



**MINUTES OF THE
ACCEL BOARD OF DIRECTORS
WEDNESDAY, FEBRUARY 12, 2014
SAN JOSE, CA**

MEMBERS PRESENT

Dave Nunley, City of Anaheim
Betsy Dolan, City of Burbank
Mary Akin, City of Modesto
Claudia Koob, City of Mountain View
Rhonda Combs, City of Monterey
Ann Richey, City of Ontario
Sandra Blanch, City of Palo Alto
Mark Howard, City of Santa Barbara
Patty Haymond, City of Santa Cruz
Charlotte Dunn, City of Visalia

MEMBERS ABSENT

Deb Hossli, City of Santa Monica
Jena Covey, City of Bakersfield

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Daniel Howell, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Vadim Livshits, Alliant Insurance Services
Keyan Aghili, Carl Warren & Company
Angela Apitz, City of Mountain View
Margaret Zechlin, STARR Indemnity Liability Company (SILC)

A. CALL TO ORDER

President Ann Richey called the meeting to order at 12:00 p.m.

B. CONSENT CALENDAR

B1. Approval of Minutes for the December 5th and 6th, 2013, Board Meeting

Patty Haymond noted that it was not her who mentioned that if an employee works from home that their home office site becomes eligible for inspection by the state. Conor Boughey will reread and advise.

A motion was made to approve the Consent Calendar.



MOTION: Sandra Blanch

SECOND: Patty Haymond

MOTION CARRIED

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Betsy Dolan	X		
Mary Akin	X		
Rhonda Combs			X
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard			X
Patty Haymond	X		
Charlotte Dunn	X		

C. GENERAL RISK MANAGEMENT ISSUES

Mary Akin asked if anyone has a claims manual. Mark Howard said that he does, he will send it to her. Keyan Aghili said that there is a website by the law firm Pollack, Vida and Fisher that has claims requirements.

Patty Haymond asked how the other Cities directed their employees on what to do in case of an accident. Ann Richey said they give them a card with a phone number to the Risk Management department. She will email an example to the Board.

Mark Howard asked if anyone has worked with attorney James Seigel Kataris. Dave Nunley said that he has, and the results were unfavorable.

Claudia Koob asked about issues with sidewalk cafés and how other cities respond to people sitting so close to moving cars. Her City allows restaurants to have tables that are on the street, where parking used to be. Ann, Sandra and Betsy say they only allow tables to be on the sidewalk, and not on the street. Patty says they allow sidewalk cafes only where the sidewalk is wide enough. Rhonda Combs says Monterey has them in the street, but they are separated by bollards. They are called parklets.

Betsy Dolan inquired about which Claims Management Software the other members use. Her City will be exploring options. They are specifically looking at a program called Risk 1. Daniel Howell said many iVos users are moving to a new software called Systema, while many others are committed to software called Origami Risk. There is also mention of a company called JD Risk, which is cheaper, but less developed. Betsy mentioned that reporting is important to them. Dave Nunley uses Gencomp, which does reporting. Santa Barbara is updating their financial management system to one called Munix. Mark Howard says that he will evaluate the reporting on their software. Daniel Howell will send out a chart that he has, which compares RMIS, and Vadim Livshits will post it to the ACCEL website and send members a link.



Rhonda Combs asked when reporting bonds are required. Ann Richey says that she only looks at the surety behind performance bonds and approves those. Michael Simmons asked if they always require them, Patty Haymond said yes, but they are seeing if they can avoid them for smaller projects. Dave Nunley says if the contractor is on contract, you need them, if they're on a PO, you don't. Rhonda Combs says CA law requires payment bonds, but not performance bonds. Rhonda Combs is worried that their interim city manager wants to get rid of performance bonds, and limit insurance to \$500,000 per occurrence. She asked if anyone is accepting such low limits. All the Board Members said no. Daniel Howell says performance bonds can be hard to place on things such as software conversion.

Ann Richey asked what to do if a police recruit volunteers to be shot with a stun gun, but may have a medical issue. Should it be approved? Ann thinks no, and that is the general consensus.

C1. Updates to the Brown Act

Conor commented on updates to the Brown Act. Effective January 1, 2014, new rules on how members' votes are recorded take effect. Each member must now have their individual vote recorded, and reported in the meeting minutes.

D. REPORTS

D1. President's Report

Ann Richey recently attended an underwriting committee meeting at CSAC. She reported that she began asking questions about a City that would like to join. She got the whole group, which was previously reluctant, to also ask questions.

D1a. Items of general interest to the members may be discussed.

None.

D2. Claims Committee's

None.

D2a. 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 12:52 p.m. pursuant to Government Section Code 54956.95.

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

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
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Dave Nunley	X		
Betsy Dolan	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Charlotte Dunn	x		

A motion was made to come out of closed session at 1:34 p.m.

MOTION: Mary Akin **SECOND:** Claudia Koob **MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Betsy Dolan	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Charlotte Dunn	x		

No reportable action took place during closed session.

Board took a break at 1:36 p.m. returned at 1:46 p.m.

D2b. Report from Claims Committee on January 23, 2014

Keyan Aghili has met with the City of Burbank as per his instruction at the Claims Committee Meeting. There is an audit scheduled, Kayan thinks there has been a tremendous improvement, and that the City will do well.

D2c. Bill Review Contract – Rodriguez Legal Expenses

At the January 23, 2014, Claims Committee meeting, the committee recommended that Carl Warren assist in finding an attorney who can review and allocate bills related to the Rodriguez Claim. They came back with a recommendation of John Conlon. Conor Boughey talked about John Conlon, and his experience. He will be doing a claims review, an example is available to



the board in the agenda packet. Kayan Aghili recommends him, and Ann Richey agrees, but believes the payment to John Conlon of 1.5% gross of amount billed is not applicable. She believes that he should have a flat fee for doing the service. The Board believes the total bills he reviews will be worth about \$3,900,000, therefore, the amount paid to John Conlon will be about \$60,000. Michael Simmons commented that we don't know if this is for days or weeks of work. Additionally, we should get three references. Keyan presented a pricing justification he was provided by John Conlon, showing how he believes his pricing is industry standard. Conor asked if the intent of the bill review is to reduce the total bill on the Rodriguez claim. The board replied no, just to separate it out. Michael Simmons suggested giving authority to the president to get the best price. Keyan and Michael will get on the phone to try to reduce the price, possibly to about \$50,000.

There is also the possibility that David Garthe may be able to do the bill review for a reduced rate.

MOTION:Charlotte Dunn **SECOND:** Mary Akin **MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Betsy Dolan	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Charlotte Dunn	X		

D2d. Letter to City Attorney's Office from ACCEL

The administrators want to talk about this again, and see if anyone is interested in a copy of the letter drafted in conjunction with Tim Farley, which can be sent to a City Attorney's office when there seems to be a failure to communicate.

All members will be emailed to see if they would like a copy of the letter.

D3. Financial and Treasurer's

ACCEL's Treasurer, Claudia Koob, reported on the financial items.

D3a. Ratification of Disbursements



Claudia Koob reported on the Disbursements for the month ending December 31, 2013. The amounts of several disbursements were reported during these months.

Claudia reports that the City of Palo Alto took a retro payment of \$500,000. She also reports that there were two payments to Carl Warren in October.

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

Claudia Koob reported on the month of December 2013. Claudia reported that ACCEL had a loss of earnings.

D3c. Quarterly Financial Report as of December 31, 2013

Conor Boughey reported that the Quarterly report of December 31, 2014, has been completed and reflects the status of the Authority's finances through the first quarter. Conor pointed out that any budgeted item that is at exactly 50% is received in full, but only 50% earned, and therefore reflected that way.

D3d. Member Account Summary as of December 31, 2013

Conor advised that the December 31, 2013, Member Account Summary (MAS) report has been completed. To advance from one program year to the next, the Program Administrators complete the roll up process. This requires moving all current year revenues and expenses to the prior year's section of the report. Vadim Livshits has moved all funds from year 2001-2002 and earlier into years 2002-2007.

A motion was made to receive and file the reports from D3a, D3b, D3c, and D3d.

MOTION: Mary Akin

SECOND: Charlotte Dunn

MOTION CARRIED

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Betsy Dolan	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Charlotte Dunn	x		

D3e. ACCEL Projected Cash Flow Obligations as of December 31, 2013



Conor Boughey reported that ACCEL has about \$25,000,000 in short-term investments, and the placement of the investments is constantly being evaluated. Currently the investments are split about 50% at LAIF and 50% at Chandler Asset Management. At the moment, Chandler cannot make more than LAIF.

A motion was made to accept and file the report.

MOTION: Mark Howard **SECOND:** Claudia Koob **MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Betsy Dolan	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Charlotte Dunn	x		

D4. Program Administrator’s Report

D4a. Alliant Staff Update

Conor Boughey has reported that Vadim Livshits has joined Alliant as an Account Representative. Vadim comes to the group from the San Mateo County Schools Insurance Group (SMCSIG) with previous experience at the San Diego Pooled Insurance Program Authority (SANDPIPA) and the City of Oceanside.

D5. Underwriting Committee’s Report

Nothing to report

E. Unfinished Business

E1. ACCEL Excess Structure – Insurance v. Reinsurance

Conor Boughey explained the difference between excess insurance and reinsurance.

Daniel Howell explained that if we want to keep our current situation without aggregates, we would need reinsurance, but only if SILC demands it at renewal.



Michael Simmons explained that SILC does Accidental Death & Dismemberment crisis response. This is usually done by non-admitted carriers because you cannot buy (Alliant can't sell you) a policy with a non-admitted company based on price. There has to be something about the policy that makes it special (some sort of service).

Daniel stated that the members' existing insurance forms may already exist in the system. We will know where we are going in April, and the group will have to look at it in May.

Mark Howard added that if we reconvene in May and bring to the Board in June, and it can be examined then. The real question is will 12 members have enough time to read, digest, and decide in a three hour meeting?

Daniel stated that we can have a side-by-side comparison. And see how everything fleshes out in the meeting.

Michael stated that you as an insured have to have access to funds for reinsurance.

Ann Richey states that this will happen at an underwriting committee meeting, which everyone is welcome at. Ann is ok with putting together a meeting.

F. NEW BUSINESS

F1. Status Report of Excess Liability Program Renewal

Daniel Howell reports that the markets are looking for increases, if they can get them, for excess liability. He reports, however, that he doesn't think they will push us hard on the increases this year. Dan thinks our current pricing \$1,400,000 for \$2,500,000 of coverage is very low.

Michael Simmons reports that he just did an analysis for the City of Oceanside because they think their insurance is too expensive. Oceanside is part of SANDPIPA's (San Diego Pooled Insurance Program Authority) program, and at a \$500,000 SIR, its premiums are about the same as two other Northern California Pools. Insurance elsewhere is just about the same price as with SANDPIPA. ACCEL, however, has higher SIRs and lower premiums. ACCEL pays relatively less than many other pools. We want to nurture a new deal with STARR to make sure we don't lose our deal now that Frank has retired.

Ann Richey commented that she wants to report to her City's management that in 2014-2015 she wants 5% more for insurance. Some cities set their budgets early, but budget enough for an increase.

Conor Boughey reported that everyone's loss runs are in. 60% of every dollar from the loss runs goes into an actuarially determined pool.

Michael Simmons reports that ACCEL might need to examine setting up an administrative budget. He used the City of Citrus Heights as an example. In their pool, they are allocated



\$160,000 of administrative expense. Had Citrus Heights joined another pool, their administrative costs would have been about half, roughly \$70,000. He recommends that a fund for admin is built to the side. That way if one or two members of ACCEL quit, there won't be a sudden spike for remaining members. When Concord quit the Contra-Costa County pool, they had to bring another City in so they could avoid layoffs. Because of the sense of urgency, a poor decision was made. Be aware that admin may go up due to this.

No action taken

F2. Optional Excess Workers' Compensation Renewal

Conor Boughey reports that ACCEL's renewal numbers will be refined for round two, which comes out in March. CSAC got their actuarial study back, and it saw an increase of 13%. 11% of that is medical inflation. The program is doing well, but after taking that into account, there is not much of an increase.

Conor could look at different options if he is requested to. Members have until March 31st to leave.

Daniel Howell reports that we would be happy to shop it and get a quote. This would be to show that the open market may save a bit of money, but SIR would go from \$400,000 to \$1,000,000. Currently, the market will not go below \$750,000 SIR, and that is only for pools which do not have Safety Officers. Agencies with Safety Officers have an SIR of \$1,000,000.

F3. STARR Indemnity Liability Company Representative Presentation – Time Certain 12:05 PM

Margaret Zechlin is taking over for Frank Tenabi as ACCEL's account representative. She and SILC would like to commend ACCEL for being a great example of partnership. She joined STARR 2.5 years ago to eventually replace Frank. She has been intimately involved with working on this pool. They have restructured, and as a result of some previous loss experience, reduced their premiums in public entity by \$34,000,000. SILC intends to hire four more underwriters in 2014. SILC is looking to grow their division by 18% in 2014. They have been stagnant, but would like to be more active. They will now start giving reports right away, instead of in 90 days as they have done previously. They are also looking at hiring loss control people. They would like to retain their renewals and improve their service. They will work on issuing endorsements. They will also improve their policy accuracy. They will work on transparency, as they implement things such as cyber liability coverage.

Daniel Howell asked if Margaret will keep underwriting on her account personally, she said she will.

There are a number of new entrants in the market for public entity, but their rate increase is in line with everyone else at 5-10%. They are implementing marketing aggregates.



Daniel discussed how SILC would add aggregates, and he is concerned about how that would affect the ability to place coverage.

ACCEL has \$27,000,000 of coverage for up to 3 occurrences.

F4. ACCEL's Financial Plan – Freezing Old Years

From the Long Range Planning meeting: Conor Boughey reported that we have a Rate Plan Calculation and Retrospective Rating Plan, which both have to be calculated indefinitely. We would like to end Retrospective Rating Plan and only continue with Rate Plan Calculation.

In order to do this, all claims over a certain age would have to be closed, and no sooner than 13 years later, we could close that year. We want to use a pre-calculated percentage, so we could close old years. Old years can be re-opened, but the percentage of each member will be frozen at a calculated amount.

The Board discussed program-year close-out on page 84 of the agenda. We need a threshold of either \$500,000 or \$1,000,000. \$1,000,000 because that amount is fully insured by each member, and will not affect other members. \$500,000 because there could be a large claim, and we want to know about it.

The Board discussed the pros and cons of doing this, as well as the level they would like to track.

For example: A claim from 2006 increases to \$3,500,000, and that claim breaks into two claims. The City now owes another \$450,000. For this scenario to become a reality, something unusual would have to happen. If someone has a claim that is still open over \$500,000 there is a good argument for keeping it open in the system to track development. You don't want to close years if there is still activity on a large claim, because you don't know what it can do.

All members agree to \$500,000.

We are updating the policy to show MAS due to an omission from last time.

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

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Betsy Dolan	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		



Patty Haymond	X		
Charlotte Dunn	X		

F5. Next Two Meetings Schedule

There will be a meeting in Bakersfield on April 10 and 11, 2014.

The Anaheim meeting had previously been agreed to take place on June 19 and 20, 2014, in Ontario. Due to an error the incorrect date was listed on the agenda.

MOTION:Patty Haymond **SECOND:** Sandra Blanch **MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Betsy Dolan	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Charlotte Dunn	X		

G. Correspondence/ Information

G1. Risk Report – Tips for Insuring Cyber Risk

No discussion.

H. Public Comments

There were no public comments.

Ann Richey adjourned the meeting at 3:05 p.m.