

B1

**MINUTES OF THE
ACCEL BOARD OF DIRECTORS
SANTA BARBARA, CA
THURSDAY, JUNE 24, 2004, 3:00 P.M.**

MEMBERS PRESENT

Mary Akin, City of Modesto
Sandra Blanch, City of Palo Alto
Charlotte Dunn, City of Visalia
Sherrell Freeman, City of Monterey
Ann Garcia, City of Ontario
Jack Hain, City of Santa Cruz
Beverly Jensen, City of Mountain View
Brad Landreth, City of Santa Barbara
Tom Phillips, City of Santa Monica

MEMBERS ABSENT

Patrick Flaherty, City of Bakersfield
Tom Vance, City of Anaheim

GUESTS AND CONSULTANTS

Keyan Aghili, Carl Warren & Company
Ray Aromatorio, Carl Warren & Company
Janelle Cabanding, Driver Alliant Insurance Services
Dan Howell, Driver Alliant Insurance Services
Larry Hunt, Carl Warren & Company

President Tom Phillips called the meeting to order at 3:03 p.m. Tom Phillips started the meeting with introductions of Larry Hunt, Ray Aromatorio and Keyan Aghili, representatives of Carl Warren & Company who were in attendance.

B. CONSENT CALENDAR

B1. Approval of Minutes – April 22 & 23, 2004 Board of Directors Meeting

A motion was made to approve the minutes as submitted.

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

C. REPORTS

C1. PRESIDENT'S REPORT

Resolution 03/04-10 – Recognizing the Contributions of Ben Bankard

Members expressed their appreciation of Ben Bankard's contributions to ACCEL for the last 15 years. The ACCEL Board asked Mary Akin to let Ben know that the ACCEL Board sends their regards and thanks him for his many years serving as a member on the Board of Directors and his involvement on the various Sub-committees.

A motion was made to formally recognize Ben Bankard and his contributions as an ACCEL Board Member and adopt Resolution 03/04-10.

MOTION: Brad Landreth **SECOND:** Ann Garcia **MOTION CARRIED**

C2. CLAIMS COMMITTEE'S REPORT

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 3:11 p.m. pursuant to Government Section Code 54956.95.

MOTION: Ann Garcia **SECOND:** Sherrell Freeman **MOTION CARRIED**

A motion was made to come out Closed Session at 4:12 p.m.

MOTION: Ann Garcia **SECOND:** Charlotte Dunn **MOTION CARRIED**

Claims Committee Chair, Brad Landreth reported that direction was given to the Claims Administrator.

C2b. Claims Administrator Contract Renewal July 1, 2004-2005

Claims Committee Chair, Brad Landreth reported that the Claims Committee met via telephone on May 25th to discuss the contract with Carl Warren & Company. At this Claims Committee teleconference, all ACCEL members were invited to participate in the meeting, although only Claims Committee Members had voting rights.

Ray Aromatorio, Keyan Aghili and Larry Hunt of Carl Warren & Company were in attendance to discuss their contract renewal and answer any questions of members regarding the transition of the ACCEL claim files from their Ventura office to Glendale.

Larry Hunt mentioned that Carl Warren would continue to bring greater expertise to ACCEL with a Claims Management Team, who are experienced and well educated. The Team assigned to ACCEL consists of Keyan Aghili from the Glendale office, and Ray Aromatorio from the Santa Barbara office, who will work side by side on all issues. The resumes of each team member were previously sent to ACCEL members under separate cover. It was clarified that ACCEL's primary contact to Carl Warren is Keyan Aghili, with Ray Aromatorio working side-

by-side with Keyan on cases, and as peer review. Ray also has the responsibility to be in Glendale at least once a week to go over files with Keyan.

Members requested that Carl Warren provide clear communication to all administrators the contact information since correspondence was still being sent to the Ventura Office. Keyan assured members that any ACCEL documentation sent to the Ventura Office would be forwarded to his offices in Glendale. Larry Hunt mentioned at ACCEL's request, they will make arrangements to meet with Members' City Attorney and claims personnel to have an orientation on Carl Warren and services to become familiar.

Larry also mentioned of Carl Warren's On-line Website Access system, which has always been available to ACCEL Members at no additional cost. The website address for access is <http://www.mycarlwarren.com>. By using the on-line claims system, members would be able to pull loss information and also customize reports. Members also will be to sign up on line to receive the loss run via email. Information Systems Support is available if members have any questions regarding these services. Members requested Carl Warren to email members on how to get signed-up for this service.

Tom Phillips asked of Carl Warren's experience in accurately reserving large, 6-figured cases. Tom expressed that this is critical since ACCEL is continuing to retain more and more risk. Tom added that the claims management team should also be able to develop strategies, have strong reserving practices, evaluate settlements strategize politics, along with involvement by the ACCEL Claims Committee Chairperson to assist in these processes as necessary.

Keyan Aghili replied that they have to put together a litigation plan and budget asking Members how much they expect it would cost and the likelihood of success for the action. Keyan previously worked for a JPA when Terry Norwood was the Chief Executive Officer and President of CAJPA. Ray Aromatorio has handled many excess claims and Keyan has experience in reserving large exposure claims with a water district account that retains \$25,000,000, and a unified school district account, retaining \$5,000,000. Carl Warren would have to rely on the Risk Managers to gain a better understanding of the politics and sensitive nature of any particular case.

Larry Hunt, Ray Aromatorio and Keyan Aghili left the meeting at 5:31 p.m.

It was discussed that the Claims Committee will provide a status report at the October Meeting. The Program Administrators were directed to draft a Claims Administrator Performance Evaluation Form to be used by members. The Board will decide at their February 2005 Board Meeting if they will go through a formal RFP Process.

A motion was made to renew the Claims Administration Contract with Carl Warren & Company effective July 1, 2004 to July 1, 2005, with the following corrections:

- Correct typographical error on handwritten page 20, Section 2, "These reporting procedures are contained in the Policy & Procedures of ACCEL".
- Delete "selected and paid by the Claims Administrator" on handwritten Page 21.

MOTION: Mary Akin

SECOND: Beverly Jensen

MOTION CARRIED

C2c. Heyenrath & Associates – Evidence of Insurance

This information was provided to members as required by the Heyenrath Contract with ACCEL.

The meeting was adjourned at for the day and will reconvene at 8:00 a.m. tomorrow.

(CONTINUED)
MINUTES OF THE
ACCEL BOARD OF DIRECTORS
SANTA BARBARA, CA
FRIDAY, JUNE 25, 2004, 8:00 A.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
Beverly Jensen, City of Mountain View
Brad Landreth, City of Santa Barbara
Tom Phillips, City of Santa Monica

MEMBERS ABSENT

Tom Vance, City of Anaheim

GUESTS AND CONSULTANTS

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

The meeting reconvened at 8:02 a.m.

C3. FINANCIAL & TREASURER'S REPORT

Treasurer Patrick Flaherty presented the following financial reports.

C3a. Ratification of Disbursements for Month Ending April 30, 2004

There was no discussion on this item.

C3b. Report of Investments –Pursuant to Government Section Code 53646(b)(1) for Months Ending April 30, 2004 and May 31, 2004

There was no discussion on this item. A motion was made to file and accept Agenda Item C3b1 and C3b2.

MOTION: Beverly Jensen **SECOND:** Charlotte Dunn **MOTION CARRIED**

C3c. Estimated Earnings Reports for Months Ending September 30, 2003, December 31, 2003 and March 31, 2004

A motion was made to file and accept Agenda Item C3c.

MOTION: Ann Garcia **SECOND:** Sherrell Freeman **MOTION CARRIED**

C3d. 2003/2004 Budget Year-to-Date

The budget was distributed at the meeting. There was no discussion on this item.

C3e. Status of ACCEL Financial Audit as of June 30, 2004

Patrick Flaherty mentioned that the process of the Financial Audit starts the first week of July. Patrick added that Members can expect updates as needed.

C3f. 2004/2005 Administration Budget

The 2004/2005 Administrative Budget was approved at the April Board Meeting, but was included in this agenda if amendments needed to be made at today's meeting. Amendments to the 2004/2005 Budget were accepted at this meeting, and are further detailed in the following Items in these Minutes:

- Item C4c – Change of Checking Account Type
- Item C5c – City of Burbank Application.

C3g. Liability Actuarial Update

The Actuarial Study was distributed at yesterday's meeting. Dan Howell mentioned that the study was completed by using new corrected loss information from Carl Warren and C.V. Starr. Dan added that the actuarial rates would be used to negotiate renewal rates with C.V. Starr, and other excess markets that quote submissions were sent to.

A motion was made to file and accept the Actuarial Study as handed out at yesterday's meeting.

MOTION: Mary Akin **SECOND:** Beverly Jensen **MOTION CARRIED**

C3h. City of Monterey – Investment Services

At the last meeting, the Investment Services Agreement with the City of Monterey was approved, with a condition that documentation from the City of Monterey be provided that will support the increase their proposed fee. A copy of the letter from Monterey was included in the agenda, Page 125. There was no discussion on this item.

C3i. July 1, 2003 to June 30, 2004 – Liability Payroll Audit

Patrick Flaherty reminded members that they will receive a request for final payroll by the Program Administrators by the first week of July. This payroll information will be used also by the financial auditors to complete the audit, and is due Mid-September.

C4. PROGRAM ADMINISTRATOR'S REPORT

C4a. CAJPA Accreditation Certificate

Program Administrators mentioned that the framed Accreditation Certificate was received by CAJPA and is at the offices of the Program Administrators. A copy of the certificate was included in the agenda on Handwritten Page 130.

C4b. ACCEL Service Calendar

This item is included in the June Agenda annually. Program Administrators mentioned that this calendar will be posted on the ACCEL website. There was no discussion on this item and no action was taken.

C4c. Change of Checking Account Type

Program Administrators mentioned that for the past few years, ACCEL has had a commercial business account, rather than a governmental account. Communication was made between the Program Administrators, Treasurer and the Union Bank Manager. The process would be to close the account and re-open it as a governmental account. The monthly bank fees would increase about \$50. Additionally, ACCEL would need to order new check stock at a cost of about \$300-\$600. It is averaged that a stock of checks would last five years or more.

A motion was made to authorize the change of the ACCEL Union Bank Account from a commercial to governmental account, approve a maximum budget of \$1,000 for all costs necessary for this transition, and increase line item "Miscellaneous Expenses" by \$1,000 in the 2004/2005 Administrative Budget to reflect this change.

MOTION: Ann Garcia **SECOND:** Beverly Jensen **MOTION CARRIED**

C5. UNDERWRITING COMMITTEE'S REPORT

Tom Phillips presented the Underwriting Committee's Reports.

C5a. Resolution 03/04-14 – Adopting the 2004 ACCEL Liability Memorandum of Coverage

For the past 2 years, the ACCEL Underwriting Committee has been working on revisions to the Memorandum of Coverage (MOC), last issued in 1997, in preparation of re-adopting it due to the hardening market. The draft MOC was included in the agenda, along with a cover page describing the outline of changes made.

A motion was made to adopt Resolution 03/04-14 – Adopting the 2004 ACCEL Liability Memorandum of Coverage, and the Memorandum of Coverage as presented in the Agenda, with exception to:

- Handwritten Page 151, P.7 should read as Liability arising out of the fiduciary activities as respects employee benefit plans, but however, this exclusion does not apply to administration of the Members employee benefits programs, not *of* the Members.
- Handwritten Page 155, Definition **Retained Limit** IIC should be read as Section IIB, not *Section IIC*.
- On Handwritten Page 157, Multiple Covered Periods, Program Administrators advised they review both the MOC and C.V. Starr Policy form to be sure that these forms' Multiple Coverage Periods tie, and make the amendment to reflect this change, if necessary.

MOTION: Brad Landreth **SECOND:** Patrick Flaherty **MOTION CARRIED**

C5b. City of Burbank Application

The City of Burbank has not yet indicated to ACCEL if they are joining July 1. Program Administrators received information from City of Burbank that they are interested in joining, but will not have a final answer until it is approved at their upcoming City Council Meeting, sometime early next week.

Program Administrators requested if Burbank joined on July 1, that ACCEL approve a \$7,000 increase in the Contract fee from \$153,000 to \$160,000.

A motion was made to accept Burbank as a member of ACCEL effective on July 1, subject to the City providing approval in writing to the Program Administrators no later than June 29th at noon to allow the Program Administrators to timely place the excess insurance. Additionally, this motion includes amendments to the following line items in the 2004/2005 Administration Budget should Burbank join ACCEL on July 1:

- Program Administrators Fee increase from \$153,000 to \$160,000
- Contingency is increased from \$4,000 to \$7,000

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

C5c. Administrative Policy & Procedure – Notification to ACCEL of New Exposures (Draft)

The Program Administrators provided a draft of this Policy as directed by Members at the April Board Meeting. After a discussion, ACCEL agreed that the purpose of a new Policy & Procedure should be on the proper reporting procedures of new exposures, not on excluding exposures which have not met certain underwriting criteria. Program Administrators were directed to try another redraft and report back at a future meeting.

C6. NOMINATING COMMITTEE'S REPORT

C6a. Election of Officers

The Nominating Committee, Ann Garcia and Sandra Blanch announced the preferred assignments:

Executive Committee:	President, Tom Phillips Vice President, Tom Vance Treasurer, Patrick Flaherty Secretary, Sandra Blanch
Claims Committee:	Brad Landreth Erwin Young Beverly Jensen Mary Akin
Underwriting Committee:	Tom Vance, Chair Tom Phillips Sandra Blanch Ann Garcia
Finance Committee:	Patrick Flaherty, Chair Charlotte Dunn Sherrell Freeman

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

Tom Phillips, President
Tom Vance, Vice President
Sandra Blanch, Secretary
Patrick Flaherty, Treasurer

MOTION: Ann Garcia **SECOND:** Sandra Blanch **MOTION CARRIED**

The Executive Committee will schedule a meeting sometime in July to appoint members of the Claims, Underwriting and Finance Committees. Direction was given to the Program Administrators to email a reminder to members for any additional preferred committee assignments since the Bylaws may be amended later at today's meeting (Agenda Item E2) which will allow Alternate Representatives to serve on these Committees.

D. UNFINISHED BUSINESS

D1. ACCEL Excess Liability Program Renewal

Dan Howell presented this item and distributed the renewal information to members at the meeting. The handout included two separate spreadsheets showing members' costs attaching at \$3,000,000 and \$5,000,000 on Handwritten Page 4 and 5. Dan mentioned that the Terrorism Coverage (TRIA) buy-back costs were included in the pricing for the Lexington and C.V. Starr Layers only and TRIA would be excluded for all other higher layers.

Dan Howell noted that the Arch, Axis and Starr XS pricing shown is a rough premium estimate and should receive actual indications by the optional excess markets early next week. Dan added that the Starr XS Layer is for Auto Liability and General Liability, not including Public Officials. Sandra Blanch asked if there was a deadline to make a decision on the optional placements. Dan Howell responded that he must secure the placements no later than July 29th at noon. Dan indicated he would email revisions to members on Monday or Tuesday of next week.

Dan Howell thanked Members for allowing Brian Egen from AIG to attend the April Board Meeting and make a presentation which Dan feels worked to ACCEL's advantage with negotiations and the actuarial study which was important to AIG, and with negotiations with the other markets.

A motion was made to accept the following action:

- Adoption of a pooled funding layer rate of \$0.60 per \$100 of payroll for FY 04/05;
- Purchase of excess insurance from Insurance Company of the State of Pennsylvania, attaching a \$3,000,000 retention, at a cost of \$1,926,474;
- Continuation of the optional Excess Liability Program with the purchase of excess insurance, attaching \$10,000,000 xs \$13,000,000 from Lexington Insurance Company, bringing ACCEL's total program limits to \$23,000,000 xs \$1,000,000;
- Allowance for members to pay for the above excess insurance premiums out of the \$.60 rate, but requiring members to pay separately, JPA Administrative Cost; and
- Allowance for ACCEL members to purchase additional optional excess insurance limits through Axis, Arch and Starr XS, with the cost paid in addition to the \$0.60 rate and JPA Administrative Costs.

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

D2. Excess Workers' Compensation Program Renewal

Program Administrators distributed the most recent indications received by CPEIA. The premiums shown were slightly lower than the numbers provided at the April Board Meeting. Program Administrators believe they will receive the final pricing by the CPEIA on June 29th and will send any new information when received next week. Members will receive an invoice directly from the CPEIA, and at that time will have the option of paying all or part of the Assessment as notified at the April Board Meeting.

D3. Approval of the FY 2004/2005 Pool Deposit Rate

There was no discussion on Item D3 since action took place during a discussion of Item D1 (above).

D4. Financial Audit Error Reconciliation between EER and Claims Data

Mike Simmons presented this item and concluded that the work researched by Craig Schweikhard and Janelle Cabanding has been completed per the request of the Financial Auditors. Mike explained in detail the spreadsheets included in the agenda packet with members to assist them with a better understanding of ways to make these corrections to have the EER and Claims Data tie at fiscal year end.

A motion was made for Program Administrators to separate out the Coverage Counsel costs associated with the Colvin, Rios, Schulman, Mancha and Anaheim Hills cases as indicated on Handwritten Page 173 of the agenda, charge these costs as Allocated Loss Adjustment Expenses and make a correction in the June 30, 2004 Estimated Earnings Report.

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

D5. Approval of IBNR at June 30, 2004

It was noted that the June 30, 2004 IBNR figures on Handwritten Page 179 were Case Reserves numbers from the Actuarial Study and should have been indicated as IBNR figures on Handwritten page 180, Column C. Mike Simmons reminded members that IBNR figures approved by ACCEL are used as Retained Funds in the Retrospective Rating Calculations and asked if members wanted to increase the amount of Retained Funds or use the IBNR. There was no interest to include any amounts higher than IBNR figures to calculate the Retro Returns.

A motion was made to approve IBNR figures as indicated on Handwritten page 180, Column C, to be used in the Retrospective Rating Calculations as Retained Funds, and for the Financial Auditors:

Accident Year	AT JUNE 30, 2004 (C)
\$500,000 Excess \$500,000 Layer	
1986 - 1990	\$0
\$9,000,000 Excess \$1,000,000 Layer	
1986 - 1995	\$0
1995/1996	\$12,020
1996/1997	\$2,148
1997/1998	\$59,920
2003/2004	\$1,059,582
Totals	\$1,133,671

MOTION: Beverly Jensen **SECOND:** Sandra Blanch **MOTION CARRIED**

D6. Retrospective Rating Plan Calculation

Mike Simmons presented this item and noted that the numbers reflect two claims payments that were unexpected this past year. The spreadsheet on Handwritten Page 182 shows Bakersfield and Palo Alto “owing” monies back into ACCEL as a result of this activity. A discussion took place on how to handle this unusual situation. Additionally, it was noted that Gardena and Burbank, who are past members of ACCEL during these application Program Years, also owe monies.

Mike Simmons reminded Members to submit in writing to the Treasurer or Program Administrators what amount they would like to be 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 2004/2005 are paid.

A motion was made to approve the Retrospective Rating Calculations shown on Handwritten Page 182, subject to the revision of the IBNR figures as approved in prior Item D5 (above), which are included as Retained Funds in the Retrospective Rating Calculations, and for the allowance of Bakersfield and Palo Alto’s assessment to be postponed for one year.

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

It was clarified that both Gardena and Burbank will receive an invoice for the funds they must return back to ACCEL as a result of these Calculations.

E. NEW BUSINESS

E1. Administrative Procedure – Final Plan (Program Year Borrowing)

This item was removed from the agenda due to the action taken in prior item D6 (above).

E2. Resolution 03/04-13 – Amending the Bylaws

Members were notified of these changes in accordance with Article XIV of the Bylaws. A motion was made to approve the amendments to the Bylaws as noticed, and adoption of Resolution 03/04-13 – Amending the Bylaws.

MOTION: Sherrell Freeman **SECOND:** Charlotte Dunn **MOTION CARRIED**

E3. RRP – Future Close-out of Program Years 2 & 3

Mike Simmons presented this item. Mike mentioned that Program Years cannot be closed until all members’ claims over \$25,000 are closed, and according to their records in the Retro Program, most of these claims are closed in the earlier years. A closed year would be re-opened if a claim were to open and have a reserve above \$25,000. Mike added that ACCEL should try to get the claims in earlier Program Years settled so we can close out these older years.

E4. Other Insurance Renewals

Janelle Cabanding indicated that the Public Employee Dishonesty has an anniversary date of July 10th, and the premium is billed annually at \$1,205. Janelle added that she has not yet received the Trustees E&O renewal quotation from the expiring carrier, but has received a preliminary indication from the carrier that the premium may increase 10%.

A motion was made to approve a cost not to exceed \$12,000 to pay for these insurance renewals.

MOTION: Ann Garcia **SECOND:** Sandra Blanch **MOTION CARRIED**

E5. Next Two Meetings Schedule

It was agreed to change the December Meeting location in Anaheim to Ontario since the February Meeting is held in Anaheim in connection with the Annual PARMA Conference.

F. CORRESPONDENCE/INFORMATION

There was no discussion on this item.

G. PUBLIC COMMENTS

There were no public comments.

H. GENERAL RISK MANAGEMENT ISSUES

Patrick Flaherty asked if members had any information on employee use of rental cars.

A motion was made to adjourn the meeting at 11:42 a.m.

MOTION: Sandra Blanch **SECOND:** Beverly Jensen **MOTION CARRIED**