



June 23, 2023

TO: CADA Board of Directors

**SUBJECT: June 30, 2023, Board Meeting
AGENDA ITEM 13
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 2023 Policy Year (July 1, 2023 through June 30, 2024).

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 2023, CADA staff solicited proposals from several carriers through a new Broker of Record, Newfront Insurance Brokerage.

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 2018 Policy Year to the 2023 Policy Year are as follows:

Year	X-Mod		Year	X-Mod
2018	.81		2021	.71
2019	.82		2022	.69
2020	.69		2023	.62

The X-Mod for the 2023 Policy Year is .62, a .07-point decrease from the 2022 Policy Year. This decrease to the X-Mod is due to the fact that CADA had no major reportable accidents in the 2022 policy year, and other various changes to loss rates and assumptions made by the WCIRB. 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 2023-24 Policy Year (July 1, 2023 through June 30, 2024) is \$50,587 a 4.4% decrease from the \$52,828 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 2023, CADA solicited quotes from various workers' compensation carriers. Aside from CADA's current carrier, BHHC, only one other carrier, ICW, provided a bid in the amount of \$56,345. All other carriers declined to bid leaving the \$50,587 quote from BHHC as the best option. Therefore, staff recommends staying with BHHC.

Attachments:

1. Resolution 23-36

RESOLUTION NO. 23 - 26

Adopted by the Capitol Area Development Authority

June 30, 2023

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

WHEREAS, CADA gathered quotes for workers' compensation policies and Berkshire Hathaway Homestate Companies was the lowest quote; and

WHEREAS, staff recommends contracting with Berkshire Hathaway Homestate Companies during the FY 23-24 fiscal year to provide CADA's necessary workers' compensation policy; and

WHEREAS, the \$50,587 value of the proposed annual contract exceeds the Executive Director's \$50,000 contract authority.

NOW, THEREFORE, 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, 2023 through June 30, 2024.

The total compensation payable under the contract shall not exceed Fifty-thousand Five Hundred and Eighty-seven Dollars (\$50,587).

Ann Bailey – Board Chair

ATTEST:

Tara Gandara
Secretary to the Board of Directors