

**MINUTES OF THE
ACCEL BOARD OF DIRECTORS
TUESDAY, FEBRUARY 14, 2012 AT 12:30 PM
Hotel Pacific, Monterey, CA**

MEMBERS PRESENT

Tom Vance, City of Anaheim
Jena Covey, 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
Joe Schreckenghaust, City of Palo Alto
Mark Howard, City of Santa Barbara
Barbara Choi, City of Santa Cruz
Charlotte Dunn, City of Visalia

MEMBERS ABSENT

Sandra Blanch, City of Palo Alto
Deb Hossli, City of Santa Monica

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Monica Sandbergen, Alliant Insurance Services
Keyan Aghili, Carl Warren & Company
John Alltop, Bickmore Risk Services

A. CALL TO ORDER

President Ann Richey called the meeting to order at 12:30 p.m.

B. CONSENT CALENDAR

B1. Approval of Minutes for the December 1 & 2, 2011 Board Meeting

A motion was made to approve the minutes as presented.

MOTION: Mark Howard **SECOND:** Rhonda Combs **MOTION CARRIED**

C. GENERAL RISK MANAGEMENT ISSUES

C1. Cyber Liability Best Practices

Ann Richey advised that the City of Ontario's IT Department put together a basic Best Practices for Cyber Liability. Ms. Richey further reported that Payment Card Industry (PCI) standards were also included in the agenda packet as a tool for members to be familiar with. Rhonda advised that the City of Monterey is not PCI compliant on several of their programs and will be communicating with her IT Department. Tom Vance advised that the City of Anaheim has two separate stand-alone systems for Liability and Workers Compensation that their IT Department is not involve with. Ann advised that she will forward a link on PCI standards to Rhonda Combs.

D. REPORTS

D1. President's Report

Ann Richey advised that the Underwriting Committee met in January and had an excellent session which Tom Vance will give a report on during the Underwriting Committee Items.

D2. Claims Committee Closed Session

A motion was made to enter into closed session at 12:48 PM pursuant to Government Section Code 54956.95.

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

A motion was made to come out of closed session at 3:00 PM

MOTION: Rhonda Combs **SECOND:** Mark Howard **MOTION CARRIED**

Mark Howard, ACCEL's Claims Chair reported that direction was given to Carl Warren on the Schmidlin v. Palo Alto claim.

D3. Financial and Treasurer's

D3a. Ratification of Disbursements for months ending November 30, 2011 and December 31, 2011

A motion was made to approve the disbursements.

MOTION: Tom Vance **SECOND:** Mary Akin **MOTION CARRIED**

D3b. Report of Investments for months ending November 30, 2011 and December 31, 2011

Betsy Dolan advised that ACCEL's investment values increased slightly for both November and December.

D3c. Quarterly Financial Report as of December, 2011

Conor Boughey advised that ACCEL's Bookkeeper prepares this report every quarter, and the attached report is as of December 31, 2011. Conor reminded the Board that certain prepaid expenses, such as insurance and program administration, are only accrued at 50% for the December 31, 2011 report.

D3d. Member Account Summary for month ending December 31, 2011

Conor Boughey advised that the December 31, 2011 Member Account Summary has been completed. Conor reported the following significant events of the first quarter:

1. Claims Payments:
 - a. Sevilla v. Ontario: \$4,993.07
 - b. Serrano v. Ontario: \$7,324.22
2. First Quarter Investment Income: \$93,832
3. Retro Payments: \$500,000

Conor Boughey advised that the retro payment for the City of Mountain View was applied to the oldest years with funds on account. Conor further explained that if a member does not specify which year to apply the retro payment to, it's automatically applied to the oldest years with funds available.

Mike Simmons asked the members if they would like a training once a year on the Member Account Summary. The members advised that they would like an annual training on the MAS. Mike advised that we will do a 30 minute tutorial on the MAS at the next Board meeting and that we can do a 30 minute educational segment on various topics at subsequent meetings.

D3e. ACCEL Projected Cash Flow Obligations as of December 31, 2011

Conor advised that because ACCEL's liquidity and continued deposits into LAIF, this report may not be as valuable to the members as in prior years. This is because LAIF's investment return is greater than what Chandler Asset Management is able to achieve with a long term portfolio, so there is no need to consider moving funds to a longer duration.

No action necessary.

A motion was made to receive and file the reports listed in Items D.3.b through D.3.e.

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

D4. Program Administrator's

No report was given.

D5. Underwriting Committee Meeting

D5a. Report from the January 25, 2012 Underwriting Committee

Tom Vance provided a status update on the recent in person Underwriting Committee Meeting and advised that it was one of the best underwriting meetings he has been a part of.

D5b. Underwriting Standards Policy and Procedure.

Tom Vance advised that at the Underwriting Committee meeting in January, the members discussed several exposures that cities are facing that could be a liability for them and that this discussion paved the way for the drafting of the Underwriting Standards Policy and Procedure. Mr. Vance stated that the Underwriting Committee discussed the Regionalization of Services and that more and more cities are looking to taking on the services of other cities but not doing it though a JPA. Mr. Vance further stated that some cities are now starting to share management services such as a Battalion Chief and that this could present ACCEL with a new exposure.

Mr. Vance presented the draft Underwriting Standards Policy and Procedure to the members and stated that it still needs some revisions before it's approved by the Board. He advised that he will make some final revisions to it, bring it back to the Underwriting Committee for final review and then it will be brought back to the April Board meeting for final approval.

No action needed.

D5c. ACCEL's Memorandum of Coverage

Tom advised that some small clean-up changes were made to MOC. The only substantive change to the MOC was the omission of "specifically" from the "specifically scheduled underlying insurance" clause under Section II of the MOC.

A motion was made to approve the changes to ACCEL's Memorandum of Coverage MOC as presented.

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

E. UNFINISHED BUSINESS

E1. Status Report of Excess Liability Program Renewal

Conor Boughey reported that it's very early on in the renewal cycle to provide a renewal pricing indication to the members. Total incurred claims within the \$100,000 to \$1,000,000 layer have decreased from \$177,000 to \$170,000. Mike Simmons advised that CV Starr , which currently insures the first excess layer, has been very loyal to ACCEL with stable pricing. Even though the actuarial report produced a 5% reduction, ACCEL should not expect the similar rating reduction

from CV Starr. Mike Simmons advised that if a member needs to budget liability costs now, a 5-10% rate increase should be accounted for. Conor Boughey advised that a much more in-depth status report will be given at the April Board meeting.

E2. Optional Excess Workers' Compensation Renewal

Conor Boughey advised that similar to the Excess Liability Program Renewal, it's very early on in the renewal cycle to provide Excess Workers Compensation renewal indications. Mike Simmons advised that if a member needs to budget Workers Compensation costs now, a 20% rate increase should be factored in as a conservative estimate.

E3. CSAC Subsidy Funds – Revisited

Conor Boughey reminded the members that ACCEL currently has a loss prevention subsidy balance of \$8,500 available through CSAC-EIA.

After some discussion, it was decided to table this item until the next Board meeting in April.

F. NEW BUSINESS

F1. ACCEL's 2012 Liability Actuarial study

John Alltop presented ACCEL's 2012 Liability Actuarial Study. Mr. Alltop reported that he estimates ACCEL's outstanding liabilities to be \$13,236,000 as of June 30, 2012 at an undiscounted expected level. If a 3% discount rate is factored in, ACCEL's outstanding liabilities are estimated to be \$12,025,000. Mr. Alltop further advised that ACCEL's ultimate losses decreased by \$5,487,000 from December 31, 2010 to December 31, 2011. On page 11 of the report, Tom Vance advised that the column labels "Current" and "Prior" need to be corrected.

John Alltop stated that for 2012-2013, the projected funding rates for ACCEL have decreased about 5.0% from those projected for 2011-12. If ACCEL lowers its discount rate, then the 5% rate decrease won't be realized by the members.

There was some discussion amount the members about what discount rate ACCEL should be using in its actuarial report. Mike Simmons stated that a new trend with discount rates is emerging within pools. Pools are starting to have two discount rates; one for outstanding liabilities and a separate discount rate for future liabilities. John advised that ACCEL has a 10-12 year payout pattern, which is much shorter than workers compensation pools. When the payout pattern is longer, the discount rate creates more variability. If the discount rate is reduced, it will have adverse effects on future year funding and outstanding liabilities. Tom Vance advised that a pool should not be changing the discount rate from year to year and that it's better to change the confidence level than the discount rate to seek a better funding rate. John Alltop advised that some pools are currently changing their discount rates every other year which is too often. Mr. Alltop stated that changing the discount rate every 3-5 years is considered "normal".

A motion was made to amend ACCEL's discount rate from 3.5% to 3%.

MOTION: Tom Vance **SECOND:** Rhonda Combs **MOTION CARRIED**

F2. Safety Dashboard

Leanna Williams from the County of San Bernardino gave a presentation on the Safety Dashboard that the county uses.

F3. ACCEL’s Rating Plan Calculation – Revising the Financial Plan

Conor Boughey reported that after discussing ACCEL’s financial plan with John Alltop, it’s recommended that ACCEL use total incurred claims instead of paid claims within the calculation. Additionally, IBNR will be allocated on payroll. Conor further advised that the definition of Excess Claims in ACCEL’s Financial Plan was amended to “Total Incurred”.

A motion was made to approve the amendments to ACCEL’s financial plan as discussed and to approve Resolution No. 1112-02.

MOTION: Charlotte Dunn **SECOND:** Rhonda Combs **MOTION CARRIED**

F4. Revising ACCEL’s Investment Policy – Resolutions No. 1112-02

Conor Boughey advised that at the December Board meeting, Ted Piorkowski with Chandler Asset Management suggested that lowering ACCEL’s Investment Policy requirement for “AA” corporate to “A” corporate would allow him to select from a wider range of investments. Mr. Boughey reported that included in the agenda packet is a revised draft Investment Policy with this change. Other corrections were also made to add consistency throughout the document. Mr. Boughey asked the members if they would like to approve the revised Investment policy.

A motion was made to approve the amendments to ACCEL’s Investment Policy as discussed and to approve Resolution 1112-02.

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

Rhonda Combs asked that the updated investment policy be emailed to her as soon as possible.

F5. ACCEL’s Custodial Account at Union Bank of California

Conor Boughey reported that ACCEL currently has a checking account, a sweep account and a custodial account with Union Bank of California and that the custodial account is used by Chandler Asset Management for ACCEL’s investments. Conor further advised that UBC is increasing its custodial account fee from \$2,500 a year to \$7,500. After researching other options, Conor reported that US Bank will offer similar custodial services for \$1,250 per year and many of Chandler Asset Management’s clients have made this change.

A motion was made to move ACCEL’s Custodial Account from Union Bank of California to US Bank.

MOTION: Betsy Dolan **SECOND:** Tom Vance **MOTION CARRIED**

F6. Demonstration of Updated ACCEL Website

Monica Sandbergen-Izo presented ACCEL's recently updated website to the members. Ms. Sandbergen advised that the website was transitioned to Sharepoint, which is a Microsoft product that allows the integration of many different systems. Ms. Sandbergen further advised that Alliant has created separate web portals for its clients which currently house the Property policies for those members that are in the PEPPI program. Ms. Sandbergen explained that the goal is to eventually integrate the ACCEL website with the members' web portals so that there is one central location for members to access information on ACCEL's program and also on their insurance policies. Ms. Sandbergen stated that now that the website has been upgraded to a Sharepoint platform, she is able to make any changes needed to the website herself, such as downloading agendas and meeting minutes. It is no longer necessary to request these changes from Alliant's IT Department which would sometimes create a delay.

No action necessary.

F7. Next Two Meetings Schedule

A motion was made to move the meeting location for the April Board meeting from Burbank to Alliant's office in Newport Beach.

MOTION: Tom Vance **SECOND:** Barbara Choi **MOTION CARRIED**

A subsequent motion was made to change the date of the June Board meeting from June 28th and 29th to June 25th and 26th. It was noted that San Francisco could be a possible meeting location for this Board meeting if reasonable hotel accommodations can't be obtained in Palo Alto.

MOTION: Tom Vance **SECOND:** Mary Akin **MOTION CARRIED**

G. CORRESPONDENCE/INFORMATION

None.

H. PUBLIC COMMENTS

None.

ADJOURNMENT

President Ann Richey adjourned the meeting at 5:15 p.m.