



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING

June 20, 2001 – 9:35 A.M.

**Holiday Inn
1350 Holiday Lane
Fairfield, CA 94533**

(707) 422-4111

Minutes

I. CALL TO ORDER:

President Henderson called the meeting to order at 9:35 a.m.

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|-----------------------------------------|
| 1) Darrell Handy, <i>Alameda</i> | 10) Mary Richardson, <i>San Leandro</i> |
| 2) Bob Koch, <i>Chico</i> | 11) Sharon Andrus, <i>San Rafael</i> |
| 3) Patricia Born, <i>Fremont</i> | 12) Roger Carroll, <i>SCORE</i> |
| 4) Bill Henderson, <i>Livermore</i> | 13) George Bist, <i>Stockton</i> |
| 5) Rex Miller, <i>NCCSIF</i> | 14) Barbara Coats, <i>Sunnyvale</i> |
| 6) Mike Acorne, <i>Petaluma</i> | 15) Paul Wildermuth, <i>Vacaville</i> |
| 7) Jeff Davis, <i>REMIF</i> | 16) David Lindquist, <i>Vallejo</i> |
| 8) Linda Johnson, <i>Redding</i> | 17) Jeff Tonks, <i>YCPARMIA</i> |
| 9) Carolyn Lyons, <i>Roseville</i> | |

ABSENT

Fairfield, Lodi, Santa Rosa

OTHERS PRESENT

- | | |
|---------------------------------|----------------------------------------------|
| 1) Lola Deem, <i>CJPRMA</i> | 4) Byrne Conley, <i>Gibbons & Conley</i> |
| 2) Robert German, <i>CJPRMA</i> | 5) Jim Pinckney, <i>Marsh</i> |
| 3) Caren White, <i>CJPRMA</i> | 6) Phyllis Sammon, <i>Marsh</i> |
| | 7) Kerry Adamo, <i>Sunnyvale</i> |

III. APPROVAL OF MINUTES

A motion by Director Handy, seconded by Director Born, to approve the minutes of the April 17, 18 & 19, 2001 Board of Directors meeting, passed unanimously.

IV. PRESENTATIONS

- None

V. CONSENT CALENDAR

- 1. Financial Reports of CJPRMA for the Periods Ending March 31 and April 30, 2001**
- 2. Additional Covered Party Certificates Approved by the General Manager**
- 3. Notification of New Claims Received**
- 4. Notification of Claims Closed**

The General Manager said that the Ukiah fire case had been settled for \$1.15 million.

- 5. Appointment of New Board Members/Alternates.**

A motion by Director Miller, seconded by Director Acorne, 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. Request for Fee Increase from Board Counsel**

The General Manager said that Board Counsel had requested a fee increase from the current rate of \$120 per hour to \$135 per hour. He said that based on the previous year's charges, the increase would have cost approximately \$13,000 and that the increase would have cost approximately \$9,000 in the current year. He said that the proposed rate of \$135 was at the very low end of fees charged by public entity defense firms. He said that he was recommending that they approve the proposed increase.

A motion by Director Born, seconded by Director Acorne, to approve the fee increase, passed unanimously.

7. Final Version of Annual Report

The General Manager said that the final version of the Annual Report was now available for the members. He said that they were in the process of working on the Annual Report for 2001. He said that the next version would include a copy of the financial audit.

8. Proposed Format for Report on Financial Stability

The General Manager said that, as a part of the organizational goals and objectives, the Finance Committee had created a report format for staff to utilize on a quarterly basis. He said that they had worked on the format and completed the report, and that it would be updated quarterly. He said that they could use it to share information with their organizations.

Director Davis asked if the information on member contributions was for the entire year. The Financial Analyst said that they were for the whole year because they were collected during the first quarter.

Vice President Koch asked how the over and under budget numbers were figured on Page 2, Section C. The Financial Analyst said that the numbers came directly from the monthly financial statements.

Director Born asked if the General Manager's scheduled vacations would be included as well. The General Manager said that the report was quarterly, so that his upcoming vacation was not reflected on this report, but that it would be in the future.

A motion by Director Wildermuth, seconded by Director Andrus, to approve the proposed format for the Report on Financial Stability, passed unanimously.

9. Report from Broker on Renewal of APD Insurance Coverage

Jim Pinckney, of Marsh, said that he had two items to discuss. He said that he would discuss the APD issues and that Phyllis Sammon would then update them on the Excess Property issues.

Mr. Pinckney said that at their last meeting, there had been concern that the catastrophic loss limit of \$1 million was too low. He said that Fireman's Fund had agreed to increase the catastrophic loss limit to \$1.5 million at no additional charge.

Ms. Sammon said that, in April, they had approved the renewal of the Boiler & Machinery program. She said that the primary property program had a

three to year guaranteed rate, based on loss history. She said that they had worked on the excess property policy, which was an annual program. She said that Chubb had initially proposed a 25% rate increase, which resulted in a 7% rate increase on the composite rate. She said that she had looked at other providers but had not found them to be competitive. She said that Chubb had decreased their proposed rate so that there was only a 15% increase. She said that the composite rate was now a 4.24% increase, and that the rate would be \$.02177 per \$100. She said that they were still missing final values for a few members, and that they needed them by July 1.

The General Manager said that he had suggested that they use a 4% inflation rate for the members who had not reported valuations and that they adjust the values thereafter when the actual figures were reported.

Director Acorne said that he would like to discuss the APD program. He said that one of the issues that had come up at the last meeting had to do with replacement values. He said that there was supposed to be some additional research as to whether or not replacement values would be the new cost or the depreciated cost. He asked what the status of that was.

Mr. Pinckney said that the values that they should base their premiums on was the market value at the time of reporting and not the full replacement value.

Director Acorne asked if there was any suggestion on how to determine the market value of used fire equipment and other higher valued vehicles. Mr. Pinckney said that it was very difficult to value those vehicles. He said that for normal vehicles, there were industry guidelines for determining them.

Vice President Koch said that up until this year, the members of the APD program had assumed that what they were getting coverage for was the replacement value and not a depreciated value. That meant that they were paying higher premiums. He said that they should be depreciating their values every year, and reducing their premiums as their values went down. He said that the real question was whether they could buy coverage for replacement value.

Mr. Pinckney said that, from an underwriting standpoint, they wanted revaluation on an annual basis as the vehicle increased in value due to special equipment or decreased in value due to age.

Vice President Koch asked how much time they had to revalue their vehicles so that the premiums could be recalculated because he could reduce his total values substantially.

Director Acorne said that he could do that as well. He said that all of his high-value vehicles were valued at full replacement cost. He said that he didn't know how to depreciate those high-value vehicles.

Mr. Pinckney said that there were evidently some market guidelines within the fire industry for depreciated values on fire equipment.

Director Davis asked what would happen if he valued a vehicle at \$500,000, and it was destroyed, and the cost to replace it was \$750,000.

Mr. Pinckney said that if the market value of the vehicle on July 1 was \$500,000, and the vehicle was destroyed on December 1, then he would probably get very close to that reported value. He said that if a replacement vehicle cost \$750,000, he would not get that difference back because then he would be profiting from a loss.

Director Wildermuth said that John Glenn & Administrators in Walnut Creek had someone who could appraise heavy equipment.

Mr. Pinckney said that they had not had any problem with having high valued equipment losses paid for the amount reported. He said that the specific problem had been with a Suburban that was reported as a \$50,000 vehicle but was only worth \$15,000.

Board Counsel said that there had been special equipment on that Suburban. He said that they were still deciding whether or not to take the adjuster to arbitration on that issue. He said that the adjuster did have some support for their interpretation of the depreciation endorsement.

Director Acorne said that there were two issues at hand. He said that one was high value special equipment and the other was standard vehicles. He said that he had looked at the inflation figures since the program was started in 1986, and that the \$25,000 deductible would now be worth about \$40,000. He said that they had never increased the value based on inflation. He said that it may be in their interest to increase their inflationary levels up to something that was more appropriate. He said that they should at least look at possibly insuring only vehicles valued in excess of \$100,000. He said that they should also look at whether they wanted to self-insure some vehicles.

President Henderson asked if they wanted to agendaize this issue for the next meeting. Director Acorne said that it was worth looking at. President Henderson asked Director Wildermuth to talk to John Glenn Adjusters to find out how they determine values for high-end vehicles. He said that members in the APD program may want to consider revaluing their vehicles.

Director Davis said that the argument he would make if he had a loss would be that he should be paid for the value he reported, because that was the best market value he could determine. He said that the other issue was that if they wanted to consider self-insuring the APD program, he would like to find out the cost and specifics of having vehicles in excess of \$1 million covered by Marsh.

Mr. Pinckney said that, if they looked at overall pricing and the parameters of the program, they were getting a very good deal.

President Henderson said that the point was that if they could justify the reported value, then there wouldn't be a problem.

Vice President Koch said that they were having to work with the vagaries of insurance adjusters, rather than having something definitive stating that they would get replacement value. He said that this was the first time that they had had a problem being paid for the value they had reported.

Director Tonks said that he agreed with everything the Mr. Pinckney had said about the coverage. He said that his problem was that everything he had looked at had suggested that if replacement value was declared and premiums were paid on that replacement value, that they would be paid on that value if there was a loss. He said that he thought that the problem was not with the program, but with how the program was put together and advertised to the members.

The General Manager said that, over the course of the years, they had always been paid for the reported value. He said that this was the very first time that they had encountered a problem. He said that he, Board Counsel, and Marsh had thought that they would be covered for replacement value.

Director Handy said that this was a real issue for him. He said that the premium had been based on the stated value of those vehicles. He said that they had one instance now where they were being given ACV rather than replacement cost. He said that he would suggest to Board Counsel that they file a declaratory relief action against the carrier. He said that there seemed to be no dispute amongst the Board, the General Manager and the Broker about what they purchased. He said that if that was correct, then they had paid substantially more premium than they should have.

The General Manager said that, over the years, they had paid premium for replacement cost and that the carrier had honored it. He said that they hadn't overpaid over the past years, because when claims came in, they had been paid.

Director Bist said that whether they agreed or disagreed, they had paid the premiums and had had a good history. He said that this one problem would be litigated sooner or later. He said that, rather than talking about changing the program, they should find out what coverage they had. He said that if they had to litigate to get a clear answer, then that was what they should do.

Mr. Pinckney said that it was a matter of principal, and that the General Manager, Board Counsel and his staff had spent a considerable amount of time working on the problem. He said that he wanted to be very clear on what the carrier's position was. He said that if they read the valuation clause, it said "the actual amount required to repair or replace the vehicle, without deduction for depreciation."

President Henderson asked what they needed to do. Board Counsel said that the Board didn't need to do anything. He said that he and the General Manager would bring it up with the carrier and either file suit or ask for arbitration. He said that one of the problems was that there were no California cases that had the same exact language of the endorsement.

10. Report from Investment Manager and Proposed Revisions to Investment Policy

Kay Chandler, of Chandler Asset Management, said that she would talk about three different areas, the first being the situation with the PG&E bond, the second would be an investment update and the third would be a recommendation for restructuring the portfolio based on current investment objectives.

Ms. Chandler went through the investment report dated June 20, 2001. She reviewed the current investment objectives and the three tiers of investment accounts. She said that the market had gone from a very strong rate of growth to a slower one. She said that the third section of the report outlined the investments. She compared the portfolio to the market benchmark and LAIF in the fourth section of the report. She said that the strategy they had adopted in 1995 was working well.

Ms. Chandler said that the last time she had met with the General Manager and the Treasurer, the General Manager had told her that they had been considering changing the structure of the portfolio based on their current claim projections. She said that they wanted to have about \$12 million in the loss payment account. She said that since they now reinsured above \$5 million, they only needed to fund \$5 million in the catastrophic claims account, rather than \$10 million, which was the current balance. She said that those two items would leave more funds available for the long-term growth fund. She said that there were some proposals on Table 1 of her letter to the Treasurer, dated June 12, 2001, and she explained the difference in the

various proposals. She said that the General Manager and she were recommending proposals B & E.

President Henderson asked what would happen for the period between three and five years because those proposals had no investments in that range. Ms. Chandler said that it was true that there was nothing in the three-five year range. She said that what they would do would be to make some parts of that range shorter to provide more liquidity and some parts longer to create more growth. She said that the weighted duration of Proposals B & E, which meant that the performance should be about the same. She said that they had just eliminated the catastrophic claims account, and that if there was a catastrophic claim, it would be paid out of the more liquid fund. She said that it would be replenished each year with premium deposits.

The General Manager pointed out that investments were staggered, so that they didn't mature at the same time. Director Miller said that that assumed that each investment was held to maturity, which was not usually the case.

Director Lindquist said that if they went this way, they would never have any investments in corporate securities. Ms. Chandler said that there could be some in the three-five year range, and that that was a policy decision that the Board could make, if they wanted to invest in corporates. Director Acorne said that state law said that they could not invest in corporate securities over five years in duration. He said that corporate bonds could have a higher return than government securities for the same three to five year term. Ms. Chandler said that there were, and that they would be giving that up. She said that in the past they had bought five-year bonds and held them for a shorter period.

Director Davis asked why they didn't go with Proposal A, which had the highest rate of return. Ms. Chandler said that her concern with Proposal A was that holding the \$12 million in the zero to five year maturity range did not provide them with enough liquidity.

Director Davis said that if they went with Proposal E, they would still have to replenish the money and their rate of return would go down. The General Manager said that they replenished that fund annually. Director Davis said that if they paid out at the beginning of the program year, they could have 11 and a half months in which they weren't replacing money, and they might have to move funds out of the long term fund. The General Manager said that they had never been in that situation, with the exception of the Gallardo case. He said that, in terms of the risk, with \$14 million in that account, and replenishing it annually with premiums, Proposal E seemed the most practical to him.

Director Born asked where the redistribution money came from. The General Manager said that it came from the short term account. Director Born asked if making the change would change the amount of money available for redistribution. The General Manager said that it wouldn't.

President Henderson asked Ms. Chandler what her preference was. Ms. Chandler said that she was recommending Proposal E, and that what she had found, in managing the catastrophic claims account, was that it was a very tight target of three to five years. She said that, in order to maintain that, it was necessary to enter into numerous transactions. She said that they felt that if they could get the same result, without the three to five year term, it would be better.

The General Manager said that they had enough lead time so that, if it looked like they would have to make substantial payouts, they could hold the premium payments and increase the balance of the more liquid account. He said that it was not a difficult strategy to manage and that it looked like it would give them a better rate of return on a larger funding level.

Director Acorne asked if they would have to change the policy to allow for the purchase of corporate securities for the five to ten year term. Ms. Chandler said that they wouldn't have to change the Investment Policy to allow that. She said that they would be buying the four to five year corporate securities for the long term account.

A motion by Director Born, seconded by Director Acorne, to adopt Proposal E as a revision to the Statement of Investment Policy, passed unanimously.

With regards to PG&E, Ms. Chandler said that there had been a lot of action but no forward movement. She said that there had been very few developments as they waited for PG&E to produce its reorganization plan, which was due in August. She said that the most significant document that she had given them was their May analysis. She said that PG&E was a very unusual company, in that it had more assets than liabilities going into bankruptcy. She said that operating costs were the problem for PG&E. She said that she didn't have any more details, but that she expected that when the reorganization was completed that the outstanding bonds would be paid in full.

Vice President Koch said that he believed that bonds such as this were at the bottom of the list of priorities for being paid. He asked what the likelihood was of having to write off the bond at some point. Ms. Chandler said that it was her understanding that their claims were equal to those of other creditors.

Board Counsel said that they only had one note, and that it was scheduled to mature late in 2003, with a market value of \$670,000. He said that they

could sell it now and take a \$300,000 loss. Ms. Chandler said that they didn't recommend that. Board Counsel said that it would be paid. He said that there was a risk of the maturity date being extended during the reorganization.

Ms. Chandler said that the valuation of \$670,000 was the lowest value that it would have. She said that it would eventually be resolved.

Ms. Chandler said that she had learned that there was a group of bondholders, headed by Pimco, that had put together a consortium of bondholders and retained counsel to represent their interests to the creditors' committee. She said that they had joined that consortium and that she would let them know what came out of it.

11. Proposed Revisions to the 2001-2002 Memorandum of Coverage

The General Manager said that there were three items for discussion. He said that the first item would require a 2/3 vote of the members present for reconsideration. He said that, at the April meeting, they had approved the deletion of the last sentence of Exclusion #14 by a vote of 10-8. He said that Marylin Kelley had discussed it with the NCCSIF board and that they had requested that the matter be reconsidered. Director Miller said that they had felt that, while there was considerable discussion on the issue, the vote had been fairly close and that there was possibly more information that could be presented.

Director Davis said that he had taken that issue to the REMIF board and that they had left the language in, knowing that they would only have \$500,000 in coverage.

A motion by Director Miller, to reconsider the change to Exclusion #14, died for lack of a second.

The General Manager said that Director Davis had submitted a letter requesting that fire/working boats be exempted from the Marina Exclusion (#9). He said that they had discussed that issue, at the last meeting, and that they had felt that they would be covered under a marina policy. Director Davis said that he had not been able to obtain a copy of his marina policy, so he was unsure as to whether it was covered or not. He said that he thought that it was probably a moot point, if it covered marinas. He said that he would like to extend the coverage to include fire boats, and have the whole marina issue looked at for the next program year.

Director Lindquist said that he thought that they could endorse specific boats into coverage up to a certain length. Director Davis said that that was a contradiction that he and Board Counsel had talked about. He said that he

thought that the fire boat was covered by the endorsement, but that Board Counsel thought that the marina exclusion trumped it.

Director Born asked for clarification on the issue. Director Davis said that if there was a fire in the marina, a fire engine would be covered but a fire boat would not be, according to the exclusion.

Board Counsel said that Exclusion #9 said that there was no coverage “for claims arising out of or connected with property damage to private vessels or crafts while present at or in a marina,” nor for “bodily injury or property damage occurring on, in or about any boat owned or operated by the covered party while present at or in a marina owned, operated or controlled by the covered party.” He said that if they had a marina policy, it provided for that coverage and that was why it was excluded from the general liability coverage.

Director Davis said that if he brought a fire engine to the marina to put out a fire, he had coverage. Board Counsel said that he had coverage for bodily injury caused by the fire engine, but that property damage to a boat in a slip at the marina would be covered by marina policy. Director Davis said that he had general liability coverage, not property coverage, for the fire engine but not for the fire boat.

Vice President Koch asked if his fire engine, working at an airport, would be covered at the airport, even though the airport was excluded from coverage.

Board Counsel said that Exclusion #8 stated “claims arising out of ownership, maintenance, management, supervision or the condition of any airport,” was not covered so that if the fire truck was on the way to the airport, it had coverage, but not while it was on airport property. He said that that would be covered by the airport policy.

Director Born asked if some boats were endorsed in for coverage. Board Counsel said that the endorsement provided liability coverage for operation of that specific watercraft. He said that if the watercraft was in the marina, the marina policy would apply rather than the general liability coverage.

Board Counsel said that his suggestion was to refer this issue to the Coverage Committee. He said that he would get a copy of REMIF’s marina policy, so that they could clarify the coverage.

Board Counsel said that the General Manager had asked him to take the Employment Practices Liability Endorsement and merge it into the form. He said that, historically, they had had Exclusions #3 and #4, which excluded EPL coverage, but then they added the EPL coverage back in as an endorsement. He pointed out where changes in the language had been made

in the draft copy of the Memorandum of Coverage for 2001-2002. He said that the only changes that the Board had made to the Memorandum of Coverage related to Exclusions #14 and #38, and to the definition of "Pollutants." The General Manager said that they hadn't approved that change to the definition. Board Counsel asked if they wanted to have the Coverage Committee discuss the definition of pollutants. He said that the underwriter was willing to accept the change to the definition if that's what the Board decided. He said that the underwriters would prefer that the change be reflected as an exclusion, and that if they wanted to change the pollution exclusion to say "this exclusion does not apply to bodily injury caused by smoke, fumes, vapor, or soot from equipment used to heat or cool a building," that would be acceptable by reinsurance as well.

The General Manager said that there had been a number of issues relating to biologicals that had been discussed in April. He said that it needed to go to the Coverage Committee for clarification.

Board Counsel said that what had happened was that ISO had come across a number of cases across the country where something got into the heating system and a person inside the building made a bodily injury claim. He said that the cases were split, with some saying that that was pollution and others saying that it wasn't. He said that the result was that ISO had added an exception to their pollution exclusion for bodily injury caused by smoke, fumes, vapor or soot from equipment used to heat a building. He said that his thinking was that they should have coverage that was at least as broad as ISO's.

The General Manager suggested that they send the issue to the Coverage Committee for further discussion.

Director Davis asked if they could make it retroactive to July 1, 2001 if they decided to make any changes. Board Counsel said that that might be a problem for the reinsurance carrier, but that if they wanted to make the change for the 2001-2002 program year, they should send the change to them as soon as possible. The General Manager said that they could send it to the Coverage Committee and, if they decided to make a change for the current year, they could put a sublimit on it so that it wouldn't reach reinsurance in the 2001-2002 program year.

A motion by Director Davis, seconded by Director Acorne, to send the identified issues to the Coverage Committee for further review, passed unanimously.

Director Acorne asked if they could give each exclusion a title to make reading them easier. The General Manager said that they would caption,

renumber and reorder the exclusions for the 2001-2002 Memorandum of Coverage.

A motion by Vice President Koch, seconded by Director Andrus, to approve the proposed language changes relating to Employment Practices Liability Coverage, passed unanimously.

12. Review of Lapidus Loss Control Survey

The General Manager said that he was handing out a more comprehensive breakdown of the Lapidus survey. He said that Mr. Lapidus had omitted certain items that he thought were less significant, giving an uneven basis for comparison purposes. He said that 9 of the 20 members had already provided the documentation that had been requested.

Director Handy asked what was going to be done with the documentation that had been requested. He wanted to know if it was to be used to create model policies. The General Manager said that it had a twofold purpose. He said that they wanted to see if the policies that were already in place were in compliance with the law, and, secondly, if they were in compliance, whether they could use them as model policies on the web site. He said that he would recommend that they draft model policies for things like sexual harassment, discrimination, and police pursuit and make them available on the web site. He said that, as a supplement to those policies, he wanted to create a memo outlining the mandatory criteria to be included in those policies if the model policy wasn't utilized.

Vice President Koch said that he thought that they had discussed this several months ago and that they had decided that providing the documentation to the General Manager was optional. The General Manager said that he did not recall that.

Director Davis said that he didn't think that they had decided to make the provision of the documentation mandatory. He said that he thought that model policies would be established and that those would be forwarded to the members. He said that if they moved into an area where there was a high frequency of losses, they would have to adopt a mandatory process, but that that was 2 to 3 years into the future.

The General Manager said that he wasn't asking for a mandatory process for what they were submitting. He said that he was using the materials that were being submitted to determine whether they met the standards that had been established. He said that, since only 9 members had submitted and only one was a JPA, they really didn't have a clear idea. He said that they really didn't have to submit anything. He said that they could simply select certain categories of policies, draft models and establish criteria. He said that this

tied into another recommendation that he was making and that was to create a system of accountability. He said that if they had loss control programs for public works, they could defend cases. He said that only about half of the members had those kinds of programs in place. He said that he was recommending that they draft a loss control program for public works, police and other categories and make them available to the members. He said that the only thing that would make it work was to have a policy of enforcement.

Director Davis said that that got back to the basic issue of whether they were a primary JPA or an excess JPA. He said that for the past 15 years, they had been an excess JPA and that what the General Manager was recommending was something that should be done at the primary level. He said that if they wanted to follow the recommendations of the General Manager, then they were changing the nature of the group and that that needed to be discussed and decisions needed to be made before they did anything else.

The General Manager said that they had been going through the process of trying to decide where the group was going for the past few years. He said that some of the members wanted loss control services, and that some did not have funding for risk management programs. He said that some of the members did not even have risk managers. He said that there was no accountability for loss control or risk management programs within the member entities. He said that they could continue as an excess pool and not worry about what occurred at the primary level, as they had done for the past 15 years, or they could make a proactive effort by providing model policies and supplemental loss control services and training programs. They could also put teeth into the programs by making the members accountable for any losses sustained as the result of not having a program in place. He said that that was part of the purpose of doing this loss control survey.

President Henderson asked if this was something that the Claims Committee should look at.

Director Acorne said that the Claims Committee had provided the reporting procedures and litigation policies which he had found to be very valuable tools. He said that those types of model policies were important for those members who had minimal risk management programs.

Director Born said that she agreed with the General Manager, that the biggest exposure was that they didn't know what policies other members had. She said that now that they knew where their biggest exposures were, and that some members had weak risk management programs, she would propose that the first step would be to create some model programs. She said that once those had been in place for a year or two, they could create a system of accountability.

Director Davis said that they were jumping to a conclusion. He said that the conclusion was that the failure to have these model policies had cost CJPRMA money. He said that they had no proof that that was the case.

Director Handy said that one of their purposes was to have good risk management programs in place to protect the financial integrity of the pool. He said that creating a risk management plan before they had a loss made sense.

The General Manager said that he thought that they would find that when model policies and programs were provided, they would have good response.

Director Wildermuth said that he thought that they should target two or three areas as a goal for every member to have in place.

The General Manager said that the target areas that he would recommend would be employment practices, police and public works. Vice President Koch asked how many public works based claims they saw. The General Manager said that he was more concerned with street accidents and things of that nature. He said that once they set up inspection programs, in order to find out where their problems were, they could look at solving them.

Director Tonks said that he had a problem with the idea of penalizing the departments that didn't comply. He said that he realized that they created an exposure, but that they couldn't get the compliance they needed with the policies. He said that they had competing services to deal with as well.

The General Manager said that they couldn't make it too complex. He said that they had to keep it simple in order for the program to work.

Director Tonks said that if they created policies and procedures then they were creating standards that they would be legally bound to follow. He said that they had a lot of policies and procedures that were already out there that people weren't following because they were unaware of them. He said that if a claim occurred in one of those areas, the first question that would be asked was why the policy wasn't being followed. He said that creating policies could create additional liability.

President Henderson said that a lot of good issues had been brought up and that he would ask the Claims Committee to look at them and come back with recommendations at the September meeting.

13. Review of ARM Tech Survey

The General Manager said that they had had a number of difficulties with ARM Tech with regard to this report. He said that ARM Tech had had a lot

of trouble getting responses to the questionnaire. They had only received responses from 5 of the 10 groups surveyed. He said that he had still not received the final report from ARM Tech, even though it was supposed to be completed in time for the meeting. He said that he had received a draft of the exhibits and would share that preliminary information with them. He said that he wasn't sure what the final analysis would show.

Director Born asked who the responding agencies were. Board Counsel said that CSAC/EIA was all but two of the counties in California; CARMA was made up of CSJVRMA, CCCMRMIA, Vector Control, Bay Cities and PARSAC; PERMA was the former Coachella Valley Joint Powers Insurance Authority which was a primary level pool; SELF was the Schools Excess Liability Fund and was comprised of 1100 school districts, community college districts and the CSU system; and CHARMA was a housing authority pool. The General Manager said that they did not include ABAG. Board Counsel said that ABAG was a primary pool and was not good for comparison. He said that he thought that SELF, CARMA and CSAC were the closest for comparison purposes, and that EXCEL and BICEP would also be good. He said that they could make Public Records Act requests to obtain the desired information.

The General Manager said that from a liability standpoint, CJPRMA seemed to provide a low limit of coverage. He said that when he met with the reinsurers in August, he would find out what the cost would be to increase the coverage limit to \$20 million or \$25 million. He said that most of the other groups also included EPL coverage, without a sublimit, whereas CJPRMA had a \$4 million sublimit. He said that they may want to think about increasing the sublimit to \$5 million or to the full amount of coverage.

The General Manager said that their property program was the best in existence. Director Tonks said that the information for CSAC's property program included more coverage with comparable rates and a similar deductible. He said that he would send that information to the General Manager. The General Manager said that they would probably get pressure, at the end of the three year property program, to increase their deductible. Board Counsel said that, if they raised the deductible, they could pool coverage at lower levels. The General Manager said that pooling at a lower level would result in a lot of exposure. Director Tonks said that CSAC also provided a property appraisal every three years at no cost to the members. The General Manager said that he hoped that that sort of information would be included in the final ARM Tech report.

The General Manager said that CSAC was the only group with a higher level of Boiler and Machinery coverage. He said that he wasn't worried about crime coverage. He said that there were several categories of crime coverage that CJPRMA did not have and that he would discuss that with the broker.

He said that three of the five respondents did not offer Workers Compensation coverage. He said that CJPRMA was the third highest for liability rates but that that did not take into account redistributions. He said if they were to offset the total amount collected by the total amount redistributed, the rate would drop substantially. Director Lindquist asked what S.I.R. was being used to report the liability rates. The General Manager said that they varied. Director Lindquist said that they needed to use the same S.I.R. to compare or the comparisons would be inaccurate.

Director Davis said that, if CJPRMA was going to increase its coverage limits, it should lock that in now. The General Manager said that they currently pooled up to \$5 million and then reinsured from \$5 million to \$15 million. He said that he would like to see the upper limit raised. He said that he wasn't sure what the cost would be, but that they could pay the increase out of existing funds and then charge it back to the program year. Director Born asked if they should look at self-insuring that layer. The General Manager said that that might cut down on the premium. He said that they were paying \$386,000 for reinsurance on the layer from \$10 million to \$15 million.

Director Born asked that they would include EXCEL and BICEP in the comparisons.

The General Manager said that he would do what he could to get the information from the non-responding parties.

Further review of the ARM Tech survey was tabled until the September meeting.

14. Review of Staff Members Salary Ranges and Benefits

Director Acorne said that the Personnel Committee had started to do salary surveys and comparisons. He said that they would report back to the Board in September with their recommendations for the current fiscal year.

15. Election of Executive Committee Members

The General Manager said that there were two seats to be filled on the Executive Committee. He said that Directors Richardson and Lyons had withdrawn their nominations.

Directors Born and Lindquist were elected to serve on the Executive Committee for the next two years.

16. Change of S.I.R. of City of Vacaville

The General Manager said that the JPA agreement provided that a member entity could determine its own S.I.R. on a year to year basis, with 180 days written notice. He said that the City of Vacaville had sent him an e-mail saying that they were considering a change in their S.I.R. but that they hadn't taken final action on it until last month. He said that he went back and looked at their loss history from 1986 until the present, and that they had penetrated CJPRMA for coverage only once. He also said that they had paid a claim in the \$500,000 - \$1 million layer only once. He said that his recommendation was to allow the City of Vacaville to go into Pool B layer for the 2001-2002 program year.

A motion by Director Born, seconded by Vice President Koch, to approve the change in the S.I.R. for the City of Vacaville, passed unanimously.

VIII. COMMITTEE REPORTS

A) Claims: Patricia Born, Chair

The Claims Committee would be making recommendations at the September meeting..

B) Coverage: Jeff Tonks, Chair

The Coverage Committee had nothing to report.

C) Personnel: Mike Acorne, Chair

The Personnel Committee had already reported to the Board in Item #14.

D) Communications: Bob Koch, Chair

The Communications Committee had nothing to report.

E) Finance: Paul Wildermuth, Chair

The Finance Committee had nothing to report.

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: County of Solano v. City of Vallejo

Court: Court of Appeals, First Appellate District

Case No.: A082666

3. **Government Code Section 54956.9 (a)**

Conference with Legal Counsel - Pending Litigation

Name of Case: Staunton v. City of Clovis

Court: United States District Court, Eastern Division of California

Case No.: CV-F-99-5902 AWI/DLB

4. **Government Code Section 54956.9 (a)**

Conference with Legal Counsel - Pending Litigation

Name of Case: Kao v. City of Rohnert Park

Court: United States District Court, Northern Division of California

Case No.: C 98-0387 TEH

5. **Government Code Section 54956.9 (a)**

Conference with Legal Counsel - Pending Litigation

Name of Case: Tunstill v. City of Concord

Court: United States District Court, Northern Division of California

Case No.: C 99-4246 MMC

6. **Government Code Section 54954.5**

Public Employee Performance Evaluation

Title: General Manager

X. ACTION ON CLOSED SESSION ITEMS

6. **Government Code Section 54954.5**

Public Employee Performance Evaluation

Title: General Manager

A motion by Director Davis, seconded by Director Born, to grant the General Manager a 5% merit increase as well as a cost of living increase based on the CPI-U for the San Francisco Bay Area, effective July 1, 2001, passed unanimously.

XI. ADJOURNMENT

A motion by Director Davis, seconded by Director Carroll, to adjourn the meeting at 2:35 pm, passed unanimously.