

**MINUTES OF THE
ACCEL BOARD OF DIRECTORS MEETING
THURSDAY, JUNE 23, 2011
FRIDAY, JUNE 24, 2011
MODESTO CITY OFFICES
MODESTO, 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
Sandra Blanch, City of Palo Alto
Mark Howard, City of Santa Barbara
Barbara Choi, City of Santa Cruz
Deb Hossli, City of Santa Monica
Charlotte Dunn, City of Visalia

MEMBERS ABSENT

None

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 2:35 p.m.

B. CONSENT CALENDAR

B1. Approval of Minutes for the April 14 & 15, 2011 Board Meeting

A motion was made to approve the minutes.

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

C. GENERAL RISK MANAGEMENT ISSUES

No issues were discussed.

D. Reports

D1. President's Report

Nothing to report.

D2. Claims Committees

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 2:40 PM pursuant to Government Section Code 54956.95.

MOTION: Ann Richey **SECOND:** Mark Howard **MOTION CARRIED**

A motion was made to return from closed session at 3:30 PM

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

Ralph Korn reported that settlement authority was granted on one of the aged claims.

D2b. 2011 Liability Claims Audit

Tim Farley presented his 2011 Claims Audit and reported that timely reporting and litigation management continue to be issued for ACCEL. Tim Farley recommended that Modesto's caseload is too high and recommended hiring a claims technician to help with claims. 180 claims is industry standard per Tim. Tim reported that John with the City of Santa Barbara is reducing his time by 25%.

Inconsistencies involved litigation management involving the following Members: Burbank and Bakersfield. Tim Farley reported that Burbank and Bakersfield have lack of communication on updates of claims and that the standards should be that the attorney communicates something every 90 days.

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

It was agreed that in order to address the Litigation Management issue, a letter will need to be sent to the inconsistent Members. Mr. Farley has agreed to draft a letter and then send it to Tom Vance for editing before Alliant generates the final letter and sends it to the noted Members.

D3. Financial and Treasurer's Report

D3a. Ratification of Disbursements for Months Ending April 30, 2011 and May 31, 2011

ACCEL's Treasurer, Betsy Dolan, reported on the Disbursements for the months ending April 30, 2011 and May 30, 2011.

A motion was made to approve the Ratification of Disbursements.

MOTION: Mark Howard **SECOND:** Ann Richey **MOTION CARRIED**

D3b. Report of Investments – Pursuant to Gov't Section code 53646(b)(1) for Months Ending April 30, 2011 and May 31, 2011.

Betsy reported that ACCEL is still in compliance with the Investment Policy.

A motion was made to receive and file the Investment Report.

MOTION: Ralph Korn **SECOND:** Sandra Blanch **MOTION CARRIED**

D3c. Adopting the 2011/2012 Administration Budget

Conor Boughey reported that only one item that has been changed is the Insurance and Bonds line item. Each year 3 years of premium is budgeted for the Crime policy, but this year it's only being offered for a 12 month term. Therefore, this line item was reduced; we budgeted 3 years for the Crime policy but this year it's only be offered for 12 months, therefore, this line item went down. Mr. Boughey advised that the budget included in the Agenda Packet is the same budget as presented at the April Board meeting, but with slight changes in the Crime Bond line item and Legal Counsel line item, which was reduced due to no pending litigation against the Authority.

A motion was made to adopt the FY 2011/2012 Administration Budget.

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

D3d. Quarterly Financial Report as of March 31, 2011

A motion was made to receive and file the report with deletions of erroneous numbers on page 2 of the Profit & Loss Budget vs. Actual report.

MOTION: Mary Akin **SECOND:** Sandra Blanch **MOTION CARRIED**

D3e. Member Account Summary Report

Conor Boughey reported that the March 31, 2011 Member Account Summary report has been completed and he walked through the report details noting the various claims payments, interest income, and changes in reserves and IBNR.

Motion was made to receive and file the report with ALAE item removed.

MOTION: Sandra Blanch **SECOND:** Mary Akin **MOTION CARRIED**

D3f. ACCEL June 30, 2011 IBNR

Conor Boughey advised that ACCEL's Actuarial Study was completed based on December 31, 2010 loss information and reported that John Alltop increased IBNR from \$15,260,912 to \$15,423,824 which is a difference of \$162,912.

A motion was made to approve the June 30, 2011 IBNR.

MOTION: Mark Howard **SECOND:** Sandra Blanch **MOTION CARRIED**

D4. Program Administrator's

D4a. PEPiP Coverages – Cyber and Pollution Coverage

Mike Simmons reported on new coverages being offered through the Public Entity Property Insurance Program (PEPIP). Mr. Simmons advised that almost all members of ACCEL are in PEPiP and that last year, PEPiP added onto its coverage document, a "Cyber" policy with the Beazley/London syndicate with no additional cost. Mike advised that every PEPiP member benefits from this coverage. But that all 6,000 PEPiP Members share \$20M in Cyber Liability limit. Michael Simmons advised that having this coverage is valuable for ACCEL, He reviewed other pools comments and concerns with including this coverage (by NOT specifically EXCLUDING it in their MOCs, and he recommended that ACCEL not exclude this coverage under ACCEL's MOC at this time. (It's currently not specifically excluded under ACCEL's MOC).

Mike advised that the Pollution Liability coverage included in the PEPiP policy provides 1st and 3rd Party Liability and Property Damage coverage.

Mike Simmons advised that the MOC and Excess policies should be checked to make sure Pollution and Cyber Liability is not limited by its definition of occurrence.

Tom Vance suggested adding the coverage into MOC and then adding sub limits for these coverages instead of changing definition of occurrence.

No action taken.

D5. Underwriting Committee's

Nothing to report

D6. Ad Hoc Contract Committee's

D6a. Program Administration Contract Renewal 2011 through 2015

Mike Simmons advised that the Ad Hoc Committee met a number of times and reviewed the documents and Alliant's proposal for a renewal. Mr. Simmons reviewed the fee and commission schedule with the Board. The group agreed to collect commission at half the rate of the standard market. Mike opened up the discussion to the group for questions. Ann Richey advised one of the changes that was made was to the semantics in the disclosure section – approving commission was changed to “being made aware of”. Joint indemnification wording was modified.

A motion was made to approve the new contract with typo corrected.

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

D7. Nominating Committee's Report

Rhonda Combs and Charlotte Dunn advised that the following members are interested in running: Ann Richey for President; Tom Vance for Vice President; Mary Akin for Secretary; and Betsy Dolan for Treasurer.

D7a. Election of Officers

A motion was made to elect the individuals as stated by the Nominating Committee.

MOTION: Barbara Choi **SECOND:** Deb Hossli **MOTION CARRIED**

The meeting was adjourned and will reconvene Friday at 9:00 AM.
Ann Richey called the meeting to order at 9:01 a.m.

E. Unfinished Business

E1. ACCEL Excess Liability Program Renewal

Conor Boughey advised that the marketing has been completed for ACCEL's Excess Liability renewal and that the adoption of the pooled layer rate was taken from the actuarial study. Conor advised that the pooled layer rate for the 2011-2012 renewal is .57 per \$100 in payroll and that this is the rate at an 80% confidence level. Conor also advised that the pooled layer cost went down by \$350,000 layer. The \$10M XS \$5M layer was with Everest last year and this year it's with SICL. SILC is offering the same coverage for a lower price. Conor reported that the incumbent carriers came in with the best terms.

Tom Vance wanted to know if Star International is responsibility for all liabilities of SICL.

Dan Howell reported that ANML and CLIP are group purchase programs, not risk sharing groups. ACCEL has the JPA Endorsement which gives each member separate limits on the products/completed ops. Starting at the \$50M layer, there is Professional Liability exclusion. Various pools are in various underlying programs – ACCEL is with Endurance. Dan advised that Alliant does not have pricing yet for Anaheim and Santa Monica on the CAT layers yet. The price that is shown is what Alliant thinks the price will come in at.

A motion was made to approve the pooled layer funding/rate.

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

A motion was made to approve the pool Admin Fee.

MOTION: Ann Richey **SECOND:** Mark Howard **MOTION CARRIED**

A motion was made to approve \$10M XS \$5M and \$10M XS \$15M placements at the premium shown in the agenda packet.

MOTION: Sandra Blanch **SECOND:** Charlotte Dunn **MOTION CARRIED**

Santa Cruz reported that they may reduce their current limits of \$50M to \$35M. Mike Simmons advised that Alliant needs to know by Monday what Santa Cruz would like to do on this layer as it may have an impact on other members premiums.

Rhonda Combs questioned why their premium increased by 11% when the city's payroll was down by 1%. She requested that Alliant look into this.

Dan Howell advised that Torus has stopped writing CAT risks because they got hit with the PG&E and Deepwater Horizon losses. Dan further advised that there is uncertainty whether or Torus is going to renew the \$50M XS of \$100M layer and that Alliant is still waiting to hear.

The City of Palo Alto advised that they are considering increasing their limits. Besides the City of Palo Alto and the City of Santa Cruz, all other members reported that they are keeping the same limits.

E2. Optional Excess Workers Program Renewal

Conor Boughey presented a breakdown per member. CSAC would like to know right away if a member entity would like to change SIR.

The City of Mountain View and the City of Palo Alto advised that they may change their respective SIR's.

No action needed.

E3. Other Insurance Renewals

E3a. Public Employee Dishonesty Insurance

Conor Boughey advised the 3 year term is not being offered this year. Only a 12 month term is being offered that will continue to renew.

A motion was made to ACCEL's Public Employee Dishonesty policy.

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

E3b. Trustees Errors & Omissions Insurance

Conor Boughey reported that Alliant marketed the policy through CV Starr as there uncertainty if Alliant would incur an increase from Brokers' Risk. APPL Program came in at \$2,000 less. APPL program is a joint purchase program through CV Starr. 10% of the commission would be rebated back on the APPL program and the program manager would keep 2.5%. The \$1M limit with \$10,000 deductible with APPL is the cheapest quote. Broker's Risk came in the lowest on the \$2M limit with \$10,000 deductible.

A motion was made to approve the APPL option with a \$1M limit and \$10K deductible.

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

OPPOSED: Rhonda Combs

The motion did not pass.

Mike Simmons asked the Board if they would be interested in an APPL quote for a \$2M limit.

A motion was made to instruct broker to approach APPL for a \$2M limit.

MOTION: Sandra Blanch **SECOND:** Charlotte Dunn **MOTION CARRIED**

A majority vote approved ACCEL to bind APPL quote at \$2M limit if price was equal to Brokers Risk quote.

E4. Approval of ACCEL's Declarations page

Conor Boughey presented the 2011-2012 Declarations Page draft to the Board for review and advised that an Aggregate limit was not included on the Dec page because ACCEL does not have an aggregate limit.

A motion was made to approve ACCEL's Declarations page.

MOTION: Ralph Korn **SECOND:** Ann Richey **MOTION CARRIED**

F. New Business

F1. Retroactive Adjustment Calculations

Conor Boughey reported that the numbers are the same as presented in the April Board meeting. Alliant reviewed the information with Tim Farley's report and there were no significant changes.

A motion was made to approve the Retroactive Adjustment Calculation.

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

F2. Retrospective Rating Plan Refund Requests

Conor Boughey stated that to date he has not received any retro refund requests. Conor further advised that if a member requests a retro refund, it will be paid after the Liability deposit has been received. The City of Mountain View advised that it would like to withdraw \$500,000.

Mike Simmons advised that Alliant will also need to know prior to December 31st if a member would like to postpone withdrawing funds.

Conor Boughey reported that the new calculation will be used for the 2006-2007 year and recommended that members retain a portion of their funds so that they won't be adversely affected when the new calculation is put into effect.

Received and Filed.

F3. Retro Refund Requests – City of Bakersfield – Request for Extension

Conor Boughey advised that Bakersfield would like a 1-year extension on their assessment as they have a negative \$413,000.

A motion was made to approve the 1 year extension for Bakersfield's assessment.

MOTION: Tom Vance **SECOND:** Sandra Blanch **MOTION CARRIED**

ABSTAIN: Barbara Choi

F4. Modesto Regional Fire Authority

Mike Simmons said that back in January, Modesto established the Modesto Regional Fire Authority JPA to provide mutual fire protection, prevention and suppression services and emergency management and preparedness services. The City of Modesto makes up 85% of the JPA. Mr. Simmons advised that the change of personnel to the Fire JPA can't occur as quickly as everyone wanted. The JPA is a paper JPA with no liability insurance at the moment. Mike

Simmons and Mary Akin met with CSAC and it was decided that the fire JPA can join CSAC with a \$5M liability limit and \$25,000 SIR. Once the employees are employees of the Fire JPA, they are required to purchase a \$5M limit. Once the paper JPA becomes fully operational, they will have \$25M in limits and a \$100,000 SIR.

Tom Vance wanted to know the liability of the leasing company when they lease the employees. Dan Howell reported that the City of Modesto will be responsible for employment practices liability.

Mike Simmons reported that the City of Modesto will have significant payroll exiting their system sometime during the middle of the year and that this will significantly impact other members. Mike suggested that once the JPA purchases the \$25M limit and the payroll is taken out, ACCEL should allow Modesto to take an adjustment.

Mary Akin advised that 150 firefighters will be part of the JPA.

Dan Howell stated that we could get an additional \$25M above MRFA's \$25M.

Mike Simmons advised that once Modesto leases out its employees to MFRA, MFRA must assume liability for these employees.

Rhonda Combs brought up mutual aid contracts and ACCEL's response to this issue. Rhonda advised that the city of Monterey provides building services (permits, inspections) and has a \$1M claim. Rhonda stated that she didn't bring the contract to ACCEL for their review and wanted to know how ACCEL would handle this. Ann stated that the arresting officer becomes responsible for the WC exposure.

Mike Simmons advised that the JPA Agreement needs to be amended to allow for the verbiage on the interim/transitional period.

Barbara Choi suggested amending the wording in the JPA Agreement so that MFRA reimburses the City of Modesto for claims that it incurred during the interim period. Mary Akin stated that the JPA Agreement specifically states that it will assume no liabilities.

Mary Akin suggested that there should be a formal letter from ACCEL to the City of Modesto stating that ACCEL will not cover the liability of MFRA.

A motion was made to draft a letter from ACCEL to the City of Modesto.

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

ABSTAIN: Mary Akin

F5. CSAC-EIA – Subsidy Funds Available

Conor Boughey advised that the Authority has a loss prevention subsidy balance of \$7,500 available through CSAC-EI and that if a member is interested in using this money, they should contact the President. This money is accrued annually. This item will be further discussed at the October Board meeting.

No action needed.

F6. Schedule of Next Two Board Meetings

Conor reported that the next meeting will be at the City of Santa Cruz on October 6th and 7th. The following meeting will be December 1st and 2nd in San Francisco.

Ontario offered their location if reasonably priced hotel accommodations in Santa Cruz cannot be obtained.

No action necessary.

G. Correspondence/Information

None

G1. Risk Report

No discussion.

H. Public Comments.

None

A motion was made to adjourn the meeting at 11:40 a.m.

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