

**MINUTES OF THE
ACCEL BOARD OF DIRECTORS MEETING
THURSDAY, APRIL 14, 2011
FRIDAY, APRIL 15, 2011
SHERATON DELFINFA
SANTA MONICA, CA**

MEMBERS PRESENT

Tom Vance, City of Anaheim
Ralph Korn, City of Bakersfield
Betsy Dolan, City of Burbank
Mary Akin, City of Modesto
Rhonda Combs, City of Monterey
Claudia Koob, City of Mountain View
Ann Richey, City of Ontario
Mark Howard, City of Santa Barbara
Deb Hossli, City of Santa Monica
Charlotte Dunn, City of Visalia

MEMBERS ABSENT

Sandra Blanch, City of Palo Alto
Barbara Choi, City of Santa Cruz

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Daniel Howell, Alliant Insurance Services
Monica Sandbergen, Alliant Insurance Services
Keyan Aghili, Carl Warren & Company

A. CALL TO ORDER

President Tom Vance called the meeting to order at 2:30 p.m.

B. CONSENT CALENDAR

B1. Approval of the Minutes – February 09, 2011 Board Meeting

A motion was made to approve the minutes with a few typographical errors noted.

MOTION: Rhonda Combs **SECOND:** Ralph Korn **MOTION CARRIED**

C. GENERAL RISK MANAGEMENT ISSUES

D. REPORTS

D1. President's Report

D1a. Appointment of Nominating Committee

Tom Vance advised that there will be elections at the next Board meeting and asked for 2 volunteers to ask members if they are planning on running or if they would like to be on the committee. Rhonda Combs and Charlotte Dunn volunteered to be on the nominating committee.

D2. Claims Committees

D2a. A motion was made to enter into Closed Session at 2:58 p.m. pursuant to Gov't Code 54956.95.

MOTION: Tom Vance **SECOND:** Ann Richey **MOTION CARRIED**

A motion was made to enter out of closed session at 4:15 p.m.

MOTION: Tom Vance **SECOND:** Ann Richey **MOTION CARRIED**

D2b. Claims Administrator Annual Contract

Ralph Korn advised that the Claims Committee met and reviewed the proposal from Carl Warren with the 1 year option in the contract and that the Committee approved the continuance of the contract.

A motion was made to renew contract with Carl Warren with 1 year extension.

MOTION: RALPH KORN **SECOND:** Deb Hossli **MOTION CARRIED**

D3. Financial and Treasurer's Report

D3a. Ratification of Disbursements for Months Ending January 31, 2011, February 28, 2011, and March 31, 2011

ACCEL's Treasurer, Betsy Dolan, reported on the Disbursements for the months ending January 31, 2011, February 28, 2011 and March 31, 2011 and advised that the first 4 pages included in the agenda packet are disbursements that are mostly expense payments and a few claims payments.

A motion was made to approve the Ratification of Disbursements.

MOTION: Mark Howard **SECOND:** Mary Akin **MOTION CARRIED**

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

A motion was made to receive and file the Member Account Summary as of December 31, 2010

MOTION: Mark Howard **SECOND:** Ralph Korn **MOTION CARRIED**

D3c. ACCEL Financial Audit as of June 30, 2011.

Page 42 is the summary for the month of November. Maturity Distribution may be shifted to short-term. ACCEL is still in compliance with investment policies.

D4. Program Administrator's

D4a. Account Time Tracking as of December 31, 2010

Conor Boughey reported that Alliant as PA is paid on a fee and each year we present our hours to the Board. Our contract fee this year was \$206,000. This does not include the time we spend on brokering the account.

A motion was made to approve

D5. Underwriting Committee's

E. UNFINISHED BUSINESS

E1. Medicare Reporting Agent – Carl Warren and Company

Conor Boughey advised that the Medicare Reporting registration process must be completed by January 1, 2010 and that he has been working with Carl Warren in getting them set up as the Reporting Agent. Keyan Aghili with Carl Warren advised that he received some proposed language from Rhonda Combs in regards to the hold harmless wording.

A motion was made to approve the amendment on page 65 of the Agreement for Professional Services By and Between ACCEL and Carl Warren & Company.

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

E2. ACCEL Excess Liability Program Renewal

Dan reported that Alliant is talking to markets to see if there are any other better deals out there besides the current program. The 3 markets that Alliant is talking to are Amtrust, Tower and Selective. Mr. Howell advised that a Notice of Cancellation was received from Everest on the \$10M Excess of \$5M layer because CV Starr has ended its underwriting contract with Everest and has changed paper to SILK, but that the new terms on the SILK paper will be consistent with the expiring terms. Selective – we are going to direct; Amtrust and Tower – being marketed via ANML for both the option within the ACCEL layer and for replacing CV Starr. CV Starr and its SILK paper would be part of the ANML placement. Tower and AmTrust are being looked at as buffer layers which would allow for lower SIR's for other members. Mr. Howell advised the members that the \$10M Excess of \$5M is the critical layer because it sets the pricing for all other layers. American Merchants (Endurance) and Lexington would like to renew. The \$25 Excess of \$50M and \$25M Excess of \$75M layers will be based on expiring pricing and the underlying. On the \$50M Excess of \$100M Layer, Torus has increased their rates due to losses, i.e. PG&E, Deep Water Horizon, and they no longer want to write Excess Liability. Dan Howell advised that Alliant is currently looking for another market. Dan Howell reported he expects a flat renewal overall on the primary layer and first layer

above and Lexington layer. Above that, ACCEL is at the minimums as a group, therefore, the goal is to drive in the savings on the first layer because that will set the tone for the rest. Dan H. advised that there is no aggregate on ANML's form, except for products liability. Alliant is negotiating with CV Starr to keep ANML's form. We are talking to IronStar on 50 x of 100 layer. Pricing on CV Starr's SILK paper should be close to expiring. ACCEL is rated as a group within ANML's program. Dan Howell reported the casualty market as a whole has not been impacted by the Japan earthquakes and that the London markets (property) are looking for increases on earthquake and other catastrophic lines of coverage.

E3. Optional Excess Workers Compensation Program

Conor Boughey reported that Workers Compensation renewal pricing estimates are 15-20% higher than expiring due to the actuarial study and the new formula that CSAC-EIA is using. Mike Simmons advised that he is more concerned with the new rating plan that CSAC is using and how it's going to affect the members' premiums than with the actuarial study. Mr. Simmons stated that ACCEL can become one unit in CSAC and that Alliant may come back to the Board with a recommendation after discussing this option more with CSAC.

E4. Approval of the 2011 Actuarial Report

Conor Boughey reminded the Board that the Actuarial Study was presented at the last Board meeting and approval of the study is needed at this meeting.

Mary Akin from the City of Modesto had a question in regards to the outstanding years between 1991 and 2003 on the study and why those years show diminutive values. Michael Simmons advised that if these values are on the member's loss run, then they will show up on the Actuarial Study. Conor Boughey advised that he reviewed the loss run and as of December 31, 2010, the oldest open claim excess of \$25,000 is in 2000.

A motion was made to approve the 2011 Actuarial Report.

MOTION: Mary Akin **SECOND:** Deb Hossli **MOTION CARRIED**

E5. UBOC Account Reporting Service

Conor Boughey advised that Union Bank has agreed to credit ACCEL's account and that ACCEL does not need to pay the overdraft fee. Mr. Boughey also reported that ACCEL is now enrolled in the overdraft program with Union Bank for \$90 a month.

E6. Utility Exposures at Member Agencies

Conor Boughey reported he wasn't able to get the payroll for Olive 1 and Olive 2 and asked the Board if they would like to continue the process of covering Olive 1 and Olive 2.

Mark Howard advised that the City of Santa Barbara has a small hydroelectric plant that is turned on periodically to generate power for their waste water plant. Mr. Howard also

advised that the City of Santa Barbara does not have Liability or Property coverage for their dam because it is located in the national forest with nothing around it.

A motion was made to add Olive 1 and Olive 2 and Santa Barbara's small generation plant effective July 1, 2011.

Olive 1 and Olive 2 and Santa Barbara's small generation plant need to be memorialized on the Declarations Page.

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

F. NEW BUSINESS

F1. Draft Administration Budget

F2. Draft Retroactive Adjustment Calculations

Conor Boughey advised that this is the Board's first look at the numbers. Mr. Boughey also stated that if any member would like to take a return, they should let Alliant know as soon as possible so that it can be built into the final numbers which will be presented at the June Board meeting. Conor reported that \$5,785,698 is available for return. The City of Bakersfield was advised that they could be assed \$413,348, but that the test year indicates they will receive \$521,254, which leaves a theoretical balance of \$107,906. Mike S. advised that only 1 reserve has been set for Burbank's claim, not 2. However, the member's balance could be affected at a later date should the second claim be added to the loss run. Conor informed the Board that the rating plan was to where if a larger city has a large claim, they will pay more of the deposit. The Board was also advised that the retro went down due to a series of bad losses.

The City of Bakersfield was advised that it has the option of asking for a 1 year extension before the assessment is made. Mike Simmons advised that Alliant is looking at closing out old years. 91-96 can be closed and all those funds will be rolled forward.

Conor Boughey advised the Board that action will be taken at the June Board meeting – members will approve or disapprove the retro.

Mike Simmons advised that Alliant would like to know by June 1 if a member will be taking a withdrawal or not.

F3. Effects of Earthquakes on Global Insurance Market

Conor Boughey advised the Board that 2 articles were included in the agenda packet that discuss how much the Japan earthquake loss will be. Dan Howell advised that RMS is using a new model that will be increasing the probably of loss for inland areas. The initial loss projection of the Japan earthquake was \$20 to \$30 billion and they have reaffirmed that they think the loss will be in this range. Dan Howell reported that this figure is the one that will hit the worldwide market outside of Japan and that it will impact earthquake

and windstorm rates, but most likely won't cause the market to harden as a whole. Mr. Howell also advised that the Liability markets should not be affected.

F4. Program Administration Contract Renewal 2011-2015

F5. Investment Policy – Annual Review

A motion was made to approve the modifications to the Investment Policy.

MOTION: Mark Howard **SECOND:** Charlotte Dunn **MOTION CARRIED**

F6. Next Two Meetings Schedule

LOCATION	DATES(S)
Modesto	Thursday and Friday, June 23 rd and 24 th , 2011
Santa Cruz	Thursday and Friday, October 6 th and 7 th , 2011

G. CORRESPONDENCE/INFORMATION

G1. Risk Report

H. PUBLIC COMMENTS

None.

A motion was made to adjourn the meeting at 10:37 a.m.

MOTION: Charlotte Dunn **SECOND:** Ralph Korn **MOTION CARRIED**