

Member Cities

Capitola
Del Rey Oaks
Gonzales
Greenfield
Hollister
King City
Marina
Sand City
Scotts Valley
Soledad

AGENDA

JPA: MBASIA Board of Directors Meetings

DATES/TIMES: Monday, April 16, 2012 at 9:30 AM

LOCATION: City of Sand City
1 Sylvan Way
Sand City, CA 93955
Room: Council Chambers

LEGEND:

A – Action may be taken
I – Information

1 – Included
2 – Handout
3 – Separate
4 – Verbal

In accordance with the requirements of the Brown Act, notice of this meeting must be posted in publicly accessible places, 72 hours in advance of the meeting, in each of the member agencies involved.

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Alliant Insurance Services at (415) 403-1400, 24 hours in advance of the meeting. Access to some buildings may require routine provision of identification to building security. However, MBASIA does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3.

PAGE

A. CALL TO ORDER

B. CONSENT CALENDAR (A)

- 1-7** 1) Approval of Minutes – February 13, 2012 Board of Directors Meeting
Members will review these minutes and may take action to approve or amend.
- 8-9** 2) Service Calendar & Status of Deliverables

C. ORAL COMMUNICATIONS & PUBLIC COMMENTS (I)

The public is invited at this point to address the Board on issues of interest to them.

D. BOARD OF DIRECTORS

- 10-14** 1) **BILLS AND CORRESPONDENCE**
- a) Ratification of Disbursements
- i. Month Ending January 31, 2012
- ii. Month Ending February 29, 2012
- 4** 2) **UNFINISHED BUSINESS (I)**
- 4** 3) **COMMITTEE REPORT (I)**
- a) Executive and Finance Committee
The Executive and Finance Committee may give a verbal report in addition to discussing the following items:
- 15** 1. Member Representatives
Members will hear an update from the Executive Committee on the Member Representatives.
- 1** b) Safety Committee (I)
The Safety Committee may give a verbal report in addition to discussing the following items:
- 16-17** 1. Report from the April 3, 2012 Safety Committee Meeting
- 18** 2. Completed Safety Inspection Deficiency Checklists with Timelines
- 4** c) Coverage and Claims Committee (I)
The Coverage and Claims Committee may give a verbal report in addition to discussing the following items:
- None

Member Cities

Capitola
Del Rey Oaks
Gonzales
Greenfield
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King City
Marina
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Scotts Valley
Soledad

- | | | | |
|-------|---|---|-----|
| | 1 | d) Ad Hoc Budget Committee | (A) |
| | | <i>The Ad Hoc Budget Committee may give a verbal report in addition to discussing the following items:</i> | |
| 19-20 | | 1. Draft Liability Budget | |
| | | <i>Members will review the draft version of the proposed Liability Budget and may take action or give direction.</i> | |
| 21 | | 2. Draft Workers' Compensation Budget | |
| | | <i>Members will review the draft version of the proposed Workers Compensation Budget and may take action or give direction.</i> | |
| | | 4) NEW BUSINESS | |
| 22-23 | 4 | a) CARMA Insurance Renewal | (A) |
| | | <i>Members will receive a report on the status of the CARMA insurance renewal; action may be taken for the July 1, 2012 renewal.</i> | |
| 24-25 | | b) ERMA Insurance Renewal | (A) |
| | | <i>Members will receive a report on the status of the ERMA insurance renewal; action may be taken for the July 1, 2012 renewal.</i> | |
| 26-27 | | c) CSAC-EIA Insurance Renewal | (A) |
| | | <i>Members will receive a report on the status of the CSAC-EIA insurance renewal; action may be taken for the July 1, 2012 renewal.</i> | |
| 28-36 | 1 | d) Workers Compensation Actuarial Report | (A) |
| | | <i>Members will review the draft Workers Compensation Actuarial Report and may take action or give direction.</i> | |
| 37-45 | | e) Liability Actuarial Report | (A) |
| | | <i>Members will review the draft Liability Actuarial Report and may take action or give direction.</i> | |
| 46 | 4 | f) JT2 Integrated Resources – Service Team Update | (I) |
| | | <i>Members will hear a presentation from a representative from Probe Investigations regarding their fraud services.</i> | |
| | | 5) LOSS REPORT | (A) |
| | | CLOSED SESSION – Pursuant to Gov't Code 54956.95 | |
| | | <i>Members will review the following Items:</i> | |
| | 1 | a) Workers' Compensation Administrator's Report | |
| | | <i>Tabatha Bettencourt from JT2, MBASIA's Workers Compensation TPA, will provide a report on current claims status.</i> | |
| | 1 | b) Liability Third Party Administrator's Report | |
| | | <i>Ken Maiolini from RMS, MBASIA's Liability TPA, will provide a report on pending claims.</i> | |
| | | RECONVENE – DISPOSITION OF CLOSED SESSION ITEMS | |
| | | E. PROGRAM ADMINISTRATORS REPORT | |
| | | 1) None | (I) |
| | | F. CORRESPONDENCE / INFORMATION | (I) |
| 47 | | 1) Next Board Meeting & ERMA Training Schedule | |
| | 4 | G. GENERAL RISK MANAGEMENT ISSUES | (I) |
| | | <i>Subjects that are of interest to members: please bring 15 copies of any materials.</i> | |
| | | ADJOURNMENT | |

**MINUTES OF THE
MBASIA BOARD OF DIRECTORS MEETING
Monday, February 13, 2012 at 10:00 A.M.
City of Sand City, CA**

MEMBERS PRESENT

Daniel Dawson, City of Del Rey Oaks
Rene Mendez, City of Gonzales
Brent Slama, City of Greenfield
Robert Galvan, City of Hollister
Steve Matarazzo, City of Sand City
Adela Gonzalez, City of Soledad
Steve Ando, City of Scotts Valley

MEMBERS ABSENT

Lisa Murphy, City of Capitola
Michael Powers, City of King City
Kathy McFall, City of Marina

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Monica Sandbergen-Izo, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Corrie Kates, City of Scotts Valley
Tabatha Bettencourt, JT2 Integrated Services
Theresa Fernandez, JT2 Integrated Services
Ken Maiolini, Risk Management Services
Mark Hannah, Witzig, Hannah, Sanders and Reagan

A. CALL TO ORDER

Rene Mendez called the meeting to order at 10:30 a.m.

B. CONSENT CALENDAR

B1. Approval of Minutes – October 20 & 21, 2011 Long Range Planning and Board Meeting

A motion was made to approve the minutes as presented.

MOTION: Steve Ando **SECOND:** Daniel Dawson **MOTION CARRIED**

B2. Service Calendar & Status of Deliverables

Conor Boughey advised that instead of the transition milestone report, Alliant will be presenting at each Board Meeting an action item list created from the discussions at each prior meeting. Conor ran through the current action item list that was created from the October 20th & 21st Long Range Planning and Board meeting with the members and gave a status report on each item.

C. ORAL COMMUNICATIONS & PUBLIC COMMENTS

Steve Ando advised that he will be doing the accounting for MBASIA for 5 years but would like members to start thinking about if they would like to take over this responsibility when his contract expires.

There were no public comments.

D. BOARD OF DIRECTORS

D1a. Bills and Correspondence.

Conor Boughey reminded the members of the funds available to them through the Travel & Training Budget and Safety Grant Budget.

A report of disbursements was presented and no discussion was necessary.

A motion was made to ratify the disbursements for the months ending October 31, 2011, November 30, 2011 and December 31, 2011.

A motion was made to approve the disbursements.

MOTION: Adela Gonzalez **SECOND:** Robert Galvan **MOTION CARRIED**

D2. UNFINISHED BUSINESS

None

D3. COMMITTEE REPORTS

D3a. Executive and Finance Committee

D3a1. CARMA Update

Robert Galvan gave a brief update on CARMA Long Range Planning meeting; CARMA is advised that claims costs are starting to become an issue and CARMA is looking at a long term strategies to increase revenues; The overall consensus is that MBASIA is doing a good job;

Conor added that the discount rate was discussed at CARMA's meeting and whether it should be lowered.

No action necessary.

D3a2. ERMA Update

Rene Mendez advised that he and Daniel Dawson attended the ERMA Annual Planning and Board of Directors Meeting. There was some discussion on changing when they count a claim as an occurrence – this had the potential of affecting MBASIA. However, the pool managers in attendance convinced ERMA to revisit this topic in another year or so.

Mike Simmons reported that the ERMA Board unanimously approved Vince Hurley to be on their panel.

No action necessary.

D3a3. ERMA Membership

No discussion needed.

D3b. Safety Committee

D3b1. Reports from December 12, 2011 and January 9, 2012 Safety Committee Meetings

Rene Mendez advised that the Safety Committee looked at the Safety Inspection Reports and identified the common safety areas that all the members were deficient in. Mr. Mendez also advised that the Safety Committee also discussed actions that the Board should take should a city not take any action in improving those areas identified in the Safety Inspection Reports. Mr. Mendez advised that it was decided at the Safety Committee meeting that Alliant be assigned the task of creating Safety Inspection Deficiency Checklists for each member city and that the goal of the checklists is to have each member city commit to a certain deadline and report to the Board on when measures will be implemented at their respective cities in those areas that they were reported to be deficient in. Mr. Mendez advised that it was decided that a running tally will be kept of each members compliance with the checklists and reported at each Board meeting.

D3b2. Safety Inspections – Policy & Procedures

Rene Mendez advised that at the last Safety Committee meeting the idea of using CSAC to help train MBASIA. Conor advised that CSAC's training would be free of charge and that CSAC would go to each individual city and work with the member on drafting policy and procedures. Conor further advised that CSAC is not really interested in providing boilerplate policies and procedures that the member would just end up filing away. Conor Boughey advised the members to contact Alliant

Michael Simmons asked if there were any members that would like to "test pilots". Gonzales, Scotts Valley and Soledad volunteered to be the "test pilots" for working with CSAC and will

then report back to the Board on how the process went. Mike Simmons advised the members that they must be engaged with CSAC during the process.

D3b3. Safety Inspection Deficiency Checklist Handout

Alliant handed out the Safety Inspection Deficiency Checklists to each member present at the meeting. Conor Boughey advised that the checklists have been customized to each individual city. Rene Mendez asked the members to fill-in their respective scorecards with completion dates for each section and to send them to Alliant by the end of March so that the results can be reported to the Board at the April meeting. Adela Gonzalez asked that electronically editable versions be emailed to the members.

Robert Galvan asked if the relationship with Bickmore Risk Services with respects to the Safety Inspection is null and void. Conor Boughey advised that the contract that was in place with Bickmore for the Safety Inspections has ended and that if an individual member were to contact Bickmore for help on their scorecards, they would incur a charge. Rene Mendez advised that a member can use their allotted portion of the Safety Grant Fund to work with Bickmore on their deficiency checklist/scorecard.

D3c. Coverage and Claims Committee

D3c1. Redevelopment Agencies

Conor Boughey advised that coverage no longer exists for Redevelopment Agencies and if any RDA's are listed as named insured on any Certificates of Insurance, those Certificates will need to be reissued under the city's name.

D4. NEW BUSINESS

D4a. JT2 Integrated Resources – Loss Run Analysis

Theresa Fernandez ran through the Loss Run Analysis report with the members. Ms. Fernandez advised the top 10 losses within pool are identified in the report and that the incurred dollars on these top 10 claims is \$4.5M. MBASIA'S Total incurred over the last 3 years is \$9.1million. Therefore, the dollars incurred on the 10 claims listed in the report is over half of the total incurred claims value. This says that MBASIA has more of a severity problem than frequency problem. 8 out of the top 10 claims involve police officers. 4 of the 10 claims are for knee injuries which point to age-related and fitness issues among the police departments. 2 of the 10 claims are considered unusual claims (one involves MRSA and the other involves cancer). Top 10 claims are more than half of total incurred. This says that MBASIA has more of a severity problem than frequency problem. 8 of the top 10 claims involve police officers. Fernandez further reported that the majority of the claims are occurring in 40-49 age range which is considered normal. However, there is a dramatic drop-off in the number of claims after the age of 50 which could be the result of retirements. Ms. Fernandez stated that traditional medical involvement is not resolving claims - surgeries are not successful which could point to a health/wellness issue. Ms. Fernandez further stated that the majority of claims are being reported from employees after 11-15 years of service. MBASIA has two claims that are over \$2M in

incurred dollars, thus pointing to a severity issue not a frequency issue with MBASIA's claims. Ms. Fernandez advised that implementing nurse case management and utilization review would help control the costs and severity of these claims.

Daniel Dawson advised that he would like to see more aggressive management of the claims. Ms. Fernandez encouraged the members to consider implementing aggressive return to work programs, aggressive nurse management programs and aggressive investigations into the claims.

Tabatha Bettencourt further advised that monthly claim reviews between the member city and JT2 are a necessity to help manage these expensive claims.

Mike Simmons advised that Alliant will come back with a plan on how JT2 should communicate to the member red flag claims and also reporting guidelines for the member to follow (i.e., flowchart).

Mike Simmons advised that MBASIA's top 10 claims have put MBASIA into a negative asset position. MBASIA has paid CSAC \$550,000 in premium and CSAC has paid out \$1,050,000 in claims thus far. That pricing is probably not going to remain the same.

Conor Boughey advised that the top 10 claims that MBASIA is experiencing are very unusual compared to other pools.

D4b. JT2 Integrated Resources – Utilization Review

Tabatha Bettencourt advised that every employer and Workers' Compensation TPA are required by law to have a UR program in place. Ms. Bettencourt further reported that MBASIA's drawback currently is that they currently don't have a set "trigger list" to follow. The trigger list outlines what non-physician reviewers and physician reviewers can approve. Non-physician reviewers are Claims examiners and Nurse Case Managers. Non-physician reviewers have the authority to issue approval on medical treatments for different triggers. Non-physician reviewers should be given authority to approve certain treatments as long as there aren't any red flags involved with the claim. Ms. Bettencourt stated that MBASIA has had UR done on certain claim but hasn't adopted a trigger list yet. If something is sent to UR, a decision is made within 5 days. If something requires additional medical evidence, a delay will be put on that request for medical treatment and a physician will have up to 14 days to determine if appropriate medical care has assigned. If it appears that a treatment recommended by a doctor is out of line, another doctor will be brought in to review the treatment recommendations and compared with national guidelines. If the treatment recommendation does not match the national guidelines, the claim will be denied.

If MBASIA takes advantage of Utilization Review, a separate charge will be incurred that is outside of the fees already established in MBASIA's contract with JT2.

A motion was made to approve MBASIA's adoption of the list of triggers included on page 43 of the agenda packet.

MOTION: Adela Gonzalez

SECOND: Daniel Dawson

MOTION CARRIED

D4c. Demonstration of MBASIA's Updated 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 PEPiP 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 taken.

D4d. Status Report on 2012 PEPiP Renewal

Conor Boughey advised that the PEPiP renewal is coming up and that not all members participate in the PEPiP Program. CARMA took steps to isolate and limit Cyber Liability coverage. It is a Liability coverage, but the PEPiP policy provides this coverage. Mr. Boughey advised that members should purchase a Property policy through PEPiP who are currently not in the program in order to take advantage of the Cyber Liability coverage that is included. Robert Galvan advised that CARMA provides Cyber Liability coverage in excess of \$1M. The language included in CARMA's MOC does not allow the PEPiP coverage to count towards the \$1M layer. The member agency must exhaust \$1M in limits first before the CARMA layers comes in to play.

Rene Mendez asked what the advantage is for a member to purchase PEPiP coverage. Mike Simmons advised that it covers up to \$2,000,000 for first party property coverage for a Cyber claim whereas if a member does not have property coverage through PEPiP, they only have \$1,000,000 of third party liability coverage for cyber claims under MBASIA's MOC. Conor further advised that the PEPiP policy provides services to help the member manage the loss.

D4e. Cyber Liability Exposure Discussion

No further discussion was needed on this item.

D5. LOSS REPORT

D5a. Liability Third Party Administrator's Report - The MBASIA Board of Directors entered into Closed Session pursuant to Government Section Code 54956.95.

A motion was made to enter into closed session at 11:50 AM pursuant to Government Section Code 54956.95.

MOTION: Adela Gonzalez

SECOND: Brent Slama

MOTION CARRIED

D5b. Workers' Compensation Administrator's Report

Nothing to report.

A motion was made to come out of closed session at 12:10 p.m.

Direction was given to RMS to take action on claims discussed during closed session.

MOTION: Adela Gonzalez

SECOND: Daniel Dawson

MOTION CARRIED

E. PROGRAM ADMINISTRATORS REPORT

F. CORRESPONDENCE/INFORMATION

None.

G. GENERAL RISK MANAGEMENT ISSUES

None.

ADJOURNMENT

Rene Mendez adjourned the meeting at 12:15 PM.

Item No. B.2
Board of Directors
April 16, 2012

SERVICE CALENDAR AND STATUS OF DELIVERABLES

ISSUE: The (old) “Transition Milestone” Report has now been updated to be used as a rolling *Service Calendar*, and status of deliverables from the previous Board of Directors Meeting. This ongoing document will be presented on the Consent Calendar at each Board meeting.

RECOMMENDATION: This is an information item on the consent calendar and therefore the report should be received and filed.

FISCAL IMPACT: No financial impact is expected from today’s meeting.

BACKGROUND: Previously, at each Board Meeting Alliant has presented a transition milestone Report that states the current status of transition of responsibilities and documents from Kent Rice and Associates and Alliant Insurance Services. At the June Board Meeting the Board discussed this item and gave direction to change the document into a rolling calendar and status report of action items.

ATTACHMENT: Service Calendar and Status of Deliverables as of April 9, 2012

**AGENDA ITEM B.2
BOARD OF DIRECTORS
APRIL 16, 2012**

SERVICE CALENDAR AND STATUS OF DELIVERABLES

PREVIOUS ITEMS:

ITEM	STATUS
1. Safety Committee – Review Requests for Grant Funds	Completed
2. Complete Actuarial Reports with Jack Joyce	Completed
3. Budget Committee Meeting – Draft Budgets	Completed
4. Program Administrator Meeting with JT2 to discuss claims and projects	Completed
5. Safety Committee – Distribute Compliance Checklists	Completed
6. Set up contact between CSAC and three member agencies on the creation of policies and procedures	Completed

CURRENT ACTIVITIES:

ITEM	STATUS
1. CSAC Renewal for Workers Compensation	In Progress
2. CARMA Renewal for Liability	In Progress
3. PEPiP Property Renewal	In Progress
4. ERMA Renewal for Employment Practices Coverage	In Progress
5. MBASIA Liability Budget – Draft at April Board Meeting	In Progress
6. MBASIA Workers Compensation Budget – Draft at April Board Meeting	In Progress
7. Assisting in transition meetings and expectations for WC TPA - JT2	In Progress

**Item No. D.1.a
Board of Directors
April 16, 2012**

April 16, 2012

To: MBASIA Board of Directors

From: Steve Ando, Treasurer

RE: Approval of Check Register

I hereby certify that the attached check registers for the months of January & February, 2012

1. are for correct and just services or materials received,
2. that payment has not been previously made, and
3. that funds are available to cover these payments.

First Signature

Steve Ando, Treasurer

(Please Print Name)

Date

Second Signature

(Please Print Name)

Member Cities

Capitola
Del Rey Oaks
Gonzales
Greenfield
Hollister
King City
Marina
Sand City
Scotts Valley
Soledad

Monterey Bay Area Self Insurance Authority

Check Detail

January 2012

<u>Num</u>	<u>Date</u>	<u>Name</u>	<u>Account</u>	<u>Paid Amount</u>
	1/4/2012	Transfer	1130 · Checkin...	
			1150 · Transfer ...	-100,000.00
TOTAL				-100,000.00
	1/12/2012	Transfer	1130 · Checkin...	
			1150 · Transfer ...	-20,000.00
TOTAL				-20,000.00
	1/19/2012	Transfer	1130 · Checkin...	
			1150 · Transfer ...	-1,400,000.00
TOTAL				-1,400,000.00
	1/24/2012	Transfer	1130 · Checkin...	
			1150 · Transfer ...	-25,000.00
TOTAL				-25,000.00
	1/24/2012	Transfer	1130 · Checkin...	
			1150 · Transfer ...	-53,000.00
TOTAL				-53,000.00
	1/31/2012	Santa Cruz Co...	1110 · Checkin...	
			6120 · Bank Ch...	-81.00
			6120 · Bank Ch...	-81.00
TOTAL				-162.00
	1/31/2012	JT2	1110 · Checkin...	
			6150 · Workers ...	-319,560.44
TOTAL				-319,560.44
1219	1/4/2012	Hotel Pacific	1130 · Checkin...	
			6195 · Training/...	-1,384.32
			6195 · Training/...	-1,384.31
TOTAL				-2,768.63
1220	1/13/2012	Alliant Insuran...	1130 · Checkin...	
			6100 · Risk Man...	-23,564.00
			6100 · Risk Man...	-23,564.00
TOTAL				-47,128.00
1221	1/13/2012	Bickmore Risk ...	1130 · Checkin...	
			6590 · Safety S...	-25,000.00
TOTAL				-25,000.00

9:23 AM
04/10/12

Monterey Bay Area Self Insurance Authority
Check Detail
January 2012

<u>Num</u>	<u>Date</u>	<u>Name</u>	<u>Account</u>	<u>Paid Amount</u>
1222	1/13/2012	Concern	1130 · Checkin...	
			6135 · E.A.P. In...	-4,436.84
TOTAL				-4,436.84
1223	1/13/2012	JT2	1130 · Checkin...	
			6110 · JT2 Fees	-17,488.35
TOTAL				-17,488.35
1224	1/13/2012	JT2 Claims	1130 · Checkin...	
			6150 · Workers ...	-2,156.00
TOTAL				-2,156.00
1225	1/17/2012	Crowe Horwath	1130 · Checkin...	
			6190 · Audit / A...	-500.00
			6190 · Audit / A...	-500.00
TOTAL				-1,000.00

9:24 AM

04/10/12

Monterey Bay Area Self Insurance Authority

Check Detail

February 2012

<u>Num</u>	<u>Date</u>	<u>Name</u>	<u>Account</u>	<u>Paid Amount</u>
	2/3/2012	Transfer	1130 · Checkin...	
			1150 · Transfer ...	-1,100,000.00
TOTAL				-1,100,000.00
	2/8/2012	Transfer	1130 · Checkin...	
			1150 · Transfer ...	-179,000.00
TOTAL				-179,000.00
	2/8/2012	Santa Cruz Co...	1130 · Checkin...	
			6120 · Bank Ch...	-57.15
			6120 · Bank Ch...	-57.14
TOTAL				-114.29
	2/21/2012	Transfer	1130 · Checkin...	
			1150 · Transfer ...	-20,000.00
TOTAL				-20,000.00
	2/21/2012	Transfer	1130 · Checkin...	
			1150 · Transfer ...	-107,000.00
TOTAL				-107,000.00
	2/28/2012	Transfer	1130 · Checkin...	
			1150 · Transfer ...	-25,000.00
TOTAL				-25,000.00
	2/28/2012	Transfer	1130 · Checkin...	
			1150 · Transfer ...	-36,000.00
TOTAL				-36,000.00
	2/29/2012	JT2	1110 · Checkin...	
			6150 · Workers ...	-170,366.83
TOTAL				-170,366.83
1226	2/1/2012	Concern	1130 · Checkin...	
			6135 · E.A.P. In...	-2,320.01
TOTAL				-2,320.01
1227	2/1/2012	JT2 Claims	1130 · Checkin...	
			6150 · Workers ...	-1,056.00
TOTAL				-1,056.00
1228	2/1/2012	PAPE Material ...	1130 · Checkin...	
			6590 · Safety S...	-2,368.00
TOTAL				-2,368.00

9:24 AM

04/10/12

Monterey Bay Area Self Insurance Authority
Check Detail
February 2012

<u>Num</u>	<u>Date</u>	<u>Name</u>	<u>Account</u>	<u>Paid Amount</u>
1229	2/1/2012	Risk Managem...	1130 · Checkin...	
			6105 · RMS - Cl...	-3,413.78
TOTAL				-3,413.78

**Item No. D.3.a.1
Board of Directors
April 16, 2012**

MEMBER REPRESENTATIVES

ISSUE: President, Rene Mendez, will introduce the Interim City Manager for City of Marina, Douglas Yount.

RECOMMENDATION: No recommendation is given, this is an information item.

FISCAL IMPACT: No financial impact is expected from the recommended action

BACKGROUND: Catrina Conatser will also be a contact for the other Members and Authority.

ATTACHMENT: None

Item No. D.3.b.1
Board of Directors
April 16, 2012

REPORT FROM APRIL 3, 2012 SAFETY COMMITTEE MEETING

ISSUE: Rene Mendez, MBASIA's Safety Committee Chair, will give a verbal report on the Safety Committee Meeting.

RECOMMENDATION: No recommendation is given, this is an information item.

FINANCIAL IMPACT: No financial impact is expected from the recommended action.

BACKGROUND: On April 3, 2012 the Safety Committee met to discuss the Grant Funds Program. A request was made to allow for larger a larger reimbursement than the policy allows for, and then 'finance' the reimbursement over future year budgets. Rene Mendez will give a report of the committees actions.

ATTACHMENT: Agenda page from the April 3, 2012 Safety Committee Meeting

CALL IN: 855-201-9213

PASSCODE: 5797667

AGENDA

JPA: MBASIA Safety Committee Meeting

DATES/TIMES: Tuesday, April 3, 2012 at 2:00 PM

PRIMARY LOCATION: Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, Ca 94111
(415) 403-1411

LOCATIONS VIA TELEPHONE:

- City of Capitola – 429 Capitola Ave, Capitola, CA 95010 (831) 475-7300
- City of Del Rey Oaks – 650 Canyon Del Rey Rd, Del Rey Oaks, CA 93940 (831) 394-8511
- City of Gonzales – 147 Fourth Street, Gonzales, CA 93926 (831) 675-5000
- City of Marina – 211 Hillcrest Ave, Marina, CA 93933 (831) 884-1278
- City of Soledad – 248 Main Street, Soledad, CA 93960 (831) 223-5000

LEGEND:

A – Action may be taken

I – Information

1 – Included

2 – Handout

3 – Separate

4 – Verbal

Member Cities

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PAGE 4 A. CALL TO ORDER

4 B. CONSENT CALENDAR (A)

1) Approval of Minutes – January 9, 2012 Safety Committee
Members will review these minutes and may take action to approve or amend.

4 C. PUBLIC COMMENTS (I)

The public is invited at this point to address the Board on issues of interest to them.

D. SAFETY COMMITTEE

- 1 1. Safety Grant Fund Policy and Procedure (A)
The committee members will review and discuss the City of Hollister's request to set up a 'financing' plan to request funds from MBASIA's Safety Grant Fund for this year and future years for its city wide ergonomics project. Members may give direction or take action.

E. CORRESPONDENCE / INFORMATION (I)

None

4 F. GENERAL RISK MANAGEMENT ISSUES (I)

Subjects that of interest to members: please bring 15 copies of any materials.

ADJOURNMENT

Item No. D.3.b.2
Board of Directors
April 16, 2012

SAFETY INSPECTION DEFICIENCY CHECKLIST TIMELINES

ISSUE: At the February 13, 2012 Board of Directors Meeting, the Board took action to implement a policy in which Members would address all Safety Inspection deficiencies that were scored less than 60%. The checklists were distributed to each member, and responses were received from 9 out of 10 cities. We are still waiting for the City of King City's response to the checklist. The Program Administrators will start compiling the dates and providing a report of status at the June Board Meeting.

RECOMMENDATION: This is an information item, no action is needed. However, direction should be provided if the City of King City does not provide their response to the survey.

FINANCIAL IMPACT: No financial impact is expected.

BACKGROUND: At the Long Range Planning Meeting the Board reviewed the results of the inspections, and the Safety Committee was assigned the task of reviewing all of the final reports and reporting to the Board at the February Board Meeting. The Safety Committee proposed creating a checklist for Members to go back and address each item they scored less than 60% compliance.

ATTACHMENT: None

Item No. D.3.d.1
Board of Directors
April 16, 2012

DRAFT LIABILITY BUDGET

ISSUE: The Budget Committee has prepared the 2012-13 Draft Liability Budget.

RECOMMENDATION: The Budget Committee recommends the Board review the attached draft Liability Budget and take action to approve or give direction. A final version of the Budget will be presented at the June Board Meeting.

FINANCIAL IMPACT: The 2012-13 total budget has remained flat at \$883,996 however each Members share of the budget has changed as illustrated on the attached worksheet.

BACKGROUND: The Budget Committee has been working to finalize the budget calculation based on the member exposure factors, and the budget needs. While the total budget has remained flat, each individual members share of the total has been allocated as follows:

1. Exposure base is determined by member's Payroll
2. Experience base is determined by member's total paid claims for the 5 program years ending 2010-11
3. A 25% premium increase cap remains

ATTACHMENT: Draft 2012 Liability Budget including a year over year comparison to 2011

**MONTEREY BAY AREA SELF INSURANCE AUTHORITY
FY '12-13 LIABILITY INSURANCE FUND**

UNMODIFIED CONTRIBUTIONS, TOTAL REVENUES AND COMPARATIVE ANALYSIS					
MEMBER AGENCY	FY '11-12 ACTUAL CONTRIBUTIONS	FY '12-13 RECOMMENDED CONTRIBUTIONS	INCREASE (DECREASE) FROM PRIOR YEAR	PERCENTAGE CHANGE FROM PRIOR YEAR	
Capitola	\$ 65,338	\$ 81,672	\$ 16,334	25%	
Del Rey Oaks	25,690	14,035	(11,655)	-45%	
Gonzales	21,129	26,412	5,282	25%	
Greenfield	35,589	44,486	8,897	25%	
Hollister	357,397	288,491	(68,906)	-19%	
King City	54,918	53,657	(1,261)	-2%	
Marina	89,350	111,687	22,337	25%	
Sand City	50,611	51,121	510	1%	
Scotts Valley	49,383	61,728	12,346	25%	
Soledad	134,592	150,708	16,116	12%	
	\$ 883,996	\$ 883,996	\$ 0		
TOTAL CONTRIBUTIONS FOR FY '09-10		\$ 883,996			

Item No. D.3.d.2
Board of Directors
April 16, 2012

DRAFT WORKERS COMPENSATION BUDGET

ISSUE: The Budget Committee is working to finalize the 2012-13 Draft Workers Compensation Budget. At this time, the Committee is not prepared to present the Workers Compensation budget, due to extensive review of the reserves and the needs of the budget. The goal is to minimize any need for a budget increase, but each members share will vary based on the contribution factors listed below.

RECOMMENDATION: The Budget Committee will continue to review the budget factors and will distribute draft budget figures as soon as they are available.

FINANCIAL IMPACT: The 2012-13 total budget has not yet been determined.

BACKGROUND: The Budget Committee has been working to calculate the 2012-13 budget and also working to verify claims reserves and budget needs. The following factors make up the calculation methodology:

1. Exposure base is determined by Member Payroll
2. Experience base is determined by total incurred claims with an individual claims cap of \$250,000 for the 4 years ending 7/1/2011

ATTACHMENT: None

Item No. D.4.a
Board of Directors
April 16, 2012

CARMA INSURANCE RENEWAL

ISSUE: CARMA provides excess liability coverage for MBASIA at a \$1,000,000 attachment point. CARMA's draft renewal budget is attached, and indicates an increase from \$244,058 to \$253,067, which is an increase of \$9,009 or 3.69%.

This increase is a result of three major factors that drive member premium changes in this preliminary budget:

- Payroll (MBASIA's increased by 8.9%)
- Ex Mod (MBASIA's decreased by approximately 4%)
- Allocation of reinsurance based on change in ex mod methodology (this is the second year of a three year tiered change)

RECOMMENDATION: It is recommended that the Board review the report on the anticipated renewal terms, and give direction to the Program Administrators with respects to renewal strategy.

FINANCIAL IMPACT: The July 1, 2012 renewal premium is estimated to be \$253,067, which is an increase of \$9,009 or 3.69%.

BACKGROUND: MBASIA has been a member of CARMA since 2003. CARMA provides excess liability coverage for the Authority, attaching at \$1,000,000 and providing excess pooled and insurance limits. MBASIA has one seat on the Board of Directors; currently Robert Galvan is MBASIA's representative.

ATTACHMENT: CARMA Draft Budget

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

~ Preliminary Draft 2012/2013 Operating Budget ~

Funding For Pooled Losses at the 75% Confidence Level ~ 2011/12 Funding Rates and Discount Factor

~ Excess Purchase \$15 million ex of \$14 million - Colony ~ 2011/12 Rates

~ Reinsurance Purchase \$10 million ex of \$4 million - Am Trust Financial ~ 2011/12 Rates

Includes Updated Ex Mods, Payroll, and Reinsurance Ex Mod Change

	2011 PAYROLL	FUNDING FOR POOLED LOSSES	EXPERIENCE MOD FACTOR	LOSSAD ADJUSTED FOR EX MOD	OFF-BALANCE FACTOR	ADJUSTED POOLED LOSSES
MEMBER AGENCY	NOTE 1	NOTE 2	NOTE 3	NOTE 4	NOTE 5	NOTE 6
BCJPIA	\$379,792,376	\$1,283,254	1.131	\$1,451,442	0.9866	\$1,432,027
CSJVRMA	357,297,500	1,207,248	0.775	935,248	0.9866	922,738
MBASIA	45,516,827	153,794	0.825	126,932	0.9866	125,235
MPA	248,853,691	840,834	1.250	1,051,043	0.9866	1,036,984
PARSAC						
VCJPA	46,286,921	156,396	0.807	126,230	0.9866	124,542
TOTALS	\$1,077,747,315	\$3,641,525	0.958	\$3,690,896		\$3,641,525
			(average)			

LAYER "B" RATE \$3 X \$1 Rate for Discounted Losses and ALAE (75% Confidence Level)	0.338
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LAYER "C" RATE (\$5-14 MIL)	Reinsurance Rate + Broker's Fee	\$0.10573
	Broker's Fee (included in reinsurance rate)	\$68,290

LAYER "D" RATE	Excess (\$15-\$29 Mil) Insurance Rate	\$0.04564
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MEMBER AGENCY	ADJUSTED POOLED LOSSES NOTE 6	REINSURANCE: \$10 Mil X \$4 Mil			EXCESS \$15Mil x \$14Mil NOTE 8	ADMIN PREMIUM NOTE 9	2012-2013 CARMA PREMIUM NOTE 10	RATE PER \$100 PAYROLL
		1/3 Premium Applied to ExMod	2/3 Premium Not Applied to ExMod	Reinsurance Premium				
BCJPIA	\$1,432,027	\$149,368	\$267,700	\$417,068	\$173,337	\$111,801	\$2,134,233	\$0.562
CSJVRMA	922,738	\$96,246	\$251,844	348,091	163,071	83,324	1,517,223	\$0.425
MBASIA	125,235	\$13,063	\$32,083	45,146	20,774	61,913	253,067	\$0.556
MPA	1,036,984	\$108,163	\$175,407	283,570	113,577	126,378	1,560,508	\$0.627
PARSAC						7,262	7,262	
VCJPA	124,542	\$12,990	\$32,626	45,616		55,063	225,220	\$0.487
TOTALS	\$3,641,525	\$379,830	\$759,660	\$1,139,490	\$470,759	\$445,740	\$5,697,514	\$0.529

LAYER "A" \$0 - \$1 MIL - NOT ACTIVATED
LAYER "B" \$3 MIL EX \$1 MIL
LAYER "C" \$10 MIL EX \$4 MIL
LAYER "D" \$15 MIL EX \$14 MIL
NOTES:
1 2011 Payroll
2 Payroll/100 * Rate Discounted at 3.50%
3 Minimum of .75 AND Maximum of 1.25 (Page 2).
4 (2)*(3)
5 Total (2) / Total (4)
6 (4) * (5).
7 (Payroll/100) * Reinsurance Rate (2/3 applied to ex mod)
8 (Payroll/100) * Excess Insurance Rate
9 From Page 4
10 Sum of (6) Through (9)

COMPARISON TO PRIOR YEAR		
2011-2012 CARMA PREMIUM	INCREASE (DECREASE)	Percentage INCREASE (DECREASE)
\$2,268,556	(\$134,323)	-5.92%
1,554,561	(\$37,338)	-2.40%
244,058	\$9,009	3.69%
1,611,818	(\$51,310)	-3.18%
14,523	(\$7,261)	-50.00%
238,467	(\$13,247)	-5.55%
\$5,931,983	(\$234,469)	-3.95%

Revisions from prior year:

- ~ Updated payroll and Ex Mods
- ~ Revised reinsurance allocation: One third of the reinsurance premium continues to be applied to the JPA ex mod, while two thirds of the premium is not.
- ~ VCJPA no longer participating in excess
- ~ Withdrawal of the CCF's and Hanford in CSJVRMA
- ~ Withdrawal of SFRA in BCJPIA

Item No. D.4.b
Board of Directors
April 16, 2012

ERMA INSURANCE RENEWAL

ISSUE: ERMA provides excess employment practices liability coverage and training for MBASIA. The coverage attaches at \$500,000. ERMA's draft renewal budget is attached, and indicates an increase from \$84,187 to \$86,238, which is an increase of \$2,051 or 2.4%.

RECOMMENDATION: It is recommended that the Board review the report on the anticipated renewal terms, and give direction to the Program Administrators with respects to renewal strategy.

FINANCIAL IMPACT: The draft renewal premium is estimated to be \$86,238, which is an increase of \$2,051 or 2.4%.

BACKGROUND: MBASIA has been a member of ERMA since 2011. ERMA provides excess employment practices liability coverage for the Authority, attaching at \$500,000 and providing excess pooled and insurance limits. Additionally, ERMA has a very strong training program that is offered to MBASIA. MBASIA has one seat on the Board of Directors; currently Rene Mendez is MBASIA's representative, and Daniel Dawson as the Alternate.

ATTACHMENT: ERMA Draft Budget

Employment Risk Management Authority

~ Draft 2012/2013 Operating Budget ~

Member Summary

~ 2011/12 75 % Confidence Level Funding Rates ~

~ 2011/12 Excess Insurance \$1 million x \$1 million Rate ~

Includes Updated Ex Mod and Payroll

Member Entities	Actual 2011 Payroll	Funding For Losses	Safety & Training	Admin. Costs	Deposit Premium	Experience Modification Factor	Deposit Premium Adjusted for Ex Mod	Off-Balance Factor	Deposit Premium			Prior Year Comparison		
									Deposit Premium Adjusted for Off-Bal Factor	Excess Insurance \$1M x \$1M	TOTAL Deposit Premium	Prior Yr. Deposit Premium	Percentage Change	Percentage Change Net of Payroll
BCJPIA	\$191,828,018	\$903,029	\$14,303	\$118,410	\$1,035,742	0.750	\$776,806	1.049	\$814,709		\$814,709	\$911,688	-10.6%	-0.8%
CSJVRMA	161,481,413	982,509	12,040	99,678	1,094,228	1.250	1,367,785	1.049	1,434,523	53,773	1,488,296	1,671,121	-10.9%	1.1%
MBASIA	41,784,220	40,051	3,115	25,792	68,959	1.000	68,959	1.049	72,324	13,914	86,238	84,187	2.4%	2.4%
MPA	266,630,721	1,412,218	19,880	164,584	1,596,682	0.750	1,197,512	1.049	1,255,942	88,788	1,344,730	1,389,727	-3.2%	-0.4%
PARSAC	207,108,676	1,036,990	15,442	127,843	1,180,275	0.966	1,140,144	1.049	1,195,775		1,195,775	1,087,755	9.9%	13.9%
PERMA	144,329,924	872,314	10,761	89,091	972,167	1.105	1,074,150	1.049	1,126,561		1,126,561	1,209,349	-6.8%	-4.1%
SCORE	13,409,558	69,260	1,000	8,277	78,537	0.969	76,130	1.049	79,844		79,844	98,102	-18.6%	-6.6%
VCJPA	45,792,923	197,736	3,414	28,267	229,417	1.059	242,918	1.049	254,770	15,249	270,019	262,735	2.8%	1.6%
Oakland H.A.	23,545,759	141,510	1,756	14,534	157,800	1.042	164,355	1.049	172,374	7,841	180,215	138,134	30.5%	14.7%
Contra Costa H.A.	5,192,250	31,205	387	3,205	34,798	1.145	39,837	1.049	41,781	1,729	43,510	43,188	0.7%	5.9%
Total	\$1,101,103,463	\$5,686,822	\$82,100	\$679,682	\$6,448,604		\$6,148,595		\$6,448,604	\$181,294	\$6,629,899	\$6,895,986	-3.9%	1.5%

Indicates 2010 Payroll; 2011 Payroll Not Received

2010 Actual Payroll	\$1,162,938,365
Percent Change	-5.3%

Table of Rates	
Budget Item	Rates
Funding for Losses - 3.0% Discounted 75% Confidence Level	\$0.6010
Excess Insurance: \$1M x \$1M ~ \$2M / \$10M Aggregate	\$0.0333
Safety & Training	\$0.0075
Administration	\$0.0617

Item No. D.4.c
Board of Directors
April 16, 2012

CSAC-EIA INSURANCE RENEWAL

ISSUE: CSAC-EIA provides excess workers compensation coverage for MBASIA, attaching at \$250,000. CSAC-EIA's draft renewal budget is attached, this is the third round draft and includes their estimates for excess insurance premiums and incorporates their actuarial study findings. MBASIA's renewal premium indicates an increase from \$377,649 to \$505,000, which is an increase of \$127,351 or 33%.

This increase has to do with several factors:

1. The California Workers Compensation market is hardening, even cities with no losses would expect to see a 15% increase due to market conditions (losses, investment income, actuarial assumptions)
2. MBASIA's ex-mod is 111% and 155% in the two layers they evaluate. Anything more than 100% is considered 'bad'.

RECOMMENDATION: It is recommended that the Board review the report on the anticipated renewal terms, and give direction to the Program Administrators with respects to renewal strategy.

FINANCIAL IMPACT: MBASIA's renewal premium is estimated to be \$505,000, which is an increase of \$127,351 or 33%. The Authority will receive a \$4,608 credit for the payroll audit, which will offset some of this cost.

BACKGROUND: MBASIA has been a member of CSAC-EIA since 2010. CSAC-EIA provides excess workers compensation coverage at a \$250,000 attachment. Prior to July 1, 2010, MBASIA was insured at a \$500,000 attachment with LAWCX.

ATTACHMENT: CSAC-EIA Workers Compensation Budget

CSAC Excess Insurance Authority

2012/13 Premium Estimates

Version 3 - March 2012

Monterey Bay Area Self Insurance Authority (MBASIA)

Premium estimates are prepared to aid members in budgeting for the next fiscal year. The estimates are based on early indicators and the current status of the insurance market. The costs needed to fund the Programs are, in most cases, allocated to members based on their own exposure and losses. CSAC EIA has recently collected exposure and loss information for many of the Programs. While we are providing estimates for all programs, we have updated figures for the PWC, EWC, GLI, Property and Crime Programs at this time.

The estimates are shown in a range with the high end of the range contemplating more conservative estimates and assumptions. We will continue to refine the premium estimates throughout the year as new or better information becomes available. The next expected update is in March, when we hope to have updated pool and reinsurance estimates.

Excess Workers' Compensation Program

Premium

10/11 Premium:	\$324,546	\$125k-\$300k layer ex-mod:	111.03%
11/12 Premium:	\$377,649	\$300k-\$1M layer ex-mod:	155.20%
12/13 Estimated Premium:	\$505,000 to \$506,000	10/11 Estimated Payroll Audit:	(\$4,608)

The EWC premium projections have been updated to reflect your entity's payroll from the 2012/13 renewal application, as well as updated losses from the June 30, 2011 data collection. For those members with SIRs less than \$1M, the ex-mod factors have been updated and are provided above. The premium projections reflect the pool rates and excess terms at are being considered by the Board at their meeting, but some of the excess layers are not yet finalized. Also shown above are the results of the 2010/11 payroll audit. You will be given options on how to apply the audit, one of which is as a premium adjustment. If you plan to apply it to the 2012/13 premium, please add or subtract it from the premium shown to determine your collectible premium.

Item No. D.4.d
Board of Directors
April 16, 2012

WORKERS COMPENSATION ACTUARIAL REPORT

ISSUE: Jack Joyce, MBASIA's Actuary, has completed the 2012-13 Workers Compensation Actuarial Report.

RECOMMENDATION: It is recommended that the Board review the Draft Workers Compensation Actuarial Report and take action to approve or give direction.

FINANCIAL IMPACT: There are many financial implications drawn from the Actuarial Report.

BACKGROUND: In past years, the Actuarial report was created after the July 1 renewal and used primarily for accounting purposes in the Financial Audit. After some discussion with the Board, direction was given to change the timing of the Actuarial study so that it could help the Authority decide on prudent funding levels.

Below are some facts related to the current funding and recommended funding gathered from the Actuarial Study:

- The central estimate rate with a \$250,000 SIR is \$4.45 (2011 \$4.83 – down 7.9%)
- The Estimated Liability for Unpaid Losses undiscounted is \$11,409,000 (2011 was \$11,390,000)
- The Short-term liability is \$1,658,000 (2011 was \$1,806,000)

ATTACHMENT: 2012-13 Workers Compensation Actuarial Report – Management Summary
(full report available upon request – 66 pages)

Monterey Bay Area Self Insurance Authority

An Actuarial Review of the Workers' Compensation Program

Management Summary

DRAFT

Monterey Bay Area Self Insurance Authority

An Actuarial Review of the Workers' Compensation Program

Management Summary

Projected 2012-13 Loss Rates

Table I shows the MBASIA's projected rates of loss for 2012-13 at various self-insured retentions ("SIR's) ranging between \$150,000 and \$1,000,000, plus unlimited. These rates are discounted at 1.5% interest and include 4850/TD benefits. Table II is similar except that it excludes 4850/TD benefits. Table IV on page 11 has adjustment factors to change the Table I and II rates to their equivalents at different interest rates. The Table I and II rates do not reflect the full cost of self-insurance because they don't include claims handling fees, administrative costs, or the cost of excess insurance coverage.

Tables I and II show actuarial central estimates and estimates at various probability levels. The higher probability level rates have higher probabilities of being adequate. For example, we estimate that there is a 70% probability that the actual 2012-13 \$250,000 SIR loss rate with and without 4850/TD will be less than **\$6.62** and **\$5.11**, respectively.

Table I: Projected 2012-13 Discounted Loss Rates (1.5% interest rate – INCLUDES 4850/TD)						
Probability Level	Projected Loss per \$100 of Payroll					
	\$150,000 SIR	\$250,000 SIR	\$500,000 SIR	\$750,000 SIR	\$1,000,000 SIR	Unlimited Retention
50%	4.45	5.53	6.56	6.99	7.15	7.24
Central Estimate	\$4.64	\$5.76	\$6.91	\$7.36	\$7.53	\$7.79
60%	4.87	6.05	7.26	7.73	7.91	8.10
70%	5.29	\$6.62	7.95	8.54	8.73	9.04
80%	5.85	7.32	8.91	9.57	9.79	10.28
90%	6.68	8.41	10.30	11.19	11.52	12.15
11 Central Estimate	\$4.88	\$6.04	\$7.09	\$7.38	\$7.47	\$7.60
Change in C.E.	-4.9%	-4.6%	-2.5%	-0.3%	+0.8%	+2.5%

The next to last row in Table I shows last year's projected 2010-11 central value rates. The bottom row shows the percentage changes between last year's and this year's central value rates. In Table I both this year's and last year's rates are discounted at 1.5% interest.

Table II: Projected 2012-13 Discounted Loss Rates (1.5% interest rate – EXCLUDES 4850/TD)						
Probability Level	Projected Loss per \$100 of Payroll					Unlimited Retention
	\$150,000 SIR	\$250,000 SIR	\$500,000 SIR	\$750,000 SIR	\$1,000,000 SIR	
50%	3.21	4.27	5.35	5.78	5.94	6.06
Central Estimate	\$3.34	\$4.45	\$5.63	\$6.08	\$6.25	\$6.52
60%	3.51	4.67	5.91	6.38	6.56	6.78
70%	3.81	\$5.11	6.47	7.05	7.25	7.56
80%	4.21	5.66	7.26	7.90	8.13	8.61
90%	4.81	6.50	8.39	9.24	9.56	10.17
11 Central Estimate	\$3.67	\$4.83	\$5.88	\$6.18	\$6.27	\$6.41
Change in C.E.	-9.0%	-7.9%	-3.3%	-1.6%	-0.3%	+1.7%

Last year we estimated that 4850/TD constituted 15.7% of the total unlimited losses. This year the data indicates 16.4%.

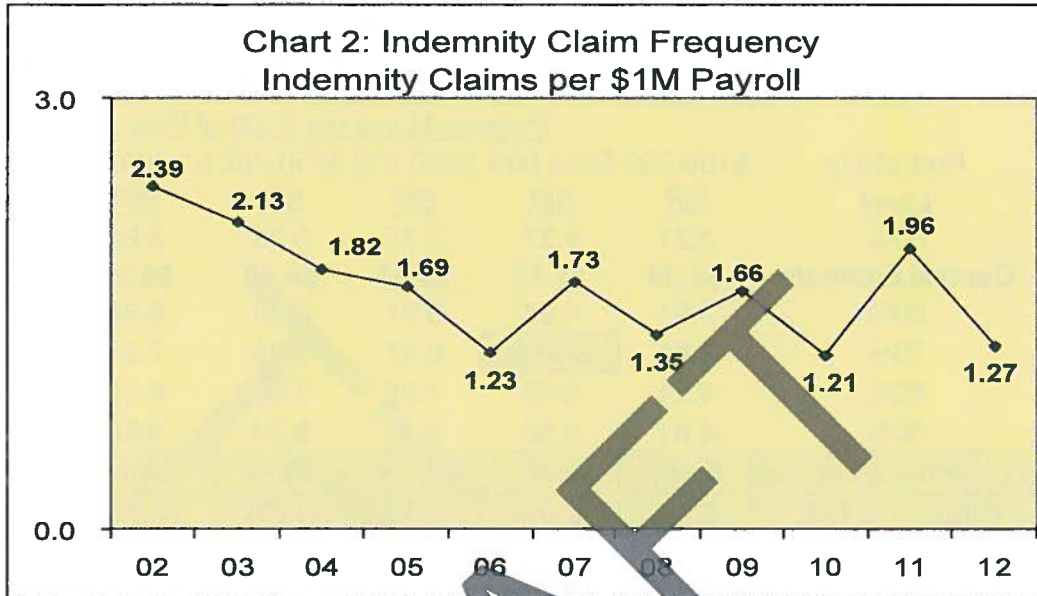
The Authority's Past Rates of Loss

Chart 1 displays the Authority's estimated past unlimited, undiscounted loss rates (no reduction for losses ceded to excess insurers). The loss rate is ultimate total loss per \$100 of payroll. ~~\$8.62~~ is the undiscounted central estimate unlimited rate for 2012-13. Our projection places the 2012-13 rate near the center of the past rates as shown in Chart 1. Six of the eleven prior rates are lower than **\$8.40**, and five are higher. The rates in Chart 1 include 4850/TD.



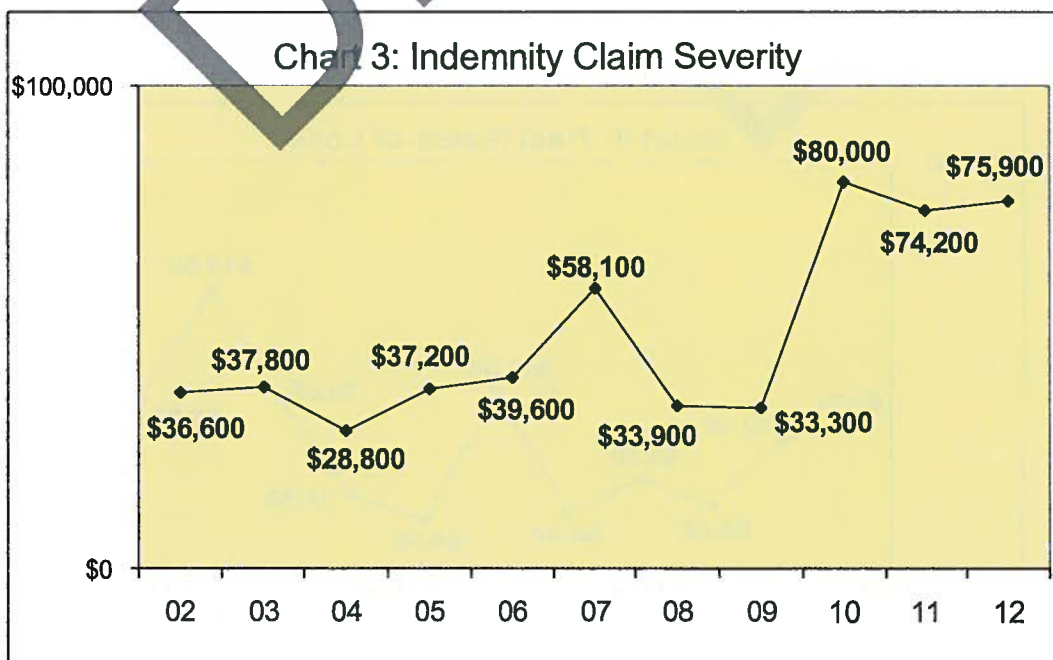
Indemnity Claim Frequency

Indemnity claim frequency is the number of "indemnity" claims divided by payroll. Chart 2 displays indemnity claim frequency.



Average Indemnity Claim Amount ("Severity")

Chart 3 shows the average indemnity claim amount, calculated by dividing the estimated annual losses by the number of indemnity claims. The values in this chart are based on unlimited loss data, so they include the portions of claims are ceded to excess insurers. The Chart 3 severities include 4850/TD.



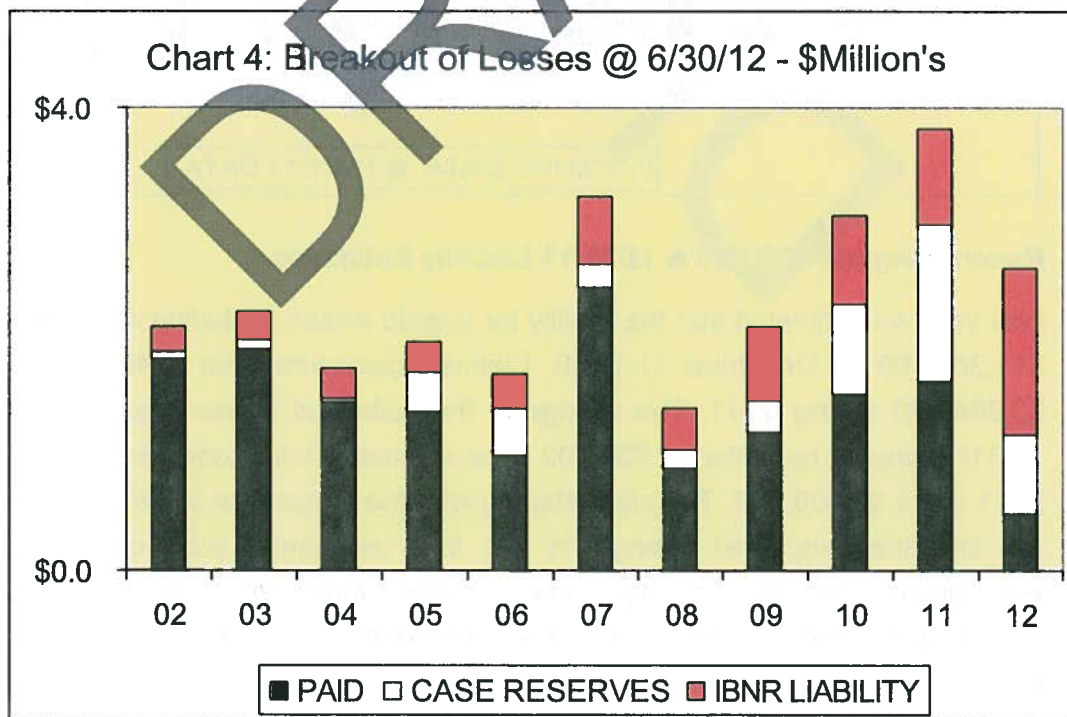
Limited Liability for Unpaid Losses @ 6/30/12

We project that the limited liability for unpaid losses will be **\$11,409,000** on June 30, 2012 on an undiscounted basis, or **\$10,350,000** if discounted at 1.0% interest. Table III shows these liabilities at various probability levels.

Table III: Estimated Liability for Unpaid Losses As of June 30, 2012 - \$1,000's		
Probability Level	Undiscounted Losses	Discounted at 1% Interest Losses
50%	11,181	10,143
Central Estimate	\$11,409	\$10,350
60%	11,751	10,660
70%	12,207	11,074
80%	13,006	11,799
90%	14,033	12,730

Loss Breakout as of 6/30/12

We project that the Authority's liability of **\$11,409,000** will comprise **\$4,850,000** in case reserves for known claims and an IBNR liability of **\$6,559,000**. Chart 4 breaks out the estimated total program year losses for 2000-01 through 2010-11 into their components: losses paid, case reserves, and IBNR liability.

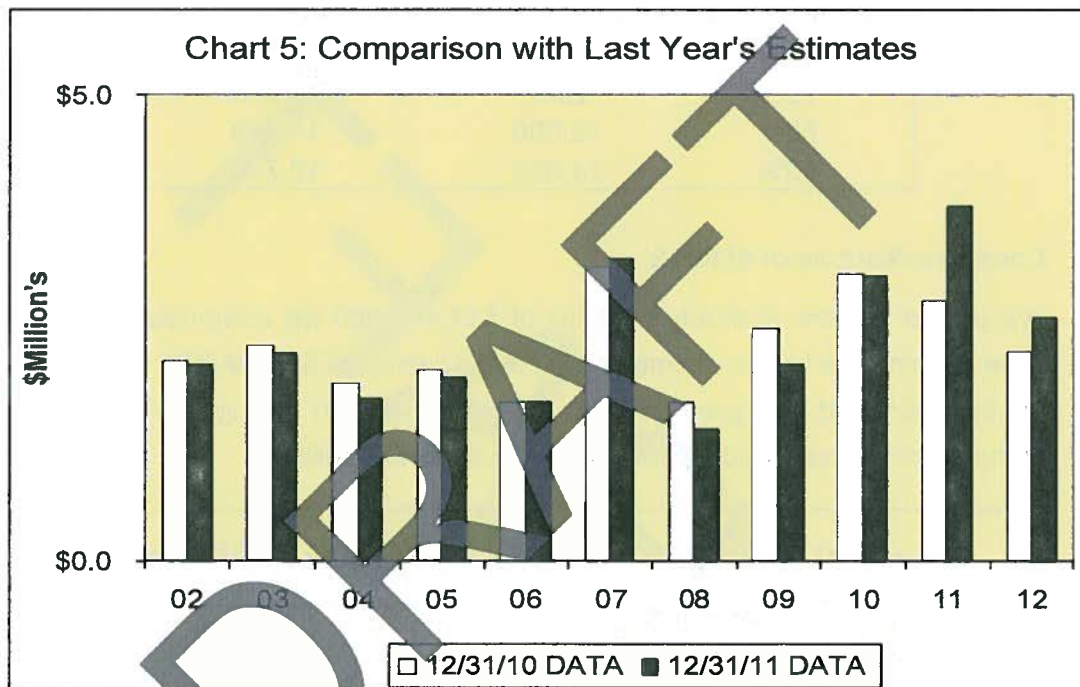


Short-Term Liability

Short-term liabilities are those expected to be expended within twelve months. The limited 6/30/12 liability comprises **\$1,658,000** in short-term and **\$9,751,000** in long-term liabilities.

Comparison with Last Year's Estimates

Chart 5 compares this year's estimates of the limited ultimate losses with last year's estimates. Chart 5 shows limited losses excluding 4850/TD benefits. The indication is for an average 2011-12 program year.



Reconciling the 12/31/10 & 12/31/11 Liability Estimates

Last year we estimated that the liability for unpaid losses (including 4850/TD) was \$11,265,000 on December 31, 2010. Claims expenditures, net of 4850/TD, were \$3,366,000 during 2011. The change in the estimated losses incurred through 12/31/10 was a reduction of \$38,000. The estimated total losses incurred during 2011 were \$3,800,000. Therefore starting with the December 31, 2010 liability, if we add the (negative) change in the loss estimates, subtract the claims expenditures, and add the total loss incurred during 2011, we end up with \$11,661,000, which matches our direct estimate of the unpaid losses as of December 31, 2011 on page 28.

Interest Rates

The discounted liabilities and rates in this report were calculated using a 1.5% interest rate. We used 1.0% for the discounted liabilities. Here are the adjustments to make for different interest rate assumptions:

Table IV: Interest Rate Adjustments						
Interest Rate	0%	0.74%	1.0%	1.16%	1.5%	2.0%
UNL Rate	+10.6%	N/A	+3.2%	+2.2%	+0.0%	-3.0%
1M Rate	+10.4%	N/A	+3.2%	+2.2%	+0.0%	-2.9%
750K Rate	+10.0%	N/A	+3.1%	+2.1%	+0.0%	-2.8%
500K Rate	+9.6%	N/A	+3.0%	+2.0%	+0.0%	-2.7%
250K Rate	+8.3%	N/A	+2.6%	+1.7%	+0.0%	-2.4%
Liabilities	+6.8%	+1.7%	+0.0%	N/A	-3.1%	-6.0%

We included columns labeled 0.74% and 1.16%. If one assembles a current portfolio of treasury bills and notes selected to mature just as the expected claims payments on the 2012-13 losses come due, that portfolio would yield an overall interest rate of 1.16%. If one assembles a similar portfolio with bills and notes selected to mature just as the expected payments on the 6/30/12 liability come due, that portfolio would yield 0.74%. Higher yields may be available, but only by taking on some credit risk by purchasing securities other than treasuries, or by speculating instead of holding the items in the portfolio to maturity.

Although we lowered the rates only to 1.0% and 1.5% (from last year's 2%) the differences in the rates and liabilities would be negligible if the rates were lowered all the way to 1.0% and 1.5%.

Monterey Bay Area Self Insurance Authority

**An Actuarial Review of the
Workers Compensation Program**

Technical Approach

Item No. D.4.e
Board of Directors
April 16, 2012

LIABILITY ACTUARIAL REPORT

ISSUE: Jack Joyce, MBASIA's Actuary, has completed the 2012-13 Liability Actuarial Report.

RECOMMENDATION: It is recommended that the Board review the Draft Liability Actuarial Report and take action to approve or give direction.

FINANCIAL IMPACT: There are many financial implications drawn from the Actuarial Report. The Board may consider budgeting funds, or using existing budgeted funds, to try to address claim concerns.

BACKGROUND: In past years, the Actuarial report was created after the July 1 renewal and used primarily for accounting purposes in the Financial Audit. After some discussion with the Board, direction was given to change the timing of the Actuarial study so that it could help the Authority decide on prudent funding levels.

Below are some facts related to the current funding and recommended funding gathered from the Actuarial Study:

- The central estimate rate undiscounted with a \$1M SIR and \$500K ELP SIR is \$2.17 (2011 \$2.05 – up 5.9%)
- The Estimated Liability for Unpaid Losses undiscounted is \$2,463,274 (2011 was \$1,676,264)
 - This is comprised of \$1,101,000 of known claims (reserves) and \$1,362,000 in IBNR
- The Short-term liability is \$943,000 (2011 was \$661,000)

ATTACHMENT: 2012-13 Liability Actuarial Report – Management Summary
(full report available upon request – 66 pages)

Monterey Bay Area Self Insurance Authority

An Actuarial Review of the Liability Self-Insurance Program

Management Summary

Monterey Bay Area Self Insurance Authority

An Actuarial Review of the Liability Self-Insurance Program

Management Summary

Projected 2012-13 Losses and Loss Rates

Tables I and II show the projected 2012-13 losses and loss rates at various probability levels, discounted and undiscounted. The rates in Table I are gross of the \$10,000 per loss deductible, while those in Table II are net of that deductible. We discounted the rates at 1% interest. The items in Tables I and II do not include claims handling fees ("ULAE"), administrative costs, or the cost of excess insurance coverage. The losses have been calculated assuming that CARMA will cover any general and auto liability losses that exceed \$1,000,000, and that ERMA will cover any EPL losses that exceed \$500,000.

Tables I and II show actuarial central estimates, plus estimates at various probability levels. The probability level rates correspond to the estimated probabilities that the indicated rate will be adequate. For example, we estimate that there is a 70% probability that the actual 2012-13 discounted loss rate, gross of deductibles (Table I) will be less than \$3.07.

Table V on page 11 shows factors to adjust these rates for interest rates other than 1%.

Table I: Projected 2012-13 Losses and Loss Rates (\$1M SIR (\$500K EPL SIR), Gross of \$10K Deductible, 1% Interest Rate)				
<u>Probability</u> <u>Level</u>	<u>Undiscounted</u> <u>Losses</u>	<u>Discounted</u> <u>Losses</u>	<u>Undiscounted</u> <u>Loss Rate</u>	<u>Discounted</u> <u>Loss Rate</u>
Central Estimate	\$1,159,438	\$1,128,133	\$2.55	\$2.48
70%	1,437,703	1,398,885	3.16	3.07
80%	1,739,157	1,692,200	3.82	3.72
90%	2,202,932	2,143,453	4.84	4.71
2011 C.E.	\$1,046,507	\$1,019,298	\$2.43	\$2.37
% Change from 11	+10.7%	+10.7%	+4.9%	+4.6%

Table II: Projected 2012-13 Losses and Loss Rates (\$1M SIR (\$500K EPL SIR), NET of \$10K Deductible, 1% Interest Rate)				
<u>Probability Level</u>	<u>Undiscounted Losses</u>	<u>Discounted Losses</u>	<u>Undiscounted Loss Rate</u>	<u>Discounted Loss Rate</u>
Central Estimate	\$987,436	\$957,813	\$2.17	\$2.10
70%	1,254,044	1,216,422	2.76	2.67
80%	1,579,898	1,532,501	3.47	3.37
90%	1,974,872	1,915,626	4.34	4.21
2011 C.E.	\$881,657	\$856,089	\$2.05	\$1.99
% Change from 11	+11.9%	+11.9%	+5.9%	+5.5%

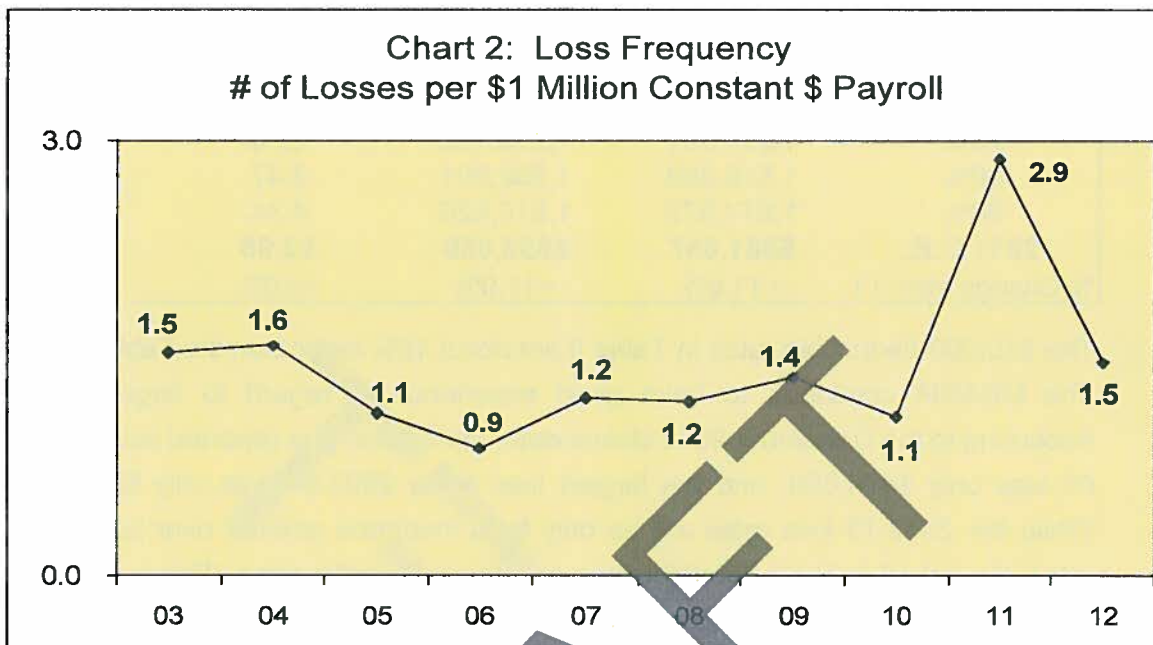
The \$10,000 deductible rates in Table II are about 15% lower than the Table I rates. The MBASIA continues to have good experience in regard to large claims. According to the December 2011 claims data, the largest loss reported since 2000-01 was only \$474,000, and the largest loss since 2003-04 was only \$358,000. While the 2012-13 loss rates are up only by a moderate amount over last year's rates, the actual indicated contributions are up significantly more. This is because the MBASIA payroll used to calculate the rates rose from \$43.0 million to \$45.5 million.

The Authority's Past Rates of Loss

Chart 1 shows the Authority's estimated past rates of loss. The rate is equal to the estimated total losses for the year divided by the total insured payroll measured in hundreds of dollars. The indicated loss rates are not discounted. The rate of **\$2.55** projected for 2012-13 in Chart 1 corresponds to the undiscounted rate in Table I.

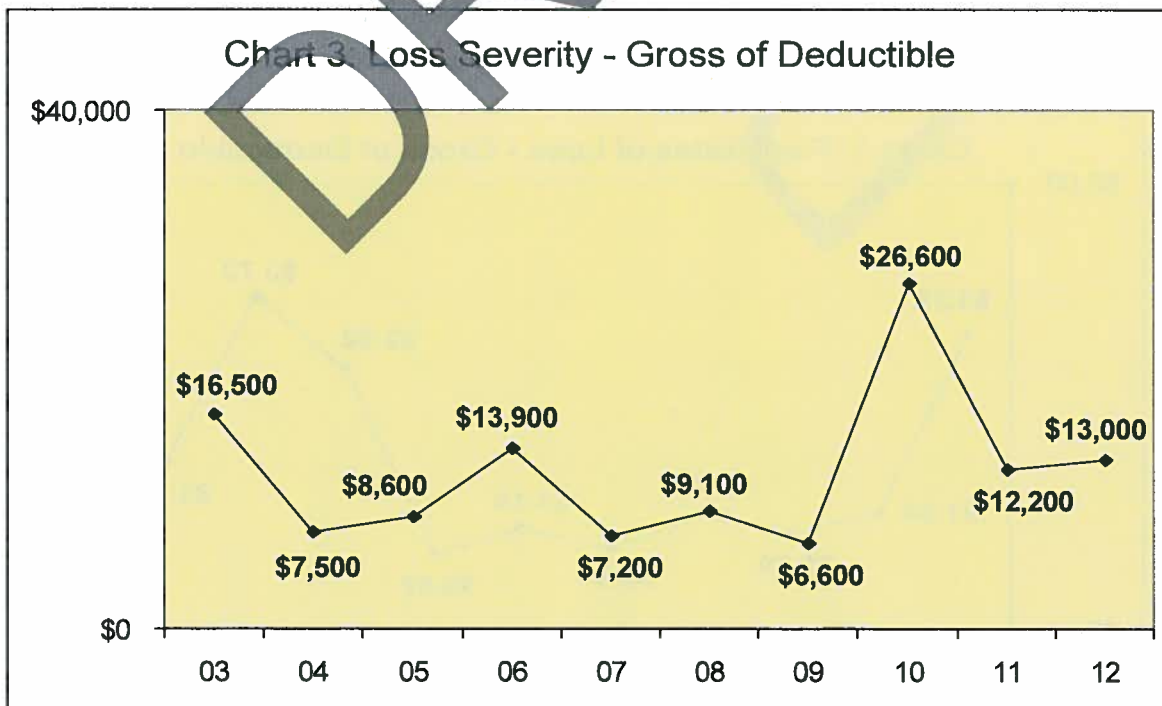


Loss "frequency" is the number of losses divided by 2011 payroll. Chart 2 displays recent loss frequency.



Average Loss Amount

The average loss amount is the estimated ultimate losses divided by the number of losses. Chart 3 displays the estimated average cost per loss.



We project that the Authority's liability for unpaid losses, undiscounted, will be **\$2,463,000** on June 30, 2012, or **\$2,440,000** if discounted at 1% interest. Table III shows the actuarial central estimate plus various probability levels. The estimates in Table III are net of the \$10,000 deductible that the members pay on each loss.

Table III: Projected Liability for Unpaid Losses As of June 30, 2012 – Net of Deductibles		
Probability Level	Undiscounted Losses	Discounted Losses
50%	2,290,151	2,269,540
Central Estimate	\$2,463,274	\$2,440,366
60%	2,561,030	2,537,981
70%	2,881,158	2,855,228
80%	3,275,183	3,245,687
90%	3,915,421	3,880,182

Table IV shows the projected liability gross of deductibles.

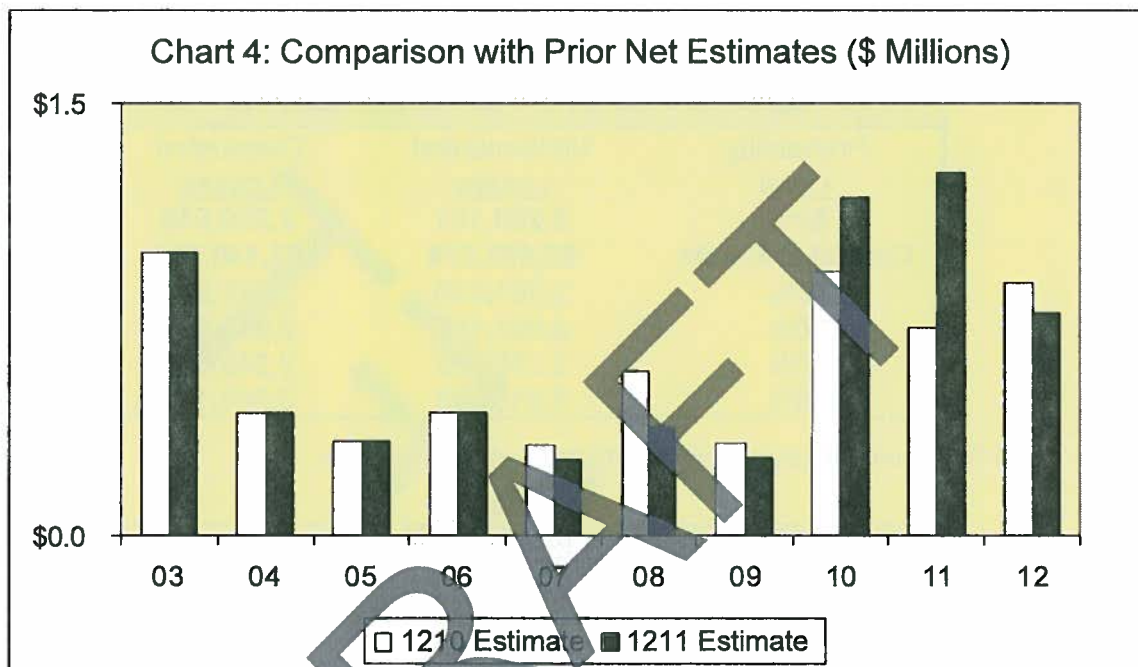
Table IV: Projected Liability for Unpaid Losses As of June 30, 2012 – Gross of Deductibles		
Probability Level	Undiscounted Losses	Discounted Losses
50%	2,468,810	2,447,331
Central Estimate	\$2,655,438	\$2,631,539
60%	2,760,820	2,736,801
70%	3,105,922	3,078,901
80%	3,530,664	3,499,948
90%	4,220,869	4,184,148

In our last report we projected the net liability as of June 30, 2011 at \$1.294 million. Claims expenditures, net of deductibles, were \$109,000 between July 1 and December 31. The change in our estimates of the ultimate losses for 2009-10 and prior were very slight in total, an increase of only \$12,000. We estimate the 2010-11 net losses at \$727,000, which is about \$200,000 higher than the annual average for 2000-01 through 2009-10. The \$382,000 increase in the projected liability between June 30, 2010 and June 30, 2012 is a function of the worse than average 2010-11 year and relatively slow claims expenditures during the last half of 2010. For example, we project 2012-13 claims expenditures at more than \$660,000, so the

\$109,000 that was actually expended between July 1 and December 31 was relatively low and this contributed to the increase in the projected liability.

Comparison with December 31, 2010 Estimates

Chart 4 compares the prior estimates of the net losses by program year with the new estimates.



The overall increase for all years combined was \$498,000. The increase was mostly caused by the poor experience in 2010-11. The increase in 2009-10 was offset by reductions in 2006-07, 2007-08, and 2008-09.

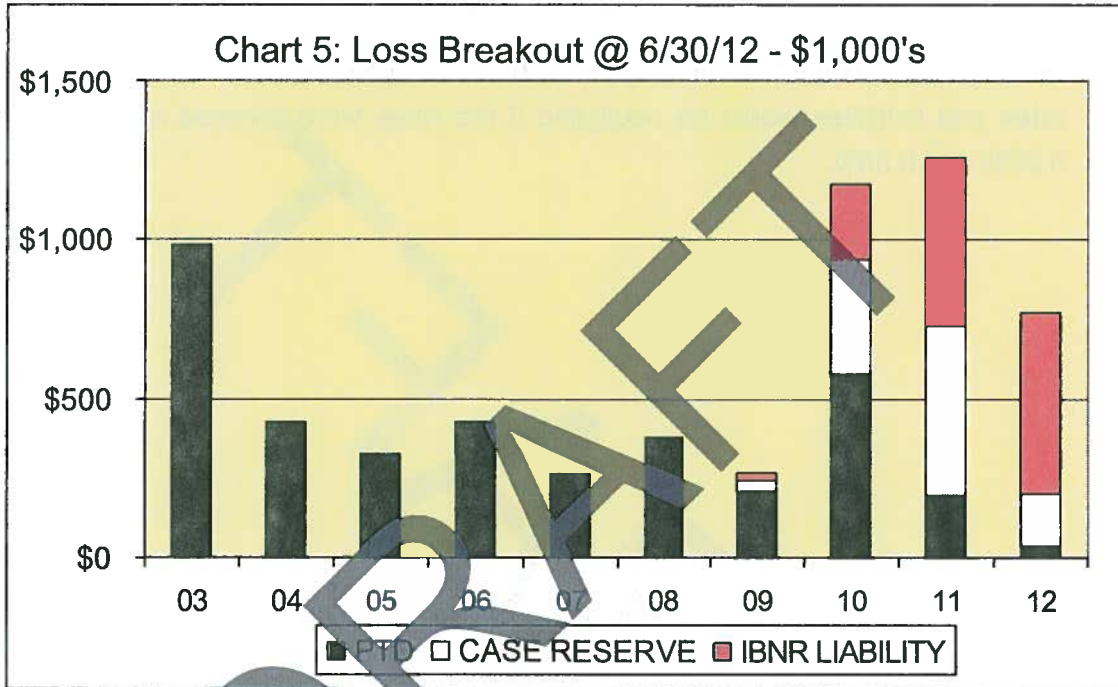
Reconciliation of 12/31/10 & 12/31/11 Estimates

These estimates are based on analysis of the 12/31/11 data. Last year we used 12/31/10 data and estimated a gross liability of \$1.825 million on that date. Claims expenditures were \$622,000 during 2011. We increased the losses estimates for 12/31/10 and prior by \$322,000 in this report. We estimate the losses incurred during 2011 at \$1.235 million.

Therefore starting with last year's 12/31/10 liability estimate, subtracting the claims payments, and adding the change in the estimates and the 2011 losses produces \$2.770 million as the estimated liability on 12/31/11. This matched the direct calculation shown on page 24.

Loss Breakout as of 6/30/11

In Table III we projected that the Authority's 6/30/12 liability, net of deductibles, would be **\$2,463,000**. This comprises **\$1,101,000** in case reserves for known claims and an IBNR liability of **\$1,362,000**. Chart 5 breaks out the projected total program year losses into their components: losses paid, case reserves, and IBNR liability. The details are on page 21. Therefore there is \$1.24 of IBNR liability for every \$1.00 of case reserves.



Short-Term Liability

Short-term liabilities are those expected to be discharged within twelve months. The total projected 6/30/12 liability of **\$2,463,000** comprises **\$943,000** of short-term and **\$1,520,000** of long-term liabilities.

Interest Rates

The discounted liabilities and rates in this report were calculated using a 1% interest rate. Here are the adjustments to make for different interest rate assumptions:

Interest Rate	0.0%	0.26%	0.50%	1.0%	2.0%
Gross Rates	+2.8%	+2.1%	+1.3%	+0.0%	-2.7%
Net Rates	+3.1%	+2.3%	+1.5%	+0.0%	-2.9%
Liabilities	+0.9%	+0.7%	+0.4%	+0.0%	-0.9%

We included columns labeled 0.26% and 0.50%. If one assembles a current portfolio of treasury bills and notes selected to mature just as the expected claims payments on the 2012-13 losses come due, that portfolio would yield an overall interest rate of 0.50%. If one assembles a similar portfolio with bills and notes selected to mature just as the expected payments on the 6/30/12 liability come due, that portfolio would yield 0.26%. Higher yields may be available, but only by taking on some credit risk by purchasing securities other than treasuries, or by speculating instead of holding the items in the portfolio to maturity.

Although we lowered the rate only to 1% (from last year's 2%) the differences in the rates and liabilities would be negligible if the rates were lowered all the way to 0.26% and 0.50%.

DRAFT

Item No. D.4.f
Board of Directors
April 16, 2012

JT2 INTEGRATED RESOURCES – SERVICE TEAM UPDATE

ISSUE: Tabatha Bettencourt will give a verbal report on the status of the service team at JT2. Tabatha will introduce Stefanie Snyder as the primary Claims Adjuster for MBASIA.

RECOMMENDATION: No recommendation is provided, this is an information item.

FINANCIAL IMPACT: No fiscal impact is expected, this is an information item.

BACKGROUND: JT2 is MBASIA's workers compensation third party administrator.

ATTACHMENT: None

**Item No. F.1
Board of Directors
April 16, 2012**

NEXT BOARD MEETING & ERMA TRAINING SCHEDULE

ISSUE: The following dates and times are provided for the Next Board Meeting and training opportunities offered through ERMA.

Next Board Meeting:

- June 18, 2012 in Sand City – The next scheduled Board of Directors Meeting

Training Opportunities:

- May 3, 2012 in Watsonville– “Social Networking: Tools for Managing Employee Misconduct and Other Issues Relating to Social Media”. Please contact ERMA or the Program Administrators if you would like more information.

RECOMMENDATION: No recommendation is provided, this is an information item.

FINANCIAL IMPACT: No fiscal impact is expected, this is an information item.

BACKGROUND: The Program Administrators are providing the next Board Meeting date and location as well as training opportunities offered by ERMA.

ATTACHMENT: None