

ACTION BRIEF

BOARD OF DIRECTORS



Agenda Number 5.b.i

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MEETING DATE: Thursday, November 4, 2021

AGENDA ITEM: Discussion and Consideration of Action to Approve the Insurance Program and Captive Funding for Calendar Year 2022 (*Finance*[^]) - Dunlap

RECOMMENDATION: The Finance, Audit & Power Committee recommends that the Board of Directors approve the 2022 insurance program of \$13,171,301, including \$11,692,730 in funding of the Captive.

FISCAL IMPLICATIONS: Yes

Impact on Budget:

Budget Year Requested	Funds in the Budget	(Over) / Under
2022	\$13,171,301	\$13,475,490
		\$304,189

Additional spending authority requested:
None

Impact on Reserves:

None

Impact on Rates:

None

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:

2022 CAWCD Board of Directors Strategic Plan

- Finance: *Maintaining long-term financial strength to achieve CAP's goals and being prepared to address opportunities or challenges*

PREVIOUS BOARD ACTION/ACTIVITY:

September 23, 2021 Staff presented preliminary information on the 2022 insurance program to the Finance, Audit, and Power Committee.

October 21, 2021 Staff presented the 2022 Insurance program to the FAP Committee. The Committee recommended that the Board approve the program as proposed.

ISSUE SUMMARY/DESCRIPTION:

CAP's insurance program consists of premiums paid to the CAWCD Captive insurance company, Workers' Compensation Self-Insurance Trust, and commercial insurers. The Captive covers health benefits and generally the first \$2 million of property and casualty claims. CAP is self-insured for the first \$2 million for workers' compensation. Both the Captive and Trust are funded by CAP's General Fund through premiums designed to cover the cost of claims and maintain appropriate reserves. The District purchases commercial insurance for larger claims and some specialty risks.

The insurance program is comprised of 89% Captive program funding and 11% commercial insurance. The Captive funding is made up of health benefits (90%), worker's compensation (3%) and property and casualty (7%). The 2022 health benefits program coverage remains essentially the same as 2021.

The program's cost increase is primarily due to the increase in the commercial insurance programs of 15.9% and the captive property and casualty programs increase of 8.6% for an overall increase of 9.4%. The commercial insurance market continues to be challenging, marked by premium increases driven by catastrophic losses and reduced capacity as insurers move away from less profitable lines of insurance. The commercial insurance program has increases in property, general liability, and cyber liability coverage. The cyber liability insurance market is so volatile that the incumbent insurer was unwilling to offer a quote until 30 days before the renewal. Therefore, this request includes a "not to exceed" premium of three times the cost of the expiring cyber policy. Underwriting for the Captive property and casualty coverage has also increased to keep pace with the commercial insurance market and the Actuary's recommendations.

Coverage	Actual CY 2021	Proposed 2022
Total Captive Insurance Program	\$10,764,254	\$11,692,730
Total Commercial Insurance	\$1,275,895	\$1,478,571
Total CAWCD Insurance Program	\$12,040,149	\$13,171,301

SUGGESTED MOTION:

I move that the Board approve funding for the 2022 calendar year insurance program of \$13,171,301, including \$11,692,730 in funding for the Captive.

ATTACHMENTS:

1. Presentation