

**MINUTES OF THE
ACCEL BOARD OF DIRECTORS
MAGNOLIA POWER PROJECT, BURBANK, CA
THURSDAY, DECEMBER 1, 2005, 3:00 P.M.**

MEMBERS PRESENT

Mary Akin, City of Modesto
Jack Hain, City of Santa Cruz (Joined the meeting at 3:40 p.m.)
Brad Landreth, City of Santa Barbara
Patrick Flaherty, City of Bakersfield
Sherrell Freeman, City of Monterey
Ann Garcia, City of Ontario
Jim Patricola, City of Burbank
Tom Vance, City of Anaheim

GUESTS AND CONSULTANTS

Keyan Aghili, Carl Warren & Company
Janelle Aldea, Driver Alliant Insurance Services
Dan Howell, Driver Alliant Insurance Services (Joined the meeting at 3:40 p.m.)
Mike Simmons, Driver Alliant Insurance Services

MEMBERS ABSENT

Sandra Blanch, City of Palo Alto
Charlotte Dunn, City of Visalia
Robert Locke, City of Mountain View
Tom Phillips, City of Santa Monica

A. CALL TO ORDER

President Tom Vance called the meeting to order at 3:01 p.m. Tom Vance thanked Jim Patricola for his tremendous effort in organizing the Warner Brothers Tour held earlier this morning.

B. CONSENT CALENDAR

B1. Approval of Minutes – October 6 and 7, 2005 Board of Directors Meeting

A motion was made to approve the minutes as presented.

MOTION: Ann Garcia

SECOND: Jim Patricola

MOTION CARRIED

NAME	AYES	ABSTAIN	NAYS	ABSENT
Mary Akin	X			
Sandra Blanch				X
Charlotte Dunn				X
Patrick Flaherty	X			
Sherrell Freeman	X			
Ann Garcia	X			
Jack Hain				X
Brad Landreth	X			
Robert Locke				X
Jim Patricola	X			
Tom Phillips				X
Tom Vance	X			

Tom Vance referred members handwritten page 8 of the agenda which addressed goals discussed at the Strategic Planning Session held in October. Tom Vance asked that these items be placed under President's Report to ensure they will be addressed in the future.

Setting Goals for the Next One to Three Years

- *Tom Vance – To stabilize a relationship with an excess insurance carrier and/or continue to have the option to buy excess liability limits;*
- *Tom Phillips – To add one medium sized quality member city to the pool;*
- *Ann Garcia - Explore options of a workers' compensation pool or develop alternatives to purchasing;*
- *Patrick Flaherty – Receiving the Financial Audit on schedule;*
- *Sherrell Freeman - Find a way to stabilize liability pool rate; This goal led to the discussion of directing the actuary at next year's actuarial process to have them include projected rates for 2, 3, and 4 years out (FY 2007, 2008 and 2009).*
- *Charlotte Dunn - Identify process and internal comfort in claims reporting.*

Members reviewed the list of goals and addressed some of these items.

Tom Vance asked Patrick Flaherty if the Program Administrators have set up the conference call with the auditors to address issues including posting entries in the accounting software. Mike Simmons replied that this meeting has not yet taken place and will be scheduled soon. Tom Vance also asked for clarification of any corrections made to the notes of the audit, since the

Financial Audit was approved at the last meeting “subject to revision to notes with no material change to report.” The Program Administrators will clarify if there were revisions made to the notes. This may be a typographical error to the minutes. It was also recommended that the financial auditor meet with the bookkeeper on a quarterly basis to perform an informal quarterly audit as a follow-up prior to the audit process.

Another goal discussed at the Strategic Planning Session was exploring options to the CPEIA Excess Workers’ Compensation Program. Program Administrators mentioned that there is still no competitive market to CPEIA. If, or when, the California excess workers’ compensation market becomes competitive to CPEIA, they will aggressively approach the market, as currently, there are little to no markets that can compare to CPEIA’s current rates.

Members discussed the idea of adding a new member to ACCEL. Members agreed that they were not going to take an aggressive approach to market membership to ACCEL. Brad Landreth mentioned that the City of Ventura may still be interested in applying for membership to ACCEL. Brad said that the City of Ventura may be interested in making some changes in their insurance program and are considering alternatives. Mike Simmons recalled that Ventura applied to ACCEL a few years ago but was denied membership since they did not have a full-time risk manager at that time. Mike will follow up with Ellis Green, the Ventura City Risk Manager and keep the Underwriting Committee updated.

It was mentioned that Ventura was currently in the Driver Alliant managed program called “CAMEL”, the California Municipal Excess Liability Program, with either a \$1 or \$2 million self-insured retention. Members expressed an interest in comparing their ACCEL pool rate to other similar pooled programs to see how competitive the rates are to others. The Program Administrators were directed to compare similar pool rates (CARMA, ABAG and CAMEL) to ACCEL and present at the next meeting. Mike Simmons added that the rate may not have a significant impact if other pools are rating their programs at a different confidence level than ACCEL.

Brad Landreth asked the Program Administrators if Driver Alliant has ever considered consolidating their excess liability markets, such as the property program (PEPIP). Mike Simmons replied an analysis will be presented at the next meeting to address these issues.

C. REPORTS

C1. President’s Reports

There were no items to report from the President.

C2. Claims Committee’s Reports

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 4:42 p.m. pursuant to Government Section Code 54956.95.

MOTION: Tom Vance

SECOND: Ann Garcia

MOTION CARRIED

NAME	AYES	ABSTAIN	NAYS	ABSENT
Mary Akin	X			
Sandra Blanch				X
Charlotte Dunn				X
Patrick Flaherty	X			
Sherrell Freeman	X			
Ann Garcia	X			
Jack Hain	X			
Brad Landreth	X			
Robert Locke				X
Jim Patricola	X			
Tom Phillips				X
Tom Vance	X			

A motion was made to come out of closed session at 6:15 p.m.

MOTION: Ann Garcia

SECOND: Mary Akin

MOTION CARRIED

NAME	AYES	ABSTAIN	NAYS	ABSENT
Mary Akin	X			
Sandra Blanch				X
Charlotte Dunn				X
Patrick Flaherty	X			
Sherrell Freeman	X			
Ann Garcia	X			
Jack Hain	X			
Brad Landreth	X			
Robert Locke				X
Jim Patricola	X			
Tom Phillips				X
Tom Vance	X			

Claims Committee Chair, Brad Landreth has nothing to report from Closed Session.

C2b. Liability Claims Auditor Services

Brad Landreth mentioned that this item was discussed at last week's Claims Committee Teleconference. Members agreed that they wanted to get the process moving quickly to solicit proposals for excess liability claims auditing services. Brad Landreth is working on the draft proposal request based on what was used five years ago (the last time proposals were solicited).

Brad Landreth asked what changes, if any, members should make to the auditing process. Brad mentioned that he would like to see the new auditor to review more case files. Additionally, have the auditor use a ratio (%) to determine the number of claims of each Member City to review and include in their analysis. Another issue was the auditor to ensure old closed claims do not get deleted off a loss run, and that employment cases are looked at.

Mike Simmons mentioned that this process should move quickly. For instance, the audit process starts the first few weeks of July, therefore, the Request for Proposals (RFP) should be sent out in January. Brad Landreth needs direction from members regarding the draft proposal request he is currently working on. Mary Akin suggested members look at CSAC-EIA's recent RFP to see if some of the information can be useful to ACCEL's RFP process. Claims auditing firms to consider are ARM Tech, Tim Farley & Associates, Bickmore Risk Services and Hans Heling.

Members agreed on the following action plan:

- Send out final Request for Proposal – Excess Claims Liability Auditing Services no later than January 3, 2006;
- The deadline for proposals from vendors is January 17, 2006;
- The Claims Committee will schedule a meeting on either January 18 or 19, 2006 to review proposals and present a recommendation to the Board at the February 7, 2006 Board Meeting;
- The Request for Proposal will indicate that oral interviews may take place at the February 7, 2006 Board Meeting;
- Possibly invite and/or interview vendor(s) at the February 7, 2006 Board Meeting.

Brad Landreth directed the Program Administrators to arrange a Claims Committee Telephonic Meeting to be held either January 18 or 19, 2006, to review the responses.

C2c. Resolution 05/06-03 – Amendment to Administrative Policy & Procedure Occurrence/Claims and Handling Policy

Because of action taken at the last Board Meeting, the Program Administrators have assisted the Claims Committee in preparing an amendment to the Administrative Policy & Procedure – Occurrence/Claims Reporting and Handling Policy. The Claims Committee met last week and discussed recommended changes to the Policy. One of the significant changes to the Policy was the addition of a new reporting requirement as respects “demands”.

Brad Landreth mentioned that these changes are preliminary and that these revisions do not have to be approved at today's meeting. Tom Vance complimented the Claims Committees' effort in refining the Policy and the revisions are a great start to improving the claims reporting process.

A motion was made to approve the amendments as indicated below, and to adopt Resolution 05/06-03 –Amendment to Administrative Policy & Procedure Occurrence/Claims and Handling Policy.

- Remove Bullet F; and
- Remove “in excess of \$250,000” from Bullets B through E

MOTION: Tom Vance

SECOND: Patrick Flaherty

MOTION CARRIED

NAME	AYES	ABSTAIN	NAYS	ABSENT
Mary Akin	X			
Sandra Blanch				X
Charlotte Dunn				X
Patrick Flaherty	X			
Sherrell Freeman	X			
Ann Garcia	X			
Jack Hain	X			
Brad Landreth	X			
Robert Locke				X
Jim Patricola	X			
Tom Phillips				X
Tom Vance	X			

C2d. Development of Best Practices

The development of Best Practices was discussed at the October Strategic Planning Session and at last week’s Claims Committee meeting with the intent in demonstrating to AIG that ACCEL takes their concerns seriously about tightening up their claims reporting process. Shared experiences included widening communications with various departments within the Member City.

Brad Landreth mentioned that his Risk Management division meets with the Human Resources Department quarterly to discuss employment cases. City attorneys write opinions on status of litigation that will have an impact on the City’s financial statement. Ann Garcia mentioned that she receives a copy of depositions via email, registered with the City Clerks office and sent to her automatically. Brad Landreth asked that members put a list together with best practices such as those examples discussed at today’s meeting in hopes of adopting a Best Practices in the near future.

These issues of refining claims reporting procedures should be communicated with representatives at AIG to let them know what active steps ACCEL is taking to refine their claims reporting procedures. Tom Vance asked the Program Administrators to communicate with AIG on the status of their progress.

The meeting was adjourned at 6:17 p.m. and will reconvene at 8:30 a.m. tomorrow morning.

(CONTINUED)
**MINUTES OF THE
ACCEL BOARD OF DIRECTORS
MAGNOLIA POWER PROJECT, BURBANK, CA
FRIDAY, DECEMBER 2, 2005, 8:30 A.M.**

MEMBERS PRESENT

Mary Akin, City of Modesto
Jack Hain, City of Santa Cruz
Patrick Flaherty, City of Bakersfield
Sherrell Freeman, City of Monterey
Ann Garcia, City of Ontario
Jim Patricola, City of Burbank
Tom Phillips, City of Santa Monica
Tom Vance, City of Anaheim

GUESTS AND CONSULTANTS

Janelle Aldea, Driver Alliant Insurance Services
Dan Howell, Driver Alliant Insurance Services
Mike Simmons, Driver Alliant Insurance Services

MEMBERS ABSENT

Sandra Blanch, City of Palo Alto
Charlotte Dunn, City of Visalia
Brad Landreth, City of Santa Barbara
Robert Locke, City of Mountain View

President Tom Vance reconvened the meeting at 8:45 a.m.

C3. Financial and Treasurer's Reports

Treasurer, Patrick Flaherty presented these reports.

C3a. Ratification of Disbursements for Months Ending September 30, 2005 and October 31, 2005

The Program Administrators were directed to follow up on checks issued to Leo Heyenrath for his work performed on the claims audit. There was no other discussion on this item.

C3b. Report of Investments – Pursuant to Government Section Code 53646(b)(1) for Months ending September 20, 2005 and October 31, 2005

Patrick Flaherty noted the book value as of September 30 is \$23,924,228 and \$24,037,700 as of October 31, 2005. These amounts include all audited deposits. The Program Administrators were asked to review the Financial Audit to see if the supplemental schedules included information on each individual member's portion of financial interest, and to be sure this information is provided in all future audits.

C3c. Estimated Earnings Report as of September 30, 2005

There was no discussion on this item.

C3d. Financial Statement Ending September 30, 2005

A revision to handwritten page 51 was distributed. Members would like the bookkeeper to be more diligent in reviewing the financial reports for accuracy prior to agenda mailing.

C3e. Administrative Budget 2005/2006 Budget Year-to-Date

Mike Simmons noted that Members budgeted \$10,000 for the Actuarial Study and John Alltop will perform the 2006 study for \$11,000. Also noted was the Technology Services line item. Although Members did not budget for the Estimated Earnings Report Database update (maximum cost \$11,000), costs can be covered under Contingency.

A motion was made file and accept Agenda Item C3a through C3e, including the revision to Agenda Item C3d.

MOTION: Tom Vance

SECOND: Mary Akin

MOTION CARRIED

NAME	AYES	ABSTAIN	NAYS	ABSENT
Mary Akin	X			
Sandra Blanch				X
Charlotte Dunn				X
Patrick Flaherty	X			
Sherrell Freeman	X			
Ann Garcia	X			
Jack Hain	X			
Brad Landreth				X
Robert Locke				X
Jim Patricola	X			
Tom Phillips	X			
Tom Vance	X			

C3f. Request for Qualifications – Investment Services

The Program Administrators prepared the first draft that was reviewed by Bob Locke, Finance Director of Mountain View. Mike Simmons distributed a revised draft of the Request for Qualifications (RFQ). The RFQ asks a professional investment firm to invest a portion of ACCEL’s portfolio (estimated \$3 to \$8 Million after July 1, 2006).

Mike referred members to the time schedule in the RFQ. In order to stay on schedule, the RFQ needs to be mailed out next week. Members reviewed the list of firms will be solicited for proposals. After consideration, it was discussed that the only investment firms to receive the RFQ are PFM and Chandler Asset Management. The idea is to have these firms create solutions to gain a larger return on the portfolio based on the Investment Policy, and propose changes, if any, to the Policy. During the discussion of the RFQ, the following questions and concerns were raised:

- The securities should be in the name of ACCEL and not the Investment Advisor;
- The Investment Advisor will not hold titles, all are in safe keeping;
- Compensation to the Investment Advisor would be paid based on a determined fee schedule and no fees will be earned from making individual transactions;
- Who will be making these transactions – the Investment Advisor or the City of Monterey?
- Will additional authorization be necessary per transaction or is the person making the transactions have full authority?

Monterey indicated that will not be making the transactions on behalf of the Investment Advisor. It was agreed that the securities will be in the name of ACCEL and that should be made clear in the RFQ. Although it was decided that the transactions will be made by the Investment Advisor, ACCEL has not yet made a decision if additional approval will be necessary per transaction.

A motion was made to solicit proposals from PFM and Chandler Asset Management.

MOTION: Tom Vance

SECOND: Patrick Flaherty

MOTION CARRIED

NAME	AYES	ABSTAIN	NAYS	ABSENT
Mary Akin	X			
Sandra Blanch				X
Charlotte Dunn				X
Patrick Flaherty	X			
Sherrell Freeman	X			
Ann Garcia	X			
Jack Hain	X			
Brad Landreth				X
Robert Locke				X
Jim Patricola	X			
Tom Phillips	X			
Tom Vance	X			

C3g. Annual Report of Financial Transactions of Special Districts – Pursuant to Government Section Code 26909

There was no discussion on this item.

C4. Program Administrator's Report

C4a. 2006 Liability Actuarial Study

Program Administrators mentioned that John Alltop will be performing the 2006 Actuarial Study early next year. John needs all loss information by January 17th in order to present a draft report at the February 7th Board Meeting in Palm Springs. The Program Administrators were directed to send a reminder later this month, with weekly follow ups via email until the week of the 17th where reminders will be sent daily.

C4b. Estimated Earnings Report Database

Janelle Aldea indicated that she met with the programmer, Randy Ly, to provide information from the current spreadsheet file so he can start the development. Janelle will keep members apprised of the progress of this project.

C5. Underwriting Committee's Report

Vice President, Tom Phillips mentioned that a possible Underwriting Committee item that may be discussed at a future meeting dealing with the Powerine case. Tom will be reviewing comments he received from Robin Johnson and update members, if necessary, if a language change is needed in the Memorandum of Coverage.

An item of concern that Tom Phillips has is the Retrospective Rating Formula. The Underwriting Committee was directed to review the Formula and report back at a future meeting. Things the Underwriting Committee should consider are:

- Decided if in their opinion the minimum parameter of \$25,000 is too low;
- Manipulate the credibility factor;
- Consider that a new or different way may affect a member's percentage share of loss (positive impact on someone may have a negative impact on another);
- Discuss initially what is a better approach;
- Possibly manipulate the formula to create simulations or loss situations;
- Calculate loss ratios

The Program Administrators were directed to better communicate with the Sub-Committee Chairpersons before a Board or Sub-committee Meeting to ensure items, such as these mentioned, are included on the agendas. The Program Administrators were also directed to email the draft minutes one week after the meeting, along with an action list no later than one week after the minutes are prepared.

C5a. Physical Therapy Issue – Update

Santa Cruz is the only member who has not yet sent in their questionnaire. Jack Hain promised to have this to the Program Administrators next week. Dan Howell added that he will be compiling the information once all received and speak with AIG to clarify the policy language.

D. UNFINISHED BUSINESS - NONE

E. NEW BUSINESS

E1. Results of the 2006 CPEIA Board of Directors Election

This item was included in the agenda as information only, which indicates that Tom Phillips will serve on the CPEIA Board of Directors until 2006.

E2. Next Two Meetings Schedule

Program Administrators reminded members that the next meeting is scheduled for Tuesday, February 7, 2006 in Palm Springs. Ann Garcia suggested members consider staying at the Taquitz Best Western, as she secured a rate of only \$99. Lunch will be served at the meeting at 11:30 a.m., and the meeting is scheduled to start at 12:30 p.m.

F. CORRESPONDENCE

There were no comments regarding the following informational items.

F1. 2006 PARMA Conference Information

F2. The Risk Report – September 2005

F3. CAL OSHA Compliance Advisor – October 2005

F4. Weekly Law Resume – 2 Recent Newsletters

G. PUBLIC COMMENTS

There were no public comments.

H. GENERAL RISK MANAGEMENT ISSUES

The following items were discussed:

- Changes in C.V. Starr's partnership
- Recent sell of Driver Alliant

ADJOURNMENT

A motion was made to adjourn the meeting at 11:43 a.m.

MOTION: Tom Phillips

SECOND: Jim Patricola

MOTION CARRIED

NAME	AYES	ABSTAIN	NAYS	ABSENT
Mary Akin	X			
Sandra Blanch				X
Charlotte Dunn				X
Patrick Flaherty	X			
Sherrell Freeman	X			
Ann Garcia	X			
Jack Hain	X			
Brad Landreth				X
Robert Locke				X
Jim Patricola	X			
Tom Phillips	X			
Tom Vance	X			