



June 18, 2021

**TO:** CADA Board of Directors

**SUBJECT: June 25, 2021, Board Meeting  
AGENDA ITEM 8  
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 2021 Policy Year (July 1, 2021 through June 30, 2022).

**BACKGROUND:**

Since its inception through 1995, CADA contracted annually with the State Compensation Insurance Fund (SCIF) to provide its workers' compensation insurance. Until 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 2021, the agency solicited proposals from nine 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 (WCIRB), 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 2016 Policy Year to the 2021 Policy Year are as follows:

<b>Year</b>	<b>X-Mod</b>		<b>Year</b>	<b>X-Mod</b>
2016	.85		2019	.82
2017	.71		2020	.69
2018	.81		2021	.71

The X-Mod for the 2021 Policy Year is .71, a .02 point increase from the 2020 Policy Year. While CADA had no major reportable accidents in the 2020 policy year, this slight increase to the X-MOD is due various Covid-related changes to loss rates and assumptions made by the WCIRB resulting

from the Covid-19 pandemic. 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 2021-22 Policy Year (July 1, 2021 through June 30, 2022) is \$53,322; a 13% decrease from the \$60,300 premium 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 2021, CADA solicited quotes from nine workers' compensation carriers. Four carriers declined to cover the agency's largest class code, two others were deemed "non-competitive", and the only two carriers to respond quoted premiums of \$67,650 and \$57,428 respectively, leaving the \$53,322 quote from CADA's current carrier, BHHC, to be the most affordable bid. Therefore, staff recommends staying with BHHC.

**RESOLUTION NO. 21 - 23**

Adopted by the Capitol Area Development Authority

June 25, 2021

**RESOLUTION AUTHORIZING RENEWAL OF  
WORKERS' COMPENSATION POLICY  
WITH THE STATE COMPENSATION INSURANCE FUND**

**BE IT RESOLVED** by the Capitol Area Development Authority:

That the Executive Director is hereby authorized to renew the worker's compensation policy with the Berkshire Hathaway Homestate Companies for the period July 1, 2021 through June 30, 2022.

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Ann Bailey, Chair

ATTEST:

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Jill Azevedo  
Acting Secretary to the Board of Directors