



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING

June 15, 2006 – 9:30 A.M.

**Hiddenbrooke Golf Club
1095 Hiddenbrooke Parkway
Vallejo, CA 94591**

(707) 558-0330

Minutes

I. CALL TO ORDER:

President Henderson called the meeting to order at 9:33 a.m.

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|--|
| 1) Darrell Handy, <i>Alameda</i> | 10) Charlie Wilson, <i>Roseville</i> |
| 2) Jessica Henry, <i>Chico</i> | 11) Lynne Margolies, <i>Santa Rosa</i> |
| 3) Robyn Kain, <i>Fairfield</i> | 12) Roger Carroll, <i>SCORE</i> |
| 4) Steve Schwarz, <i>Fremont</i> | 13) Mark Moses, <i>Stockton</i> |
| 5) Bill Henderson, <i>Livermore</i> | 14) Rebecca Moon, <i>Sunnyvale</i> |
| 6) Dixon Coulter, <i>NCCSIF</i> | 15) Paul Wildermuth, <i>Vacaville</i> |
| 7) Scott Ellerbrock, <i>PERMA</i> | 16) Will Venski, <i>Vallejo</i> |
| 8) Pug Thomas, <i>Redding</i> | 17) Jeff Tonks, <i>YCPARMIA</i> |
| 9) Jeff Davis, <i>REMIF</i> | |

ABSENT

Lodi, Petaluma, Pomona, San Leandro, San Rafael

OTHERS PRESENT

- | | |
|----------------------------------|--|
| 1) David Clovis, <i>CJPRMA</i> | 5) Byrne Conley, <i>Gibbons & Conley</i> |
| 2) Caren Frykland, <i>CJPRMA</i> | 6) Brian Cooney, <i>Marsh</i> |
| 3) Robert German, <i>CJPRMA</i> | 7) Jim Pinckney, <i>Marsh</i> |
| 4) Marylin Kelley, <i>Driver</i> | |

III. APPROVAL OF MINUTES

A motion by Vice President Ellerbrock, seconded by Director Coulter, to approve the minutes of the Board of Director's meeting held on April 17-19, 2006, passed unanimously.

IV. PRESENTATIONS

None.

V. CONSENT CALENDAR

- 1. Financial Reports of CJPRMA for the periods ending February 28, March 31, and April 30, 2006**
- 2. Additional Covered Party Certificates Approved by the General Manager**
- 3. Notification of New Claims Received**
- 4. Notification of Claims Closed**
- 5. Appointment of New Board Members/Alternates**

A motion by Director Coulter, seconded by Director Margolies, to approve the consent calendar, passed unanimously.

VI. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD OF DIRECTORS ON MATTERS OF BOARD BUSINESS

VII. ACTION CALENDAR

6. Report From Broker on Insurance Renewals

Mr. Jim Pinckney and Mr. Brian Cooney, of Marsh, were present to discuss the insurance renewals for the 2006-2007 program year. Mr. Pinckney said that the reinsurers had agreed to renew as is, with no rate changes. He said that the \$15 million excess of \$25 million layer would be placed in Score Re's reinsurance program, which would save CJPRMA approximately \$15,000 in taxes. Mr. Cooney said that the Property and Boiler & Machinery rates would renew as is, as well.

President Henderson asked if there was any movement in the DIC market. Mr. Cooney said that the DIC market was probably the most volatile market there was. Board Counsel asked if it was possible to get a small amount of DIC coverage for CJPRMA. Mr. Pinckney said that it was not a good idea to do a group purchase of DIC coverage because of the

aggregate amount of exposure throughout the group. He said that they could work with the cities to set up individual programs to best suit their needs.

7. Report on Status of Property Appraisal Program

The General Manager said that they had contracted with Michael Graham, of Kroll Company, to consult on the property appraisal program. He said that the cost for this service would be approximately \$19,000. He said that, after the RFPs came in, they would come back to the Board with information on the final bids.

The Risk Manager said that the RFP would be sent to eight firms, four of which had bid on the original project and four additional bidders. He said that the project had been broken into two segments, and that if the chosen firm did not complete the first half satisfactorily, they could move on to a different firm for the second half. He said that, based on the number of properties in the program, it was not feasible to expect the project to be completed in a 12 month period of time. He said that the RFP required the chosen firm to give status reports every two weeks and to provide appraisal reports on an ongoing basis through out the project.

The General Manager said that the cities that have not had recent appraisals done would be completed first. He also said that they were exploring ways to fund the appraisal project through declared redistributions over the next two program years so that members would not be faced with unbudgeted expenses. He said that it was important that the appraisal project be completed in order to be able to provide accurate values when the property insurance program was marketed in the coming year. It would also assist in avoiding margin clauses in any new program.

Director Davis said that he thought they should have two options for funding the appraisal program, because some members may not want their liability redistribution reduced. The General Manager said that they would provide options.

Board Counsel asked if they could avoid appraising lower-valued properties by determining a value cut-off. Mr. Cooney said that properties needed to be declared in order to be covered. Board Counsel asked how to list things like streets, sidewalks and fences that were all over the cities. Mr. Cooney said that the current policy language excluded land and land values except for specific property, including streets, sidewalks and roads. He said that, currently, those items were covered in the 2% increase for land improvements, but that did not adequately cover the exposure for streets and roads. He said that that may change in future policies. The General Manager said that golf courses were also an issue with regard to whether or not they were considered land improvements.

President Henderson asked if there was a standard in the industry for frequency of appraisals. Mr. Cooney said that once they had a credible baseline for values, they could use the Marshall Swift factors to increase values in the future. Marilyn Kelley said that after five to seven years, values would become stale.

8. Acquisition of Risk Management Information System

The Risk Manager said that, over the years, the claims auditors had recommended CJPRMA acquire a more modern form of Risk Management Information System. He said that during the previous year, Staff had evaluated the products of three different RMIS vendors and found that Risk 360° by Synergistic Solutions was the best choice for the organization. He said that the cost for implementation and support for the first three years would be \$148,000, and that he had negotiated a 10% cap on increases for the fourth and fifth year. He said that Staff would keep the Board advised as the implementation progressed.

9. Report on CJPRMA Rate History

The General Manager said that, over the last five years, liability premium contributions have increased from about \$7.6 million in 2001-2002 to almost \$14 million in 2005-2006, which was an 81.7% increase. He said that, during that same period of time, there had been almost \$28 million in redistributions. He said that, during that time period, the rate had increased about 15.1% from \$.892/\$100 of payroll to \$1.027/\$100 of payroll. He said that the total payroll base had also expanded by 48% from \$954 million to \$1.4 billion. He said that the contributions had increased as the direct result of a 48% increase in payroll compounded by a 15% increase in the rate over a five year period. He said that this included the fact that two new members had been added and that the coverage limits had been increased.

Director Tonks said that while rates had been relatively stable, there had been an increase in payroll. He asked if there had been an increase in claims costs and reserves. The General Manager said that they would need to analyze more than five years worth of data to see if the actuaries had been accurate in their rate projections. Director Tonks said that the cost of the rate increase seemed out of proportion. He wondered if there really was a bigger exposure with the addition of new members.

Marilyn Kelley said that, over the last four years, the equity balances were either zero or negative. She said that they were spending their equity every year and that the rates would have to increase over the next few years to avoid depleting the equity.

Director Wildermuth said that the city of Vacaville had seen payroll

increases of about 4.8% as the result of annual pay increases over the past five years, but that there was no increase in exposure because they had not added a significant amount of staff.

The General Manager said that the basis upon which all premiums were calculated was payroll, as established at the beginning of the program. He said that they could talk to the actuary and see if there were alternative ways to determine premium.

10. Addition of Sacramento-Yolo Port District to YCPARMIA

The General Manager said that the City of West Sacramento had assumed control of the Sacramento-Yolo Port District. He said that there was no exclusion for port districts and that they met the definition of a covered party. He said that the governing board was composed of the mayor and members of the City Council of the City of West Sacramento as well as one member of the Board of Supervisors of Yolo County. He said that there also used to be a representative on the board from the City of Sacramento, but that they were gone, effective July 1, 2006, and the City of West Sacramento has assumed complete control of the port district. He said that the port district was a separate public entity and that the employees they had had were absorbed into the City of West Sacramento and were now city employees. He said that they were in the process of negotiating for a terminal operator, in an attempt to get some insurance that would be primary to any other coverage that existed. He said that they had a \$150 million commercial policy through CAPA (California Association of Port Authorities) with a retained limit of \$1 million. He said that the Port District wanted YCPARMIA to provide the first \$500,000 of coverage, CJPRMA to provide the second \$500,000, and then an additional \$4 million above the \$150 million. He said that, because the Port District had no employees, currently, the minimum premium of \$2,000 would apply. He said that Board Counsel had agreed that the Port District was, by definition, a covered party, even though it was not the type of operation initially considered by CJPRMA to be covered. He said that they would not include this in the reinsurance program, and that the Port District was agreeable to that. He said that they needed to consider adding language to the Memorandum of Coverage that stated that if something was not covered by the reinsurance program, CJPRMA's coverage would be limited to its retained limits. He said that they needed make every effort to assist YCPARMIA in developing this program.

Director Tonks said that the Port of Oakland was operating as a consultant for the City of West Sacramento on this issue. He said that the Port District was not experienced in the area of risk management. He said that the only liability claims the Port District had had in the last ten years were Errors and Omissions claims, and that there were no longer any employees. He said that the management of the Port had been taken over

by the city and that the staff had been absorbed into the City of West Sacramento. The actual operation of the Port was directed by the Terminal Operator and the governing of the Port was conducted by the Port District Board which was made up of elected officials.

The General Manager said that his recommendation was that they continue to explore this issue further regarding how the coverage would be structured. He said that they would bring back the issue with recommendations at the next meeting. He said that they would come up with some kind of coverage agreement to be signed by all parties that clarified where CJPRMA's exposure would be.

A motion by Director Tonks, seconded by Director Wildermuth, to provide coverage to the Port District, subject to the limitations listed herein, passed unanimously.

- 1) CJPRMA's Limit of Coverage would be \$5 million, unless a lower sublimit applied;
- 2) The Port District would not be covered by CJPRMA's reinsurance program;
- 3) The terminal operator's insurance coverage would be primary to the coverage provided by CAPA and CJPRMA;
- 4) The Port District's coverage under CAPA would be excess of the terminal operator's coverage and primary to the coverage provided by CJPRMA;
- 5) The \$1 million SIR under the CAPA program would be covered by YCPARMIA (\$500,000) and CJPRMA (\$500,000 excess of \$500,000);
- 6) The balance of the coverage (\$4 million unless a sublimit applied) provided by CJPRMA would be excess of the coverage provided by the terminal operator and CAPA.

11. Report on Special Events Coverage Programs

The Risk Manager said that Staff had been evaluating Special Events programs. He reviewed four different Special Events Insurance programs: Diversified Risk, Driver Insurance Services, Gales Creek Insurance Services and Municipality Insurance Services. He said that the issues were the types of events covered, the quality of coverage, exclusions, ease of use, and cost. He discussed how each of the various providers addressed those issues. He also summarized the current Special Events usage by the members in the various programs.

Director Kain asked how many Special Events claims there had been. The Risk Manager said that there had been two in eleven years in the REMIF program, but none in the existing CJPRMA program.

The General Manager said that he had previously recommended the development of a Special Events Policy, adopted by the member City Councils, which rated the hazard level of certain types of events in order to determine whether or not insurance was required.

Director Venski said that the City of Vallejo required \$2 million in coverage for any group using city property. He asked if any of the programs reviewed provided that level of coverage. The Risk Manager said that some of them did.

The Risk Manager said that he would have Board Counsel review all the coverage documents for the various Special Events programs and then provide recommendations to the Board.

The Risk Manager said that he had also reviewed contractor's programs. He said that CJPRMA currently had a contractor's program in place through SPARTA that made insurance available for vendors who were unable to provide their own insurance. He said that the number of independent contractors utilizing the program was decreasing, and that he wasn't sure why. He discussed the features of the various programs.

Director Davis said that the most frequent need was insurance for people requesting encroachment permits to do sidewalk or similar work, which was excluded from the existing policy. The Risk Manager said that he thought that some of that work was covered.

Director Handy asked if the contractor's program included consultants and professional liability. The Risk Manager said that it did cover consultants but not professional liability.

12. Risk Management Issues

The Board discussed the following risk management issues, at length, but took no action:

- 1) Skateboard Deterrents (Bill Henderson)
- 2) Indemnification Language in Contracts (Will Venski)
- 3) Insurance Documentation Services (Robyn Kain)
- 4) AB 573 – Restriction on Indemnification by Design Professionals (Bill Henderson)

- 5) Revival of Pool A Coverage (\$250,000 excess of \$250,000) (Kirk Evans)
Expansion to \$2 million SIR (Marylin Kelley)
- 6) Liability coverage for sister city activities (Mark Moses)
- 7) Small Contractor Coverage Program (Jeff Davis)

13. Election of Officers and Executive Committee Members

The General Manager said that the terms of the President, Vice President and three Executive Committee members were to expire in June and that an election was required to fill those positions.

Vice President Ellerbrock was elected to the position of President by acclamation.

Director Margolies was elected to the position of Vice President.

The General Manager said that the non-officer positions on the Executive Committee would be filled, in order, from the permanent rotation list, pursuant to the amendment to the Bylaws, approved by the Board at its meeting of April 17-19, 2006. Director Carroll, Director Johnson, and Director Evans filled the three two-year positions on the Executive Committee. Director Richardson, who was next on the rotation list, would fill the position vacated by Director Margolies for the remaining year of that term.

VIII. CLOSED SESSION

1. **Government Code Section 54956.9 (a)**
Conference with Legal Counsel - Pending Litigation

Name of Case: Clark v. City of Santa Rosa

Court: Sonoma County Superior Court

Case No.: 227896 & 227911

2. **Government Code Section 54956.9 (a)**
Conference with Legal Counsel - Pending Litigation

Name of Case: Adobe Lumber v. City of Woodland

Court: United States District Court, Eastern District of California

Case No.: CV 01510

3. **Government Code Section 54956.9 (a)**
Conference with Legal Counsel - Pending Litigation

Name of Case: Preston v. City of Yuba City

Court: Sutter County Superior Court

Case No.: CV CS 03-2417

4. **Government Code Section 54956.9 (a)**
Conference with Legal Counsel - Pending Litigation

Name of Case: Rose v. City of Lodi

Court: United States District Court, Eastern District of California

Case No.: 2:05-CV-02229-GEB-DAD

IX. ACTION ON CLOSED SESSION ITEMS

- None

X. BOARD MEMBER PRESENTATIONS

At its meeting of April 12, 2005, the Board decided to have each member make a presentation on their risk management program, including their organizational structure. The purpose of the presentations was to familiarize the Board with the composition of each member's risk management program and organizational structure in order to identify common issues and problems.

A presentation was made by Darrell Handy (Alameda).

XI. ADJOURNMENT

A motion by Director Wildermuth, seconded by Director Wilson, to adjourn the meeting at 2:05 p.m., passed unanimously.