

**MINUTES OF THE  
ACCEL BOARD OF DIRECTORS  
SANTA BARBARA, CA  
THURSDAY, JUNE 23, 2005, 3:00 P.M.**

**MEMBERS PRESENT**

Mary Akin, City of Modesto  
Sandra Blanch, City of Palo Alto  
Charlotte Dunn, City of Visalia  
Patrick Flaherty, City of Bakersfield  
Sherrell Freeman, City of Monterey  
Ann Garcia, City of Ontario  
Jack Hain, City of Santa Cruz  
Brad Landreth, City of Santa Barbara  
Robert Locke, City of Mountain View  
Jim Patricola, City of Burbank  
Tom Phillips, City of Santa Monica  
Tom Vance, City of Anaheim

**GUESTS AND CONSULTANTS**

Keyan Aghili, Carl Warren & Company  
Janelle Cabanding, Driver Alliant Insurance Services  
Chris Hunt, Carl Warren & Company  
Dan Howell, Driver Alliant Insurance Services  
Mike Simmons, Driver Alliant Insurance Services

**A. CALL TO ORDER**

President Tom Phillips called the meeting to order at 3:19 p.m. Tom started the meeting with introductions of Robert Locke, City of Mountain View, and Jack Hain, City of Mountain View.

**B. CONSENT CALENDAR**

**B1. Approval of Minutes – April 21 and 22, 2005 Board of Directors Meeting**

A motion was made to approve the minutes as submitted with no changes.

**MOTION:** Sherrell Freeman      **SECOND:** Patrick Flaherty      **MOTION CARRIED**

**C. REPORTS**

**C1. PRESIDENT'S REPORT**

**C1a. Resolution 04/05-09 Recognizing the Contributions of Beverly Jensen**

A motion was made to formally recognize Beverly Jensen and her contributions as an ACCEL Board Member and adopt Resolution 04/05-09.

**MOTION:** Brad Landreth                      **SECOND:** Jim Patricola                      **MOTION CARRIED**

**C1b. Approval of Draft Letter to Ben Bankard from Board of Directors**

A motion was made to approve the draft letter as presented in the agenda.

**MOTION:** Brad Landreth                      **SECOND:** Sandra Blanch                      **MOTION CARRIED**

**C1c. CSAC-EIA Update**

Tom Phillips reported that the CSAC Executive Committee recently approved the circulation of proposed changes to the Bylaws and JPA Agreement to present to County members' Supervisors. If unanimously approved, these changes will take place in March 2006 next year, but no later than July 1, 2006. Tom will provide information of any updates. Members may also see updates as posted by CSAC at their website: [www.csac-eia.org](http://www.csac-eia.org).

**C2. CLAIMS COMMITTEE'S REPORT**

Claims Committee Chair, Brad Landreth, discussed agenda item C2a after C2b, C2c and C2d.

**C2b. Carl Warren & Company – Evidence of Insurance**

Members received a copy as required in the Excess Claims Administration Agreement. There was no discussion on this item.

**C2c. Heyenrath & Associates – Evidence of Insurance**

Members received a copy as required in the Liability Claims Auditor Agreement. There was no discussion on this item.

**C2d. Employment Practices Liability (EPL) Claims and Complaints**

Brad Landreth mentioned that during Leo Heyenrath's claims audit process, he will request Leo to audit members' employment action cases by having those cases verified in writing by their Human Resources department to ensure these cases are being properly reported.

**C2a. 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 3:32 p.m. pursuant to Government Section Code 54956.95.

**MOTION:** Jim Patricola                      **SECOND:** Ann Garcia                      **MOTION CARRIED**

A motion was made to come out of closed session at 5:00 p.m., and to continue discussion of closed session items tomorrow morning.

**MOTION:** Tom Vance                    **SECOND:** Sandra Blanch                    **MOTION CARRIED**

The meeting was adjourned at 5:02 p.m. and will reconvene at 8:30 a.m. tomorrow.

*(CONTINUED)*  
**MINUTES OF THE  
ACCEL BOARD OF DIRECTORS  
SANTA BARBARA, CA  
FRIDAY, JUNE 24, 2005, 8:30 P.M.**

**MEMBERS PRESENT**

Mary Akin, City of Modesto  
Sandra Blanch, City of Palo Alto  
Charlotte Dunn, City of Visalia  
Patrick Flaherty, City of Bakersfield  
Sherrell Freeman, City of Monterey  
Ann Garcia, City of Ontario  
Jack Hain, City of Santa Cruz  
Brad Landreth, City of Santa Barbara  
Robert Locke, City of Mountain View  
Jim Patricola, City of Burbank  
Tom Phillips, City of Santa Monica  
Tom Vance, City of Anaheim

**GUESTS AND CONSULTANTS**

Keyan Aghili, Carl Warren & Company  
Janelle Cabanding, Driver Alliant Insurance Services  
Dan Howell, Driver Alliant Insurance Services  
Mike Simmons, Driver Alliant Insurance Services

President Tom Phillips reconvened the meeting at 8:38 a.m.

**C2a. 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 8:41 a.m. pursuant to Government Section Code 54956.95.

**MOTION:** Jim Patricola                      **SECOND:** Mary Akin                      **MOTION CARRIED**

A motion was made to come out of closed session at 9:07 a.m.

**MOTION:** Tom Vance                      **SECOND:** Jim Patricola                      **MOTION CARRIED**

Claims Committee Chair, Brad Landreth reported that direction was given to the Claims Administrator. There were no other items to report from Closed Session.

### **C3. FINANCIAL AND TREASURER'S REPORTS**

#### **C3a. Ratification of Disbursements for Months Ending April 30, 2005 and May 31, 2005**

There was no discussion on this item.

#### **C3b. Report of Investments – Pursuant to Government Section Code 53646(b)(1) for Months Ending April 30, 2005 and May 31, 2005**

There was no discussion on this item.

#### **C3c. 2004/2005 Budget Year-to-Date**

Members received a copy of the Administrative Budget as of May 31, 2005. There was no discussion or comment on this item.

#### **C3d. Status of ACCEL Financial Audit as of June 30, 2005**

There were no updates to report.

#### **C3e. 2005/2006 Administrative Budget**

Members received a copy of the budget as adopted at the April Board Meeting. No additional changes were made and no action is required for this item.

#### **C3f. July 1, 2004 to June 30, 2005 Liability Payroll Audit**

Members received the results of the payroll audit. There was no discussion on this item.

<b>Member</b>	<b>Estimated 2004-2005 Payroll</b>	<b>Estimated 2004-2005 Deposit</b>	<b>Final 2004-2005 Payroll</b>	<b>Final 2004-2005 Deposit</b>	<b>(Refund) or Amount Due?</b>
Anaheim	156,000,000	936,000	154,737,293	928,424	<b>(7,576)</b>
Bakersfield	70,319,193	421,915	70,525,679	423,154	<b>1,239</b>
Burbank	92,257,322	553,544	87,603,665	525,622	<b>(27,922)</b>
Modesto	64,322,170	385,933	68,824,736	412,948	<b>27,015</b>
Monterey	28,723,553	172,341	28,494,436	170,967	<b>(1,375)</b>
Mountain View	43,721,358	262,328	43,174,966	259,050	<b>(3,278)</b>
Ontario	64,356,186	386,137	66,610,960	399,666	<b>13,529</b>
Palo Alto	84,437,592	506,626	87,694,084	526,165	<b>19,539</b>
Santa Barbara	65,769,043	394,614	67,257,771	403,547	<b>8,932</b>
Santa Cruz	37,196,414	223,178	36,861,493	221,169	<b>(2,010)</b>
Santa Monica	110,567,015	663,402	114,840,125	689,041	<b>25,639</b>
Visalia	27,200,000	163,200	25,259,732	151,558	<b>(11,642)</b>
<b>Totals</b>	<b>844,869,846</b>	<b>5,069,219</b>	<b>851,884,939</b>	<b>5,111,310</b>	<b>42,091</b>

#### **C3g. City of Monterey (Investment Services) – Evidence of Insurance**

Members received a copy as required in the Investment Services Agreement. There was no discussion on this item.

A motion was made to file and accept items C3a, C3b and C3c.

**MOTION:** Brad Landreth      **SECOND:** Sherrell Freeman      **MOTION CARRIED**

**C4. PROGRAM ADMINISTRATOR'S REPORT**

The Program Administrators had no items to report.

**C5. UNDERWRITING COMMITTEE'S REPORT**

**C5a. Notification to ACCEL of New Exposures (Change in Risk Profile)**

Underwriting Committee Chair, Tom Vance, distributed a draft memorandum at yesterday's meeting for review and comment today. As members recall, this has been a developing topic since last year. Although there was a census that ACCEL should develop a process of reporting new exposures or a change in risk profile, it was agreed that the Board was not ready to go forward with a formal Policy & Procedure. Tom Vance asked that members provide additional input and suggestions. This item will be discussed further at the strategic planning session held later this year.

**C5b. Other Items of Interest to the Underwriting Committee**

The Underwriting Committee had no items of interest to report.

**C6. NOMINATING COMMITTEE'S REPORT**

The Nominating Committee, Ann Garcia and Sandra Blanch announced the preferred assignments for Fiscal Year 2005/2006:

- |                                |  |
|--------------------------------|--|
| <b>Executive Committee:</b>    | President - Tom Vance, City of Anaheim<br>Vice President - Tom Phillips, City of Santa Monica<br>Treasurer - Patrick Flaherty, City of Bakersfield<br>Secretary - Jim Patricola, City of Burbank |
| <b>Claims Committee:</b>       | Brad Landreth, City of Santa Barbara<br>Jonathan Lackey, City of Santa Monica<br>Dave Nunley, City of Anaheim<br>Mary Akin, City of Modesto  |
| <b>Underwriting Committee:</b> | Tom Vance, City of Anaheim<br>Tom Phillips, City of Santa Monica<br>Sandra Blanch, City of Palo Alto<br>Ann Garcia, City of Ontario<br>Sherrell Freeman, City of Monterey                        |
| <b>Finance Committee:</b>      | Patrick Flaherty, City of Bakersfield<br>Charlotte Dunn, City of Visalia<br>Sandra Blanch, City of Palo Alto   |

A motion was made to approve the following nominations for the Executive Committee:

Tom Vance, President  
Tom Phillips, Vice President  
Jim Patricola, Secretary  
Patrick Flaherty, Treasurer

**MOTION:** Brad Landreth                      **SECOND:** Mary Akin                      **MOTION CARRIED**

The Executive Committee will schedule a meeting soon to appoint members of the Claims, Underwriting and Finance Committees.

**D. UNFINISHED BUSINESS**

**D1. ACCEL Excess Liability Program Renewal**

Dan Howell distributed a newsletter, the Tort Excess Liability Report, containing information on recent jury verdicts. Dan also handed out a spreadsheet showing premium indications from Insurance Company of the State of Pennsylvania (C.V. Starr), Lexington, Arch Specialty, Axis Specialty and Starr XS. Dan suggested members review the handouts, and discuss taking action on the following for Fiscal Year 2005/2006:

1. Adoption of a pooled funding rate of \$0.60 or higher;
2. Purchase of \$10,000,000 in Limits from Insurance Company of the State of Pennsylvania, attaching at either a \$5,000,000, \$7,500,000, or \$10,000,000 Pooled Retention;
3. Purchase of \$10,000,000 in Limits from Lexington Insurance Company above Insurance Company of the State of Pennsylvania's layer;
4. Whether or not to allow for members to pay for the above excess insurance premiums paid by the adopted pooled funding rate, while requiring members to pay the JPA Administrative Cost separately; and
5. Allowance for ACCEL members to purchase higher optional excess insurance limits through Axis, Arch and Starr XS, with the cost paid in addition to the pooled funding rate and JPA Administrative Costs.

Dan Howell referred to the 2004 Liability Actuarial Study and reminded members of the Actuary's recommended funding rates:

**Funding Guidelines for Discounted Claims Incurred in 2004-2005**

<b>Layer</b>	<b>Expected</b>	<b>70%</b>	<b>80%</b>	<b>90%</b>
\$1M - \$2M	0.142	0.174	0.206	0.256
\$1M - \$3M	0.231	0.284	0.336	0.417
\$1M - \$5M	0.285	0.350	0.414	0.514
\$5M - \$10M	0.107	0.131	0.155	0.193
\$1M - \$10M	0.392	0.481	0.570	0.707

Dan Howell mentioned that if ACCEL decided to adopt a \$0.60 rate (the same rate since 1993), and purchase \$20,000,000 in Limits above a \$5,000,000 attachment point paid by the \$0.60 rate, ACCEL could fund \$0.357 at a 72% confidence level. Members should decide if a \$0.60 rate is still adequate, while taking their claims experience into consideration. Dan Howell added that if ACCEL were to conduct an actuarial study for FY 2006/2007, the Actuary's numbers may show an increase in rate of up to 25%.

Tom Vance suggested allowing members to pay the excess insurance costs out of the pooling rate since most have already submitted their budgets. Mary Akin suggested members considering increasing the rate up a little this year, perhaps to \$0.65.

Members agreed that they should take action in the following order:

1. Decide their attachment point: \$5,000,000, \$7,500,000, or \$10,000,000;
2. Decide what pooled funding rate to charge members; and
3. Decide if they would like to allow members to pay for their excess insurance costs paid by the pooled funding rate.

A motion was made to accept the ACCEL pooling limit of \$4,000,000 Excess \$1,000,000.

**MOTION:** Tom Vance                      **SECOND:** Brad Landreth                      **MOTION CARRIED**

A motion was made to adopt a pooled funding rate of \$0.60 and allow members to purchase excess insurance limits of \$20,000,000 excess of the \$5,000,000 pooled limit paid by this rate.

**MOTION:** Brad Landreth                      **SECOND:** Jim Patricola

There was a 50%/50% vote on this motion.

### **MOTION FAILED**

Some members were concerned that although ACCEL could fund \$0.35 at a 72% confidence level as recommended in 2004 by their Actuary, the rate should be slightly increased in order to reduce the amount of rate increase for Fiscal Year 2006/2007. Members proposed an option to the \$0.60 rate: Allow as an option, members to pay the Lexington Layer, 10,000,000 excess of \$15,000,000, in addition to the \$0.60 rate, for a cost of approximately \$0.064.

A motion was made to accept the following action:

1. Adoption of a pooled funding rate of \$0.60;
2. Purchase of \$10,000,000 in Limits from Insurance Company of the State of Pennsylvania, attaching at \$5,000,000, with this cost paid by the \$0.60 rate;
3. Purchase of \$10,000,000 in Limits from Lexington Insurance Company in addition to (2) above, with this cost paid by the \$0.60 rate, or as an option, allow this layer be paid in addition to the \$0.60 rate, at a cost of approximately \$0.064;
4. Continue to require members to pay their JPA Administrative Cost separately; and



5. Allowance for ACCEL members to purchase optional excess insurance limits above \$25,000,000 through Axis, Arch and Starr XS as presented by the Program Administrators, with the cost paid in addition to the pooled funding rate and JPA Administrative Costs.

**MOTION:** Brad Landreth

**SECOND:** Jim Patricola

**MOTION CARRIED**

Dan Howell completed his presentation of quotes for limits above \$25,000,000 to \$100,000,000. Dan asked members if they were interested in these limits through Axis, Arch and Starr XS and to notify him via email in order to complete his negotiations with these carriers. Dan added that he could negotiate a lower rate for the \$10,000,000 Excess \$25,000,000 layer through Axis if he had 100% participation. Program Administrators will follow up with members on Monday next week to finalize their pricing with these carriers.

**D2. Excess Workers' Compensation Renewal**

Program Administrators provided the most recent updated indications they received from the CPEIA for the Excess Workers' Compensation Renewal, as of June 3, 2005. This was an information item and no action was taken. Program Administrators reminded members that these numbers by CPEIA are not final and may change between now and June 30, 2005.

<b>EWC Member</b>	<b>Estimated Payroll</b>	<b>Current SIR</b>	<b>Total Estimated Collection</b>	<b>Composite Rate for 05/06</b>	<b>Composite Rate for 04/05</b>	<b>% Diff.</b>
Anaheim	123,114,193	1,000,000	<b>275,636</b>	0.224	0.229	-2.46%
Bakersfield	73,382,873	500,000	<b>295,278</b>	0.402	0.433	-7.64%
Modesto	67,473,002	750,000	<b>185,028</b>	0.274	0.300	-9.34%
Monterey	32,739,082	400,000	<b>151,342</b>	0.462	0.537	-16.08%
Mountain View	53,676,921	500,000	<b>197,687</b>	0.368	0.399	-8.32%
Ontario	65,139,172	500,000	<b>261,119</b>	0.401	0.425	-6.01%
Palo Alto	100,952,935	750,000	<b>231,079</b>	0.229	0.274	-19.63%
Santa Barbara	55,220,118	750,000	<b>142,764</b>	0.259	0.287	-10.85%
Santa Cruz	39,413,926	500,000	<b>110,381</b>	0.280	0.416	-48.68%
Santa Monica	122,839,996	1,000,000	<b>275,038</b>	0.224	0.233	-3.88%

**D3. Retrospective Rating Plan Calculation**

The final calculations were presented in today's agenda. Program Administrators confirmed that these figures included the IBNR figures approved at the April Board Meeting.

A motion was made to approve the final calculations as presented in the agenda, subject to any claims activity and/or result in any IBNR changes as of June 30, 2005.

**\$9,000,000 Excess \$1,000,000 and \$500,000 Excess \$500,000 Final Calculation**

<b>Member Name</b>	<b>Available Funds \$9x\$1 and \$5x\$5 Combined</b>
Anaheim	1,381,294
Bakersfield	191,725
Burbank	59,218
Gardena	1,789
Modesto	543,078
Monterey	494,830
Mountain View	1,160,477
Ontario	1,950,941
Palo Alto	188,932
Santa Barbara	286,204
Santa Cruz	434,825
Santa Monica	715,725
Visalia	644,302
<b>TOTALS</b>	<b>8,053,338</b>

**MOTION:** Brad Landreth      **SECOND:** Robert Locke      **MOTION CARRIED**

Program Administrators reminded Members to submit in writing to the Treasurer and/or Program Administrators what amount from their available funds they would like refunded, and indicate which Program Years to apply the payment to. For members who do not indicate which Program Years to apply the payments to, the amount will first be used to zero out any negative amount totals, and secondly be applied to the oldest Program Years first.

Program Administrators added that Members will not receive their Retro Checks until their ACCEL Program Invoices for Fiscal Year 2005/2006 are paid.

**D4. Resolution 04/05-08 Administrative Close-Out of Program Years 2, 3, 4 and 5**

The Administrative Close-out of these older Program Years has been discussed since last year. Program Administrators have indicated over the past year that any monies including interest, deposits and unclaimed retrospective returns have been moved to members' other program years.

A motion was made to adopt Resolution 04/05-08, Approving the Administrative Close-Out of Program Years 2, 3, 4 and 5 for both the \$9,000,000 Excess \$1,000,000 and \$500,000 Excess \$500,000 Layers, with an understanding that the Administrative Close-out of a Program Year does not prevent a claim from coming in or, therefore, create the denial of a claim in these Program Years.

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

**E. NEW BUSINESS**

**E1a. Other Insurance Renewals - Public Employee Dishonesty**

No action was required on this item.

**E1b. Other Insurance Renewals - Trustee's Errors & Omissions**

A motion was made to accept Quotation Option 2:

<b>Option</b>	<b>Limit Per Claim/Policy Aggregate</b>	<b>Deductible</b>	<b>05/06 Premium</b>
2	\$1,000,000/\$1,000,000 Aggregate	\$10,000/\$40,000 Aggregate	\$10,184

**MOTION:** Tom Vance                      **SECOND:** Mary Akin                      **MOTION CARRIED**

**E2. Next Two Meetings Schedule**

The next meeting if the Board of Directors is scheduled for Thursday and Friday, October 6 and 7, 2005, in the City of Modesto. Members decided to have the Strategic Planning Session to be held at the October Meeting instead of in December. Program Administrators will make the arrangements to accommodate the Strategic Planning Session to start at noon on Thursday, October 6<sup>th</sup>.

**F. CORRESPONDENCE / INFORMATION**

**F1. CAIA Newsletter June 2005**

There were no comments regarding this item.

**G. PUBLIC COMMENTS**

There were no public comments.

**H. GENERAL RISK MANAGEMENT ISSUES**

The following items were discussed:

- ❖ Landslide Cases
- ❖ Physical Therapists survey
- ❖ PERS
- ❖ Waiver of Subrogation
- ❖ California Supreme Court Decision

**ADJOURNMENT**

A motion was made to adjourn the meeting.

**MOTION:** Ann Garcia                      **SECOND:** Mary Akin                      **MOTION CARRIED**

The meeting was adjourned at 11:42 a.m.