



**MINUTES OF THE
ACCEL BOARD OF DIRECTORS
THURSDAY, JUNE 21, 2012 AT 2:30 PM
FRIDAY, JUNE 22, 2012 AT 8:30 AM
City of Palo Alto, CA**

MEMBERS PRESENT

Tom Vance, City of Anaheim
Jena Covey, City of Bakersfield
Mary Akin, City of Modesto
Rhonda Combs, City of Monterey
Claudia Koob, City of Mountain View
Ann Richey, City of Ontario
Sandra Blanch, City of Palo Alto
Mark Howard, City of Santa Barbara
Barbara Choi, City of Santa Cruz
Deb Hossli, City of Santa Monica
Charlotte Dunn, City of Visalia

MEMBERS ABSENT

Betsy Dolan, City of Burbank

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Monica Sandbergen, Alliant Insurance Services
Keyan Aghili, Carl Warren & Company

A. CALL TO ORDER

Ann called the meeting to order at 2:30 p.m.

B. CONSENT CALENDAR

B1. Approval of Minutes for the April 14, 2012 Board Meeting

A motion was made to approve the minutes as presented with one change to state that the retro requests were tentative.

MOTION: Tom Vance

SECOND: Mark Howard **MOTION CARRIED**



C. GENERAL RISK MANAGEMENT ISSUES

Tom Vance from the City of Anaheim reported that the City received a demand from an attorney requesting that the City changed their balloting procedures to be multilingual and change to a district election method. The case is brought on because of minority vote dilution. Tom's understanding is that the law calls for this change, and if the City doesn't elect to put it on the ballot, the City could be sued. Mary Akin advised that this issue was taken to trial and Modesto lost and had to pay \$3,000,000. Modesto changed council voting to district voting. Visalia advised that they received the same type of demand and has been evaluating the issue, they are considering putting it on the ballot for district voting. Tom recommends looking at this issue at the underwriting committee level to see if ACCEL's MOC wording needs to be revised. Yani advised that ACCEL's MOC doesn't really define "damages".

D. REPORTS

D1. President's Report

None

D2. Claims Committee's

D2a. The ACCEL Board of Directors entered into Closed Session pursuant to Government Section Code 54956.95

A motion was made to enter into closed session at 2:33 PM pursuant to Government Section Code 54956.95.

MOTION: Mary Akin **SECOND:** Sandra Blanch **MOTION CARRIED**

A motion was made to come out of closed session at 4:10 PM

MOTION: Charlotte Dunn **SECOND:** Deb Hossli **MOTION CARRIED**

No reportable action was taken during closed session.

D2b. Liability Claims Audit

Tim Farley was introduced to the Board by Michael Simmons. Tim Farley reported that the 2012 Liability Claims Audit was complete and provided in the Agenda Packet. Tim presented the Liability Claims Audit, walking through the report page by page, he announcing that the audit covers all Member claims excess of \$25,000 for both open and closed claims. Tim reported that he has seen progress at the member agencies with compliance, litigation updates but improvements can still be made, especially with the City of Burbank. The cities of Bakersfield, Burbank, Santa Monica and Anaheim all had deficiencies with litigation updates.



Tim further reported that there were staffing updates at the cities of Palo Alto and Santa Monica, with these changes caseloads were generally acceptable however both Ontario and Modesto have excessive case loads.

Tim referred to a chart on page 3 of his report to point out that there has been inconsistencies with litigation updates, and that several files that should have been sent to Yani had not been.

Tim reported that Litigation Management is a major concern and the industry standard is some status and consult should be received every 60 days, ACCEL has seen an improvement, but it is still a concern. There are claims that don't have to follow the 60 day statute, such as when the claim is denied or when there has been no response from the claimant. After some discussion, Tim stated that he would check the standard to confirm whether or not it is 60 or 90 days.

Barbara Choi asked about the distinction between diary and litigation updates. Tim advised that a case should have documentation every 30 days; Tim further reported that 30 day diary standard (auto accident for example) is for non-litigated claims; once it goes to the city attorney, the 90 day diary standard would apply.

Tim Farley encouraged the members who wanted certain items addressed, to send their updates to Tim within 2 weeks of the audit.

Barbara made a motion that she would like to wait for the final audit with the changes before approving.

A counter-motion was made to approve claims audit subject to changes to be agreed upon in 10 days.

MOTION: Charlotte Dunn **SECOND:** Rhonda Combs **OPPOSED:** Barbara Choi
MOTION CARRIED

Tim Farley advised that if Santa Cruz objects to the findings in the report, it can be documented in the final audit.

D3. Financial and Treasurer's

ACCEL's Treasurer, Betsy Dolan, is not available to report on the financial items. Conor Boughey presented the Treasurer's items in her place.

D3a. Ratification of Disbursements

Conor reported on the disbursements starting on page 33 of the agenda packet. Conor pointed out the notable payments to Bickmore for the Actuarial Study, and Tim Farley's Liability Claims Audit Fees. The majority of other checks were the travel reimbursement requests.



D3b. Report of Investments – Pursuant to Gov't Section Code 53646(b)(1)

Conor Boughey advised that the April statements show income earned of \$41,901 while also being in full compliance with the Authorities Investment Guidelines. Conor further reported that the month of May was also in full compliance and had income earned of \$40,658.

D3c. Quarterly Financial Report as of March 31, 2012

Conor stated that the March 31, 2012 Quarterly Report has been completed by Tami. On page 54 of the agenda packet, anything that shows a 75% accrual is a pre-paid expense since we are 3/4 of the way through the year.

D3d. Member Account Summary as of March 31, 2012

Conor advised that the March 31, 2012 Member Account Summary (MAS) report has been completed. The notable updates are Interest Earned of \$189,221, claims payments of \$1,340,246 for Morataya v. Bakersfield and updating the IBNR to \$1,046,410 and reserves to \$11,183,291.

A motion was made to receive and file the reports D3a, D3b, D3c and D3d.

MOTION:Mark Howard

SECOND: Tom Vance

MOTION CARRIED

D3e. ACCEL's June 30, 2012 IBNR

Conor reported ACCEL's Actuarial Study was completed based on December 31, 2011 loss information. The Financial Audit will audit the financials as of June 30, 2012 and uses the June 30, 2012 Loss Run. Due to increases in reserves in the 2004-05 Program Year as well as claims payments higher than reserves in the 2008-09 year, IBNR was adjusted by John Alltop to be sure the figures are accurate for the July 1, 2012 Financial Audit. There was a change in ultimate loss and ALAE from \$50,061,542 to \$51,112,345 due to an increase in the 2004-05 and 2008-09 years.

A motion was made to approve the IBNR as presented for June 30, 2012.

MOTION:Mark Howard

SECOND: Tom Vance

MOTION CARRIED

D3f. ACCEL Projected Cash Flow Obligations as of March 31, 2012

Conor reported that due to the current market conditions, and ACCEL's large account balance in LAIF, this item has become less necessary than in years past. When market conditions change and ACCEL moves more of its assets long term, this item will have significantly more value. ACCEL's current short term balance is 15,201,739, which is 36% of the total investments. When long term assets perform better than short term, the ideal percentage would be 20%.

No action needed.



D4. Program Administrator's

D4a. ACCEL Website - Discussion Board Notification Feature

Conor Boughey advised that the discussion board was created on ACCEL's website. There is a notification feature that will notify members of a new topic posted and whenever a reply is posted. Conor advised that members will receive notifications will go out for both new topics and all replies.

Direction was given to enable the notification feature.

D5. Underwriting Committee's

The Underwriting Committee had no report.

D6. Nominating Committee's

D6a. Election of Officers

Rhonda Combs advised that the following members were nominated:

President - Ann Richey

Vice President - Tom Vance

Treasurer - Betsy Dolan

Secretary - Mary Akin

Deb Hossli advised the members were okay with remaining in their current positions.

Open nominations from the floor – NONE

Closed nominations from the floor

A motion was made to elect the officers as nominated.

MOTION: Mark Howard

SECOND: Charlotte Dunn **MOTION CARRIED**

E. Unfinished Business

E1. Adopting the 2012/2013 Administration Budget

Conor advised that this budget was presented at the April board meeting. The budget reflects the same total as previously presented, which includes updates to the contracted fees, reductions to custodial account fees and a decrease in the legal budget due to reduced usage. The Net change is from \$463,000 for the prior term to \$459,000 for the current term.



A motion was made to approve the budget as presented.

MOTION: Tom Vance

SECOND: Mary Akin

MOTION CARRIED

E2. 2012 Retrospective Rating Plan Adjustment Calculation

Conor advised that The Retrospective Rating Plan Calculations were presented at the April Board Meeting as a draft. Since that presentation, Tim Farley completed his claims audit and the Program Administrators further reviewed the calculation for accuracy. Attached is the summary sheet of available funds. These calculations include verification of claims data from members, retro payments owed or refunded to ACCEL during FY 11/12, the Actuary's IBNR as of December 31, 2011 and ALAE as of December 31, 2011.

A motion was made to approve the retro liability of \$13,363,697.

MOTION: Tom Vance

SECOND: Mark Howard

MOTION CARRIED

E3. ACCEL Excess Liability Program Renewal

Dan Howell reported that the ANML program renewed flat on the primary two layers, but there will likely be an increase next year due to market conditions. Dan emphasized that this was a great renewal on the primary layers considering the current pricing compared to other interested carriers and the cost to self insure this layer being more than twice the cost to insure it.

Dan further reported that payroll is a large portion of the rating of ACCEL and payroll was relatively flat year over year. ACCEL's pool deposit rate continues to reduce from the prior term rate of \$.577 to the current term rate of \$.571.

Excess of the first two ANML layers, ACCEL participates in the CLIP program. The Primary policy on CLIP is a \$25,000,000 excess of \$25,000,000 layer written by Lexington London. This policy was subject to a 4% increase year over year, and the way pricing works on excess liability, this caused all layers excess of this to also raise 4%. However, because of the cost of insurance declining at higher excess layers, the year over year increase was really only about 1.7% when you consider all of the excess policies. This is a sign of the hardening market, but ACCEL's pricing is still incredibly competitive.

Conor Boughey advised that the deposit for the pooled layer is based on 80% confidence level using a 3% discount factor. Mike advised that most liability pools have discount rates of 2 to 2.5%. Mike advised that lowering the discount rate is something that ACCEL should discuss in future years.

A motion was made to adopt the pooled layer rate of \$.571.

MOTION: Tom Vance

SECOND: Mary Akin

MOTION CARRIED



A motion was made to adopt the pool administration fees totaling \$459,500.

MOTION: Tom Vance

SECOND: Mary Akin

MOTION CARRIED

The Board discussed the excess insurance program layers. Some members were uncertain of the layers of participation they would like to select. Daniel reported that the excess program pricing is based on a certain number of participants, and if one member decides not to purchase a layer, this could impact the other members due to differences in how ACCEL and a carrier might price certain participants. Conor reported that if a Member the size of Modesto decided not to purchase a layer, the net difference to another Member should not exceed \$500.

A motion was made to approve liability coverage with the same participation from the prior year, subject to possible changes with Modesto and Santa Cruz and with all members being agreeable to possible premium changes.

MOTION: Tom Vance

SECOND: Ann Richey

MOTION CARRIED

The Cities of Modesto and Santa Cruz will send binging instructions as soon as possible during the next week.

E4. Optional Excess Workers Compensation Program Renewal

Conor reported that ACCEL's optional excess workers compensation program is through CSAC-EIA, but as of the time of the meeting, the Version 4 estimates are the most current pricing available. Final premiums have not been made available; however they are not expected to change dramatically from the current estimates. The final premiums are based on CSAC-EIA's membership, and if a member gives notice of intent to withdraw, the pricing is conditional based on each member's decision to stay with CSAC-EIA or not.

No action necessary.

F. New Business

F1. Claims Auditor Contract Renewal

Michael reported that ACCEL just completed the third year of a 3 year contract with Tim Farley. Tim Farley's current contract ends July 1, 2012. Tim Farley hasn't presented a new contract yet, but has indicated he's not looking for a fee increase. The Program Administrators are looking for direction on whether we should renew with Tim Farley, or seek an RFP with other firms. Conor advised that there aren't a lot of firms who offer comparable services to Tim.

Deb Hossli advised that since the last RFP was conducted in 2005, and asked if ACCEL should proceed with another RFP. Mark Howard asked if there enough dissatisfaction among the members to proceed with the RFP, to which there was no significant desire to perform an RFP.



A motion was made to renew the contract with Tim Farley with the same terms and conditions as the expiring contract.

MOTION: Tom Vance **SECOND:** Mark Howard **MOTION CARRIED**

F2. Program Administration Contract

Conor Boughey stated ACCEL's contract with Alliant for Program Administration and Brokerage services does not include Alliant's most recent disclosure language. A key part of this language allows for Alliant to collect commission on small insurance placements placed on behalf of the Authority. Mike Simmons advised that Alliant would be earning roughly \$1,000 on these smaller placements that are purchased through large programs. Alliant is currently spending many hours being sure that commission is not collected on a small portion of an overall program, which complicates the group purchase process.

A motion was made to adopt the proposed contract amendment.

MOTION: Deb Hossli **SECOND:** Charlotte Dunn **MOTION CARRIED**

F3. Retrospective Rating Plan Refund Requests

Michael reported that Alliant has finalized the Retrospective Rating Plan for the 2012 calculation. Board Members received the draft estimates at the April Board Meeting and were asked to consider whether or not they would like to consider taking retro funds. At this time, the Refunds listed below are expected to be finalized at today's meeting. If any member would like to request a withdrawal and it will be paid back to the member once they pay next year's deposit, the letter must come from finance director with a copy to the treasurer

The following cities made requests for tentative refund request: Palo Alto \$500,000, Modesto \$200,000, Santa Monica \$1,000,000, Santa Barbara \$600,000.

No action was taken.

F4. Liability Program Coverage – RDA Successor Agencies & Oversight Boards

Mike Simmons advised that almost all of the ACCEL Member Cities had operating Redevelopment Agencies. Some of the ACCEL Members added the RDAs as other Named Covered Parties while other of these RDAs were covered as a Named Covered Parties by ACCEL and included for coverage through ANML. Because of the recent action to dissolve the RDA's action is needed to determine whether or not ACCEL wants to cover the Successor Agencies and ultimately the Oversight Boards.

The Board discussed the coverage issues related to both the Successor Agencies as well as the Oversight Boards. Michael responded to questions about coverage for the Successor Agencies, the City's appointee to the Oversight Board and the Oversight Board. After some discussion the



Board determined that they agree that the Oversight Board is a separate entity and should not be covered by ACCEL. Mike further reported that Oversight Boards will have a very hard time finding traditional insurance, as the Oversight Boards will frequently be involved in litigation.

Because the Successor Agency is the City, the Agency does not need to be individually listed on the insurance coverage documents, however Members may choose to do this.

A motion was made to affirm that ACCEL covers the Successor Agency to the Redevelopment Boards. Further to that motion, ACCEL intends to offer coverage to the City's appointee to the Oversight Board for his or her actions that fall within their scope of employment with the City.

MOTION: Tom Vance **SECOND:** Mark Howard **MOTION CARRIED**

F5. Other Insurance Renewals

F5a. Public employee dishonesty

Conor reported that ACCEL maintains Public Employee Dishonesty coverage through The Hartford Fire Insurance Company. Due to changes at the Hartford, they are changing the coverage to offer a minimum deductible of \$10,000, and also increasing the premium from \$809 to \$1,971. Because of this change, we are recommending that ACCEL join Alliant's Crime Insurance Program which purchases insurance through Chartis. The program's proposal offers a \$2,500 deductible with a premium \$760.

A motion was made to bind coverage with Chartis through Alliant's Crime Insurance Program.

MOTION: Mary Akin **SECOND:** Charlotte Dunn **MOTION CARRIED**

F5b. Trustees Errors & Omissions Insurance

Conor advised that ACCEL purchases a Trustees Errors and Omissions policy to protect the Board of Directors. At the July 1, 2011 renewal, Alliant brought two competing quotes for Trustees Errors and Omissions coverage. The incumbent program was placed through Brokers Risk and was a Lloyds of London placement. The Alliant program, APPL, had just formed and was a CV Starr Lloyds of London placement. The incumbent program premium was \$12,125, while the APPL program offered terms at \$10,325, a 15% savings. This year the APPL program quoted the exposure with a flat renewal.

A motion was made to Bind Coverage through the APPL program.

MOTION: Mary Akin **SECOND:** Mark Howard **MOTION CARRIED**



F6. Approval of ACCEL's Declarations Pages

Michael reported that ACCEL annually adopts the Declarations Page which includes the Named Entities listed by each Member, as well as the limits applicable to the pooled layer. And important feature to remember is that there is no aggregate listed on the declarations page, because ACCEL does not have a member aggregate.

A motion was made to adopt the 2012 Declarations Page with the Member's successor agencies listed if the member requests.

MOTION: Mary Akin **SECOND:** Mark Howard **MOTION CARRIED**

F7. Schedule of the Next Two Board of Directors Meetings

Monica reported that the next Board meeting in October is scheduled to be in Anaheim. Conor advised that the December Board meeting is scheduled to be in San Francisco, however; we are trying to obtain a room block, but not sure if we will be able to due to a several conventions being held during December in SF.

No action was taken.

G1. Correspondence & Information

Conor announced that James Marta's report on discount rates in actuarial studies is attached to the agenda and addresses the need for JPA's to consider their current discount rate. Tom Vance encouraged the members to read through the article.

H. Public Comments

There were no public comments.

ADJOURNMENT

The meeting was adjourned by Ann Richey at 10:45 AM on Friday June 22, 2012.