



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING

April 16-18, 2007 – 1:00 P.M.

**Monterey Conference Center
1 Portola Plaza
Monterey, CA 93940**

(831) 646-3770

Minutes

I. CALL TO ORDER:

President Ellerbrock called the meeting to order at 1:02 p.m.

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|--|
| 1) Darrell Handy, <i>Alameda</i> | 11) Jeff Davis, <i>REMIF</i> |
| 2) Jessica Henry, <i>Chico</i> | 12) Charlie Wilson, <i>Roseville</i> |
| 3) Robyn Kain, <i>Fairfield</i> | 13) Jesse Baloca, <i>San Leandro</i> |
| 4) Steve Schwarz, <i>Fremont</i> | 14) Leslie Loomis, <i>San Rafael</i> |
| 5) Bill Henderson, <i>Livermore</i> | 15) Lynne Margolies, <i>Santa Rosa</i> |
| 6) Janice Magdich, <i>Lodi</i> | 16) Roger Carroll, <i>SCORE</i> |
| 7) Dixon Coulter, <i>NCCSIF</i> | 17) Mark Moses, <i>Stockton</i> |
| 8) Scott Ellerbrock, <i>PERMA</i> | 18) Rebecca Moon, <i>Sunnyvale</i> |
| 9) Jerry Gebhardt, <i>Petaluma</i> | 19) Rob Stout, <i>Vallejo</i> |
| 10) Julie Theirl, <i>Pomona</i> | 20) Jeff Tonks, <i>YCPARMIA</i> |

ABSENT

Redding, Vacaville

OTHERS PRESENT

- | | |
|--|--|
| 1) Marilyn Kelley, <i>Alliant</i> | 6) Marty Cassell, <i>Chandler Asset Management</i> |
| 2) Juan Iverson, <i>American Appraisal</i> | 7) David Clovis, <i>CJPRMA</i> |
| 3) Quang Tran, <i>American Appraisal</i> | 8) Lola Deem, <i>CJPRMA</i> |
| 4) Bruce Kilday, <i>Angelo, Kilday and Kilduff</i> | 9) Caren Frykland, <i>CJPRMA</i> |
| 5) Julianne Broyles, <i>California Advocates</i> | 10) Robert German, <i>CJPRMA</i> |

- | | |
|---|---|
| 11) Brigitt Whitescarver, <i>Gales Creek Insurance Services</i> | 17) Jim Pinckney, <i>Marsh</i> |
| 12) Byrne Conley, <i>Gibbons & Conley</i> | 18) Chris Millard, <i>Pomona</i> |
| 13) Josette Ferrar, <i>Kroll</i> | 19) Mark Ferguson, <i>REMIF</i> |
| 14) Janet Hamilton, <i>Lodi</i> | 20) Meredith Stapp, <i>San Leandro</i> |
| 15) Bob Bergen, <i>Marsh</i> | 21) Mardell Morrison, <i>Santa Rosa</i> |
| 16) Brian Cooney, <i>Marsh</i> | 22) Shelly Green, <i>Stockton</i> |

III. APPROVAL OF MINUTES

A motion by Director Henderson, seconded by Director Schwartz, to approve the minutes of the Board of Director's meeting held on November 16, 2006, passed unanimously.

IV. PRESENTATIONS

None.

V. CONSENT CALENDAR

- 1. Financial Reports of CJPRMA for the periods ending October 31, November 30 and December 31, 2006 and January 31 and February 28, 2007**
- 2. Additional Covered Party Certificates Approved by the General Manager**
- 3. Notification of New Claims Received**
- 4. Notification of Claims Closed**
- 5. Appointment of New Board Members/Alternates**

This item was amended to add the names of Rob Stout (Finance Director) as Director for Vallejo, Jessica Henry (Management Analyst) as Director for Chico and Dan Fulks (Human Resources and Risk Management Director) as Alternate for Chico.

A motion by Director Theirl, seconded by Director Kain, to approve the consent calendar as amended, passed unanimously.

VI. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD OF DIRECTORS ON MATTERS OF BOARD BUSINESS

VII. ACTION CALENDAR

6. Status Report on Property Appraisal Program

The Risk Manager provided a status update on the property appraisal program. He stated that all field work was completed and that final reports for the first phase of the project were expected by the first week of May, and would be reviewed by Staff as well as Kroll. He said that once that review was completed, the reports would be released to the members for their review. He said that overall values were increasing by 20% to 25%, which was not unexpected. He also stated that the overall number of structures being appraised was increasing by approximately 75%, which was also not unexpected. He said that there would be additional fees as a result of that increase.

Mr. Juan Iverson and Mr. Quang Tran, of American Appraisal Associates, were present to discuss the appraisal process from start to finish. Josette Ferrar, of Kroll Company, was also present to answer questions about the appraisal and review processes.

A discussion regarding the fairness of premium allocations for the 2007/2008 program year ensued, in light of the fact that only Phase I would be completed prior to invoicing. Various options for premium allocation were discussed, and a solution was reached.

A motion by Director Henderson, seconded by Director Margolies, to allocate a deposit premium using the pro-rata share from the 2006/2007 program year with an audit and adjustment after the appraisal program is completed, passed unanimously.

7. 2006 Claims Audit

Mr. Bob Bergen, of Marsh, was present to discuss his findings in the 2006 Claims Audit. The General Manager said that Staff was addressing each of Mr. Bergen's recommendations.

A motion by Director Wilson, seconded by Director Davis, to approve the 2006 Claims Audit, passed unanimously.

8. Report from Investment Manager

Mr. Marty Cassell, of Chandler Asset Management, was present to review CJPRMA's investment portfolio with the Board. Highlights of the report indicated that both the loss payment account and the long term growth account have continually exceeded the benchmark. Mr. Cassell provided a detailed review of the investment report dated 3/31/07.

9. Report from Broker on Insurance Renewals

Mr. Jim Pinckney and Mr. Brian Cooney, of Marsh, were present to

discuss the renewals of the commercial insurance programs for Liability, Property, Boiler & Machinery, and Auto Physical Damage.

The General Manager said that the Excess Liability Reinsurance program was currently placed with Am Re (\$20 million excess of \$5 million) and Scor Re (\$15 million excess of \$25 million.) Mr. Pinckney said that indications were that the rate for the first layer, provided by Am Re, (\$10 million excess of \$5 million) would be .139, a 7% reduction from 2006/2007. He said that the cost for the second layer, also provided by Am Re, (\$10 million excess of \$15 million) would be approximately \$850,000. He said that the projected cost of the third layer, provided by Scor Re (\$15 million excess of \$25 million), would be approximately \$475,000. The General Manager said that the projected cost to renew the existing coverage would be \$3.5 million, which included commissions and costs. He said that the amount budgeted for this expense was \$3.9 million, based on projected payroll of approximately \$1.56 billion, and was sufficient to meet the expense. Mr. Pinckney also presented options for alternative retained limits.

A motion by Director Davis, seconded by Director Kain, to approve the proposed rates and to grant the General Manager authority to negotiate the expense for the third layer up to \$475,000, passed unanimously.

A motion by Director Tonks, seconded by Director Theirl, to maintain the \$5 million SIR, passed unanimously.

The General Manager said that the three year property insurance program had expired and that the previous provider of primary coverage, Discover Re, was no longer underwriting that type of coverage. He said that Marsh had marketed the program and provided three options. The General Manager said that Staff recommended a program with Am Re providing the primary \$10 million layer with Chubb providing the excess \$290 million layer. He said that the rate for the primary layer was \$.037/\$100 TIV and that the premium for the excess would be approximately \$417,000. He said that selection of this program would also reduce the rate for the liability program from .139 to .1331 (4%). He said that the advantages of the Am Re program were that they would continue to follow the existing manuscript form and utilization of an independent, agreed-upon adjuster (MacLarens Young). He said that the Am Re program also provided optional terrorism coverage, excluding single locations valued in excess of \$50 million, for a premium of \$31,250.

A motion by Director Davis, seconded by Director Henderson, to approve the proposed Am Re/Chubb program, to buy the additional terrorism coverage, and to maintain the \$25,000 deductible, passed unanimously.

The General Manager said that the Boiler & Machinery program was

expected to renew as expiring, with a rate of \$.0063/\$100 TIV.

A motion by Director Henderson, seconded by Director Henry, to approve the proposed Boiler & Machinery rate, passed unanimously.

Mr. Pinckney presented some options for the 2007/2008 auto physical damage program. He discussed the features of each program, including options for deductibles, replacement values, limits and rates. The General Manager said that Staff's recommendation was to stay with the Fireman's Fund program as expiring.

A motion by Director Davis, seconded by Director Schwartz, to approve the Fireman's Fund program with the higher per-occurrence limit if possible with a rate not to exceed 5% over the proposed rate of \$.2777/\$100 TIV, passed unanimously.

10. Report on Financial Trending

The General Manager said that this item was for status only. He said that questions had arisen about the increasing level of contributions, and whether or not increases in the rates were necessary as payroll continued to rise. He said that a review of data with an outside actuary would occur to determine whether or not the data utilized for establishing the rates is sufficient, accurate and applicable. He said that the results of that review would be provided at the June meeting.

11. Selection of Actuary for 2007/2008

The General Manager stated that CJPRMA had issued requests for proposals for the provision of actuary services in February. He discussed the responses received. He said that Staff recommended the selection of Arm Tech, who proposed a fixed fee of \$14,500 per year, which included two on-site meetings.

A motion by Director Henderson, seconded by Director Kain, to approve the proposed contract with Arm Tech for actuary services, passed unanimously.

12. Proposed Operating Budget for 2007/2008

The Financial Analyst presented the proposed budget for the 2007/2008 program year. She said that it was projected that expenditures for Administrative Budget for the current year would come in approximately \$177,000 (12.9%) under budget and that expenditures for the Direct Program Budget were expected to be right in line with the approved budget of \$235,000. She said that the proposed budget for 2007/2008 requested no increase for the Administrative Budget of \$1,373,166 and only a \$2,000 increase to \$237,000 for the Direct Program Budget, for a

total budget of \$1,610,166. She said that funding for the administrative expenses was provided through the actuarially recommended and Board approved funding rate. She said that the overhead rate of \$.099 was included in the projected funding rate for 2007/2008, which was sufficient to fund the proposed Administrative Budget.

A motion by Director Tonks, seconded by Director Carroll, to approve the proposed operating budget for the 2007/2008 program year, passed unanimously.

13. Risk Management Issues

This item was continued to the next meeting of the Board of Directors.

VIII. CLOSED SESSION

1. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Carnahan v. City of Pomona

Court: Los Angeles County Superior Court

Case No.: KC 047651

2. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Brandon v. City of Redding

Court: Shasta County Superior Court

Case No.: 153906

3. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Baptiste v. City of Sunnyvale

Court: Santa Clara County Superior Court

Case No.: 1-06-CV-059931

4. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: BNSF v. City of Victorville

Court: San Bernardino County Superior Court

Case No.: SCVSS 132213

IX. ACTION ON CLOSED SESSION ITEMS

- None

X. BOARD MEMBER PRESENTATIONS

XI. BOARD MEMBER TRAINING

- Legislative Update – Julianne Broyles, California Advocates and CAJPA Legislative Advocate
- Special Events Program – Brigitt Whitescarver, Gales Creek Insurance Services
- General Liability Update – Bruce Kilday, Angelo, Kilday and Kilduff

XII. ADJOURNMENT

A motion by Director Henderson, seconded by Director Moses, to adjourn the meeting at 11:33 a.m. on April 18, 2007, passed unanimously.