



June 12, 2020

TO: CADA Board of Directors

SUBJECT: June 19, 2020, Board Meeting
AGENDA ITEM
WORKERS' COMPENSATION INSURANCE POLICY

CONTACT: Jill Azevedo, Human Resources Manager

RECOMMENDED ACTION:

Staff recommends that the Board adopt a resolution authorizing the renewal of CADA's workers' compensation policy with the Berkshire Hathaway Homestate Companies (BHHC) for the 2020 Policy Year (July 1, 2020 through June 30, 2021).

BACKGROUND:

Since its inception, CADA has contracted annually with the State Compensation Insurance Fund (SCIF) to provide its workers' compensation insurance. Through January 1995, contracting with SCIF was mandatory. Since 1995, CADA has periodically solicited alternative proposals from other carriers, and changed carriers in December 2016 to Berkshire Hathaway Homestate Companies (BHHC), with HUB International acting as CADA's Broker of Record. In 2018, CADA changed the effective date of the policy from December 1 to July 1 to align with CADA's fiscal year, which has allowed for more accurate budgeting. For policy year 2019, the agency solicited proposals from eleven carriers.

X-Mod: Premiums are determined using a formula that multiplies the actual employee compensation for the month by the appropriate class rate, adjusted by the Experience Modification Factor ("X-Mod"). The X-Mod, which is determined by the Workers Compensation Insurance Rating Board, is adjusted each year based upon three prior years of the employer's workers' compensation claims history. An X-Mod of 1.00 reflects application of 100% of the class rate. If a company's X-Mod is less than 1.00, the company receives a 'discount' on its premium calculation because it is doing better in accident prevention and management than other companies.

CADA's X-Mods from the 2015 Policy Year to the 2020 Policy Year are as follows:

Year	X-Mod		Year	X-Mod
2015	.85		2018	.81
2016	.85		2019	.82
2017	.71		2020	.69

The X-Mod for the 2020 Policy Year is .69, a .13 point decrease from the 2018 Policy Year due to no major reportable accidents in the 2019 policy year. CADA continues to have a comprehensive

ergonomics program (including worksite evaluations, purchase of ergonomic equipment and training seminars) and regularly discusses safety-related procedures with staff.

POLICY ISSUES

While CADA Board Resolution 96-21 delegates obtaining property and liability insurance policies to the Executive Director with the recommendation of the Department of General Services Office of Risk and Insurance Management, the delegation of this authority does not extend to workers' compensation insurance. Accordingly, staff is bringing this contract to the Board for approval because CADA's contract policy requires Board approval for consultant or service contracts in excess of \$25,000.

STRATEGIC PLAN

This action is in accordance with CADA's goal to maintain organizational excellence. The workers' compensation coverage provided through BHHC allows CADA to sustain a high level of performance and a professional work culture.

FINANCIAL IMPACTS

Based on CADA's X-Mod and the reduced workers' compensation premium rates projected by BHHC, CADA's estimated premium for the 2020-21 Policy Year (July 1, 2020 through June 30, 2021) is \$60,300. This compares with \$63,452 for the current fiscal year.

ENVIRONMENTAL REVIEW

Not applicable. This is an administrative action and is not subject to the requirements of the California Environmental Quality Act (CEQA).

CONTRACT AWARD CONSIDERATIONS

For policy year 2020, CADA solicited quotes from thirteen workers' compensation carriers. Eight carriers declined to cover the agency's largest class code, and two were deemed "non-competitive", leaving the \$60,300 from CADA's current carrier, BHHC, to be the best option. Therefore, staff recommends staying with BHHC.