

**MINUTES OF THE
ACCEL BOARD OF DIRECTORS MEETING
SANTA BARBARA, CALIFORNIA
THURSDAY, JUNE 19, 2003, 3:00 P.M.**

MEMBERS PRESENT:

Tom Vance, City of Anaheim
Patrick Flaherty, City of Bakersfield
Ben Bankard, City of Modesto
Mary Sue Baker, City of Monterey
Karen Thesing, City of Mountain View
Ann Garcia, City of Ontario
Sandra Blanch, City of Palo Alto
Brad Landreth, City of Santa Barbara
Erwin Young, City of Santa Cruz
Tom Phillips, City of Santa Monica
Charlotte Dunn, City of Visalia

GUESTS AND CONSULTANTS

Dan Howell, Driver Alliant Insurance Services, Inc.
Mike Simmons, Driver Alliant Insurance Services, Inc.
Janelle Cabanding, Driver Alliant Insurance Services, Inc.
Craig Schweikhard, Carl Warren & Company

A. CALL TO ORDER

The meeting was called to order by President Tom Vance at 3:10 p.m.

B. CONSENT CALENDAR

B1. Approval of Minutes – May 1 and 2, 2003 Board of Directors Meeting

Corrections were to move Brad Landreth's items to the May 1 Meeting day when he was in attendance. The rate in premium on handwritten page 6 needs to be amended to read as \$.258.

A motion was made to approve the minutes as amended.

MOTION: Ann Garcia

SECOND: Mary Sue Baker

MOTION CARRIED

C. REPORTS

C1. PRESIDENT'S REPORT - None

C2. CLAIM'S 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 reconvene from Closed Session at 3:30 p.m. pursuant to Government Code Section 54956.95.

MOTION: Mary Sue Baker **SECOND:** Ben Bankard **MOTION CARRIED**

A motion was made to come out of Closed Session at 5:25 p.m.

MOTION: Mary Sue Baker **SECOND:** Pat Flaherty **MOTION CARRIED**

Claims Committee Chair, Brad Landreth, reported that direction was given to the Claims Administrator with respect to the San Francisquito Claim.

The Board had a discussion relating to the accuracy of loss reports and updating of the reports. It was suggested that at June 30th each year, Leo Heyenrath should be reconciling the loss run from Carl Warren with each City's loss run. At December 31st, the Program Administrator will compare the Carl Warren loss run with the losses used in the retro.

C2b. Draft Minutes of the April 10, 2003 Claims Committee Teleconference Meeting

The minutes were submitted as information only; no action was taken. At the next Claims Committee meeting, these minutes will be reviewed and approved.

C2c. Carl Warren & Company – Evidence of Insurance

As required by their contract with ACCEL, Carl Warren & Company provided the Board with evidence of insurance.

C2d. Heyenrath & Associates – Evidence of Insurance

As required by their contract with ACCEL, Heyenrath & Associates provided the Board with evidence of insurance. The Program Administrators were directed to prepare the contract for signatures.

C3. FINANCIAL AND TREASURER'S REPORT

Treasurer Patrick Flaherty reported on Financial Reports C3a through C3i.

C3a. Report of Investments Pursuant to Government Section Code 53646(b)(1)

The Report of Investments was handed out at the meeting. Mary Sue Baker commented that the large sum in LAIF is being held due to the expected retrospective withdrawals, and the portfolio will be re-balanced after dividends. There were no comments or discussion on this item.

A motion was made to accept and file the Report of Investments as submitted.

MOTION: Brad Landreth **SECOND:** Mary Sue Baker **MOTION CARRIED**

C3b. Budget Year-to-Date

This item was tabled for the next meeting.

Items C3c and C3i were handled together to amend the Administrative Budget.

C3c. Adopted FY 2003/2004 Budget

C3i. Resolution 2002/2003 Amending the 2003/2004 Administration Budget

The Cities of Anaheim and Palo Alto indicated they would like to participate in the ACCEL Travel Reimbursement Program for FY 2003/2004. The addition of Palo Alto raises the Administration Budget from \$330,000 by \$2,500.

A motion was made to adopt the budget as shown in Exhibit 1.

A motion was made to approve Resolution No. 02/03-08 amending the 2003/2004 Administrative Budget.

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

It was clarified that the motion included Palo Alto's adjustment of their travel expense by \$2,500 as well, amending the total to \$5,000 for Travel.

MOTION CARRIED

Mike Simmons passed out the Administrative Budget. He commented that members should make sure that their accounting departments' new payments for ACCEL Program Invoices (Pool Deposit and Administration Fees) should be sent to Driver Alliant, versus Scott Manzer. He asked members to make sure that their payable systems show payments to "ACCEL, c/o of Driver Alliant (San Francisco Office Location)" versus the address shown on other Driver Alliant invoices that are routed to the Driver San Diego accounting department.

C3d. ACCEL Deposits for FY 2003/2004

Janelle Cabanding passed out a spreadsheet showing members' deposits for 2003/2004. Erwin Young asked why the City of Anaheim's payroll had increased so much. It was clarified that the City of Anaheim's payroll increased because their Utility is now included in the program rather than being separately insured.

Tom Vance mentioned that including the Utility in the excess program should not have had a large impact on the premium since the insurance company rates on population rather than payroll.

C3e. Resolution No. 02/03-04 Authorizing Investment Monies in the Local Agency Investment Fund (LAIF)

A motion was made to adopt Resolution No. 02/03-04 Authorizing Investment Monies in the Local Agency Investment Fund (LAIF).

MOTION: Mary Sue Baker **SECOND:** Karen Thesing **MOTION CARRIED**

C3f. Status of ACCEL Financial Audit as of June 30, 2003

Pat Flaherty reported that they are going to be moving forward with the audit process shortly. It appears to be on track.

C3g. Draft Minutes for the Finance Committee Meetings – March 1, 2003 and May 1, 2003

The minutes were submitted as information only and no action was taken. At the next upcoming Finance Committee meeting, these minutes will be reviewed and approved.

C3h. Accounting Services Update

Pat Flaherty asked that Mike Simmons comment on an update. Mike Simmons mentioned that Linda Shin is the staff person at Driver Alliant who will be working on the books for ACCEL. A teleconference is scheduled sometime next week with Scott Manzer. Tom Vance indicated that he did speak with Scott Manzer; he thanked him for his service and describing the rationale for the decision to hire a firm to do the work.

C4. EXECUTIVE COMMITTEE REPORT – None.

Mary Sue Baker reported she would be retiring from the City of Monterey on July 4, 2003. After 12 years of representation at all levels within ACCEL except the Treasurer, she was thanked for her contribution and congratulated on her retirement.

Ann Garcia mentioned that she successfully completed ARM 54.

The meeting was adjourned until Friday, June 20, 2003, reconvening at 8:30 a.m.

(CONTINUED)
MINUTES OF THE
ACCEL BOARD OF DIRECTORS MEETING
SANTA BARBARA, CALIFORNIA
FRIDAY, JUNE 20, 2003, 8:30 A.M.

MEMBERS PRESENT:

Tom Vance, City of Anaheim
Patrick Flaherty, City of Bakersfield
Ben Bankard, City of Modesto
Mary Sue Baker, City of Monterey
Karen Thesing, City of Mountain View
Ann Garcia, City of Ontario
Sandra Blanch, City of Palo Alto
Brad Landreth, City of Santa Barbara
Erwin Young, City of Santa Cruz
Tom Phillips, City of Santa Monica
Charlotte Dunn, City of Visalia

GUESTS AND CONSULTANTS

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

The meeting was reconvened at 8:32 a.m.

C5. PROGRAM ADMINISTRATOR'S REPORT

C5a. ACCEL Service Calendar

Brad Landreth asked about the loss calculation work that would take place. Mike clarified that the work would now take place twice a year. Leo Heyenrath with the June 30th data and December 31st, the Program Administrators will do it using the retrospective rating data. Mike Simmons noted that the errors in a loss run found yesterday fortunately did not have significant actuarial impact from his perspective because one was approximately the same amount in the favor of ACCEL's loss history and one was the same amount opposite of ACCEL's loss history.

C5b. ACCEL Potential Members – Prospect List

The Program Administrator reviewed the list of cities that might be prospects. The Board reviewed the list of cities and identified cities that should receive a letter from the ACCEL president inviting them to review ACCEL as a potential member. It was requested that the Program Administrator cross-reference the list of cities with the PARMA director to ensure that

all cities with risk managers received the letter if they are appropriately sized. The letter will be directed to the city risk manager. The letter will be reviewed by the ACCEL president prior to mailing.

C6. UNDERWRITING COMMITTEE'S REPORT

C6a. Resolution No. 02/03-06 – Resolution adopting the ACCEL Underlying Liability Memorandum of Coverage Effective July 1, 2003

Underwriting Committee Chair, Tom Phillips reported on this item. Tom mentioned the efforts of the Underwriting Committee in rewriting the Memorandum of Coverage when ACCEL anticipated on self insuring their \$9,000,000 excess \$1,000,000 Program Layer since February of this year. At the May Board Meeting, Program Administrators provided indications from their expiring carrier, Insurance Company of the State of Pennsylvania. They offered a quotation for a \$10,000,000 excess \$2,000,000 Program, and the Board gave direction to the Program Administrators to secure the renewal.

The Underwriting Committee met earlier to discuss the Memorandum of Coverage issue, which was that a Memorandum of Coverage may not be necessary since purchase of excess insurance would limit ACCEL's exposure to a \$1,000,000 excess \$1,000,000 pooled layer. ACCEL would benefit from using an underlyer that duplicates the coverage terms and conditions of the C.V. Starr Form, rather than issuing a Memorandum of Coverage for a \$1,000,000 amount of risk. The purpose of the underlyer would be to avoid a conflict in coverage between ACCEL and the excess carrier.

The goal of the Underwriting Committee was to develop the underlyer without changes in the prior Memorandum of Coverage and the excess policy, while reconciling coverage with the excess policy. Mike Simmons noted that an underlyer follows the conditions of the policy above it, similar to how a following form policy follows the conditions of the policy below it.

A motion was made to accept Resolution No. 02/03-06 – Resolution adopting the ACCEL Underlying Liability Memorandum of Coverage Effective July 1, 2003.

MOTION: Mary Sue Baker **SECOND:** Ben Bankard **MOTION CARRIED**

It was further noted that the Underlyer may be brought back in a future Board Meeting for revisions that were recommended during the Underwriting Committees' earlier development of the 1997 Memorandum of Coverage.

C7. NOMINATING COMMITTEE'S REPORT

C7a. Election of Officers

Sandra Blanch and Ann Garcia reported back to the Board that there were recommendations and suggestions for the Claims, Finance and Underwriting Committees. The Executive Committee will schedule an Executive Committee Meeting to appoint members to each of the Committees.

The Program Administrators were requested to keep on next year's agenda the Officers Committee as a standing item for the Friday after the June ACCEL Meeting.

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: Mary Sue Baker **SECOND:** ErwinYoung **MOTION CARRIED**

D. UNFINISHED BUSINESS

D1. Optional Excess Workers' Compensation

Mike Simmons reported on this item. He mentioned that on Monday, members of the Optional Excess Workers' Compensation Program will receive a written confirmation of the renewal. Mike mentioned that members received an e-mail a few weeks ago indicating their estimated renewal premiums, and that those premiums are going to increase approximately \$2,000 to \$3,000. Mike noted that CPEIA is still calculating their final administration fees based on the renewal participation. There was general discussion about the rates that are approximately 75% to 100% higher than last year's. Mike confirmed that CPEIA was raising the rates across the board, not just for ACCEL members.

D2. Approval of the \$0.60 Pool Deposit Rate

A motion was made to accept the \$0.60 rate, and members would pay the \$10,000,000 xs \$12,000,000 premium as part of the \$0.60 rate and as an option, their ACCEL Administration Fee.

MOTION: Erwin Young **SECOND:** Ann Garcia **MOTION CARRIED**

Program Administrators requested that members who would like to pay their Administration Fees out of the \$0.60 rate to return the administration invoices back to them.

D3. ACCEL Excess Liability Program Renewal

D3a. \$9,000,000 Excess \$1,000,000 Program Layer

Daniel Howell reported on this item. At the last meeting, the ACCEL Board took action by directing Program Administrators to bind the renewal with AIG at the following options:

1. At a \$1,000,000 SIR if AIG would agree to offer \$10,000,000 in limits at a rate of \$0.60 per \$100 of payroll; or
2. At a \$2,000,000 SIR at a rate of \$0.26 per \$100 of payroll if option 1. Failed.

Daniel reported that AIG would not agree to Option 1. The committee confirmed binding instructions for Option 2 per the action taken at the last meeting.

D3b. \$500,000 Excess \$500,000 Options

The Program Administrators reported that there were no takers offering quotes to ACCEL for this layer. Dan Howell was requested to open discussions with C.V. Starr as respects potential multi-year policy retroactive to July 1. These negotiations may start in October.

D4. Approval of IBNR at June 30, 2003

A motion was made to approve the IBNR as presented in the agenda subject to any changes that may occur through June 30th on updated reserves with the claims administrator.

MOTION: Mary Sue Baker **SECOND:** Brad Landreth **MOTION CARRIED**

D5. Retrospective Rating Plan Calculation

Mike Simmons reviewed the spreadsheet included in the agenda packet. He mentioned that the final retrospective returns shown in the spreadsheet include the IBNR figures presented in item D4 (subject to final IBNR changes). Members are required to notify the Treasurer by June 30th whether or not they want to withdraw, and if so, at what amount. Mike Simmons reminded members that no retrospective returns will be made until members pay their renewal premiums. The excess carriers must be made by July 30th.

A motion was made accept the final Retrospective Rating Calculations as presented in the agenda, understanding that IBNR may change as discussed in the prior agenda item.

MOTION: Mary Sue Baker **SECOND:** Charlotte Dunn **MOTION CARRIED**

D6. Bylaws – Amended as of May 2, 2003

These are the Bylaws as approved at the last meeting. It is posted on the ACCEL Website.

E. NEW BUSINESS

E1a. Public Employee Dishonesty

A motion was made to renew the coverage.

MOTION: Karen Thesing **SECOND:** Erwin Young **MOTION CARRIED**

E1b. Trustees Errors & Omission

A motion was made to renew the Trustees Errors & Omission coverage without the Terrorism coverage.

MOTION: Erwin Young **SECOND:** Karen Thesing **MOTION CARRIED**

E2. Next Two Meetings Scheduled

Janelle Cabanding reported that she has not struck a deal yet with Hotel Pacific. They have quoted a rate in excess of \$200. Janelle is looking for reasonable hotel accommodations. Tom Vance suggested Janelle to contact the Monterey Hotel also.

With respect to the Santa Monica meeting, Tom Vance mentioned that the Board will be holding a brief Strategic Planning Session at that meeting.

E3. Resolution 02/03-07 – Amendment to ACCEL Teleconference Policy and Procedure

At the last meeting, the Board of Directors had decided to eliminate the availability of teleconferencing for scheduled in-person meetings. The proposed language affects that decision.

A motion was made to approve Resolution 02/03-07.

MOTION: Mary Sue Baker **SECOND:** Pat Flaherty **MOTION CARRIED**

OPPOSED: Brad Landreth

F. CORRESPONDENCE/INFORMATION

There were no comments or discussion on these items.

G. PUBLIC COMMENTS – None.

H. GENERAL RISK MANAGEMENT ISSUES

Dan Howell asked members if they anticipate any problems in sending us their loss data in Excel format. Some members mentioned that they are not sure if their system can convert the data appropriately. Dan will see if he can locate an instruction sheet on how to do so from certain types of databases.

Tom Vance asked what other members do with respect to public comments in a City meeting. Some members mentioned that there is a maximum time allowed for public comments. Ann Garcia mentioned that if at times the public comments are televised, they can disallow taping if profanity is used.

There were no other issues discussed.

The meeting was adjourned at 11:04 a.m.