluated alternative approaches to financing workers' compensation risk.

During 2026, InterWest and Garnet initially modeled Tahoe Donner's historical performance to determine whether the Association appeared to be an appropriate candidate for a group captive. This analysis was completed before Tahoe Donner's final 2026 ExMod was available and before receipt of a formal RST proposal. The preliminary analysis demonstrated sufficient potential benefit to warrant further review but used assumptions that differ from the final proposed program terms.

After confirming Tahoe Donner's 0.80 ExMod, staff requested a formal RST proposal. The resulting October 1, 2026 proposal provides the current terms and is the basis for the analysis and recommendation in this report.

DISCUSSION/ANALYSIS:

Traditional Insurance Market vs. Group Captive

Under Tahoe Donner's traditional workers' compensation program, the Association pays a fixed premium to an insurance carrier to transfer most covered workers' compensation risk. This provides substantial risk transfer, established claims administration, and relatively low financial complexity. However, Tahoe Donner pays the premium regardless of its ultimate claims performance, and future renewal pricing still depends on broader market conditions and state regulations.

A group captive changes this economic relationship by allowing Tahoe Donner to retain and participate in a defined portion of its workers' compensation risk. Favorable claims performance can therefore produce financial value for Tahoe Donner rather than accruing principally to the traditional insurance carrier.

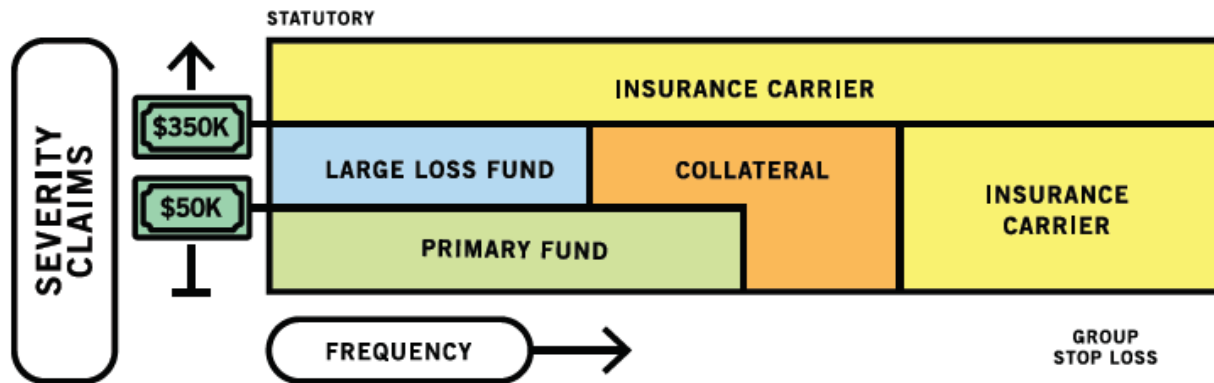
The RST captive program is not stand-alone self-insurance. Under this model, Tahoe Donner would continue purchasing a guaranteed-cost workers' compensation policy from an admitted insurance carrier. RST then divides the program funding among program expenses, Tahoe Donner's individual Primary Fund, and the group Large Loss Fund. The carrier insures larger losses.

Proposed Risk Structure

Loss Layer	Risk Holder	Current RST Proposal
Predictable losses	Tahoe Donner	First \$50,000 per occurrence through Primary Fund
Intermediate losses	RST members collectively	\$50,000-\$350,000 through Large Loss Fund
Large/catastrophic losses	Insurance carrier	Above \$350,000 per occurrence

Funding deficits	Tahoe Donner/captive	Secured through collateral, subject to program terms
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The illustration below shows how the above structure works.



In practical terms, Tahoe Donner would retain the risk it is best positioned to influence through workplace safety and claims management, share less predictable intermediate losses across the captive, and continue transferring catastrophic loss exposure to an insurance carrier.

Why Tahoe Donner is Well Positioned for a Captive

A captive structure is generally most advantageous when an organization has sufficient scale to absorb predictable losses, favorable historical claims performance, an effective safety and claims-management program, financial capacity to provide collateral, and an organizational commitment to actively managing workplace risk.

Tahoe Donner's current RST proposal is based on approximately \$14.53 million in annualized payroll and a 0.80 ExMod. Combined with Tahoe Donner's historical loss experience and existing workplace safety program, these factors are the principal reasons staff and the Finance Committee believe the captive warrants further consideration.

Financial Comparison

The formal RST proposal provides the following annualized financial estimates:

Component	Annualized Amount	Purpose
Program Expenses	\$153,834	Insurance/program administration and risk-transfer costs
Primary Fund	\$219,440	Funds Tahoe Donner's retained losses
Large Loss Fund	\$79,179	Funds Tahoe Donner's share of group losses



Policy Premium	\$452,453	Total policy funding
Projected Ultimate Cost*	\$346,201	Modeled ultimate cost based on historical performance
Minimum Cost*	\$217,689	Modeled favorable outcome
Maximum Cost*	\$640,732	Modeled maximum program cost
Initial Collateral	\$125,425	Secures Tahoe Donner's retained obligations for year one

**The minimum, projected, and maximum costs are estimates and are not guarantees of future performance.*

The annualized total program pay-in of approximately \$516,308 (premium and program expenses as seen in Exhibit A) compares with Tahoe Donner's current workers' compensation cost of approximately \$625,453. This comparison should not, however, be interpreted as a guaranteed annual savings because the ultimate economic result under the captive depends upon Tahoe Donner's claims, group performance, and other program results.

Historical Performance Analysis

As part of the formal RST proposal, Garnet applied the proposed captive structure to Tahoe Donner's actual historical premium and loss experience for 2021 through 2025.

During that five-year period, Tahoe Donner paid approximately \$2.56 million in workers' compensation premiums and surcharges. The RST "what-if" analysis estimates that the ultimate captive cost over the same period would have been approximately \$1.96 million, resulting in a projected cumulative benefit of approximately \$600,794 (see Exhibit A).

The annual results illustrate both the opportunity and risk inherent in the structure. The model estimates that the captive would have cost more than the traditional program in one of the five modeled years and would have generated financial benefits in the other four years. This reinforces that the captive should be evaluated over a multi-year period rather than based upon the result of any single policy year.

The earlier InterWest/Garnet equity estimate showed approximately \$423,089 in cumulative captive equity under preliminary assumptions (see Exhibit D). Because that analysis was prepared before Tahoe Donner's final ExMod and formal RST proposal and used different retention and collateral assumptions, staff is relying upon the subsequent formal RST proposal and its \$600,794 five-year "what-if" analysis for purposes of this report.

Collateral and Operating Fund Surplus

In addition to the policy premium, Tahoe Donner would be required to provide collateral (a.k.a., deposit) securing its obligations to the captive. Under the formal RST proposal, the annualized initial collateral requirement is approximately \$124,425, or approximately 27.5% of the policy premium.



Because the proposed effective date is October 1, 2026, and the initial policy period runs through January 1, 2027, the initial three-month collateral requirement is approximately \$31,362. The corresponding three-month program pay-in is approximately \$130,138 (see Exhibit A).

Collateral represents a liquidity commitment rather than a conventional insurance premium expense. It secures Tahoe Donner's obligations within the captive and may be used if program funding is insufficient to satisfy those obligations. To the extent collateral is not required to satisfy Tahoe Donner's obligations, it remains attributable to Tahoe Donner and is ultimately returnable in accordance with the captive's collateral, distribution, and exit provisions.

The program anticipates collateral contributions during the first two program years, with requirements thereafter adjusting based upon premium and actual performance. Consequently, staff recommends incorporating anticipated collateral requirements into both the 2026 Operating Fund Forecast and 2027 financial planning.

Before final participation, staff will provide the Board with the proposed funding source and the impact relative to the Operating Fund Policy's fund balance parameters.

Financial Risk and Downside Exposure

Participation in the captive does not guarantee lower workers' compensation costs.

Tahoe Donner would assume financial risk currently transferred to the traditional insurance carrier. Poorer-than-expected individual claims experience could increase Tahoe Donner's ultimate program cost, reduce or eliminate distributions, require the use of collateral, or create additional funding obligations within the program's contractual limits.

The current RST proposal estimates an annualized projected ultimate cost of \$346,201 and a modeled maximum cost of \$640,732 (see Exhibit A). These amounts should be evaluated together with Tahoe Donner's historical loss experience, available Operating Fund surplus, and tolerance for year-to-year financial risk.

Tahoe Donner would also assume a defined share of other members' losses through the Large Loss Fund. RST manages this exposure through member underwriting and excludes industries with above-average exposure to large single losses. Nevertheless, captive membership quality and group loss performance remain relevant risks that do not exist to the same degree under Tahoe Donner's traditional fixed-cost program.

The tradeoff is therefore intentional: Tahoe Donner accepts greater participation in workers' compensation risk in exchange for a greater opportunity to benefit from favorable financial performance. At the same time, Tahoe Donner remains committed to mitigating risk through proactive claims management, loss control initiatives, employee safety programs, and ongoing evaluation of workplace exposures.

Claims Management and Loss Control



RST utilizes LWP Claims Solutions for workers' compensation claims administration and provides members with medical-provider-network access, regular claims reviews, settlement and reserve consultation, online claims access, and customized support. The program also provides dedicated loss-control resources and annual loss-control meetings.

Tahoe Donner already prioritizes active claims management and loss prevention. Staff does not expect shifting to a group captive to increase activity.

LWP Claims Solutions' services complement Tahoe Donner's existing workplace safety and claims-management efforts and reinforce the captive's strategic premise: improved safety and claims outcomes should produce both employee-safety benefits and greater financial benefit to the Association.

Due Diligence Remaining

Board direction at the August Operating Fund budget work session would guide staff to continue advancing the captive proposal; it would not eliminate the need to complete final program due diligence.

Prior to further board discussion and decision making, staff and the Association's advisors will complete review of:

- final premium, collateral and program terms;
- captive financial statements and historical performance;
- membership composition and underwriting standards;
- maximum assessment and additional funding exposure;
- collateral release, distribution and exit provisions;
- claims administration and loss-control requirements;
- insurance carrier and reinsurance structure;
- contractual and legal terms; and
- accounting and financial reporting treatment.

Staff would proceed only if final terms remain materially consistent with the financial and risk parameters presented to the Board.

OUTREACH:

The Finance Committee reviewed the workers' compensation group captive concept at its May 21 and June 18, 2026 meetings, including presentations and discussion regarding the captive structure, historical loss performance, collateral requirements, and potential financial benefits and risks.

Following these discussions, the Finance Committee supports staff continuing the evaluation and presenting the group captive strategy to the Board for consideration.

FISCAL IMPACT:



The proposed captive has both an insurance-cost component and an Operating Fund liquidity component.

For the initial October 1, 2026 through January 1, 2027 policy period, the formal RST proposal estimates a total program pay-in of approximately \$130,138 and initial collateral of approximately \$31,362. On an annualized basis, the indication estimates a \$516,308 total program pay-in and \$124,425 initial collateral requirement (see Exhibit A).

The annualized program pay-in compares with Tahoe Donner's current workers' compensation cost of approximately \$625,453. The proposal estimates a projected annualized ultimate cost of \$346,201, although actual costs could be higher or lower depending upon claims and program performance. The modeled maximum annualized cost is \$640,732 as seen in Exhibit A.

The collateral should be evaluated separately from the insurance cost because it represents a liquidity commitment securing Tahoe Donner's retained risk rather than a conventional premium expense. Staff will incorporate the 2026 collateral requirement into the Operating Fund Forecast and the anticipated subsequent collateral requirement into 2027 financial planning as part of the future board discussion and decision making for renewal.

The historical RST analysis in Exhibit A estimates that the proposed structure could have produced approximately \$600,794 in cumulative benefit during the 2021–2025 period had Tahoe Donner participated under the modeled assumptions. This historical analysis is illustrative and does not guarantee future results.

RECOMMENDATION:

Staff recommends that the Board of Directors provide direction to:

1. Continue due diligence and negotiations regarding participation in the RST Group Captive as an option for Tahoe Donner Association's workers' compensation insurance program, with final terms and a staff recommendation presented as part of the workers' compensation insurance renewal for Board consideration at a September 2026 meeting; and
2. Incorporate the anticipated collateral requirements into the 2026 Operating Fund Forecast and 2027 financial planning scenario, with final participation subject to completion of due diligence and final program terms remaining materially consistent with the financial and risk parameters presented in this report.

Alternative the Board may consider:

The Board may direct staff to discontinue consideration of the RST group captive program for the 2026–2027 renewal and obtain workers' compensation insurance through the traditional insurance market based upon the most favorable combination of price, coverage, risk transfer and service.



ATTACHMENTS:

- Exhibit A: Tahoe Donner Association – 2026 RST Group Captive Proposal
- Exhibit B: WC Captive Entities & Roles
- Exhibit C: Tahoe Donner Association 2025/26 ExMOD
- Exhibit D: Initial Group Captive Assessment by InterWest and Garnet

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: August 28, 2026

Tahoe Donner Association
Effective Date: 10/1/26
InterWest Insurance Services LLC



INTRODUCTORY PROPOSAL

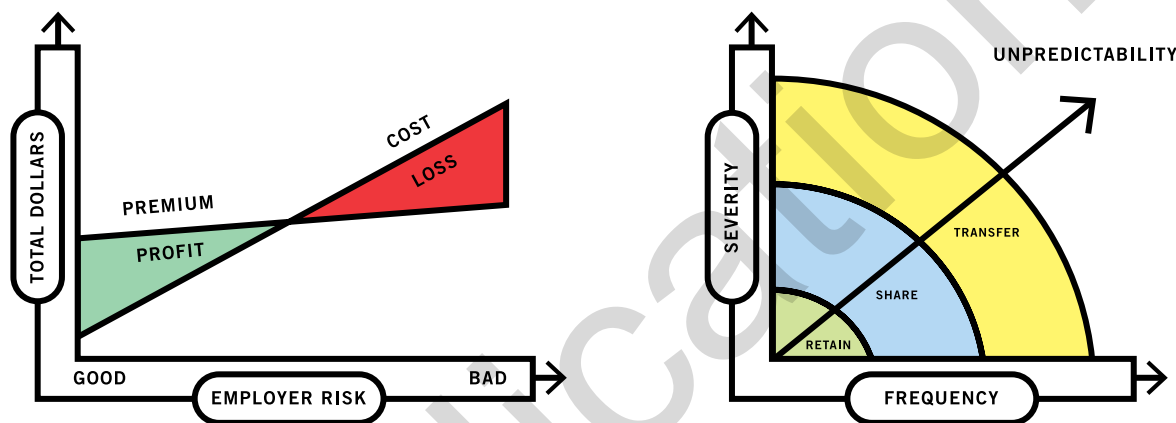


Introduction.

RST is a member-owned group captive insurance program providing workers' compensation insurance to select employers since 2003. Garnet Captive Services created RST for qualified employers, with premiums above \$100,000, that are looking for an alternative to fixed cost insurance programs. Garnet Captive designed the program with the goal of providing each participating employer ("Member") with:

- Year to Year Pricing Stability
- Decreased Insurance Costs
- High Quality Service Partners
- Ownership & Control

RST is a heterogeneous group captive with clients from a diverse group of industries. RST excludes industries with above average exposure to large single losses.



Traditional vs. Captive.

The traditional insurance market focuses on complete risk transfer, where an employer pays a premium, and the insurance carrier pays all the losses.

There can be a discrepancy between **actual** insurance costs and insurance premiums paid over time. Employers implementing strong safety programs that produce good loss experience tend to subsidize those with poorer experience. This can lead to above average employers paying higher premiums than necessary.

Employers join a group captive because they prefer to have their insurance costs priced upon their actual results, not industry results. A group captive provides employers the opportunity to reduce their cost of insurance when losses are favorable, while still providing them protection from unpredictable events.

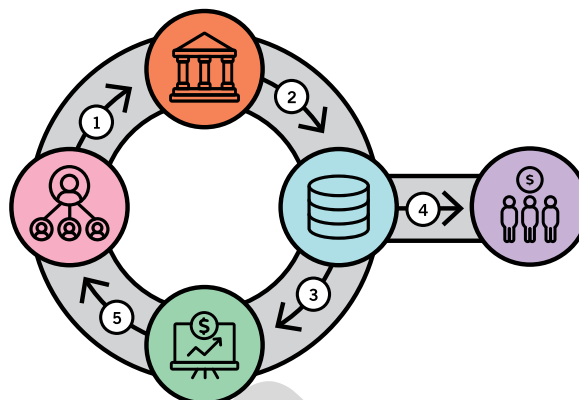
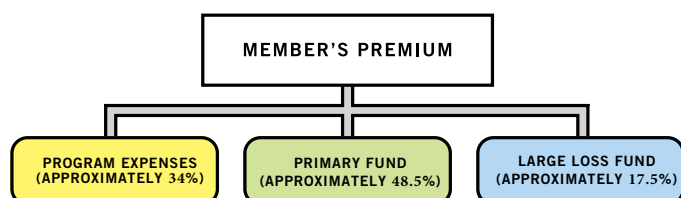
RST: Retain, Share, Transfer.

RST provides each Member with an optimal blend of risk retention, risk sharing and risk transfer. Each Member **retains** their predictable losses, the Group **shares** losses that are unpredictable for an individual Member, but predictable for the Group, and the Group **transfers** unpredictable losses to the insurance carrier. By reducing accidents and controlling the cost of claims, Members can significantly reduce their overall cost of workers compensation insurance, without being subjected to volatility of cost caused by large claims.

The size of the group as a whole enables members to buy catastrophic protection and policy services at a much lower rate than what would be available to them individually.

How the Program Works: Premium.

Member purchases a guaranteed cost policy from an admitted insurance carrier. Under the RST program, the policy premium is split into three components:



The program expenses include costs normally associated with running an insurance company, plus the cost for stop loss protection provided by the insurance carrier.

The Primary Fund is your individual fund that will be used to pay for your losses up to \$50,000 per occurrence. RST returns the unused portion of your Primary Fund.

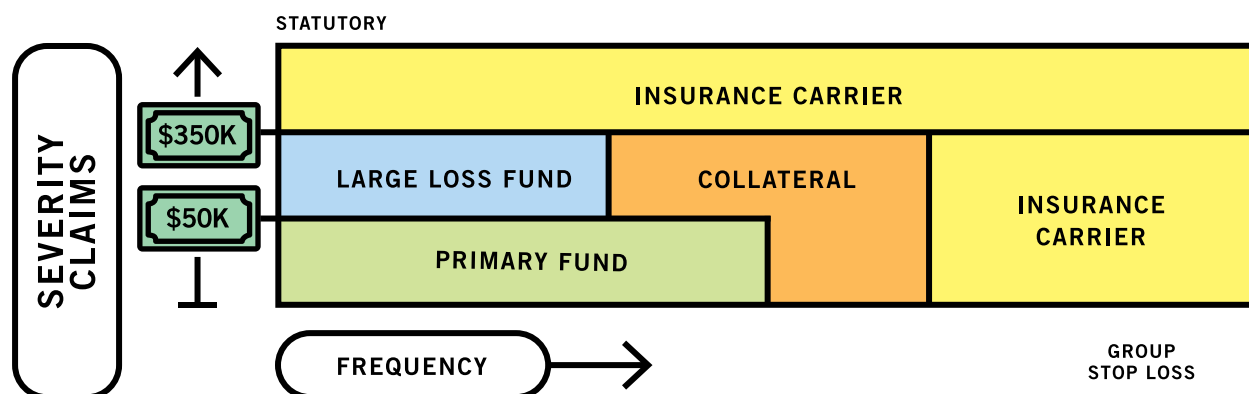
Each Member contributes to the **Large Loss Fund**. This fund is used by the group to pay for the portion of any occurrence, regardless of which member has the loss, in excess of \$50,000 up to \$350,000. The Insurance Carrier pays for the amount of loss over \$350,000 per occurrence. RST returns the unused portion of the Group's Large Loss Fund.

- 1 **EMPLOYER** pays premium to carrier.
- 2 **CARRIER** deposits premium, minus expenses, into captive.
- 3 **CAPTIVE** acts as a bucket holding individual loss funds.
- 4 **CLAIMS** are paid out of captive over time.
- 5 **PROFITS** that remain are returned to employer.

For larger Members, RST provides options for a primary fund threshold higher than the standard \$50k. This allows members to choose the optimal amount of cost autonomy vs. risk sharing.

How the Program Works: Collateral.

In addition to the policy premium, each Member posts collateral to RST in the form of either a Letter of Credit or Cash. The combination of the policy premium and collateral fully secures your obligation to the program. Collateral is used in the event that there is a deficit to either the Primary Fund or the Large Loss Fund. There is an established formula that determines collateral requirements by Member, and RST returns any unused collateral to Members.



Loss Control.

Effective loss control is a key component to reducing the long-term costs of any insurance program. Each Member joins RST with a strong risk management program, and Garnet Captive strives to improve upon this foundation. RST provides a forum where Members can exchange ideas and have access to a wide variety of resources, including:

- Dedicated Senior Loss Control Professional – to work with Members, make recommendations and monitor the progress of new initiatives
- Garnet Captive's Comprehensive Online Loss Control Library – hundreds of documents relating to just about every aspect of safety, employee management, and compliance
- Annual Loss Control Meetings – members interact in person, discuss safety topics, and hear expert outside speakers

Claims Adjusting.

Effective claims management is where the rubber meets the road in any workers' compensation program. For those losses that cannot be prevented, RST has partnered with LWP Claims Solutions, Inc. since 2005. They provide the Group with excellent programs and Best Practices that have delivered industry leading results to the Group. Each member can expect very proactive and customized claims services that include:

- Access to a Custom Medical Provider Network
- Onsite set up meetings (including customized claim kits, MPN setup)
- Regular claims reviews and claims updates
- Online access to LWP's claims system
- Customized support packages
- Settlement and reserve consultations

As a result of superior services, LWP has litigation rates approximately 26% lower than industry average, and claims handled by LWP are closed 16 months sooner than the state average.

Terms and Conditions.

Payment Plans.

Premium payment plans typically require a 15% down payment, and equal monthly installments of the balance.

Outside Taxes.

Outside taxes are in addition to the policy premium.

Common Expiration Dates.

The Group has a common expiration date of January 1st. All members will be issued a policy that expires on that date, regardless of when they join the Program.

Your Program Terms.

CA Experience Modification Factor: 80%

Tahoe Donner Association	ANNUAL	PRO-RATA
Estimated Payroll:	\$ 14,531,916	\$ 3,662,043
Program Expenses:	\$ 153,834	\$ 38,775
Primary Fund:	\$ 219,440	\$ 55,311
Large Loss Fund:	\$ 79,179	\$ 19,958
Total Policy Premium:	\$ 452,453	\$ 114,043
Outside Expenses & State Surcharges:	\$ 63,855	\$ 16,095
Total Program Pay-In:	\$ 516,308	\$ 130,138

PROGRAM ULTIMATE COST EXAMPLES

Minimum Cost:	\$ 217,689	\$ 54,869
Maximum Cost:	\$ 640,732	\$ 161,500
Projected Cost:	\$ 346,201	\$ 87,262

Collateral.

In addition to policy premium, each member will be responsible for collateralizing their risk gap. This ensures that there will be no member-to-member credit risk in the program. For the RST group this amount is equal to approximately 27.5% of policy premium. The collateral will be collected for the first two program years. On an ongoing basis, this amount will adjust to reflect actual performance. In other words, if premium is stable and claims experience is as expected (or better), collateral will only be collected for the first two years. Collateral can be provided in cash or in a letter of credit issued to the benefit of the captive. Any unused collateral will be returned to the individual member.

PROGRAM CAPTITALIZATION	ANNUAL	PRO-RATA
Program Year Risk Gap / Collateral Required	\$ 124,425	\$ 31,362

* Projected cost based off of Tahoe Donner Association's actual loss experience as well as RST's historical performance. It is not a guarantee of future performance.

The RST Partner Companies.

For more information, visit garnetcaptive.com.



Garnet Captive Services, LLC specializes in group captive program administration. Garnet was founded in 2002 with the goal of providing workers compensation solutions for mid-sized employers. To date, Garnet's unique group captive structures have been successful in reducing employers' premium rates and cost volatility, while unbundling services to allow employers access to high quality third-party providers. Garnet was founded in San Francisco, CA and now is headquartered in Philadelphia, PA.



Arch Capital Group, Ltd., Incorporated in September 1995, is a writer of insurance and reinsurance on a worldwide basis. While the Company is positioned to provide a full range of property and casualty insurance and reinsurance lines, it is focused on writing specialty lines of insurance and reinsurance. ACGL is traded on the NYSE. ACGL had capital of over \$14.7B as of July, 2020. Arch Insurance Company is the policy issuing carrier for the program. Arch Insurance Company is a wholly owned subsidiary of ACGL, and is rated A+, XV by A.M. Best.



LWP Claims Administrators, Corp. provides claims adjusting services for the program. They are an extremely successful third-party administrator known for aggressive claims management, a collaborative approach to claims resolution, and innovative claims programs. LWP focuses solely on Workers' Compensation, and the results speak for themselves—LWP closes claims faster than the California state average, and strives to move claims pro-actively and cost-effectively to closure. LWP is based in Sacramento, CA, with offices throughout the Western US.

Tahoe Donner Association

"What if?" estimate for RST Group Captive



Policy Year	2021	2022	2023	2024	2025	Total
Historical Premiums + Surcharges Paid	\$ 332,077	\$ 485,268	\$ 508,556	\$ 575,720	\$ 656,726	\$ 2,558,347
Program Expenses and Surcharges	\$ 140,012	\$ 204,602	\$ 214,420	\$ 242,739	\$ 276,893	\$ 1,078,665
Sum of Your Primary Fund Losses (under \$50k)	\$ 204,412	\$ 55,313	\$ 199,397	\$ 87,189	\$ 45,851	\$ 592,162
Average Incurred LLF Losses - Historical Average Performance	\$ 42,399	\$ 61,959	\$ 64,932	\$ 73,508	\$ 83,850	\$ 326,649
Collateral Fund Sharing - Historical Average Performance	\$ 5,511	\$ 8,053	\$ 8,439	\$ 9,554	\$ 10,898	\$ 42,456
Estimated Investment Income - based on avg earned since inception	\$ (10,693)	\$ (15,626)	\$ (16,376)	\$ (18,538)	\$ (21,147)	\$ (82,379)
Estimated Ultimate Cost of RST Group Captive	\$ 381,642	\$ 314,301	\$ 470,814	\$ 394,451	\$ 396,346	\$ 1,957,553
Projected Annual Savings/(Additional Cost)	\$ (49,565)	\$ 170,967	\$ 37,742	\$ 181,269	\$ 260,380	\$ 600,794

Projected 5-Year "What if?" Benefit: \$ 600,794

Distribution Payment Schedule 40% of surplus released 18 months from policy expiration
70% of surplus released 30 months from policy expiration
100% of surplus released 42 months from policy expiration and annually thereafter

- Employer losses in the primary fund based on loss runs provided.
- Large loss fund and collateral fund sharing are the average actual results of RST from 2019-2023 as of 1/1/24.
- All figures are based on incurred losses. In practice, IBNR reserves will be added to all losses for distribution calculation purposes.
- Investment income estimate is based on the average investment income earned for all members of RST since inception. We cannot guarantee future performance of investment income.
- This exhibit is in no way a quote for insurance. All figures are estimates and we cannot guarantee future performance of this employer or the group.

2026-2027 Workers' Compensation Insurance Program Evaluation – Insurance Entities & Roles

Entity	What is it?	Role in the WC Captive Program
InterWest Insurance Services, LLC (InterWest)	Insurance broker and risk-management advisor	Tahoe Donner's broker/advisor. Assists Tahoe Donner in evaluating the captive, coordinating coverage placement, communicating with the captive and carrier, and providing ongoing insurance and claims advocacy.
Garnet Captive Insurance Services, LLC (Garnet)	Captive program administrator and captive services organization	Administers the captive program. Provides program management and coordinates the captive's operations, participating members, underwriting, loss control, and other captive services.
RST	Heterogenous Group Captive – Workers' Compensation line of coverage only	Represents the captive risk-sharing structure. Provides the framework through which participating employers share specified workers' compensation risks and participate in the captive's underwriting results. A Garnet Captive program.
Arch Insurance (Arch)	Licensed insurance carrier	Provides the licensed insurance policy and external risk-transfer layer. Issues the workers' compensation policy and provides insurance coverage for losses that fall outside the captive's retained/shared risk layers.
LWP Claims Solutions (LWP)	Third-party claims administrator	Administers workers' compensation claims for the Union group. Handles claims administration, including claim reporting, investigation, adjustment, payments, and related claims services.
Tahoe Donner Association (TDA)	Employer and prospective captive member/insured	Participates as the insured employer/member of Union group captive. Tahoe Donner would obtain workers' compensation coverage through the program, contribute the required premium and collateral, retain the specified portion of its losses, participate in the captive's shared risk, and participate in applicable underwriting results.



INTERWEST
INSURANCE SERVICES, LLC

TAHOE DONNER ASSOCIATION

WORKERS' COMPENSATION EX-MOD PROJECTION

Mod Effective: 10/1/2026

This report prepared based on proposed rating values that are not yet final.



Report Presented By:

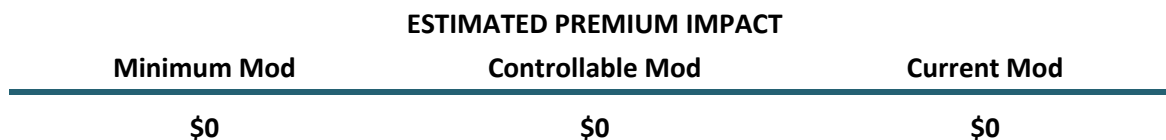
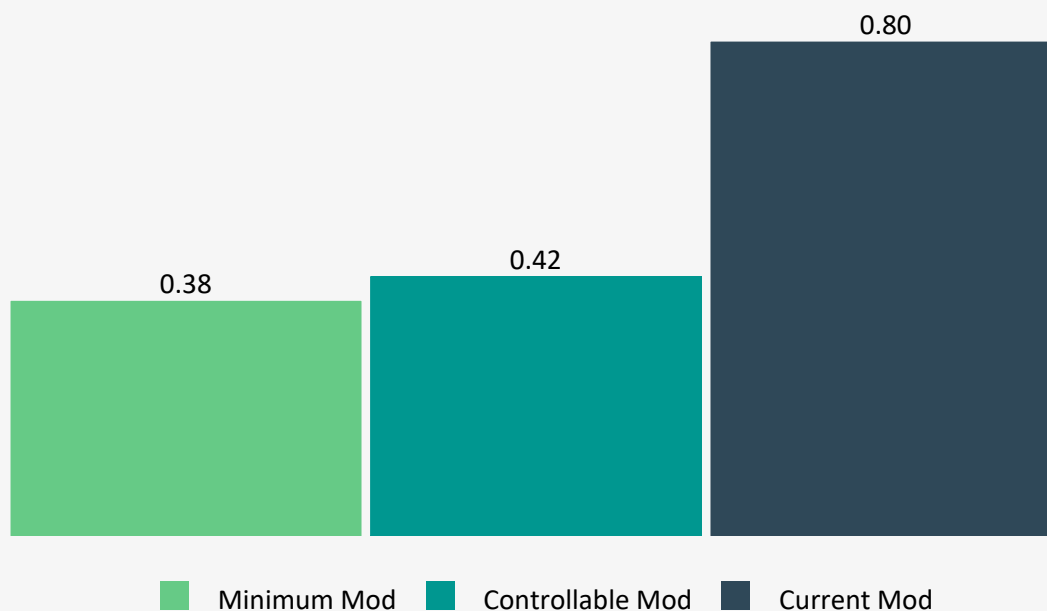
Denise Brown

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EXPERIENCE MOD SUMMARY

This report breaks down the experience mod into the minimum mod value and controllable mod value and estimated premiums.



Assumptions based on a manual premium of \$0

MOD VALUE EXPLANATION

MINIMUM MOD VALUE

This represents your lowest possible mod value and assumes there were no losses in the experience rating period.

CONTROLLABLE MOD VALUE

This represents the difference between the current mod and minimum mod and is attributed to the incurred losses in the experience rating period.

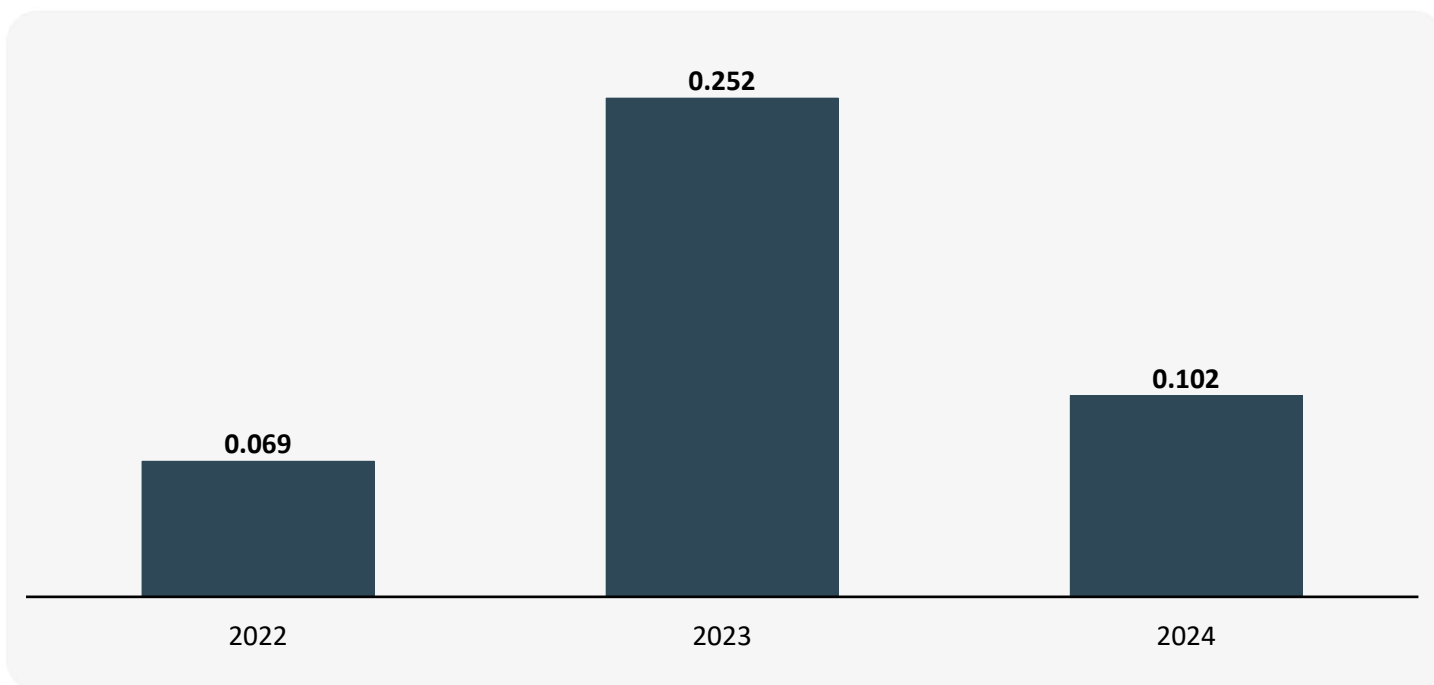
CURRENT MOD VALUE

This represents your current mod value for the experience rating period.

- A mod value below 1.0 means your company performs better than your peer group.
- A mod value of 1 is considered average.
- A mod value above 1.0 means your company is performing worse than your peer group.

MOD IMPACT BY YEAR

This report is designed to provide a summary of the total experience mod impact of losses per policy effective date range.



Year	Total Incurred Losses	Losses Used in Calculation	Mod Impact	1 Yr Premium Impact	2 Yr Premium Impact	3 Year Premium Impact
2022	\$49,391	\$49,391	0.069	\$0	\$0	\$0
2023	\$355,653	\$355,653	0.252	\$0	\$0	\$0
2024	\$91,721	\$91,721	0.102	\$0	\$0	\$0
TOTAL	\$496,765	\$496,765	0.422	\$0	\$0	\$0

Assumptions based on a manual premium of \$0



Initial assessment by InterWest and Garnet Spring 2026 for staff and Finance Committee review

Equity Estimate

Union Captive Accounts run from April 1 to March 31

ARCH insurance Company provides both the fronting and reinsurance for the Captive.

Primary Losses \$75,000 Primary Loss Retention

Captive retention is \$400,000

Collateral is 30% of premium over 2-years and then maintained at 30% of premium for rolling 2-year period.

Annual Account Management Fee of \$6,000

Maximum loss is an additional 30% of Premium

TOTAL WC LOSSES											
Policy Period	Premium	Operating Costs %	Operating Costs	Primary Loss Fund	Large Loss Fund	Small Losses	Large Losses	Loss Assessment	Equity w/o Inv. Income	Risk Sharing	Net Equity
2024-2025	\$544,310	39.00%	\$212,281	\$244,940	\$87,090	\$87,654	\$0	\$0	\$236,381	\$0	\$236,381
2023-2024	\$484,339	39.00%	\$188,892	\$217,953	\$77,494	\$262,648	\$195,177	\$44,695	\$68,536	\$0	\$23,840
2022-2023	\$462,160	39.00%	\$180,242	\$207,972	\$73,946	\$54,339	\$0	\$0	\$213,775	\$0	\$213,775
2021-2022	\$316,264	39.00%	\$123,343	\$142,319	\$50,602	\$198,590	\$0	\$56,271	\$46,519	\$0	-\$9,753
2020-2021	\$268,606	39.00%	\$104,756	\$120,873	\$42,977	\$209,412	\$188,314	\$80,582	\$39,427	-\$7,958	-\$41,155
Total	\$2,075,679		\$809,515	\$934,056	\$332,109	\$812,643	\$383,491	\$181,548	\$604,638	(\$7,958)	\$423,089
Average	\$415,136		\$161,903	\$186,811	\$66,422	\$162,529	\$76,698	\$36,310	\$120,928	(\$1,592)	\$84,618

Policy Period	Premium	Loss Ratio	Net Cost	% Savings	Gross Equity
2024-2025	\$544,310	16.10%	\$299,935	44.90%	\$244,375
2023-2024	\$484,339	94.53%	\$646,717	-33.53%	-\$162,378
2022-2023	\$462,160	11.76%	\$234,581	49.24%	\$227,579
2021-2022	\$316,264	62.79%	\$321,933	-1.79%	-\$5,669
2020-2021	\$268,606	148.07%	\$502,482	-87.07%	-\$233,876
Avg	\$415,136	57.63%	\$401,130	3.37%	\$14,006

Collateral Display

Year	Premium	New Collateral	Cumulative Held
5	\$544,310	\$163,293.0	\$308,594.7
4	\$484,339	\$145,301.7	\$283,949.7
3	\$462,160	\$138,648.0	\$233,527.2
2	\$316,264	\$94,879.2	\$175,461.0
1	\$268,606	\$80,581.8	\$80,581.8

The result Does not include investment income, however, it does include historical risk share for the specific captive program.

The projections provided regarding the likelihood of deriving a dividend or assessment from participation in a group captive program are hypothetical in nature, do not reflect actual results, and are not guarantees if a future result. This information is to be used only for educational purposes