



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING

September 18, 2003 – 9:35 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 9:35 a.m.

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|---|
| 1) Darrell Handy, <i>Alameda</i> | 12) Linda Johnson, <i>Redding</i> |
| 2) Bob Koch, <i>Chico</i> | 13) Carolyn Lyons, <i>Roseville</i> |
| 3) Robyn Kain, <i>Fairfield</i> | 14) Mary Richardson, <i>San Leandro</i> |
| 4) Patricia Born, <i>Fremont</i> | 15) Sharon Andrus, <i>San Rafael</i> |
| 5) Bill Henderson, <i>Livermore</i> | 16) Bill Kaslar, <i>Santa Rosa</i> |
| 6) Kirk Evans, <i>Lodi</i> | 17) Roger Carroll, <i>SCORE</i> |
| 7) Randy Graham, <i>NCCSIF</i> | 18) John Hinson, <i>Stockton</i> |
| 8) Scott Ellerbrock, <i>PERMA</i> | 19) Barbara Coats, <i>Sunnyvale</i> |
| 9) Ron Blanquie, <i>Petaluma</i> | 20) Paul Wildermuth, <i>Vacaville</i> |
| 10) Julie Theirl, <i>Pomona</i> | 21) John Pomidor, <i>Vallejo</i> |
| 11) Jeff Davis, <i>REMIF</i> | 22) Jeff Tonks, <i>YCPARMIA</i> |

OTHERS PRESENT

- | | |
|--|---|
| 1) David Clovis, <i>CJPRMA</i> | 9) Brian Cooney, <i>Marsh</i> |
| 2) Lola Deem, <i>CJPRMA</i> | 10) Peter Cooper, <i>Marsh</i> |
| 3) Robert German, <i>CJPRMA</i> | 11) Jim Pinckney, <i>Marsh</i> |
| 4) Caren White, <i>CJPRMA</i> | 12) Guy Avagliano, <i>Milliman, USA</i> |
| 5) Marilyn Kelley, <i>Driver-Alliant</i> | 13) Gus Guinan, <i>San Rafael</i> |
| 6) Byrne Conley, <i>Gibbons & Conley</i> | 14) Shelley Green, <i>Stockton</i> |
| 7) Amy Meyer, <i>Maze & Associates</i> | 15) Shari Deutsch, <i>Vallejo</i> |
| 8) Craig Bowlus, <i>Marsh</i> | |

III. APPROVAL OF MINUTES

Director Koch said that on page 4 of the minutes, *Central Pacific Insurance Company* should be *Financial Pacific Insurance Company*.

A motion by Director Born, seconded by Director Koch, to approve the minutes of the Board of Director's meeting held on June 19, 2003, as corrected, passed unanimously.

IV. PRESENTATIONS

None

V. CONSENT CALENDAR

- 1. Financial Reports of CJPRMA for the periods ending May 31 and June 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**

The General Manager said that there was a correction to this item. He said that the new Alternate for Vallejo would be Shari Deutsch.

- 6. Holiday Schedule for 2004**
- 7. Meeting Schedule for 2004**
- 8. Reappointment of Treasurer**

A motion by Director Coats, seconded by Director Richardson, 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

9. 2003 Financial Audit

The General Manager said that the delays in the financial audit process had been the result of problems getting the data necessary to complete the actuarial study from the members. He said that the actuarial study was necessary to complete the financial audit. He said that the By-laws required that they do the actuarial study based on data effective March 31, fifteen months out from the next program year. He said that he was recommending that they move that date back to December 31, 18 months preceding the next program year, in order to complete the actuarial study in time for consideration at the June meeting, thereby allowing completion of the financial audit in August.

Ms. Amy Meyer, of Maze & Associates, was present to discuss the results of the 2003 Financial Audit.

She said that the only comment in the management letter was the suggestion that they move up the timing of the actuarial study so that it didn't hold up the financial audit.

A motion by Director Davis, seconded by Director Born, to approve the 2003 Financial Audit, passed unanimously.

10. 2003 Actuarial Study

Mr. Guy Avigliano, of Milliman USA, was present to discuss the results of the 2003 Actuarial Study and the proposed rates and redistributions. He said that the study contained a proposed redistribution of \$8,443,500. He also said that the study reflected proposed rates of .958 for those members with a \$500,000 SIR and .684 for those members with a \$1 million SIR.

The General Manager said that the actuarial study recommended a redistribution of \$8.4 million, but that that did not incorporate the Board policy of bringing all program years to an 80% confidence level. He said that, in the original redistribution plan attached to the agenda bill, he had recommended reducing the proposed redistribution to \$6.2 million due to the reserves set for the 1994-1995 program year. He said that, after discussing the matter with Board Counsel, those reserves could be reduced and that he was proposing a new plan which allowed for a redistribution of approximately \$8 million.

Director Koch asked if it was possible to disburse the remaining equity in Pool A. The General Manager said that they would do that.

A motion by Director Born, seconded by Director Koch, to approve the 2003 Actuarial Study, to approve the proposed rates of .274 for Pool B, .472 for Pool C and .212 for Pool D, to disburse the remaining equity in Pool A, and to approve the proposed redistribution of approximately \$8 million, passed unanimously.

11. Status Update on Proposed Excess Workers Compensation Pool

The General Manager said that the ad hoc Workers Compensation committee had met with Mr. Jim Pinckney and Mr. Peter Cooper of Marsh and discussed the possibilities of an excess workers compensation pool. He said that they had determined that they would be looking at a \$750,000 SIR and self insuring the layer from \$750,000 to \$2 million. He said that Mr. Pinckney and Mr. Cooper would discuss the rates for the layers above \$2 million. He said that there would be a number of issues to discuss as well.

Mr. Pinckney gave an overview of the marketing process and the various markets looked at, both traditional and nontraditional. For the most part, the traditional markets declined to quote.

Mr. Cooper gave an overview of the proposed program with coverage from \$2 million to \$50 million. He said that they were looking at an 18 month program with various layers of coverage. He said that the \$3 million excess of \$2 million layer, or the working layer, needed further data to set the rates. He discussed the potential rates and the details of the layers. He said that the coverage was slightly different than what they were used to, but that they would try to follow an MOC concept, if possible. He said that the limits would apply on a per-occurrence basis, with no aggregate. He said that there was a reinstatement clause, so that if a paid loss hit a specific layer, the insured could pay an additional premium to reinstate that layer of coverage. He said that the quotes included coverage for certain types of terrorism. He said that the layers in excess of \$5 million were true catastrophic layers and that they required multiple claimants before there would be a recovery. He said that there was a \$5 million cap per claimant. He said that they could explore a \$5 million excess of \$5 million layer for any one claimant, if they felt it was necessary. He said that the catastrophic layers would only provide coverage for a 48 hour event with a definable time and place. He said that there would be no coverage for occupational disease, cumulative trauma or cumulative injury above \$5 million. He said that they were using a payroll base of \$1 billion, over an 18 month term, to determine the rates. He said that this was based on the

annual payroll of all CJPRMA members, plus 6 months payroll for the three members who would start the program on 1/1/04.

The General Manager asked what would happen to the rates if the payroll base changed. Mr. Cooper said that there would probably not be much difference in the upper layers, but that there would be some change in the layer of \$3 million excess of \$2 million.

Director Kain asked if it was possible to get a 12 month rate rather than an 18 month rate. Mr. Cooper said that they might be able to but that the reinsurers were unlikely to provide rates for a 7/1/04 program this far out.

Board Counsel asked what the rate for the reinsurance layer would be. The General Manager said that it would be \$.375 to \$.425 per \$100 of payroll.

The General Manager said that he had asked Milliman USA to look at the possibility of various attachment levels. He said that based on a payroll base of about \$650 million, which excluded all the members who were also members of LAWCX, the rate for the self-funded layer would be between \$.306 and \$.481, depending upon the attachment level and the coverage limit. He said that he expected any administrative fee to be minimal. He said that the estimated combined rate for the program, with a self-funded portion from \$750,000 to \$2 million and reinsurance above that, would be close to \$.90 per \$100 of payroll, and did not include any reinstatement or other fees.

Director Handy asked what the General Manager's recommendation was. The General Manager said that he did not think that it was a financially practical program because there were other viable alternatives available that were much less expensive. He said that he didn't think that they should go forward with the program.

A motion by Director Handy, seconded by Director Lyons, to not go forward with the proposed excess workers compensation pool, passed by a vote of 19-3. Chico, REMIF and Santa Rosa opposed the motion.

12. Report on CJPRMA Risk Management Program

The Risk Manager discussed the member surveys and site visits that he was conducting. He said that he was collecting policies and procedures from the members with the intention of creating additional model policies for them to use. He said that after the evaluations were completed, he would be working with the General Manager to determine what training and services would be of the greatest benefit to the members. He said that he

would present a progress report to the Board at its next Meeting.

The General Manager said that he would like to be notified when members were conducting training sessions. He said that providing notice to the CJPRMA office would provide more members with information and access to those programs. In turn, that could reduce training costs and increase the benefits to individual members.

13. Risk Management Issues

The General Manager said that this item would be included on every agenda from now on, and would be an opportunity for the Board members to share information on risk management issues that they were facing and would like to have addressed. He said that Director Davis had run into an issue regarding the obligation to report suspected child abuse. He said that they had never had a case like that and that research had shown that there were penal code sections in effect since 1987 that designated specifically who mandatory reporters were for child abuse. He said that there was an obligation on the part of the employer to (1) inform the employees that they were mandatory reporters; (2) provide them with copies of the code sections; and (3) make sure that the employees understood what their obligations were. He said that they would do more research on the topic and provide it to the Board.

Director Lyons said that she was continuing to receive contracts where the entity or company was trying to limit their liability to the amount of the contract and denying responsibility for any consequential damages. She said that she tried to avoid contracts like that but that sometimes the company in question was the only available option. Director Kain said that the city attorney's office in Fairfield had determined a limit of liability based on the value of the work being done, rather than the contract price. She said that she would forward that information to the Risk Manager for distribution to the Board.

14. Proposed Endorsement to Memorandum of Coverage

The General Manager said that YCCESA, a member of YCPARMIA, provided communication services. He said that they wanted to retain the services of a retired doctor to provide after-action reviews and recommendations for paramedics. He said that YCPARMIA had amended their Memorandum of Coverage to exempt this activity from the definition of medical malpractice. He said that he had talked with Board Counsel and that they were recommending that an endorsement be issued to exclude this activity from the definition of medical malpractice so that YCPARMIA would have coverage. He said that there was precedent for this kind of

exception because it had been done for the City of Sunnyvale for a doctor who was providing advice to paramedics.

A motion by President Henderson, seconded by Director Lyons, to approve the proposed endorsement to the Memorandum of Coverage, passed unanimously.

15. Proposed Expansion of Reimbursement for CAJPA Conference

The General Manager said that the members were all facing budget cuts and that many were not being reimbursed by their organizations for travel expenses. He said that, currently, CJPRMA reimbursed one representative from each member entity for the cost of registration to the CAJPA conference, the cost of a hotel room at the conference rate, and a per diem of \$50 per day, if requested. He said that he was recommending that they expand that to include airfare, shuttle service and mileage for driving to and from the conference, but not for rental car expenses. He said that the anticipated increase in expense for CJPRMA was about \$2000 per year.

A motion by Director Kain, seconded by Director Coats, to expand the reimbursement program for the CAJPA conference to include reimbursement for airfare, shuttle service and/or mileage, at the IRS rate, passed unanimously.

16. Proposed Car Allowance for Risk Manager

The General Manager said that when the benefits and salary review was done in preparation for the risk manager position, they had not discussed a car allowance. He said that his own contract provided for a car allowance and mileage reimbursement. He said that he would like to expand the Risk Manager's benefits to include a car allowance of \$325 per month as well as mileage reimbursement. He said that the Risk Manager probably spent less than 50% of his time in the office and that a car allowance and mileage was appropriate.

Director Koch asked how long it was expected that the Risk Manager would be doing such extensive traveling. The General Manager said that once the site surveys were complete, he would still be responsible for coordination of training programs as well as a number of other things that would require travel.

Director Lyons said the position was initially set up to include extensive amounts of travel.

Director Kain said that her experience was that people got either mileage reimbursement or a car allowance, but not both. She said that they should refer this to the Personnel Committee.

A motion by Director Lyons, seconded by Director Hinson, to approve the car allowance for the Risk Manager in addition to mileage reimbursement, was superseded by a motion to table.

A motion by Director Koch, seconded by Director Kain, to table the issue of a car allowance for the Risk Manager and refer it to the Personnel Committee for further review, passed by a vote of 16 to 6.

17. Proposed Committee Assignments

President Henderson said that he had made the committee assignments for the 2003-2004 program year. He thanked the members for their willingness to participate. He said that his recommendations were as follows:

Personnel Committee: Director Hinson, Chair, and Directors Theirl, Evans, Graham and Ellerbrock

Coverage Committee: Director Tonks, Chair, and Directors Lyons, Davis, Pomidor and Handy

Communications Committee: Director Koch, Chair, and Directors Lyons, Coats, and Tonks

Claims Committee: Director Handy, Chair, and Directors Richardson, Pomidor and Born

Membership Standards Committee: Director Born, Chair, and Directors Theirl, Davis, Coats and Koch.

A motion by Director Richardson, seconded by Director Coats, to approve the committee assignments, passed unanimously.

President Henderson said that he would like to get mission statements from the committee chairs so that they could have an idea of what the committees would be doing.

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 Personnel Committee had nothing to report.

D) Communications: Bob Koch, Chair

The Communications Committee had nothing to report.

E) Membership Standards: Patricia Born, Chair

Director Born said that, at the last meeting, the Board had discussed a mandatory attendance policy. She said that the Board had agreed to contact her with any comments or questions regarding the attendance policy, but that she hadn't heard anything. She said that the proposal was that Board members had to attend at least half of the meetings each year, and that if they failed to meet that requirement, there would be a penalty. She said that the discussion had been whether they should charge an additional 5% of the premium or reduce any redistribution by 5%. She said that they were leaning towards the surcharge on the premium.

The General Manager said that he would recommend the premium surcharge. He said that it would require an amendment to the By-laws, and that they would have to give 30 days notice to make that amendment.

A motion by Director Wildermuth, seconded by Director Koch, to amend the By-laws, by making it a requirement that Board members attend at least half of the Board of Directors meetings each year and imposing a 5% surcharge on the member premium if that requirement was not met, passed by a vote of 21 to 1. Petaluma opposed the motion.

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: United States Court of Appeals for the Ninth Circuit

Case No.: CV-97-03989VRW

4. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: United States of America v. City of Stockton

Court: United States District Court, Eastern District of California

Case No.: CIV-03-1290WBSPAN

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: Doan v. City of Taft

Court: United States District Court, Eastern District of California

Case No.: CIV-F-98-5103LJO

7. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: VUSD v. City of Vallejo

Court: Solano County Superior Court

Case No.: 15644

8. Government Code Section 54954.5

Public Employee Performance Evaluation

Title: General Manager

X. ACTION ON CLOSED SESSION ITEMS

A motion by Director Davis, seconded by Director Tonks, to give the General Manager a 3% salary increase, increase his life insurance benefits to an amount equal to one year's salary, and to establish a line item for personal and professional development, in the amount of up to \$150 per month, passed unanimously.

XI. ADJOURNMENT

A motion by Director Coats, seconded by Director Wildermuth, to adjourn the meeting at 2:13 p.m. passed unanimously.