



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING

June 19, 2003 – 9:35 A.M.

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

(707) 558-0330

Amended Minutes

I. CALL TO ORDER:

Director Davis called the meeting to order at 9:47 a.m.

II. ROLL CALL

PRESENT

- | | |
|--|---------------------------------------|
| 1) Darrell Handy, <i>Alameda</i> | 10) Sharon Andrus, <i>San Rafael</i> |
| 2) Bob Koch, <i>Chico</i> | 11) Bill Kaslar, <i>Santa Rosa</i> |
| 3) Robyn Kain, <i>Fairfield</i> | 12) Roger Carroll, <i>SCORE</i> |
| 4) Patricia Born, <i>Fremont</i> | 13) John Hinson, <i>Stockton</i> |
| 5) Kirk Evans, <i>Lodi</i> | 14) Barbara Coats, <i>Sunnyvale</i> |
| 6) Scott Ellerbrock, <i>PERMA</i> | 15) Paul Wildermuth, <i>Vacaville</i> |
| 7) Jeff Davis, <i>REMIF</i> | 16) John Pomidor, <i>Vallejo</i> |
| 8) Gail Crowley, <i>Redding</i> | 17) Jeff Tonks, <i>YCPARMIA</i> |
| 9) Mary Richardson, <i>San Leandro</i> | |

ABSENT

Livermore, NCCSIF, Petaluma, Roseville

OTHERS PRESENT

- | | |
|--|--|
| 1) Lola Deem, <i>CJPRMA</i> | 7) Jim Pinckney, <i>Marsh</i> |
| 2) Robert German, <i>CJPRMA</i> | 8) John Bonsignore, <i>Milliman, USA</i> |
| 3) Caren White, <i>CJPRMA</i> | 9) Taj Knudsen, <i>Redding</i> |
| 4) Mark McGonigle, <i>Driver-Alliant</i> | 10) Shelley Green, <i>Stockton</i> |
| 5) Byrne Conley, <i>Gibbons & Conley</i> | 11) Dave Clovis, <i>Vallejo</i> |
| 6) Brian Cooney, <i>Marsh</i> | |

III. APPROVAL OF MINUTES

A motion by Director Kain, seconded by Director Coats, to approve the minutes of the Board of Director's meeting held on April 15, 2003, passed unanimously.

IV. PRESENTATIONS

None

V. CONSENT CALENDAR

- 1. Financial Reports of CJPRMA for the periods ending March 31 and April 30, 2003**
- 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 Born, seconded by Director Andrus, to approve the consent calendar, passed unanimously.

A motion by Director Koch, seconded by Director Kain, to add Albert v. Lodi to the Closed Session and to postpone the General Manager's performance evaluation until the September meeting, 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 Commercial Insurance Renewals

Mr. Jim Pinckney, of Marsh, gave a status update on the APD and commercial reinsurance renewals. He said that all programs were ready to renew as they had been quoted at the April meeting.

Mr. Brian Cooney, of Marsh, specifically addressed the Property and Boiler & Machinery insurance renewals. He said that they had purchased a reduction in the deductible, lowering it from \$50,000 to \$25,000 for the Property Program and that they had received approval to add the City of

Pomona to that program. He said that Lodi and San Leandro had been added to the Boiler & Machinery program. He said that the limits on the property coverage had been reduced to \$200 million and that the rate would be about \$.0045 per \$100 of value.

7. Status Update on Feasibility Study for an Excess Workers Compensation Pool

Mr. John Bonsignore, of Milliman USA, was present to discuss the actuarial study that had been conducted as part of the feasibility study for the creation of an excess workers compensation pool. He discussed the methodology used, the results and the recommended rates.

Director Davis asked if the program would be a year-by-year stand alone program or a pure pooling program. Mr. Bonsignore said that they had not considered that. He said that he didn't think that it would make sense to do it with each year standing alone.

Director Ellerbrock said that the suggested rate of .74 was almost double what PERMA charged its members and that it was also significantly higher than what LAWCX charged its members. He asked if there was any discussion of an experience modification factor. Mr. Bonsignore said that they had tried to come up with a flat rate that would apply to every member. Director Ellerbrock said that maybe the Board should discuss the development of an experience modification factor.

Director Davis said that most of the members going to market were facing a \$1 million S.I.R. which was a significant increase.

Director Born asked if they had looked at using different rates for safety and non-safety classifications. Mr. Bonsignore said that doing that would have had a more significant effect on the rates than using an experience modification factor.

Mr. Pinckney said that Marsh had looked at the information for the potential participants and was ready to develop a program if that's what they decided they wanted to do. He discussed the state of the excess workers compensation market and the direct reinsurance market and what their options were. He said that they could create a program that would allow members to roll on as their existing programs expired.

The General Manager said that Marsh would need a set payroll base in order to market the program. He said that the members would need to make a commitment in order for Marsh to be able to get rates but that the

members didn't want to make a commitment until they knew what the rates were going to be. He asked Mr. Pinckney how that could be handled. Mr. Pinckney said that he would try to set a rate based on estimated payroll but that that could change based on the final payroll numbers of the members who actually participated. The General Manager asked how far in advance they would be able to get a guaranteed rate from the excess market. Mr. Pinckney said that the direct reinsurance market was very different from the traditional excess market and that they would be able to get rates based on the information they had. He said that the majority of the cost would be in the pooled layer, not the commercial layer.

The General Manager said that if they created a January 1, 2004 inception date for the roll on program, eventually all participating members would have the same renewal date.

Director Kain said that the suggested rates were substantially higher than the quotes she had been getting. She asked how it was looking for the rest of the group. Director Ellerbrock said that they would need to use an experience modification factor or make a distinction between safety and non-safety in order to make the rates better for the members.

Director Davis said that, historically, there had been resistance to using an experience modification factor because of the lack of history at the excess level.

Board Counsel asked if it was possible to reinsure the \$500,000 excess of \$500,000 layer as well. Mr. Pinckney said that it was possible but that he didn't think it was practical.

Director Davis said that they should create a committee to look at whether or not there should be an experience modification factor, what the level of attachment should be, whether it should be pooled on a total pool basis or a year by year basis, and who the potential members would be. He said that the members who were interested in participating should make up the committee.

The General Manager said that he would talk to President Henderson about putting together a committee.

8. Risk Transfer Issue

The General Manager said that an issue had arisen regarding Financial Pacific Insurance Company wherein they had issued a bulletin to their agents telling them that they were going to restrict coverage for defense

purposes. He said that he had faxed a copy of this memo to both Board Counsel and Mr. Pinckney and asked if it was a trend with other insurance companies. Mr. Pinckney said that it was not a trend and that they were not seeing this anywhere else.

Director Koch said that he was also dealing with Everest which had stated that they would not provide additional insured endorsements. He said that there was going to be less and less coverage and more and more exposure.

Director Davis said that Progressive had added into their endorsements that their coverage was not primary and that any excess insurance came first. He said that he had been telling contractors and insurance agents that that was not acceptable. He asked if they would still be okay for contractual liability if they had a strong hold harmless agreement. Board Counsel said that they might be but that there could be problems. He said that one issue with the Financial Pacific language was that it stated "excess to other insurance" and that a JPA was not considered to be "other insurance" but that that language could be rewritten.

Director Davis said that he would like to see standard language for the bid process and for encroachment permits.

Director Kain said that it would be helpful if they had some standard for insurance requirements and compliance.

Director Davis asked if Board Counsel could provide them with model encroachment permits and model indemnity language.

9. Approval of Coverage for New Members of PERMA

Director Ellerbrock said that PERMA was considering the City of San Gabriel for membership. He said that San Gabriel had a \$50,000 loss history that was typical of all PERMA members, with an average loss history of \$5600. He said that they participated in ERMA for EPL coverage. He said that San Gabriel had \$37 million in assets. He said that they did have transit, but that it was contracted out to Laidlaw.

The General Manager said that the Board had the right to decline coverage for a period of three years for any new member joining a JPA that had joined CJPRMA after April 28, 1992. He said that he would recommend that, if PERMA accepted San Gabriel for membership, that CJPRMA extend coverage, effective upon their inception date.

A motion by Directory Born, seconded by Vice President Wildermuth, to approve coverage for San Gabriel, passed unanimously.

10. Election of Executive Committee Members

A motion by Director Handy, seconded by Director Coats, to elect Patricia Born (Fremont) and Carolyn Lyons (Roseville) to the two open seats on the Executive Committee, passed unanimously.

VIII. COMMITTEE REPORTS

A) Claims: Patricia Born, Chair

The Claims Committee had nothing to report.

B) Coverage: Jeff Tonks, Chair

The Coverage Committee had nothing to report.

C) Personnel: Carolyn Lyons, Chair

The General Manager said that there had been 85 applicants for the Risk Manager position, and that he had narrowed it down to 7 finalists. He said that the oral board interviews would be taking place the following week.

D) Communications: Bob Koch, Chair

The Communications Committee had nothing to report.

E) Membership Standards: Patricia Born, Chair

Director Born said that the Membership Standards committee had come up with a draft of a mandatory attendance policy for the Board's review. She said that the policy stated that members had to attend at least 50% of the meetings each year and that there was a fine for failure to comply. She said that they had not decided if the fine would be 5% of the premium or 5% of the redistribution. She also wanted to know if the Annual Retreat should count as a mandatory meeting. After extensive discussion, Director Davis asked the Board members to contact Director Born with their comments. He then asked Director Born to provide the General Manager with that information so that a proposed policy/amendment to the By-laws could be discussed at the September meeting.

IX. CLOSED SESSION

1. Government Code Section 54954.5

Case Review/Planning

2. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Vaziri v. City of St. Helena

Court: Napa County Superior Court

Case No.: 26-16511

3. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Headwaters Forest Defense v. City of Eureka

Court: Supreme Court of the United States

Case No.: 01-1744

4. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Maher v. City of Fairfield

Court: Solano County Superior Court

Case No.: L010332

5. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Lifton v. City of Fairfield

Court: Ninth Circuit Court of Appeals

Case No.: 02-15450 and 02-15425

6. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: BICEP v. City of Pomona

Court: N/A

Case No.: N/A.

7. Government Code Section 54954.5
Public Employee Performance Evaluation

Title: General Manager

X. ACTION ON CLOSED SESSION ITEMS

None.

XI. BOARD MEMBER TRAINING

Legislative Update on Workers Compensation and Effective Utilization of the SB 90 Reimbursement Program – *Deputy Chief George Apple*, Sacramento Metropolitan Fire District

XII. ADJOURNMENT