



**MINUTES OF THE  
ACCEL BOARD OF DIRECTORS  
WEDNESDAY, FEBRUARY 6, 2013  
Rancho Mirage, CA**

**MEMBERS PRESENT**

Tom Vance, City of Anaheim

Jena Covey, City of Bakersfield

Betsy Dolan, City of Burbank

Rhonda Combs, City of Monterey

Ann Richey, City of Ontario

Mark Howard, City of Santa Barbara (*joined at 1:45 via teleconference*)

Patty Haymond, City of Santa Cruz

Charlotte Dunn, City of Visalia

**MEMBERS ABSENT**

Claudia Koob, City of Mountain View

Sandra Blanch, City of Palo Alto

Mary Akin, City of Modesto

Deb Hossli, City of Santa Monica

**GUESTS AND CONSULTANTS**

Conor Boughey, Alliant Insurance Services

Daniel Howell, Alliant Insurance Services

Michael Simmons, Alliant Insurance Services

Monica Sandbergen-Izo, Alliant Insurance Services

Keyan Aghili, Carl Warren & Company

**A. CALL TO ORDER**

President Ann Richey called the meeting to order at 12:33 p.m.

**B. CONSENT CALENDAR**

**B1. Approval of Minutes for the December 3rd and 4th, 2012 Board Meeting**

No changes were requested of the meeting minutes.

**B2. Teleconference Policy & Procedure**

Ann Richey advised that included in the agenda packet is the Teleconference Policy & Procedure that was discussed at the last meeting with the amended changes.



A motion was made to approve the Consent Calendar.

**MOTION:** Patty Haymond      **SECOND:** Rhonda Comb      **MOTION CARRIED**

## **C. GENERAL RISK MANAGEMENT ISSUES**

Rhonda Combs advised that ACCEL was recently polled on vehicle maintenance services. Rhonda will be asking for an Underwriting Committee Meeting regarding the City of Monterey taking on vehicle maintenance services. Ms. Combs reported that Monterey has already been providing vehicle maintenance services to Carmel, Sand City, and maybe Del Rey Oaks for the past 20 years and will want to expand to other cities. Ms. Combs reported that if the City of Monterey takes on vehicle maintenance services for other cities, it will impact their vehicle maintenance staff payroll by 37%. Monterey will be making \$150,000 a year from these services. Rhonda advised that she has a lot of political push to get this done.

Ms. Combs also advised that Monterey will also be doing the repavement and resurfacing for the City of Pacific Grove – Monterey will be overseeing the work. Rhonda advised that she will also be bringing this to the Underwriting Committee for review.

## **D. REPORTS**

### **D1. President's Report**

None.

#### **D1a. Items of general interest to the members may be discussed.**

None.

### **D2. Claims Committee's**

None.

#### **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 1:14 PM pursuant to Government Section Code 54956.95.

**MOTION:** Charlotte Dunn      **SECOND:** Tom Vance      **MOTION CARRIED**

A motion was made to come out of closed session at 2:25 PM

**MOTION:** Betsy Dolan      **SECOND:** Charlotte Dunn      **MOTION CARRIED**

No reportable action took place during closed session.



## **D2b. Liability Third Party Administrator Contract**

Conor Boughey advised that ACCEL entered into a 3 year contract with Carl Warren & Company for Claims Administration in 2008 and ending June 30, 2011. The contract allowed for two optional one year extensions, which have now been completed. The current contract will expire on June 30, 2013. Alliant is looking for direction from the Board with regards to extending the current contract with Carl Warren, going out for RFP, etc...

Yani stated that it has been a privilege to work with ACCEL.

Yani advised that the easiest thing to do would be to extend the contract again. Mike Simmons advised that ACCEL can attach an amendment to the contract for another year or two.

Mike Simmons pointed out the Key Personnel clause on page 14 of the contract and advised that if Carl Warren came back and amended the contract, specifically the Key Personnel Clause, it is recommended that ACCEL not accept the amendment. The clause is important because it states that if someone quits, ACCEL will give the employer an opportunity to replace that person with a qualified person. However, ACCEL decides who is qualified and unqualified. If ACCEL does not think that person is qualified, then the contract is no longer valid. The clause is there to protect ACCEL from someone not appointing quality personnel to their account.

Mike Simmons advised that ACCEL has 3 options: 1) ACCEL can go out to bid for another Claims Administrator; 2) attachment an amendment to extend the contract for another year under the same conditions subject to any pricing changes that are recommended; or 3) ACCEL can enter into negotiations with Carl Warren & Company for another 3 year contract.

A motion was made to amend the contract to extend the contract for another 2 years as long as the pricing, terms and conditions are the same and if proposed price increases are made by Carl Warren, those changes are reported by Carl Warren to the Claims Committee by March 1, 2013.

**MOTION:** Rhonda Combs    **SECOND:** Tom Vance    **MOTION CARRIED**

### **Motion withdrawn.**

A substitute motion was made to renew the contract with Carl Warren as is for two years with with the following provision: 1) have an addendum that overrules Exhibit B – Service Fee paragraph of the contract that states that in the first renewal year, the fees and charges will remain the same as they are currently are. If Carl Warren wants to impose an increase starting July 1, 2014, they must make us aware of that in writing by February 1, 2014.

**MOTION:** Tom Vance    **SECOND:** Betsy Dolan    **MOTION CARRIED**

Conor and Mike will work-up a draft amendment.



### **D3. Financial and Treasurer's**

Conor Boughey presented the Treasurer's items.

#### **D3a. Ratification of Disbursements**

Conor Boughey reported that the notable disbursements for November, 2012 were the CSAC EIA Loss Prevention Subsidies of \$850 to each of the 10 cities listed. Mr. Boughey further reported that the notable disbursements for December 31, 2012 were the disbursement for the City of Palo Alto for the Schmidlin claim and also the payment to the Financial Auditor for the 2012 Audit and payment to the Claims Administrator Carl Warren for Claims Administration. The remaining disbursements were travel reimbursements to various cities.

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

Conor Boughey reviewed the Investment Report produced by Chandler and advised that the total market value for December, 2012 declined by \$2,000, however, ACCEL's book value and cost value appreciated. Conor further reported that December, 2012 was 100% compliant with ACCEL's Investment Policy.

#### **D3c. Quarterly Financial Report as of December 31, 2012**

No Action was taken.

#### **D3d. Member Account Summary as of December 31, 2012**

Conor advised that the December 31, 2012 Member Account Summary (MAS) report has been completed. The notable updates are the claim payment for the City of Palo of \$94,546 and investment income of \$73,017. Nothing from the admin budget are reported on the member account summary.

Mr. Boughey stated that at the next quarter, the reserves and IBNR will be updated.

**MOTION:** Tom Vance      **SECOND:** Jena Covey      **MOTION CARRIED**

#### **D3e. ACCEL Projected Cash Flow Obligations as of December 31, 2012**

Conor Boughey advised that ACCEL has 58% in long term assets and 42% in short term investments. Mr. Boughey further reported that the goal of ACCEL's Investment Policy was to have 20% in short term assets and 80% long term investments, but there is no advantage right now to shift to long term investments due to market conditions.

A motion was made to approve the disbursements and receive and file the reports from D3a, D3b, and D3d.



**D4. Program Administrator's**

None.

**D5. Underwriting Committee's**

None.

**E. Unfinished Business**

None.

**F. NEW BUSINESS**

**F1. Status Report of Excess Liability Program Renewal & Abuse Or Molestation Exclusion**

Daniel Howell reported that the general market conditions are pretty favorable overall in that there is plenty of capacity and carriers were profitable last year, but the market is not really soft, so rates are not going down and the underwriters are looking for increases. Workers' Compensation is the toughest in market in California right now. AIG pulled out of the Workers' Compensation market, which is creating a hardening of the market. Daniel Howell also reported that two Excess Workers' Compensation renewals came in for April 1. They were stand alone public entities – one was a transit related agency and the other was a special water district. One came in with a 20% increase, and the other came in at a 30% rate increase. The carriers are definitely looking for increases on the Excess Workers' Compensation. Mr. Howell also reported that the Workers' Compensation reform that was passed last year did increase the permanent disability rates, therefore, on big claims that involve permanent disability that hit the excess layer, the claim is going to be more expensive. Mr. Howell reported also that insurance companies' investment income returns are not that great - they are only getting returns of 3-5%.

On the Liability side, ACCEL has a good deal going with going with CV Starr and Starr Indemnity Liability Company. Last year, Frank Tanabe agreed to a flat increase for the 2012 renewal, but to expect a 10% increase for the 2013 renewal. Mr. Howell reported that SILC is looking for increases. Mr. Howell further advised that ACCEL has been a great account for CV Starr and for SILC and that the loss ratio on the Excess is excellent. Mr. Howell stated that Alliant's goal is to keep the rate increase at 5% or under and to make the increase a cost increase, not a rate increase. Mr. Howell stated that if the underlying layer receives an increase, then the excess carriers want to follow suit. Lexington is really pushing hard for big increases on Property and Liability; therefore, Alliant will be marketing that layer for the 2013 renewal. Lexington is asking for a 10% minimum rate increase, even if the account has no losses. In addition, the carriers that have put up \$25M in the past now have maybe \$10M in capacity to put up. The carriers are not as comfortable putting up large limits. Mr. Howell stated that Lexington is



putting up \$25M on the excess layer – we may need to use two carriers to replace Lexington if need be.

Dan Howell advised that in regards to the proposed exclusion for molestation, CV Starr is reacting to the L.A. Unified claim, but now they have backed off. They have relented and will apply the exclusion on a case by case basis. The exclusion will apply for large school districts and that it will most likely not apply to municipalities.

No action was taken.

## **F2. Optional Excess Workers' Compensation Renewal**

Conor Boughey reported that CSAC EIA's round 1 estimate is included for Excess Workers' Compensation, Crime and Watercraft. Mr. Boughey stated that the first round of estimates is the highest estimate and the worst case scenario. Conor further stated that the next estimates will be provided in March, and will contain estimates that include the rates established by the actuary. These estimates will be finalized through June 30<sup>th</sup>.

Conor stated that there aren't really any other Workers Compensation Programs available that offer retentions at less than \$1,000,000 for cities that have police and fire.

## **F3. Fiduciary Liability Program**

Daniel Howell advised that Fiduciary Liability coverage is designed for claims arising out of the breach of fiduciary duty with respects to pensions, savings, profit sharing, employee benefits, health and welfare plans. ACCEL's Public Officials E&O Policy has an exclusion for these types of claims. Policy would provide actual coverage but would attach at a lower deductible. For individual official that gets named, it's a \$0 deductible. Mr. Howell advised that Alliant is going to ask underwriters to provide a quote for the July 1, 2013 renewal and we are estimating it should come in around \$75,000 for the whole pool. Alliant can provide an estimate at the April, 2013 Board Meeting. Alliant will need to poll the members who are not at this meeting to see if they are interested in a quote.

Rhonda Combs advised that the City of Monterey is not interested in a quote.

## **F4. Assumption of Risk Discussion**

Tom Vance advised that this case has to do with recreational activities. Mr. Vance advised that assumption of risk in California went away years ago. Nalwa was riding a bumper car and had her daughter in the bumper car with her and ended up breaking arm - she sued for loss wages - she loss and appealed - the court said that the person assumed the risk by getting into the bumper car and ruled that it was inherent in the nature of the ride. It was a very clear decision – the courts are upholding the assumption of risk decision. If you take the risk out of it, it is no longer a recreational activity.



**F5. Next Two Meetings Schedule**

**G. Correspondence/ Information**

**G1. Risk Report – Claims Service Due Diligence**

No discussion.

**H. Public Comments**

There were no public comments.

Ann Richey adjourned the meeting at 3:13 p.m.