



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING

November 15, 2001 – 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 9:32 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) Robyn Kain, <i>Fairfield</i> | 12) Bill Kaslar, <i>Santa Rosa</i> |
| 4) Patricia Born, <i>Fremont</i> | 13) Roger Carroll, <i>SCORE</i> |
| 5) Bill Henderson, <i>Livermore</i> | 14) John Enero, <i>Stockton</i> |
| 6) Rex Miller, <i>NCCSIF</i> | 15) Barbara Coats, <i>Sunnyvale</i> |
| 7) Mike Acorne, <i>Petaluma</i> | 16) Paul Wildermuth, <i>Vacaville</i> |
| 8) Jeff Davis, <i>REMIF</i> | 17) David Lindquist, <i>Vallejo</i> |
| 9) Linda Johnson, <i>Redding</i> | 18) Jeff Tonks, <i>YCPARMA</i> |

ABSENT

Lodi, Roseville

OTHERS PRESENT

- | | |
|--|--|
| 1) Lola Deem, <i>CJPRMA</i> | 6) Pat Clark, <i>Marsh</i> |
| 2) Robert German, <i>CJPRMA</i> | 7) Jim Pinckney, <i>Marsh</i> |
| 3) Caren White, <i>CJPRMA</i> | 8) Phyllis Sammon, <i>Marsh</i> |
| 4) Marilyn Kelley, <i>Driver Risk Services</i> | 9) Amy Meyer, <i>Maze & Associates</i> |
| 5) Byrne Conley, <i>Gibbons & Conley</i> | 10) Jeannette Merveau, <i>Roseville</i> |

III. APPROVAL OF MINUTES

A motion by Director Wildermuth, seconded by Director Andrus, to approve the minutes of the June 20, 2001 Board of Directors meeting, passed unanimously.

IV. PRESENTATIONS

- None

V. CONSENT CALENDAR

- 1. Financial Reports of CJPRMA for the Periods Ending May 31, June 30, July 31 and August 31, 2001**
- 2. Additional Covered Party Certificates Approved by the General Manager**
- 3. Notification of New Claims Received**

The General Manager said that claim #4, on the New Claims report, was a submission by CSJVRMA for an incident that occurred after they left CJPRMA. He said that CSJVRMA had been advised and that the claim had been returned.

- 4. Notification of Claims Closed**
- 5. Appointment of New Board Members/Alternates.**
- 6. Proposed Holiday and Meeting Schedules for 2002**

A motion by Director Born, seconded by Director Andrus, 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

Vice President Koch asked when they would get a report on new office space.

The General Manager said that he would be looking at a number of facilities and that rates had dropped from the \$4.50 per square foot they had been at earlier in the year to below \$3 and that he would probably be able to find something around \$2.50 per square foot. He said that it had been a wise decision to wait. He said that they would find a space to lease and continue to look for a lot to build on or a building to buy. He said that he was looking for office space in the Pleasanton or

San Ramon area, but that the permanent facility would be located wherever they decided they wanted it.

Director Acorne asked if there had been any further response from ARM Tech regarding the study they did. The General Manager said that there had not been.

Vice President Koch asked if the location for the April Annual Meeting had been established. The General Manager said that it would be held at the Bodega Bay Lodge again.

VII. ACTION CALENDAR

7. Proposed Changes to Staff Salaries and Benefits

The General Manager said that he wanted to thank the Personnel Committee for all their work because this was the first time that there had been a complete review of staff salaries and benefits in probably ten years. He said that, at the August Executive Committee meeting, the Personnel Committee had made their recommendations and the Executive Committee had adopted them, with a few modifications. He said that those recommendations were set forth in the agenda bill, with one correction to item number four. It should have read "a salary range of \$4,411.46-\$5,293.75 per month be established for the Financial Analyst." He said that the recommendations of the Executive Committee changed all of the salary ranges, increased the monthly medical allowance, increased the vacation schedule for employees with more than ten years of service, tied the salary range adjustments to the cost of living index for the San Francisco Bay Area, and recommended that all adjustments be made retroactive to July 1, 2001.

Director Carroll asked if these adjustments had already been built into the budget or if they needed to make a budget amendment. The General Manager said that that they should amend the budget to cover the increases. The Financial Analyst said that the salary line item for this year had only been increased by 5%.

Director Davis said that he thought that they were going to specify a lifting requirement. The General Manager said that they were going to implement a lifting requirement of fifteen to twenty pounds.

A motion by Director Acorne, seconded by Director Davis, to approve the recommendations of the Executive Committee and to amend the budget to include appropriate adjustments, passed unanimously.

8. Proposed Amendment to Reimbursement Policy for CAJPA Conference

The General Manager said that, at the October 2000 board meeting, the Board of Directors had approved, on a one year basis, a policy on reimbursement for attending the CAJPA conference. He said that this year, a number of members had been unable to communicate with CAJPA, which resulted in them being unable to register for the conference or to reserve rooms at the conference hotel. He said that he was recommending that the policy be continued but that it be adjusted to allow for a stay at any hotel; that that stay be reimbursed at no more than the rate of the conference hotel; that the per diem amount remain the same; that the conference registration be reimbursed; and that the policy be made retroactive to cover the September 2001 CAJPA conference.

Director Kain said that she thought that the conference had been a valuable experience. She asked if there was any way CJPRMA could reserve a block of rooms for the conference. The General Manager said that he would get feedback from the Board in April or May and reserve a block of rooms for the members attending the CAJPA conference next year. The General Manager said that he would reserve the rooms at the conference hotel, rather than at Embassy Suites. Director Davis said that he disagreed with that because some cities would not want to stay outside of California.

Director Born asked how many Board members attended the conference this year. The General Manager said that there had been six or seven requests for reimbursement, but that there were still some others that were outstanding.

A motion by Director Born, seconded by Director Wildermuth, to amend the reimbursement policy for the CAJPA conference, passed unanimously.

9. Report from Broker

Ms. Phyllis Sammon, of Marsh, discussed the hardening of the property insurance market and the effect of the events of September 11, 2001 on the insurance market. She talked about the increases they could expect in their property insurance rate.

The General Manager asked about coverage for mold. Ms. Sammon said that that was now being excluded.

The General Manager said that they were in a three year program with their Property coverage and he asked if these changes would affect the last year of that program. Ms. Sammon said that it could. She said that it was a little too early to know what would happen in July, but that it was possible that they could lose their reinsurance.

Director Handy asked how far into the future they were predicting the hard market would last. Ms. Sammon said that most people were saying two to three years, but that it could change at any time.

Director Davis asked if there had been any information from FEMA. Ms. Sammon said that she didn't have any information at that time. She said that agencies that jumped around from carrier to carrier would be the ones hit hardest with rate increases. She said that agencies that had been with the same carrier for an extended period of time would not be hit as hard.

Ms. Sammon said that the carriers would probably start wanting more extensive information on the covered properties. She said that the information would be necessary for the July 2002 renewals, and that she would let them know soon what additional information was needed.

President Henderson asked if there were any other options, such as higher deductibles, that they should be investigating for their property programs. Ms. Sammon said that some agencies were looking at doing that, but that she had been able to maintain low deductibles on property accounts so far. She also said that that they might want to start looking at other options, for the future, such as self insuring the deductible.

Director Davis said that one carrier had refused to pay, as provided by the policy, because they said that the policy had not been finished. He said that they had a similar problem because they had not received their policies until a few months after the beginning of the term. He asked if they were going to run into the same problem. Ms. Sammon said that the policies were agreed upon, prior to July, and that it was part of the binder, even if they did not receive the actual policies until September or October.

President Henderson asked what the contingency plan was in the event their carriers went under. Mr. Pinckney said that, if that happened, they would go out and find new coverage, but that he did not believe that they would have that problem.

The General Manager said that he would suggest that they start planning for a deductible of at least \$50,000 when they set their own budgets for the upcoming year.

Ms. Sammon said that the Lloyd's terrorism exclusion stated that terrorism was considered to be any kind of fear put into the general public. Board Counsel said that that language was very broad. Ms. Sammon said that the carriers were going to want a lot more information regarding city convention centers or other high profile buildings. Director Davis said that if the definition of terrorism was that broad, they would not have sufficient

coverage. He said that they needed to ensure that they had a definitive definition of terrorism.

Board Counsel asked if it would be possible for them to leverage the low rates they currently had to get a new three year contract. Mr. Pinckney said that he had talked to the carrier about that and that the carrier could not provide multi-year policies at this time.

Ms. Sammon said that they should not expect any major changes to their existing policies.

Ms. Pat Clark, of Marsh, addressed the Public Employee Blanket Bond Program. She said that a master Crime Bond program was available through a number of carriers. She said that the public employee blanket bond provided fidelity coverage for losses committed by employees. She said that the deductibles on group programs ranged from \$5,000 to \$10,000 and that the usual limit of liability was \$1 million per loss. She said that, with a group program, they would all have to agree on the deductible and the limit of coverage that they wanted. She said that, currently, there were several individual placements within the group, but that they could apply and participate in a group program, if they wished. She said that the members who were interested in participating would need to complete an application and send it to Marsh along with a current audited financial statement. She said that she would then get quotes and present them to the Board.

The General Manager said that the disadvantages were that they would all have the same deductible and coverage limits, and that every city who wanted to participate would need to fill out an application. Ms. Clark said that each city would be individually rated, but that it would be credited as a group purchase program.

The General Manager asked how the premiums would be calculated. Ms. Clark said that each city would be billed based on the number and class of employees. She said that premiums would vary for each city. She said that the benefit was that the cities would be credited individually for participating in a master program, which would provide some discount.

President Henderson asked if their premiums would be lower. Ms. Clark said that their premiums would probably be lower, with the group discount, but that their deductible would be higher and that their coverage limits would be higher.

Ms. Clark said that the program covered employees, treasurers, monies and securities as well as computer fraud and basic dishonesty committed by employees.

The General Manager said that since most of the members already had programs in place, with various expiration dates, he would recommend that they all get their applications in by mid-January and then have Ms. Clark present the results to them in March or April.

The General Manager said that the JPAs would need to submit applications for both their own offices and for each of their members.

Ms. Clark said that the General Manager had also asked her to research alternatives to the current special events coverages that the members were utilizing. She said that most of them were using Diversified Risk and that they had had some substantial premium increases, which was not unusual. She said that there were two ways for them to handle Special Events coverage, and that the most economical and timesaving way was for the members to go directly to the insurance company. She said that there was an agency called K & K Insurance that dealt strictly with special events coverage. She said that she had brought a supply of the short form applications and the contact information for K & K. She said that the minimum premium per event was \$300 and that it could go up as high as \$3,000.

The General Manager said that the cities could adopt a Special Events Policy in which they categorized events by type of hazard. They could then determine which event holders would be required to purchase the Special Events coverage. He said that the City of Carlsbad had done something similar and that it had worked well. He said that another way to do it was to build the premium cost into the rental fee and not charge for it separately.

Ms. Clark said that the second way to do special events coverage was through a broker, such as Marsh, who would approach entertainment brokers that would issue to each individual member a Tenant Users Liability Policy, or TULIP. She said that going direct was the easiest way because they bypassed the broker.

Director Acorne said that if Diversified Risk's rates were going to increase so substantially, they may be similar to what K & K was offering. He said that that maybe something they would want to include in the Memorandum of Coverage. The General Manager said that the problem with that was that the coverage needed for special events was at a lower level than what CJPRMA provided. Marilyn Kelley said that providing coverage to a third party could also be problematic.

Director Kain asked if Ms. Clark had heard of Harbor Entertainment and if that was another market that they could approach. Ms. Clark said that they possibly could be, but that they had looked only at carriers that were A rated, admitted in California, and fit into Marsh's financial guidelines.

The General Manager said that he thought that it was illogical to do a master Special Events program. He said that he would recommend that the members deal with K & K directly.

Mr. Pinckney presented information on the excess reinsurance issues. He said that he and the General Manager had been working on this issue for some time, since some of the members had thought that they should consider increasing their excess liability coverage limits. He said that, currently, CJPRMA covered the first \$5 million and that they had reinsurance for the \$10 million above that. He said that he had approached a number of carriers, including Discover Re, who could not provide the additional coverage. He said that American Re would be able to provide the coverage from \$15 million to \$25 million, and that the prorated premium, from November 20, 2001 through June 30, 2002, was \$296,000.

The General Manager said that they had been looking at expanding coverage limits because there had been some concern about being undercovered. He said that they didn't know what the insurance market was going to do in July, and that extending the coverage to \$25 million now would make it more likely that they would be able to continue that coverage into the next program year. He said that they had already funded enough money in Pools D & E to cover the cost, so there would not be any additional charge to them.

Director Born asked if they really needed to add the extra coverage. The General Manager said that they had had one excess verdict that came close, as well as two other cases that had very high potential exposures.

Director Davis said that having the extra coverage would give them more flexibility in deciding how to fight claims.

Director Born asked if they had asked the actuary to see what the rates would be if they self insured the \$10 million excess of \$15 million layer. The General Manager said that they had not addressed that. He said that for the level of coverage they would get, at the rate they were being offered, he didn't think that it was worth the risk of funding it themselves. He said that they had about \$60 million in assets that they wanted to protect. He said that, at the rates recommended by the actuary, they would be funding enough to cover a 50% increase in rates in the \$10 million excess of \$5 million level as well as a similar rate for the \$10 million excess of \$15 million. He said that, if they decided to buy the coverage for the 2001-2002 program year, they had already funded enough in Pools D & E to cover the premium without making an assessment.

Director Acorne asked how the September 11 events would affect their ability to acquire coverage. Mr. Pinckney said that they had gotten the quotes

after September 11, so he didn't think that there would be any negative impact.

Board Counsel asked if it would be less expensive to only purchase an extra \$5 million in coverage. The General Manager said that he didn't think so, because the exposure would be in the first \$5 million of the expanded coverage.

The General Manager said that American Re would follow the sublimits of the Memorandum of Coverage and that it didn't create any further adverse coverage issues. He said that the only thing that they would not cover, in the \$10 million excess of \$15 million layer, was Public Officials Errors and Omissions. Mr. Pinckney said that there was a \$10 million aggregate as it related to Public Officials Errors and Omissions, for their underlying coverage. He said that if Discover Re exhausted their underlying aggregate, that American Re would not drop down to pick up that coverage. He said that the claims reporting requirements would be the same for American Re as for Discover Re.

Board Counsel asked if Marsh had terrorist activity exclusion language that they used by manuscript. He said that he was concerned about the broad language. Mr. Pinckney said that they did.

A motion by Director Davis, seconded by Director Kain, to purchase the coverage for \$10 million excess of \$15 million, passed unanimously.

Mr. Pinckney asked how many members had day care centers. President Henderson said that Roseville, NCCSIF, San Leandro, San Rafael, Vacaville and Fairfield did. Mr. Pinckney asked the General Manager to provide a statement that they had no known losses, at this point, going forward, that had not been declared in the underlying layer.

10. 2001 Actuarial Study

Mr. Stephen Glicksman, of ARM Tech, presented the 2001 Actuarial Study.

He said that the recommended rates for the 2002-2003 Program Year were 0.238 for Pool B, 0.460 for Pool C, and 0.189 for Pools D & E, which was an increase of 5.3% over the previous year. The General Manager said that his recommendation was that they approve the recommended rates because there could be a substantial increase in the cost for reinsurance, up to the \$25 million level, for the next year.

Director Lindquist said that he didn't understand why they needed to raise the rates if the organization was so fiscally strong. Mr. Glicksman said that the organization used a year by year accounting system. He said that in any

given year, they wanted the premiums they collected, plus the investment income, to equal their losses and expenses.

A motion by Director Acorne, seconded by Director Davis, to approve the recommended rates, passed unanimously.

The General Manager said that there were two redistribution plans. He said that one was the \$5,542,113 which was what was recommended by Mr. Glicksman and that the other reflected a reduction of \$400,000 out of the 2001-2002 Program Year for payment of the additional excess reinsurance premium. He said that that number would be reduced to \$296,000, and that he would recommend the redistribution of approximately \$5.2 million to the members.

A motion by Director Born, seconded by Director Acorne, to approve the redistribution of \$5,542,113, decreased by the cost of the additional reinsurance premium, passed unanimously.

11. 2001 Financial Audit

Ms. Amy Meyer, of Maze & Associates, presented the 2001 Financial Audit. She said that they had issued an unqualified opinion. She said that there were no audit adjustments and that the books looked great. She discussed the various graphs contained in the Financial Audit.

A motion by Director Andrus, seconded by Director Wildermuth, to approve the 2001 Financial Audit, passed unanimously.

12. Review of Organizational Goals and Objectives

The General Manager said that marketing had been an issue that they had been looking at, and that the Administrative Analyst had designed a small brochure for them to review. He said that he was thinking in terms of a mailing which included the brochure, an introductory letter and a copy of the annual report, depending upon who they wanted to approach. He said that they had also completed some research to determine who to market to. He said that they had come up with a list of nineteen cities, with populations between 60,000 and 250,000, that were not currently members of JPAs. He said that 11 were located in the Los Angeles area and the remaining eight were in Northern and Central California. He said that the available pool of potential members was somewhat limited.

Director Acorne asked if, based on where the commercial rates were going, there was an incentive for those cities to join JPAs. The General Manager said that there could be, but that his concern was that, if they solicited applications and then denied them, there could be a negative effect.

The General Manager said that they could send the nineteen cities a copy of the annual report with a cover letter, asking them how happy they were with their commercial insurance programs, and inviting them to apply to CJPRMA.

Director Acorne said that ABAG had been doing something similar. The General Manager said that CARMA had sent him a courtesy letter informing him that they would be marketing to the JPA members of CJPRMA.

Director Davis said that his recommendation would be to make telephone calls directly to the risk managers of the potential cities and to offer to give them presentations, rather than just sending letters.

The General Manager said that they might want to consider setting up a booth at the PARMA conference.

Board Counsel said that they could target the eight cities in Northern and Central California. Director Davis suggested that a board member accompany the General Manager if he went to speak to the target cities.

Various Board members volunteered to contact the cities of Richmond, Santa Clara, Salinas, Santa Maria, Napa, Daly City, Hayward and Merced. It was decided that Director Acorne would talk to Napa, Director Born would talk to Hayward and Daly City, Director Lindquist would talk to Richmond, Director Handy would talk to Santa Maria, President Henderson would talk to Salinas, Director Coats would talk to Santa Clara and Director Davis would talk to Merced. If there was interest expressed, the General Manager would arrange a meeting and visit with the assigned Board member. The General Manager said that they would add the membership application to the website.

Vice President Koch suggested that they put a list of the members on the brochure. The General Manager said that they would make that change.

Director Handy confirmed that the Board members would make the initial contact, with the risk manager of their assigned city, and see if they were interested in receiving information about CJPRMA. If so, that information would be provided to the General Manager and he would follow up.

The General Manager said that they would expand the map in the annual report to show where the members of the JPAs were located.

The General Manager said that the Claims Committee would be looking at recommended policies on dealing with emotionally disturbed people and sexual harassment. Board Counsel said that he may be requesting copies of

their current policies. Director Davis said that some members were having attorneys put together model policies for their use. The General Manager said that they would try to have model policies for them at the January meeting.

VIII. COMMITTEE REPORTS

A) Claims: Patricia Born, Chair

Director Born said that the Claims Committee would be meeting directly after the Board meeting.

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) Finance: Paul Wildermuth, Chair

The Finance Committee had nothing to report.

IX. CLOSED SESSION

1. **Government Code Section 54954.5(a)**

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: Lifton v. City of Vacaville
Court: United States District Court, Eastern Division of California
Case No.: CIV-S-98-1678 DFL DAD
4. **Government Code Section 54956.9 (a)**
Conference with Legal Counsel - Pending Litigation
Name of Case: Thompson v. City of Orinda
Court: Contra Costa County Superior Court
Case No.: C 98-03939
5. **Government Code Section 54956.9 (a)**
Conference with Legal Counsel - Pending Litigation
Name of Case: Norman v. City of Stockton
Court: San Joaquin County Superior Court
Case No.: CV 013110

X. ACTION ON CLOSED SESSION ITEMS

XI. ADJOURNMENT

A motion by Director Born, seconded by Director Wildermuth, to adjourn the meeting at 2:02 pm, passed unanimously.