

AGENDA

Member Cities

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

JPA: MBASIA Board of Directors Meetings

DATES/TIMES: Monday, February 3, 2014 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

1-7 1 1) Approval of Minutes – October 3, 2013 LRP Meeting & Board of Directors Meeting (A)
Members will review these minutes and may take action to approve or amend.

8-10 1 2) Service Calendar & Status of Deliverables

11-15 1 3) Bills and Correspondence

a) Ratification of Disbursements

i. Month Ending October 31, 2013

ii. Month Ending November 30, 2013

iii. Month Ending December 31, 2013

C. ORAL COMMUNICATIONS & PUBLIC COMMENTS

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

D. BOARD OF DIRECTORS

1) UNFINISHED BUSINESS

16-18 1 a) Member Loan Policy

Members will review the proposed changes to the Member Loan Policy. Members may take action or give direction. (A)

2) COMMITTEE REPORT

a) Executive and Finance Committee

The Executive and Finance Committee may give a verbal report in addition to discussing the following items:

19-22 1 1. Liability Premium Reconciliation

Members will receive a report on the liability deposit premium invoicing. (I)

Member Cities

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

- | | | | |
|-------|----|---|-----|
| | 1 | b) Safety Committee | (I) |
| | | <i>The Safety Committee may give a verbal report in addition to discussing the following items:</i> | |
| 23-24 | | 1. Grant Funds – Request Status and Budget to Date | |
| | | <i>Members will receive an update on requests made to date</i> | |
| | 4 | c) Coverage and Claims Committee | (I) |
| | | <i>The Coverage and Claims Committee may give a verbal report in addition to discussing the following items:</i> | |
| | | 1. None | |
| | 3) | NEW BUSINESS | |
| 25 | 1 | a) Excess Pool Representation | (I) |
| | | <i>Members will receive an update on the representatives for CARMA and ERMA</i> | |
| 26 | 1 | b) PEPiP Insurance Renewal | (I) |
| | | <i>Members will receive a report on the status of the PEPiP renewal.</i> | |
| 27-31 | 1 | c) CARMA – Dividend Discussion | (I) |
| | | <i>Members will receive a report on recent action taken by CARMA Board.</i> | |
| 32-37 | 1 | d) CARMA Refresher | (I) |
| | | <i>Members will receive an update on CARMA, MBASIA's excess liability partner.</i> | |
| 38-51 | 1 | e) State of the Insurance Market | (I) |
| | | <i>Alliant will provide a report on the State of the Insurance Market.</i> | |
| | 4) | LOSS REPORT | (A) |
| | | CLOSED SESSION – Pursuant to Gov't Code 54956.95 | |
| | | <i>Members will review the following Items:</i> | |
| | 3 | 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> | |
| | 3 | b) Liability Third Party Administrator's Report | |
| | | <i>Ken Maiolini will provide a verbal report on the status of current claims. Members will review the following Closed Session Items:</i> | |
| | | i. Caires v. Hollister | |
| | | ii. Galien v. Hollister | |
| | | iii. Goldberg v. Marina | |
| | | RECONVENE – DISPOSITION OF CLOSED SESSION ITEMS | |
| | | E. PROGRAM ADMINISTRATORS REPORT | |
| 52 | 1 | 1) Alliant Service Team Update | (I) |
| | | <i>The Program Administrators will provide a brief report on update to service team.</i> | |
| 54 | 1 | 2) Updates to the Brown Act | (I) |
| | | <i>The Program Administrators will provide a brief report on update to the Brown Act.</i> | |
| | | F. CORRESPONDENCE / INFORMATION | (I) |
| 54 | 1 | 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 LONG RANGE PLANNING MEETING &
BOARD OF DIRECTORS MEETING
Thursday, October 3, 2013 at 9:00 A.M.
Monterey, CA**

MEMBERS PRESENT

Lisa Murphy, City of Capitola
Jaime Goldstein, City of Capitola
Daniel Dawson, City of Del Rey Oaks
Rene Mendez, City of Gonzales
Susan Stanton, City of Greenfield
Robert Galvan, City of Hollister
Catrina Conaster, City of Marina
Steve Matarazzo, City of Sand City
Steve Ando, City of Scotts Valley
Adela Gonzales, City of Soledad
Francine Uy, City of Soledad
Michael Powers, City of King City

MEMBERS ABSENT

Layne Long, City of Marina

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Theresa Fernandez, JT2 Integrated Services

A. CALL TO ORDER

President Rene Mendez called meeting to order at 9:00 a.m.

B. ORAL COMMUNICATIONS & PUBLIC COMMENTS

C. LONG RANGE PLANNING & TRAINING

C1. INTRODUCTIONS/EXPECTATIONS

Members gave a brief introduction to themselves and their roles at their respective city and their expectations of the meeting.

C2. Reports

C2A. Financial Update – Five Year Financial Trends

Steve Ando provided a brief report on the financials as of June 30, 2013. Members discussed the positive trends MBASIA has experienced, and commented on the new trends effecting the Liability program.

C2B. Workers Compensation – Large Claim Trends

Theresa Fernandez from JT2 Integrated Services provided the Board with an analysis of MBASIA's Workers' Compensation claims. Through MBASIA's history, the Workers Compensation program has continued to struggle due to the frequency of large losses. In an effort to combat this trend, MBASIA joined CSAC at a lower retention to offset more risk. In addition to those efforts, Theresa announced that the trend of severe claims has been reduced slightly.

C2C. Actuarial Review – Jack Joyce

Jack Joyce from Bay Actuarial presented on recent action taken by the State of California, and how that legislation has affected the actuarial reports. Jack presented a series of charts and graphs that show the impact on outstanding reserves as a result of the action taken by the State. Jack's analysis showed that, while these actions have been taken into account, the net effect to MBASIA is very minor.

C2D. Equity Report – Equity Ratio Trends

Conor Boughey presented a report to the Board on Financial Equity Ratios. Conor reported on the definitions of certain terms that are used to evaluate the ratios; such as Net Contributions, Confidence Level and other terms. Conor then walked through MBASIA's results, noting that the Liability Program continues to be evaluated in a moderate standing; but because of MBASIA's negative net position in the workers compensation program, the report does not add value.

C2E. MBASIA's Property Program – Michael Simmons

Michael Simmons reported on MBASIA's Property Program which is placed in Alliant's Public Entity Property Insurance Program (PEPIP). Michael reported that PEPIP is the single largest property placement in the world, combining over 6000 public entities into one program, which is viewed by the market as one entity. Through this program individual members are able to see large premium savings and extended coverage terms compared to the open market. Michael further explained that due to recent losses within the MBASIA program, premiums have increased, but he explained that these increases are still less than what the commercial market place would have delivered. The Board discussed the recent handling of losses and the Authorities history with PEPIP.

C3. STRATEGIC PLANNING

C3A. MBASIA's Loan – Details, Considerations and Future Steps

Conor Boughey reported that due to the cash needs of the organization, MBASIA took a loan on October 1, 2004 in the amount of \$5,150,000. The loan had a default interest rate of 3%, which adjusted to LIBOR + .60% on October 1, 2009. LIBOR is currently .18%, making the effective interest rate on the loan 78 basis points.

Currently, the outstanding balance of the loan is \$3,710,000. Each Member's share of the loan was fixed at the time the loan was taken. The schedule of each Member's share of the loan is attached to the binder provided to the Members. The term of the loan is through October 1, 2024, with the repayment schedule escalating in value towards the end of the term. MBASIA decided to collect each Member's share of the loan at a consistent rate, in essence over collecting at the beginning of the loan term, and under collecting towards the end of the loan term.

The Board discussed the financial details of the loan, the authorities Net Position and the availability of capital. After discussion, direction was given to bring this item back to the April Board Meeting with a review of the Loan's current standing, the Libor Rate and the interest being earned by MBASIA's LAIF account.

C3B. MBASIA Member Loan Policy – Let's Get Current

Conor Boughey reported on MBASIA's Member Loan Policy. The Policy allows Members to borrow funds from the Liability program to pay for increased Workers Compensation premiums. In recent years several members have utilized the loan policy to cover increases in premiums, and we are currently near the cap of \$325,000.

Conor further reported that Alliant surveyed 7 JPAs and found that, although some Pools make annual exceptions at the request by a Member City, only one other pool has a formal *Member Loan Policy*. The one policy allows Members to request up to 15% of the average fund balance for the preceding 12 months, not to exceed 5% for any one Member. Repayment of the loan is determined per request to the treasurer, and then the Executive Committee may approve the request. The JPAs without a Loan document mentioned they have allowed payment plans within a program year, but never more.

After the Board discussed this item at length, the Board directed the Program Administrators to bring a proposed policy and procedure to the February Board Meeting with the following criteria included in the policy:

1. Max Loaned funds of \$325,000
2. Maximum per Member loan of \$125,000
3. Only one Loan per Member
4. The Loan will be due and payable on the date of separation, if a Member withdraws or is expelled from the Authority.
5. Interest will be LAIF or 3%, whichever is greater
6. Maximum loan duration of 3 years

7. A written application for a loan, with justification for the loan, will be sent to the Program Administrators
8. The Loan will be vetted by the Executive and Finance Committee and approved by resolution by the Board of Directors

C3C. Insurance Requirements in Contracts – Who’s our Audience

Michael Simmons reported that the Insurance Requirements in Contracts (IRIC) manual is a public document that Alliant maintains for our Public Entity clients. The purpose of the manual is to serve as a guide in developing proper insurance requirements in contracts. The manual explains how to establish insurance requirements for most contracts, including those with contractors, professional service providers, tenants, vendors, and users of public property, and how to verify their compliance with those requirements during the term of the contract.

Michael Simmons walked through the presentation briefly to show what the presentation would cover, and asked Board Members to consider whether or not they would want an in person presentation provided to members in a regional setting. After some discussion, the Board decided that these sessions would be valuable, but Members do not currently have the staff time to send employees to this training. Members asked Michael to discuss the MBASIA MOC exclusions with respects to certain exposures that were announced during the discussion. Michael discussed the exclusions and how they would apply to the given circumstances.

C3D. Transfer of Risk and Shared Service Awareness

Conor Boughey reported that within the Monterey Bay Area, shared resources and regionalization continues to expand and effect how cities transfer risk. The contracts between agencies contain language which determines, in the event of a loss, which party will pay the claims that arise.

In several examples, another public entity will be acting as a vendor who is providing you a service. Typically this type of arrangement would require the person providing the service to name the City as additional insured. However, in agreements we’ve seen, the contract is written to name the entity providing services as additional insured. This means that a Member Agency of MBASIA could be granting coverage to another Public Entity through contract, without MBASIA being compensated for the increased exposure.

Michael discussed particular examples with Board Members, and asked to review a contract between the City of Seaside and the City of Del Rey Oaks.

The Board gave direction to the Program Administrators to create a draft penalty Policy and Procedure for Members who do not properly address transfer of risk, or purchase special liability policies. The Board requested a draft at the April Board of Directors Meeting.

C4. CONTRACTOR REVIEW

C4A1. Liability Third Party Administrator (RMS)

Rene Mendez advised that Ken Maiolini at RMS has been exceptional. Jaime Goldstein advised that Ken has continued to provide exceptional advise whenever asked.

C4A2. Workers Compensation Administrator (JT2 Integrated Resources)

Daniel Dawson and Rene Mendez stated that JT2 has been very responsive. The Board reported that the program with JT2 has improved since Janet's handling of the account.

C4A3. Actuary (Bay Actuarial)

The members had no adverse comments to report about Bay Actuarial Services.

C4A4. Program Administrators and Broker (Alliant)

The Board had generally good comments about Alliant's work for the Authority. Rene reported that the Board appreciates the hard work and pro-active approach to managing the Authority.

C4A5. Legal Services

The members had no adverse comments to report. Rene Mendez reported that in past Long Range Planning Meetings, Vince would provide a report to the Board on interesting developments in case law, and that he would like to see Vince at the next LRP.

C5. RESOURCES

No Report.

Rene Mendez adjourned the meeting until Friday's Board of Directors Meeting.

D. BOARD OF DIRECTORS

Rene Mendez called the meeting to order at 8:30 AM.

D1. CONSENT CALENDAR

D1a. Approval of Minutes of Meeting on June 10, 2013

D1b. Approval of Minutes of Meeting on August 22, 2013

D1c. Approval of Minutes of Meeting on September 12, 2013

D1d. Status of Deliverables

A motion was made to approve the consent calendar.

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

D2. Bills and Correspondence

D2a. Ratification of Disbursements

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

A motion was made to ratify the disbursements for the months ending June 30, 2013, July 31, 2013, August 31, 2013 and September 30, 2013.

MOTION: Michael Powers **SECOND:** Daniel Dawson **MOTION CARRIED**

D3. Unfinished Business

D3a. MBASIA Safety Funds

Conor Boughey advised that \$75,000 was allocated to the Safety Fund budget and allows for each member to request up to \$7,500. The chart contained within the agenda item outlines which members have requested funds, and how much is still left within the budget. Susan requested help from the Program Administrators with filing a request for funds. Conor agreed to reach out to Susan to be sure they request is filed and hopefully approved by the committee.

No Action was taken.

D4. COMMITTEE REPORTS

D4a. Executive and Finance Committee

No report.

D4b. Safety Committee

No report.

D4c. Coverage and Claims Committee

D4c1. Summary of Insurance

Conor Boughey advised that each city's Summary of Insurance was included in the agenda as a reference guide for the city. These summaries can also be given to each city's financial auditor.

D5. NEW BUSINESS

D5a. Review of Items Discussed at Long Range Planning

Conor Boughey recapped the items discussed at the Long Range Planning Session. Conor discussed the action items recorded at the LRP, and asked if they Board had any additional items to diary for a later date.

No action was necessary.

MOTION: SECOND: MOTION CARRIED

D5b. MBASIA Accounting Services

Conor reported that the City of Scotts Valley has transitioned the accounting services to Tami Giovanni at Alliant. Alliant will be responsible for completing the accounting and audit requirements for the current program year, and into the future.

No action necessary.

D5c. MBASIA Financial Audit Update

No report.

D6. LOSS REPORT

D6a. Workers' Compensation Administrator's Report - The MBASIA Board of Directors entered into Closed Session pursuant to Government Section Code 54956.95.

D6b. Liability Third Party Administrator's Report

No closed session was requested by the Third Party Administrators.

D7. PROGRAM ADMINISTRATORS REPORT

D7a. Staff Update

D8. CORRESPONDENCE/INFORMATION

D8a. Next Board Meeting and Upcoming Training Sessions

D8b. PARMA Conference Information

Conor Boughey reported that the PARMA conference will be held in San Jose in February, 2014 and stated that members should book their hotel rooms as soon as possible. Conor reminded that the members that the cost to attend the conference or any trainings is paid for out of MBASIA's Travel & Training fund. He further stated that if any members would like to attend PARMA, they should register through the PARMA website, pay any registration costs up front, and then submit any receipts to us after attending the conference for reimbursement.

D9. GENERAL RISK MANAGEMENT ISSUES

No report.

ADJOURNMENT

President Rene Mendez adjourned the meeting at 11:30 AM.

Item No. B.2
Board of Directors
February 3, 2014

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 is undated and presented on the Consent Calendar at each Board meeting.

RECOMMENDATION: This is an information item on the consent calendar and therefore the report would 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 October 2, 2013

AGENDA ITEM B.2
BOARD OF DIRECTORS
FEBRUARY 3, 2014

SERVICE CALENDAR AND STATUS OF DELIVERABLES

PREVIOUS ITEMS:

ITEM	STATUS
1. Continued Training of Tami Giovanni on MBASIA's Accounting	Completed
2. CSAC-EIA applications for 2014-15 WComp Program	Completed
3. CSAC-EIA Payroll Audit	Completed
4. Resolution to Recognize Scotts Valley for Accounting Services	On Agenda
5. Second Round of Invoicing	Completed
6. Review and revise current Member loan policy	On Agenda

CURRENT ACTIVITIES:

ITEM	STATUS
1. Transition MBASIA website to Alliant Connect	In Progress
2. Engage Jack Joyce for Actuarial Reports	In Progress
3. Training of new Alliant Program Administration Staff	In Progress
4. Completion of Financial Audit for 7/1/2012-13	In Progress
5. CARMA Renewal (Liability)	In Progress
6. PEPiP Renewal (Property)	In Progress
7. ERMA Renewal (Employment)	In Progress

**Item No. B.3
Board of Directors
February 3, 2014**

January 27, 2014

Member Cities

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

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 October, November and December, 2013.

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

Print:

Date

Second Signature

Print:

MBASIA
CHECK REGISTER GENERAL ACCOUNT
DEMANDS AS OF October 17, 2013

CHECK #	CHECK DATE	VENDOR	INVOICE NUMBER	INVOICE AMOUNT	CHECK AMOUNT	DESCRIPTION
1399	10/17/2013	JT2	20621AF	-18,284.15	-18,284.15	Admin Nov 2013
1400	10/17/2013	Lexipol	9243	-2,450.00	-2,450.00	Subscription - 8/1/2013-14
1401	10/17/2013	Risk Management Services	Aug & Sep 2013	-5,842.02	-5,842.02	Aug & Sep 2013 Services
				<u>-26,576.17</u>	<u>-26,576.17</u>	

I HEREBY CERTIFY THAT THE ABOVE LISTED CHECKS ARE FOR CORRECT AND JUST SERVICES OR MATERIALS RECEIVED THAT PAYMENT HAS NOT BEEN PREVIOUSLY MADE, AND THAT FUNDS ARE AVAILABLE TO COVER THESE PAYMENTS.

 1st Signature

 (Please print name)

 2nd Signature

 (Please print name)


 Treasurer

 Date

10-21-13

**MBASIA
CHECK REGISTER GENERAL ACCOUNT
DEMANDS AS OF November 11, 2013**

CHECK #	CHECK DATE	VENDOR	INVOICE NUMBER	INVOICE AMOUNT	CHECK AMOUNT	DESCRIPTION
1402	11/11/2013	CAJPA	6016838	(300.00)	(300.00)	Registration - Daniel Dawson
1403	11/11/2013	Concern	CN1404060	(1,963.86)	(1,963.86)	10/15/2013
1404	11/11/2013	JT2	20739AF	(18,284.15)	(18,284.15)	Admin Dec 2013
1405	11/11/2013	Lexipol			(6,900.00)	
			9368	(2,450.00)		Soledad subscription
			9842 9896	(4,450.00)		Subscription
1406	11/11/2013	Michael Simmons	reimburse	(666.32)	(666.32)	Meeting expense 10/3/2013
1407	11/11/2013	Zions Bank	4837	(500.00)	(500.00)	Annual Admin Fee 2013 - 2014
				(28,614.33)	(28,614.33)	

I HEREBY CERTIFY THAT THE ABOVE LISTED CHECKS ARE FOR CORRECT AND JUST SERVICES OR MATERIALS RECEIVED THAT PAYMENT HAS NOT BEEN PREVIOUSLY MADE, AND THAT FUNDS ARE AVAILABLE TO COVER THESE PAYMENTS.

1st Signature

(Please print name)

2nd Signature

(Please print name)



Treasurer

11/18/13

Date

MBASIA
CHECK REGISTER GENERAL ACCOUNT
DEMANDS AS OF December 9, 2013

CHECK #	CHECK DATE	VENDOR	INVOICE NUMBER	INVOICE AMOUNT	CHECK AMOUNT	DESCRIPTION
1408	12/09/2013	City of Capitola	2013/4 EAP Overpymt	-817.92	-817.92	2013/4 EAP Premium Overpymt
1409	12/09/2013	City of Greenfield	2013/4 EAP Overpymt	-204.48	-204.48	2013/4 EAP Premium Overpymt
1410	12/09/2013	City of King City	2013/4 EAP Overpymt	-460.08	-460.08	2013/4 EAP Premium Overpymt
1411	12/09/2013	City of Marina	2013/4 Liab Overpymt	-10,850.00	-10,850.00	2013/4 Liability Premium Overpymt
1412	12/09/2013	City of Scotts Valley	Return dbl payment	-1,190.35	-1,190.35	Return double payment ck 099919/1000744
1413	12/09/2013	Concern	CN1405060	-1,963.86	-1,963.86	CN1405060
1414	12/09/2013	JT2	20879AF	-18,284.15	-18,284.15	Admin Jan 2014
1415	12/09/2013	Risk Management Services	Oct & Nov 2013 Servi	-8,037.99	-8,037.99	Oct & Nov 2013 Services

(41,808.83) (41,808.83)

I HEREBY CERTIFY THAT THE ABOVE LISTED CHECKS ARE FOR CORRECT AND JUST SERVICES OR MATERIALS RECEIVED THAT PAYMENT HAS NOT BEEN PREVIOUSLY MADE, AND THAT FUNDS ARE AVAILABLE TO COVER THESE PAYMENTS.

1st Signature


(Please print name)

2nd Signature

(Please print name)

Treasurer

Date


12/11/13

MBASIA
CHECK REGISTER GENERAL ACCOUNT
DEMANDS AS OF December 23, 2013

CHECK #	CHECK DATE	VENDOR	INVOICE NUMBER	INVOICE AMOUNT	CHECK AMOUNT	DESCRIPTION
1416	12/23/2013	City of Soledad	reimbursement	-2,000.00	-2,000.00	Conference Registration
1417	12/23/2013	Department of Industrial Relations	OSIP 59413	-103,149.22	-103,149.22	13-14 Assessment

(105,149.22) (105,149.22)

I HEREBY CERTIFY THAT THE ABOVE LISTED CHECKS ARE FOR CORRECT AND JUST SERVICES OR MATERIALS RECEIVED THAT PAYMENT HAS NOT BEEN PREVIOUSLY MADE, AND THAT FUNDS ARE AVAILABLE TO COVER THESE PAYMENTS.

1st Signature

(Please print name)

2nd Signature

(Please print name)

Treasurer

Date

Steph H. Hulse
 1/6/14

Item No. D.1.a
Strategic Planning
February 3, 2014

MEMBER LOAN POLICY & PROCEDURE

ISSUE: At the October Long Range Planning Meeting, the Board requested that a draft policy and procedure be presented at the February Board of Directors Meeting. The following criteria were requested to be included in the policy:

1. Max Loaned funds of \$325,000
2. Maximum per Member loan of \$125,000
3. Only one Loan per Member
4. The Loan will be due and payable on the date of separation, if a Member withdraws or is expelled from the Authority.
5. Interest will be LAIF or 3%, whichever is greater
6. Maximum loan duration of 3 years
7. A written application for a loan, with justification for the loan, will be sent to the Program Administrators
8. The Loan will be vetted by the Executive and Finance Committee and approved by resolution by the Board of Directors

RECOMMENDATION: It is recommended that the Board review and provide direction to amend/approve the attached *Member Loan Policy & Procedure*.

FINANCIAL IMPACT: The Board is considering adopting a revised loan policy; the financial impact cannot be determined at this time. The proposed language would allow the authority to receive interest income on approved loans.

BACKGROUND: MBASIA has a *Member Loan Policy & Procedure* that allows Members to borrow funds from the Liability program to pay for increased Workers Compensation premiums. The policy terms are as follows:

1. Up to \$325,000 may be used from the Liability Fund.
2. Loan may not exceed the increase in premium and \$125,000.
3. Once the \$325,000 is committed, no further loans may be granted.
4. Repayment may be over 5 years at an interest rate equal to LAIF interest paid.
5. The City electing the loan must request from the Board and agree in writing to repay.

Alliant surveyed 7 Pools and found that, although some Pools make annual exceptions at the request by a Member City, only one other pool has a formal Member Loan Policy. This one policy allows Members to request up to 15% of the average fund balance for the preceding 12 months, not to exceed 5% for any one Member. Repayment of the loan is determined per request to the treasurer, and then the Executive Committee may approve the request. The Pools without a Loan Policy mentioned they have allowed payment plans within a program year, but never more.

ATTACHMENT: Proposed Policy and Procedure

ADMINISTRATIVE POLICY AND PROCEDURE

SUBJECT: MEMBER LOANS FROM AUTHORITY

EFFECTIVE: TBD

POLICY:

It is the policy of MBASIA that, upon recommendation of the Executive and Finance Committee, the Board may approve a loan to a Member pursuant to the procedures described herein. No new Member Loan shall be granted without a finding by the Executive and Finance Committee that MBASIA has sufficient funds such that the proposed member loan would not impair MBASIA's ongoing operations. Member Loans shall only be granted upon a finding by the Executive and Finance Committee that the Member has exhausted alternative sources of funding and that a Member Loan is in the best interests of the Authority.

PROCEDURE:

The following procedure shall be followed in administration of the MBASIA Member Loan program:

Amount Available for Member Loans – The total amount available for Member Loans shall not exceed \$325,000. Member Loans to a single Member shall not exceed \$125,000. A Member may only have one outstanding loan at any one time.

Loan Terms – If a loan is approved, the Executive and Finance Committee will work through the details of the loan terms with the Member. Interest on the loan will be 3% or LAIF, whichever is greater. The Maximum duration of the Loan will be 3 years. If a separation between the Member and the Authority occurs, the Loan will be due and payable at the date of separation, regardless of if the separation is caused by Withdrawal or Expulsion.

Member Loan Request – A Member seeking a Loan shall submit their written request to the Executive and Finance Committee and the request should be sent to the Program Administrators. The request shall describe what steps the Member has taken to secure the requested funds through alternate sources and why the Member is seeking the proposed loan from MBASIA. The Member shall describe the collateral and source of repayment funds for the proposed Member Loan. The Member must also show adequate cash flow from a specific funding source or adequate reserves to make the debt service payments during the term of the loan. Before the Loan is issued, the Member requesting the Loan must have a resolution approved by city council detailing the loan request and necessity.

Executive and Finance Committee Review and Recommendation - The Executive and Finance Committee shall review the Member Loan request and seek additional information as necessary to make a determination. If a favorable determination is made, the Executive and Finance Committee shall recommend to the Board of Directors the proposed Member Loan including the Executive and Finance Committee's recommended terms and conditions.

Board of Directors Action – The Board of Directors shall take action on the Executive and Finance Committee's recommendation. If the proposed Member Loan is to be approved, such approval shall be memorialized by resolution.

Administration of Member Loans – The Executive and Finance Committee shall direct MBASIA's Accountant to calculate interest, collect payments, and prepare reports on the status of outstanding loans. Any failure to make timely payments or proposed change in terms or conditions shall be reported by the Executive and Finance Committee for review and action.

Item No. D.2.a.1
Board of Directors
February 3, 2014

Liability Premium Reconciliation

ISSUE: During a review of receivables, an error was discovered and the correct amount was invoiced to members for their second installment. The final amount invoiced was the budgeted liability deposit premiums approved at the June Board Meeting.

RECOMMENDATION: Members will receive a report from the Program Administrators on the reconciliation of the Liability Program Invoicing.

FINANCIAL IMPACT: As a result of this reconciliation, the authority is collecting \$378,184 more than previously indicated. The final amount invoiced was approved by the Board of Directors.

BACKGROUND: At the June 10, 2013 Board of Directors Meeting, the Board approved the attached Liability Budget. At the time of invoicing, an administrative error occurred and the wrong figures were used to invoice members.

ATTACHMENT: Reconciliation of Invoicing
 Approved Liability Budget from June 2013

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
FISCAL YEAR FY '13-14 LIABILITY FUND

Invoiced in Error

MEMBER CITY	PAYROLL	PERCENT OF CITY PAYROLL		70% OF LIABILITY PAYROLL
Capitola	\$ 5,079,776	11.73%	\$	103,486
Del Rey Oaks	\$ 901,890	2.08%		18,373
Gonzales	\$ 2,445,800	5.65%		49,826
Greenfield	\$ 2,677,861	6.18%		54,554
Hollister	\$ 9,664,561	22.31%		196,887
King City	\$ 2,395,611	5.53%		48,804
Marina	\$ 8,756,163	20.21%		178,381
Sand City	\$ 2,296,451	5.30%		46,784
Scotts Valley	\$ 4,863,016	11.23%		99,070
Soledad	\$ 4,234,429	9.78%		86,264
Total	\$ 43,315,560	100.00%	\$	882,429

**MONTEREY BAY AREA SELF INSURANCE AUTHORITY
FY '13-14 LIABILITY INSURANCE FUND**

UNMODIFIED CONTRIBUTIONS, TOTAL REVENUES AND COMPARATIVE ANALYSIS				
MEMBER AGENCY	FY '12-13 ACTUAL CONTRIBUTIONS	FY '13-14 RECOMMENDED CONTRIBUTIONS	INCREASE (DECREASE) FROM PRIOR YEAR	PERCENTAGE CHANGE FROM PRIOR YEAR
Capitola	\$ 81,672	\$ 122,508	\$ 40,836	50%
Del Rey Oaks	32,113	36,553	4,441	14%
Gonzales	26,412	39,618	13,206	50%
Greenfield	44,486	66,729	22,243	50%
Hollister	402,364	385,193	(17,171)	-4%
King City	68,648	102,972	34,324	50%
Marina	111,687	167,531	55,844	50%
Sand City	63,264	75,775	12,511	20%
Scotts Valley	61,728	92,592	30,864	50%
Soledad	168,240	171,143	2,903	2%
	\$ 1,060,613	\$ 1,260,613	\$ 200,000	
TOTAL CONTRIBUTIONS FOR FY '13-14		\$ 1,260,613		

Approved Deposit
Premiums

	Capitola	DRO	Gonzales	Greenfield	Hollister	King City	Marina	Sand City	Scotts Valley	Soledad
Original Total Liability	103,486.00	18,373.00	49,826.00	54,554.00	196,887.00	48,804.00	178,381.00	46,784.00	99,070.00	86,264.00
Billed in July	51,743.00	9,187.00	24,913.00	27,277.00	98,444.00	24,402.00	178,381.00	23,392.00	49,535.00	43,132.00
Revised Total Liability	122,508.00	36,553.00	39,618.00	66,729.00	385,193.00	102,972.00	167,531.00	75,775.00	92,592.00	171,143.00
Bill Liab in Dec	70,765.00	27,366.00	14,705.00	39,452.00	286,749.00	78,570.00	(10,850.00)	52,383.00	43,057.00	128,011.00

Item No. D.2.b.1
Board of Directors
February 3, 2014

MBASIA SAFETY FUNDS

ISSUE: At the June 2013 Board Meeting, MBASIA adopted an annual budget for the **Grant Program** that is used by Member for allocating available Safety Funds. This Policy & Procedure is standing, but it requires an annual adoption of the funds. The board approved a \$75,000 allocation to the grant program, so each Member can withdraw up to \$7,500 for city programs or projects.

RECOMMENDATION: It is recommended that Members review the policy and consider utilizing this program to reduce losses at the Member cities.

FINANCIAL IMPACT: The funds for the program were allocated as part of the FY 2013-14 budget. If the funds are not used, they will roll into MBASIA's General Fund.

BACKGROUND: The *Grant Fund Policy & Procedure* is attached. The following is a summary of the highlights of the proposed policy and procedure for the **Grant Program**:

- Each year MBASIA may allocate funds for individual Members' use for Safety Services
- Within the Safety Services budget a line item will contain the total amount of funds available for Grants
- The Authority will annually adopt amount of funds for this budgeted line item
- Each Member will have access to an equal share of the funds on a "use it or lose it" basis approved during the Program Year
- Members must send a written request for the use of their funds to the Safety Committee.
- The request will include a statement which will justify how the funds will help the Member reduce the frequency or severity of claims or will mitigate liability risks at the Member Agency
- On May 1st of a Program Year, all Members will have access to the unrequested funds, regardless of the Member's previous use of their allocated share of the budget. A Member's annual requests may not exceed 1/5 of the Grant Program Budget, and will be processed in the order they are received (and approved) until the Budget has been exhausted.

The following Members have requested Funds:

Member	2010-11	2011-12	2012-13	2013-14
Capitola	Lift Gate	Hydraulic Pallet		
Del Rey Oaks	Health Fair	Health Fair	Ergonomics	
Hollister		Ergonomics	Ergonomics	Police Equipment
Gonzales	Trip Hazard	Fire House	Safety Items	
Greenfield				Improvements
Marina		Policy Updates		
Sand City				Health / Wellness
Scotts Valley		Workspace	Ergonomics	
Soledad		Health And Wellness	Health / Wellness	Ergonomics

ATTACHMENT: Grant Program - Policy and Procedure

ADMINISTRATIVE POLICY AND PROCEDURE

SUBJECT: GRANT PROGRAM FOR SAFETY SERVICES

AMENDED: February 11, 2013

Policy Statement:

Each Year MBASIA may allocate funds for individual Members' use for Safety Services. Within the Safety Services budget a line item will contain the total amount of funds available for Grants. The Authority will annually adopt amount of funds for this budgeted line item, and then each Member will have access to an equal share of the funds on a "use it or lose it" basis approved during the Program Year (unused funds will be rolled into the general account).

Members must send a written request for the use of their funds to the Safety Committee. The request will include a statement which will justify how the funds will help the Member reduce the frequency or severity of claims or will mitigate liability risks at the Member Agency. These funds can be used for equipment, materials, programs or services that will lead to these results. The Committee will either deny or approve the request; a three quarters ($\frac{3}{4}$) majority is required for approval. Members may apply for funds on a reimbursement basis.

On May 1st of a Program Year, all Members will have access to the unrequested funds, regardless of the Member's previous use of their allocated share of the budget. Requests may not exceed 1/5 of the Grant Program Budget, and will be processed in the order they are received (and approved) until the Budget has been exhausted.

Procedure:

A Member Agency may apply for Grant Funds by following the following procedure:

1. A Member will write a request to the Program Administrators requesting the use of grant funds for city expenditure. The request will include a justification of the funds and how they will lead to the reduction of frequency or severity or will mitigate liability risks at the Member Agency.
2. The Program Administrators will forward the request to the Safety Committee who will review the request and vote to approve or deny the request. A three quarters majority is required to approve a request.
3. If approved, the Member Agency will purchase the service or item they requested and submit a receipt for reimbursement to the Program Administrator.
4. The Program Administrator will submit the reimbursement request and appropriate documentation to MBASIA's bookkeeper.
5. MBASIA's bookkeeper will reimburse the Member up to the maximum allowable amount and apply the reimbursement expense to the Grant Program Budget within the Safety Budget.
 - a. If a request exceeds the budgeted funds available to a member, only the amount available for reimbursement will be paid.

Item No. D.3.a
Board of Directors
February 3, 2014

Excess Pool Representation

ISSUE: Due to changes within MBASIA's Board of Directors, new representatives were needed for CARMA and ERMA. MBASIA's President and current excess representatives met to appoint the following representatives:

Authority	Prior Representative		New Representative	
	Primary	Alternate	Primary	Alternate
CARMA	Robert Galvan	Rene Mendez	Rene Mendez	Lisa Murphy
ERMA	Daniel Dawson	Rene Mendez	Daniel Dawson	Lisa Murphy

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

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

BACKGROUND: As a result of changes to the Board of Director Representatives, an update was needed to the Excess Pool Representatives.

ATTACHMENT: None

Item No. D.3.b
Board of Directors
February 3, 2014

PEPIP Insurance Renewal

ISSUE: MBASIA is a member of the Public Entity Property Insurance Program (PEPIP). PEPIP will be renewing at July 1, 2014 and renewal packets will be sent to Members shortly, so please keep an eye out for them. The Program Administrators will discuss the value of this program, and budget considerations for the renewal.

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

FINANCIAL IMPACT: The renewal premium is not yet known. Updated premiums indications may be discussed during the item. At the point of agenda mailing, renewal indications are not available, but MBASIA does have a very large loss on the loss run which typically adversely effects renewal terms.

BACKGROUND: MBASIA has been a member of PEPIP as a single entity since 2004. 7 out of 10 of the members participate in PEPIP, while Hollister, Soledad and King City are not members.

For the July 1, 2011 renewal, the PEPIP program rate increased just over 1% even though the market started firming due to worldwide natural catastrophes in the second quarter of 2011. Some members did experience higher rate increases primarily due to greater than average losses. In 2012 and 2013 the market continued to restrict for Public Entities in California. Underwriters are taking an increased look at flood and fire exposures. For 2014 we are hopeful for a flat renewal, and possible rate decreases, however accounts with significant loss history may not obtain such favorable results.

As always, the insurance market will be actively canvassed in order to deliver the most favorable alternatives possible. As of this writing, we are confident that we will be able to offer conditions of coverage and pricing that are better than the general commercial insurance marketplace, and we will keep our clients updated as property market conditions continue to evolve.

ATTACHMENT: None

**Item No. D.3.c
Board of Directors
February 3, 2014**

CARMA – Dividend Discussion

ISSUE: CARMA declared a dividend of \$5.4M, however due to MBASIA's shorter tenure with the authority, MBASIA's share of this dividend is **(\$37,346)**. As a result of the Board action, CARMA elected to waive an assessment and MBASIA will have this negative value roll forward to future year retro adjustments.

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

FINANCIAL IMPACT: MBASIA owes \$37,346 as a result of the dividend; however CARMA has waived their assessment and will apply the debt to a future retro payment.

BACKGROUND: MBASIA joined CARMA July 1, 2003 and has not received a dividend or assessment to date.

ATTACHMENT: CARMA Agenda Item

CARMA
TWENTY-FIRST ANNUAL WORKSHOP
JANUARY 9, 2014

MEASUREMENTS OF HOW WE ARE DOING

SUBJECT: Financial Benchmarks – Retrospective Adjustment Calculation as of June 30, 2013

BACKGROUND AND STATUS:

The CARMA Board of Directors approved its Retrospective Adjustment Policy at its meeting on April 20, 2011. The Policy formalized a process that provides for an annual analysis of the program's equity by program year and in aggregate to determine the viability of the possible release of dividends and/or the closure of program years. The Policy allows for an adjustment of program years that are a full five years old, provided each adjusted year retains equity at the 70% confidence level (CL) after the adjustment, and CARMA's program as a whole remains so funded. Like the Target Equity Calculation, the Policy is intended to be used as a tool by the Board of Directors to guide them in their funding and equity decisions.

The Policy was utilized in June, 2011, when the Board approved the closure of program years 1996/1997 through 2000/2001 and the application of equity in those years to the 2004/2005 program year.

The calculation was performed as of June 30, 2013, and is attached for the Board's review. The calculation analyzes the potential release of dividends at the 70% CL, per the Policy, as well as the more conservative 80% CL.

70% Confidence Level Analysis:

- The calculation shows that CARMA's equity at the target 70% CL in aggregate is \$15.7 million, which is the amount "available" to be issued in a possible dividend release.
- \$6.3 million in funds would be "eligible" for release, as it is the cumulative equity at the 70% CL for program years a full five years old, including the current 2011/2012 program year which has negative equity at the 70% CL. (Per the Policy, any current program years with negative equity must be added to the calculation.)
- The Calculation by Member reveals that only one of the current members' allocated equity share of the \$6.3 million is negative (MBASIA at -\$8,809).
- The Target Equity Policy allows for a return of equity to terminated or withdrawn members for program years more than seven years old. Both PERMA and PARSAC have allocated equity in program years more than seven years old.

CARMA
TWENTY-FIRST ANNUAL WORKSHOP
JANUARY 9, 2014

80% Confidence Level Analysis:

- The calculation shows that CARMA's equity at the 80% CL in aggregate is \$11.3 million, which is the amount "available" to be issued in a possible dividend release.
- \$5.4 million in funds would be "eligible" for release, as it is the cumulative equity at the 80% CL for program years a full five years old. Rather than factoring in the two current years with negative equity at the 80% CL, staff has included only the current 2011/2012 program year's negative equity at the 70% CL, per the Policy. The 2011/2012 and 2012/2013 program years are undeveloped, each with IBNR reserves of \$3.4 million to allow for future favorable development in those years.
- Under the 80% CL scenario, the Calculation by Member reveals that only one of the current members' allocated equity share of the \$5.4 million is negative (MBASIA at -\$37,346).
- The Target Equity Policy allows for a return of equity to terminated or withdrawn members for program years more than seven years old. At the 80% CL, PERMA's allocated equity share is \$1,318, and PARSAC's allocated equity share in program years more than seven years old is \$1,289,022.
- If dividends are released per the 80% CL calculation, the entire dividend would be released. However:
 - MBASIA's negative adjustment would be accrued as a receivable that would be netted against future dividends.
 - PARSAC's share in the 2006/2007 and 2007/2008 program years which are not yet a full seven years old would be accrued as a payable to be paid out as these years fall into the seven-year old range.

Release of Dividends:

Any release of funds is completely at the discretion of the Board of Directors. Per the Master Program Document, Section F in pertinent part states:

Dividends may be declared and paid solely at the discretion of the Board after a program year is at least 5 years old and reaches a 70% confidence level and provided that the combined assets of the program years after the dividend shall equal or exceed a 70% confidence level. Each share of the dividend declared shall be allocated based on deposit premiums.

CARMA
TWENTY-FIRST ANNUAL WORKSHOP
JANUARY 9, 2014

Staff recommends releasing dividends in the amount of \$5,432,715. This action would:

- Retrospectively adjust program years 2001/2002 through 2007/2008, retaining equity in these program years at the 80% confidence level.
- Program year 2011/2012 would be adjusted, bringing that year's equity to the 70% confidence level.
- Dividends would be released to the members in the form of a cash payment with the exception of:
 - MBASIA's negative adjustment would be accrued as a receivable that would be netted against future dividends, and
 - PARSAC's share in the 2006/2007 and 2007/2008 program years which are not yet a full seven years old would be accrued as a payable to be paid out as these years fall into the seven-year old range.

REFERENCE MATERIALS ATTACHED:

- Retrospective Adjustment Calculation as of June 30, 2013
- CARMA Retrospective Adjustment Policy

As of June 30, 2013

* As of 6/30/11 Program Years 1996/97 -2000/01 were closed into 2004/05

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Item No. D.3.d
Board of Directors
February 3, 2014

CARMA Refresher

ISSUE: The Program Administrators will provide a verbal report on who CARMA is and the value they provide to MBASIA.

RECOMMENDATION: No recommended action; this is an information item.

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

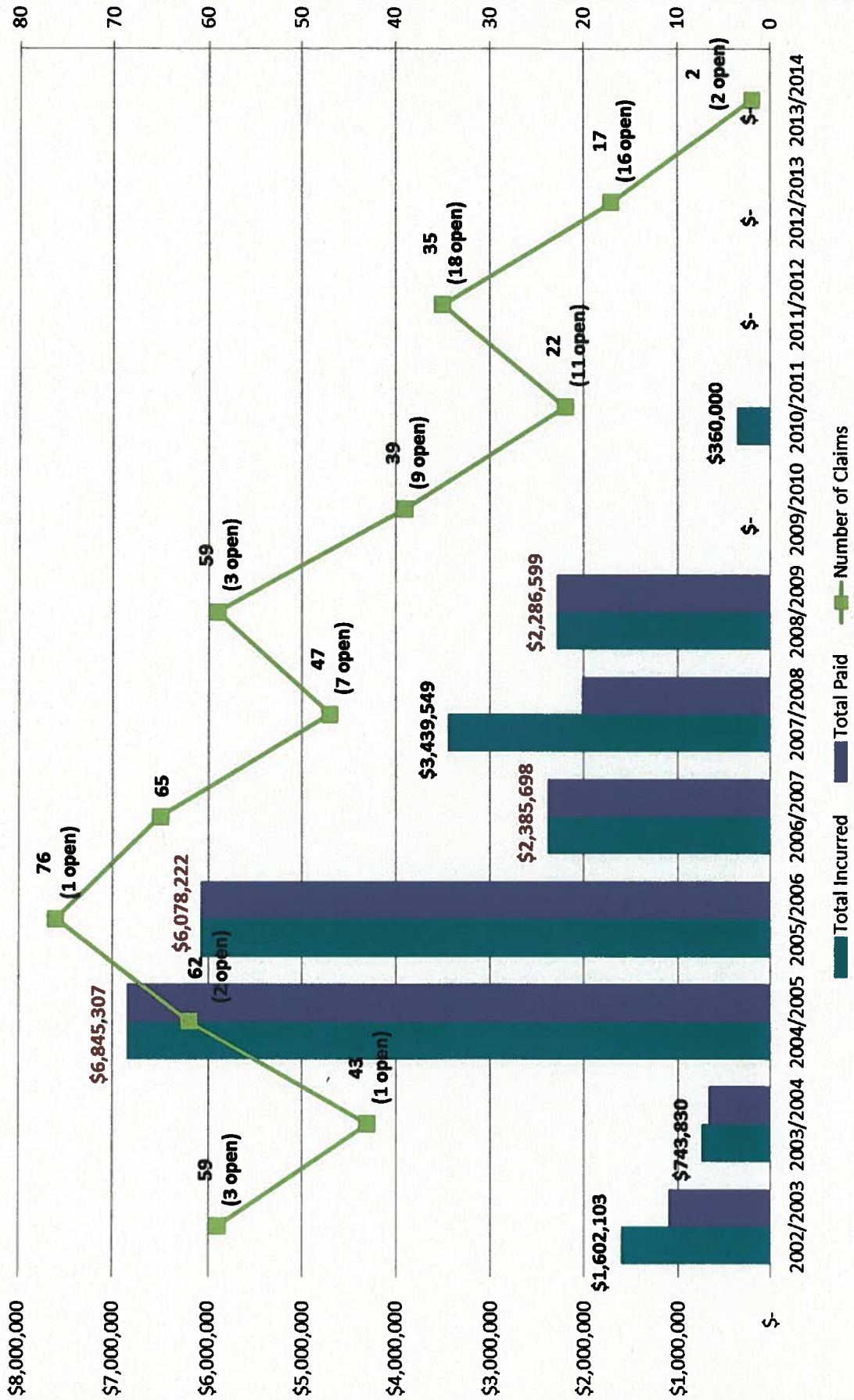
BACKGROUND: MBASIA has been a member of CARMA since 2003. CARMA provides excess liability coverage for the Authority, attaching at \$1,000,000 (SIR), and providing excess pooled and insurance limits. MBASIA has one seat on the Board of Directors; currently Rene Mendez is MBASIA's representative.

ATTACHMENT: Handouts provided at CARMA's LRP

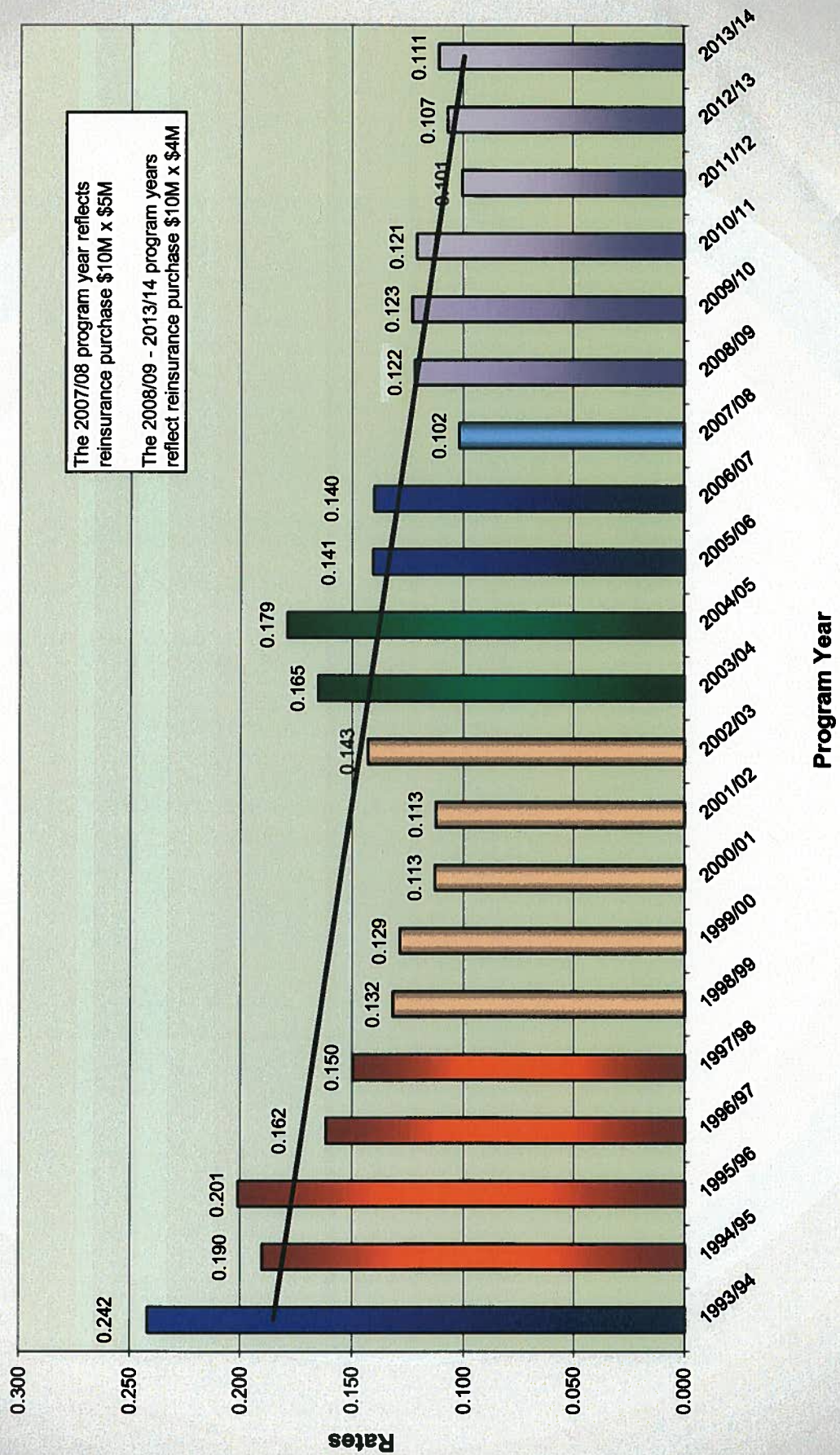
CARMA's Mission Statement

CARMA is dedicated to innovative approaches in providing financial protection for its public entity members against catastrophic loss.

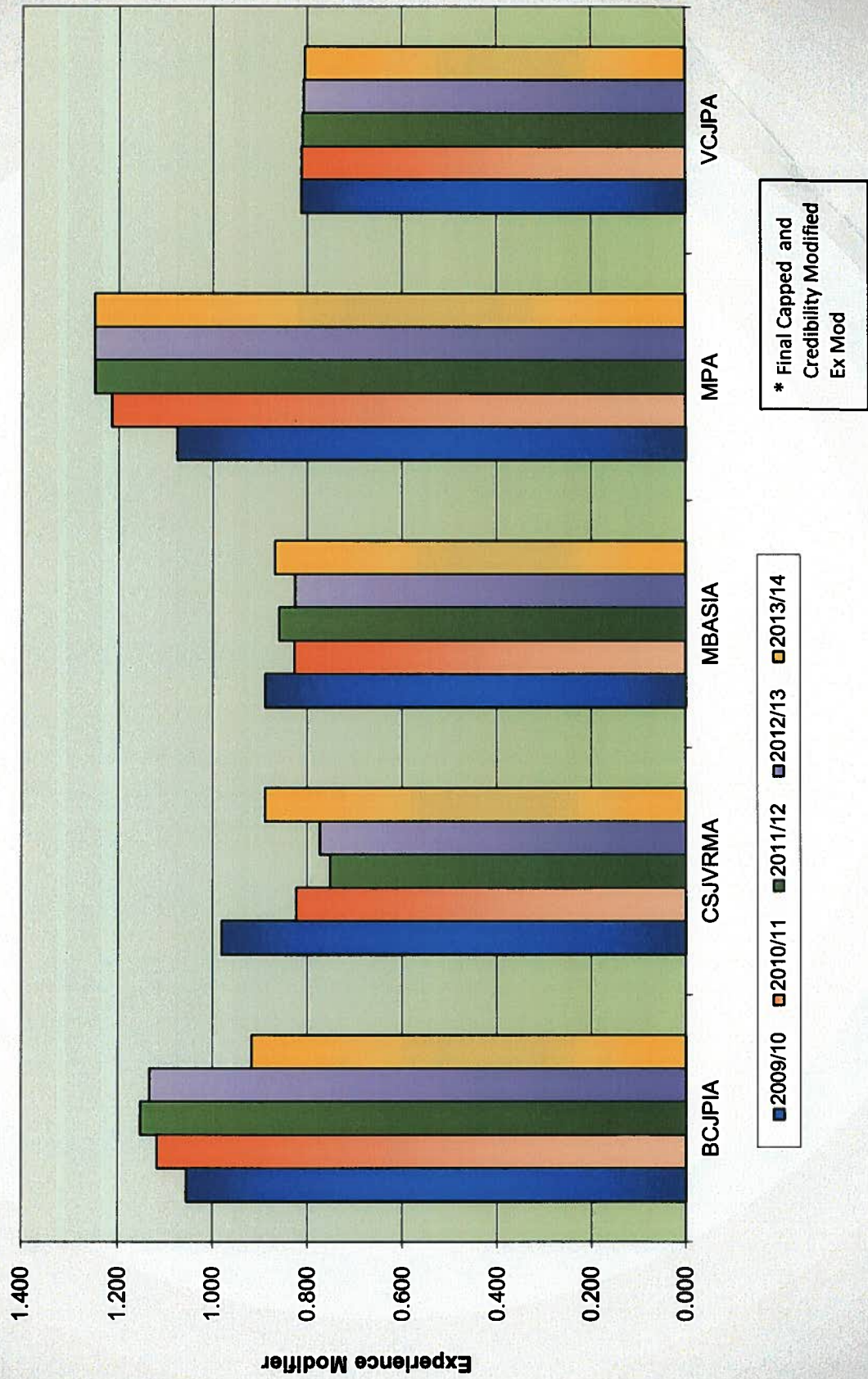
CARMA - OPEN PROGRAM YEARS **Total Incurred vs. Total Paid and Number of Claims** **by Program Year**



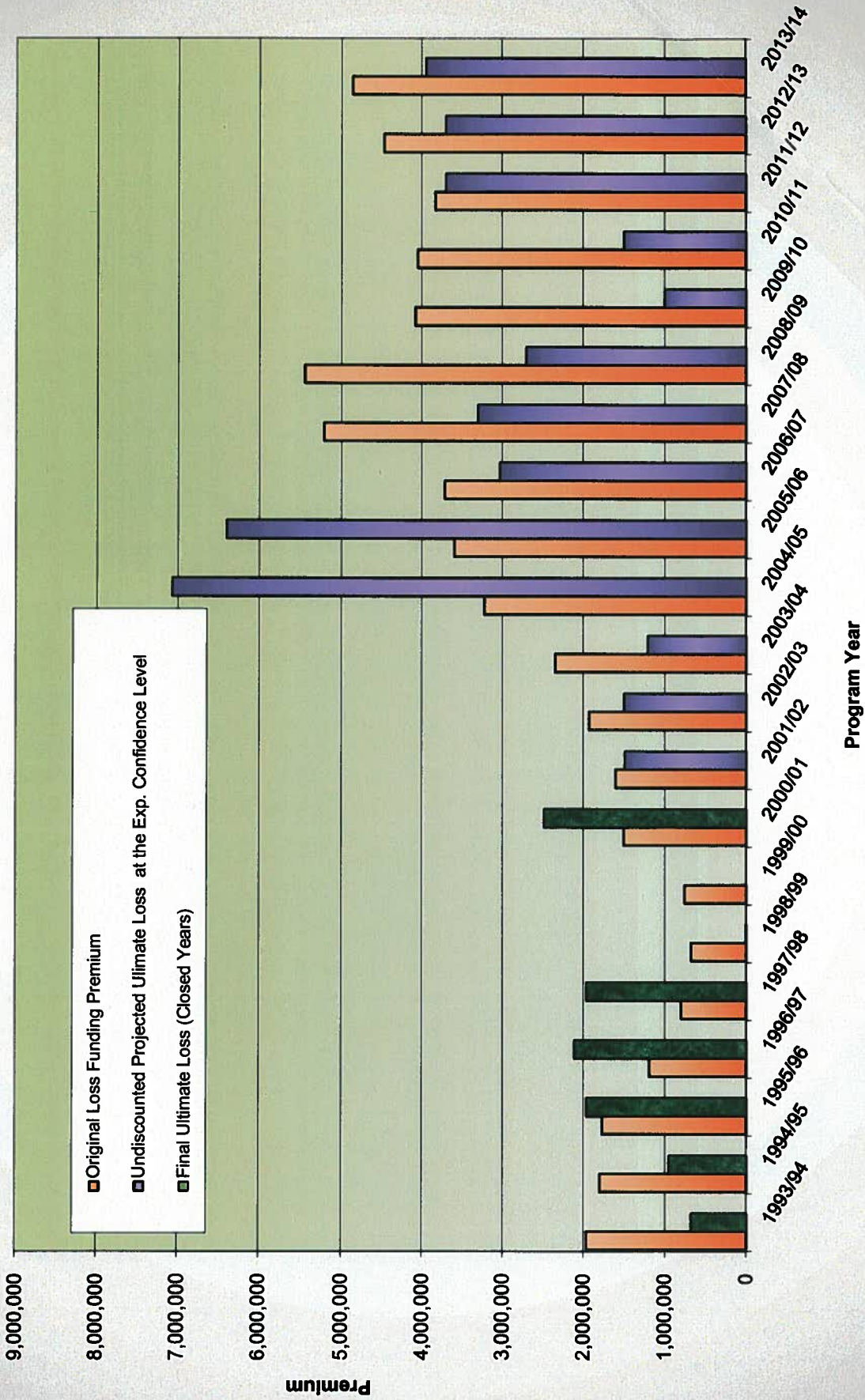
CARMA Historical Insurance / Reinsurance Rates



CARMA Experience Modifying Ratios* **Five Year Comparison**



CARMA **Original Loss Funding Premium v. Current Ultimate Loss**



**Item No. D.3.e
Board of Directors
February 3, 2014**

State of the Insurance Market

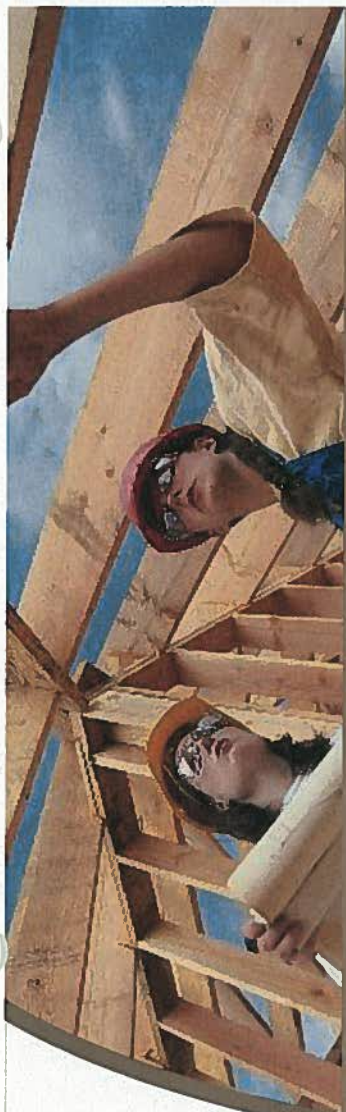
ISSUE: The Program Administrators will provide a verbal report on the State of the Insurance Market.

RECOMMENDATION: No recommended action; this is an information item.

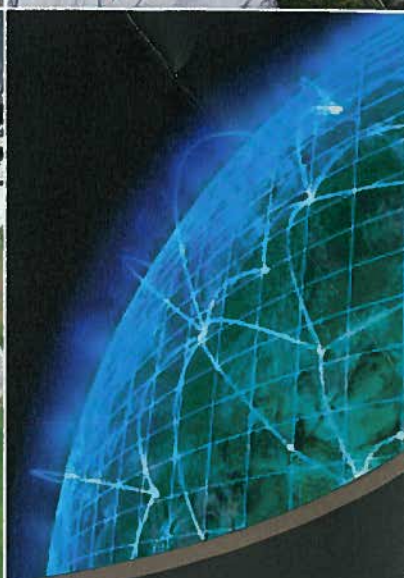
FINANCIAL IMPACT: No financial impact is expected from the recommended action.

BACKGROUND: None

ATTACHMENT: State of the Insurance Market Presentation



State of the Insurance Market 2014 (From various Industry Sources)



Presented by:

Alliant Insurance Services, Inc.

October, 2013

 **Alliant**

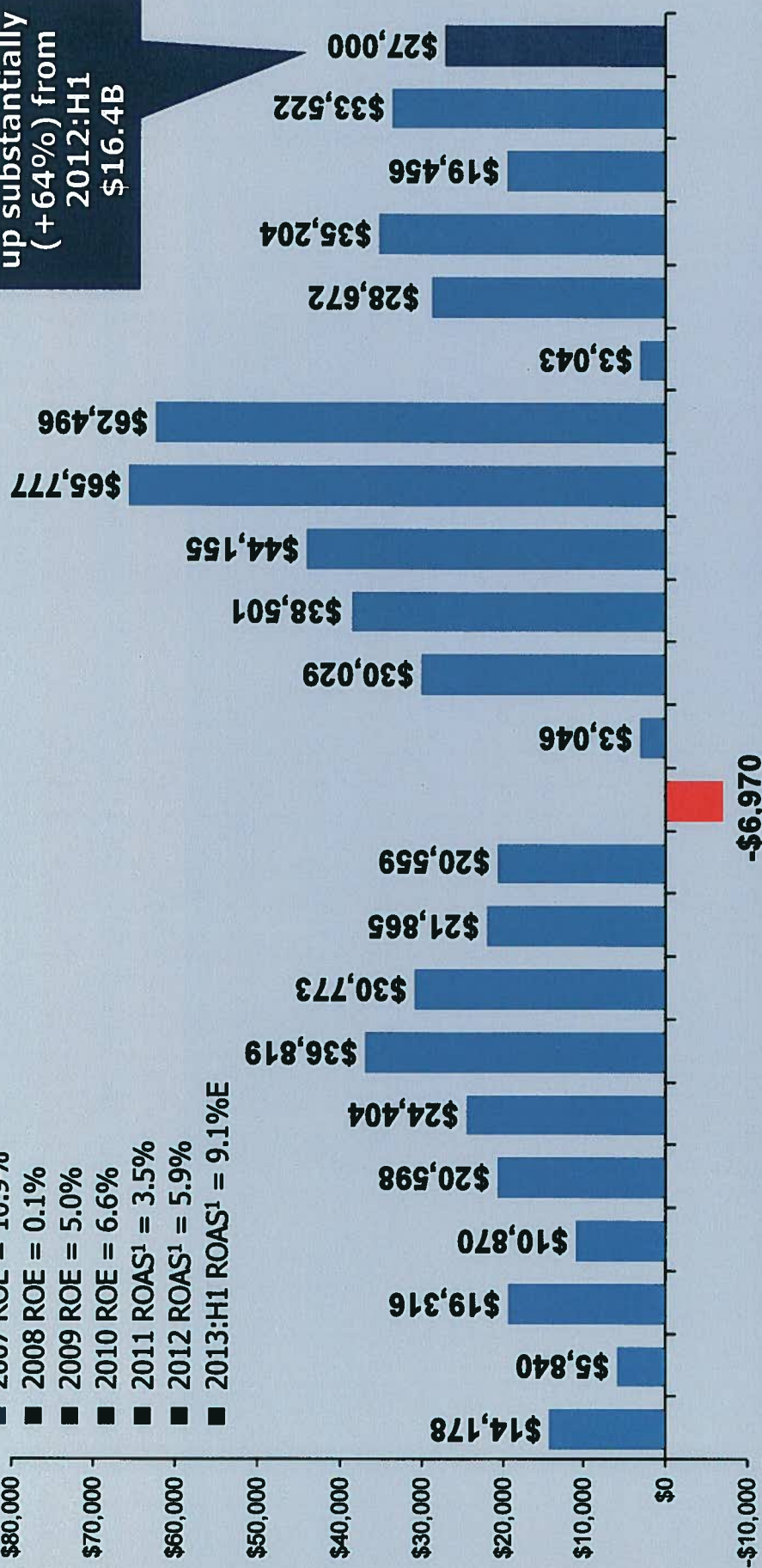
Presentation Overview

- ❑ **Property & Casualty Industry Performance**
- ❑ **Impact of Natural and Catastrophe Losses**
- ❑ **Reasons for Optimism, Causes for Concern**
- ❑ **WC continue Negative Trends above Others**

P/C Net Income After Taxes 1991-2013:H1 (\$ Millions)

- 2005 ROE* = 9.6%
- 2006 ROE = 12.7%
- 2007 ROE = 10.9%
- 2008 ROE = 0.1%
- 2009 ROE = 5.0%
- 2010 ROE = 6.6%
- 2011 ROAS¹ = 3.5%
- 2012 ROAS¹ = 5.9%
- 2013:H1 ROAS¹ = 9.1%E

Net income is
up substantially
(+64%) from
2012:H1
\$16.4B

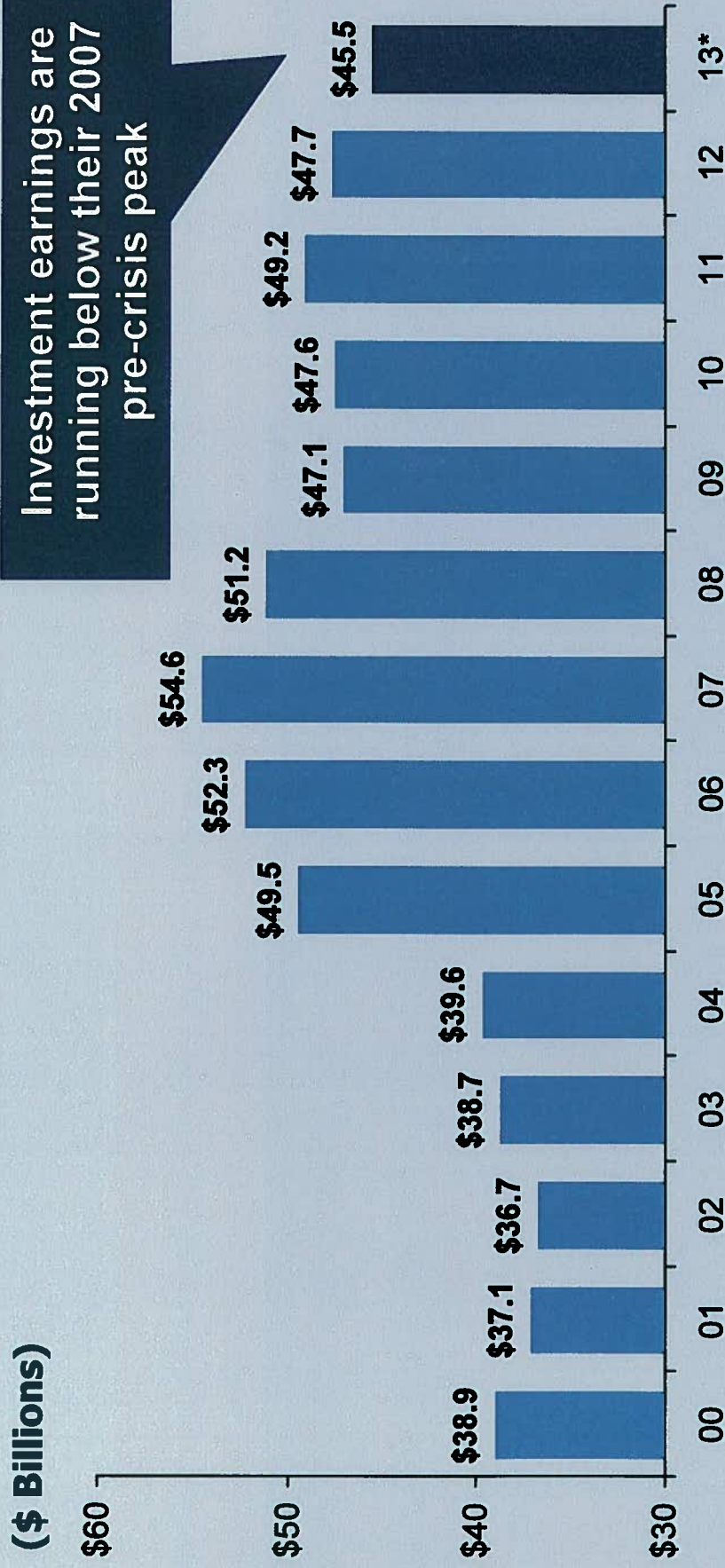


*ROE figures are GAAP; ¹Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 9.7% ROAS in 2013:Q1, 6.2% ROAS in 2012, 4.7% ROAS for 2011, 7.6% for 2010 and 7.4% for 2009.

Sources: A.M. Best, ISO, Insurance Information Institute

Property/Casualty Insurance Industry

Investment Income: 2000-2013F¹



Investment Income Fell in 2012 and is Falling in 2013 Due to Persistently Low Interest Rates, Putting Additional Pressure on (Re) Insurance Pricing

¹ Investment gains consist primarily of interest and stock dividends..
*Estimate based on annualized actual Q1:2013 investment income of \$11.385B.
Sources: ISO; Insurance Information Institute.

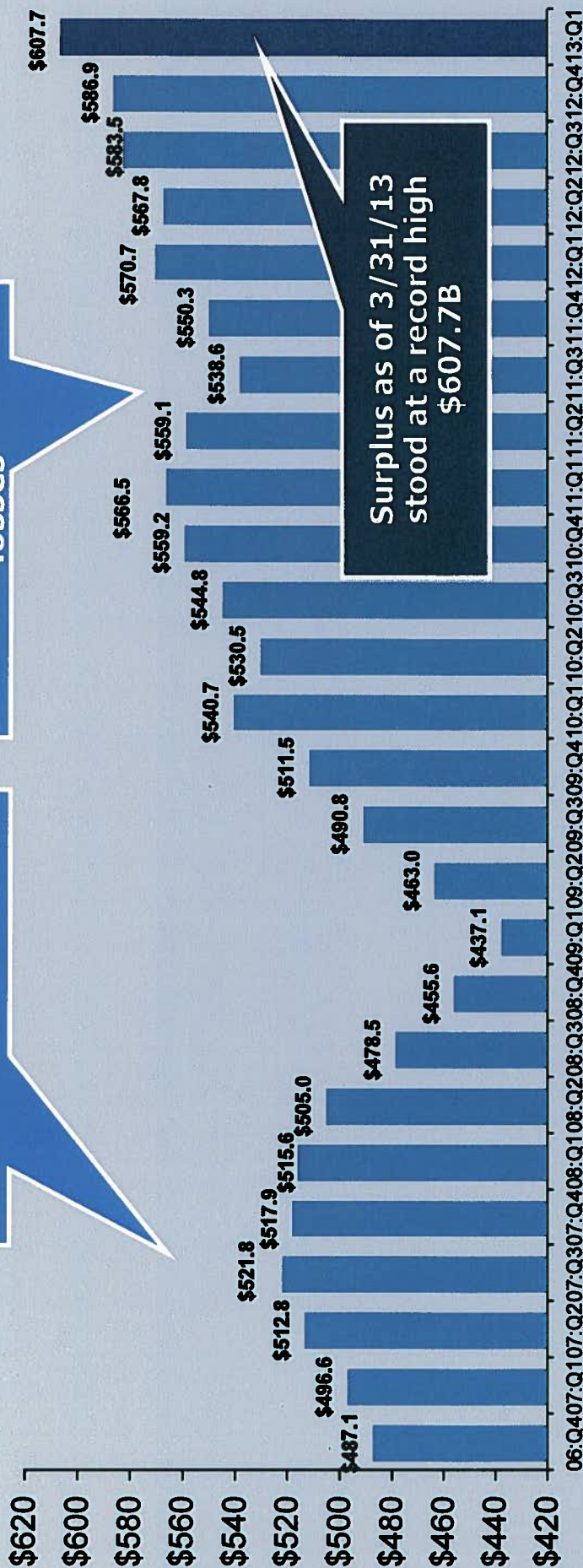
Policyholder Surplus

2006: Q4-2012:Q1

(\$ Billions)

2007:Q3
Pre-Crisis Peak

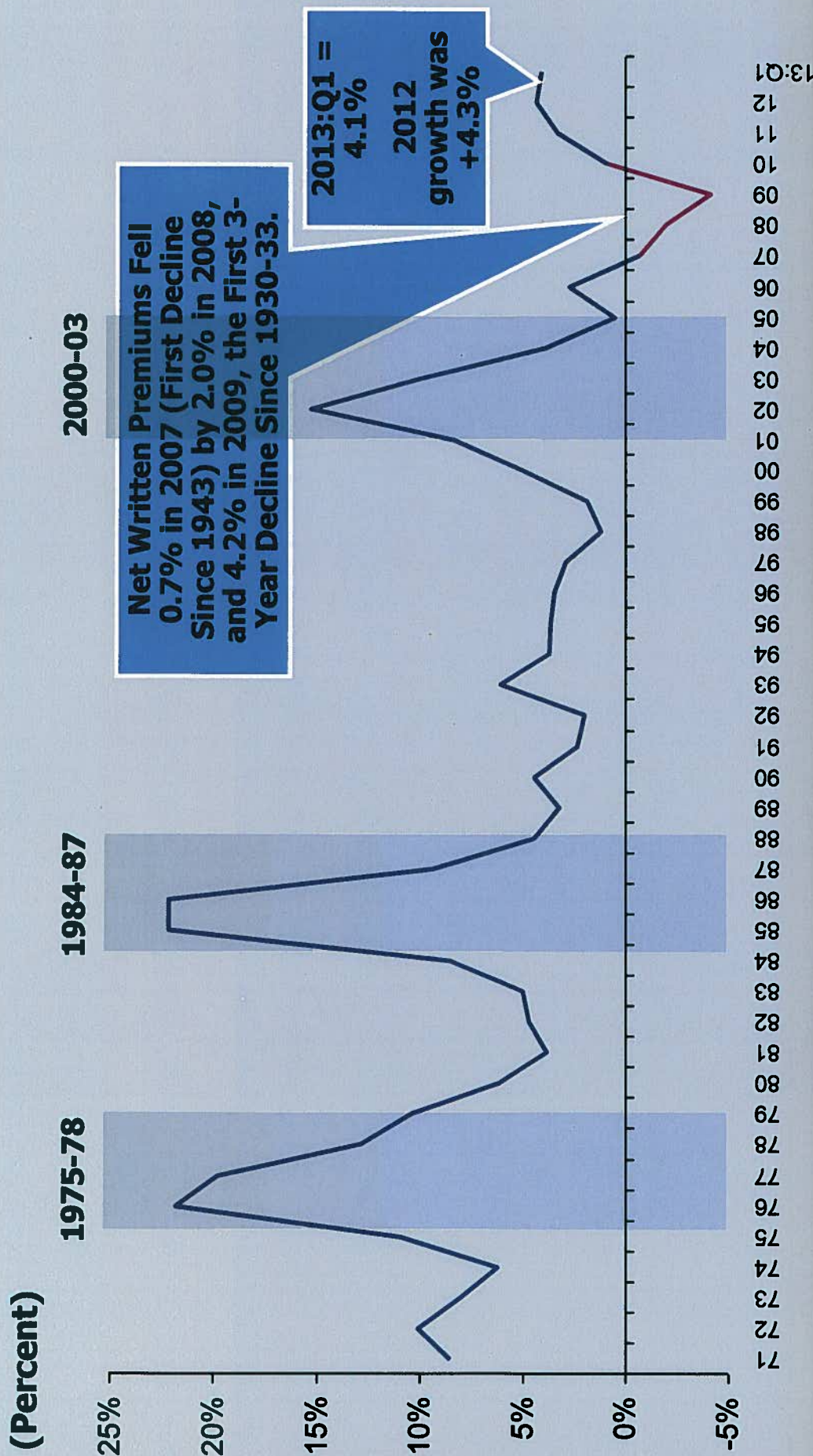
Drop due to near-
record 2011 CAT
losses



The P/C Insurance Industry Both Entered and Emerged from the 2012 Hurricane Season Very Strong Financially.

*Includes \$22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business in early 2010.

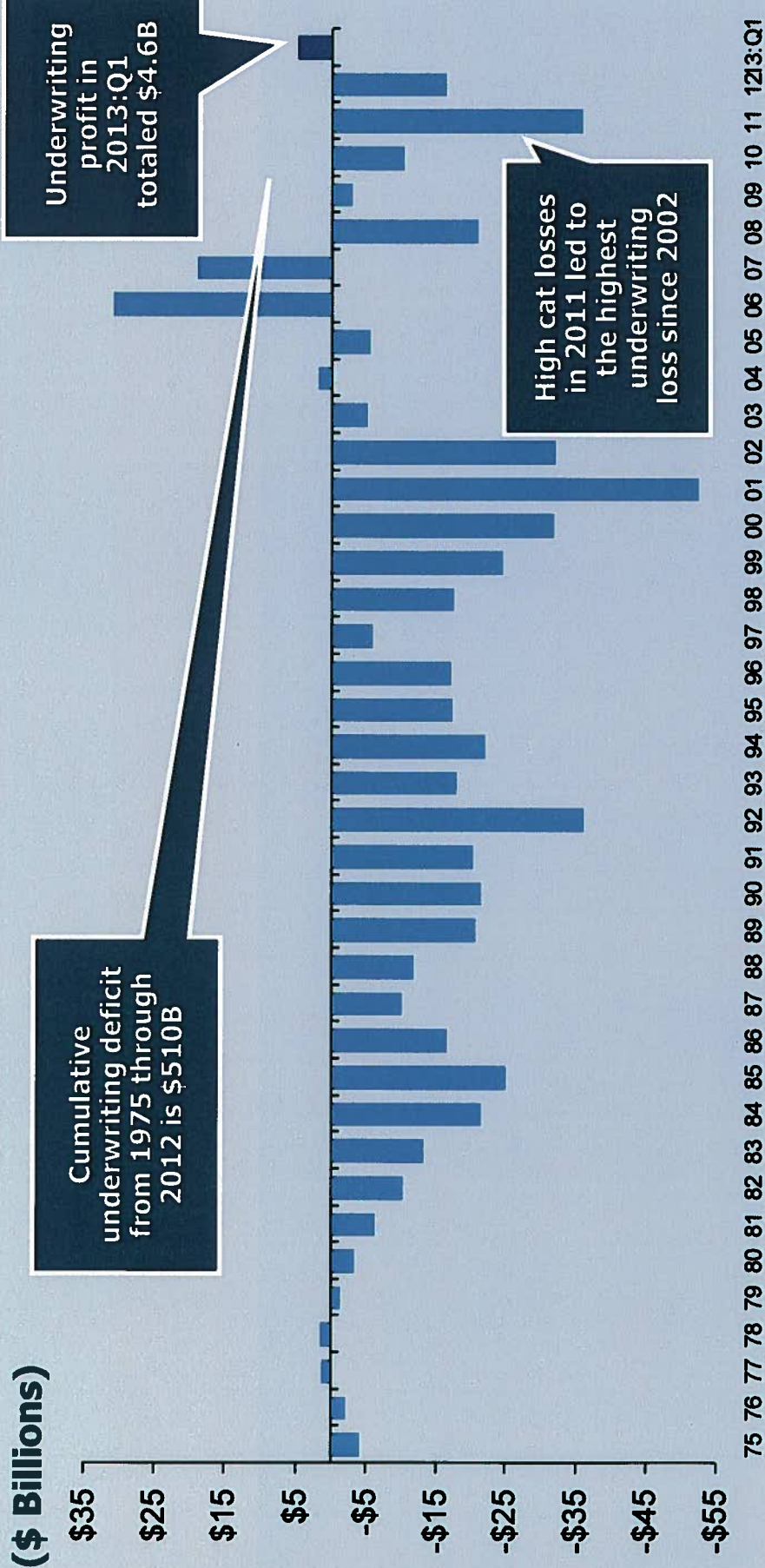
Net Premium Growth: Annual Change 1971—2013:Q1



Shaded areas denote "hard market" periods
Sources: A.M. Best (historical and forecast), ISO, Insurance Information Institute.

Underwriting Gain (Loss)

1975-2013:Q1*

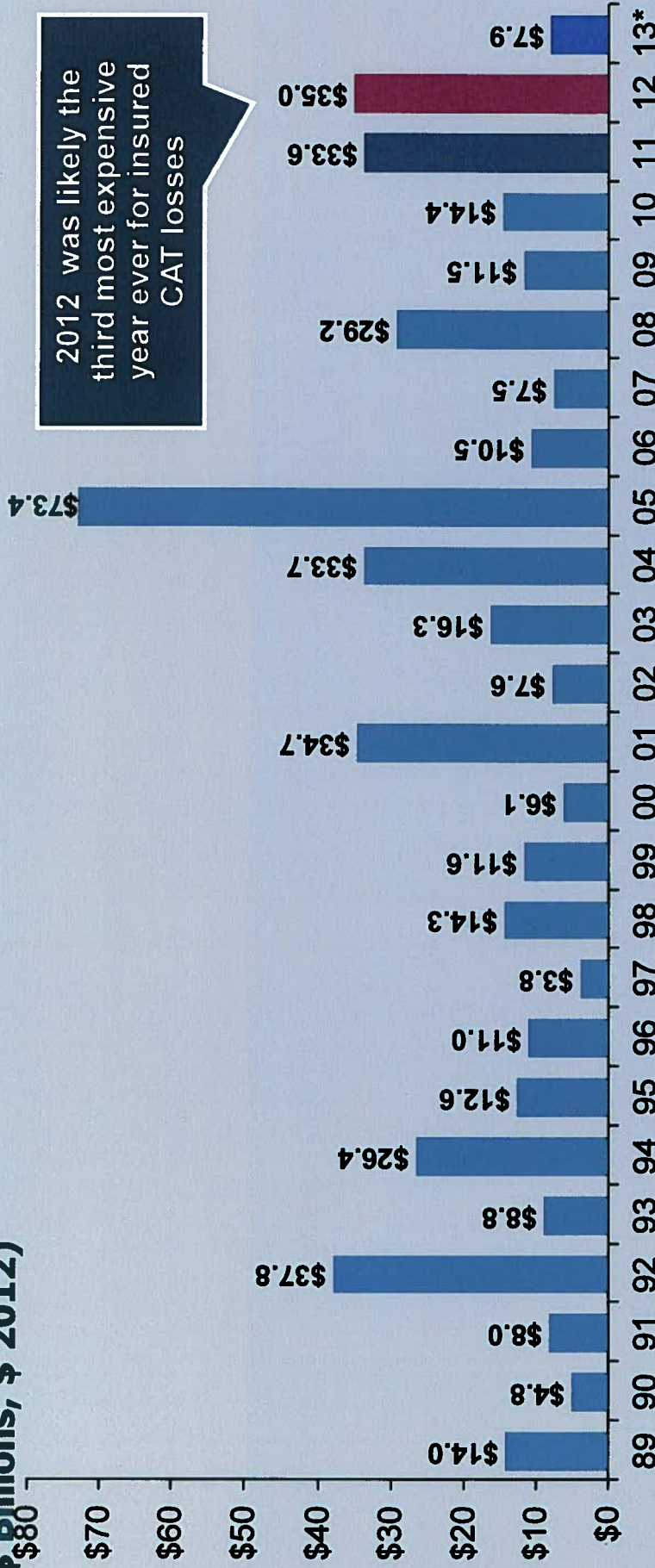


**Large Underwriting Losses Are *NOT* Sustainable
in Current Investment Environment**

* Includes mortgage and financial guaranty insurers in all years.
Sources: A.M. Best, ISO; Insurance Information Institute.

U.S. Insured Catastrophe Losses

(\$ Billions, \$ 2012)



2012 was likely the third most expensive year ever for insured CAT losses

Record tornado losses caused 2011 CAT losses to surge

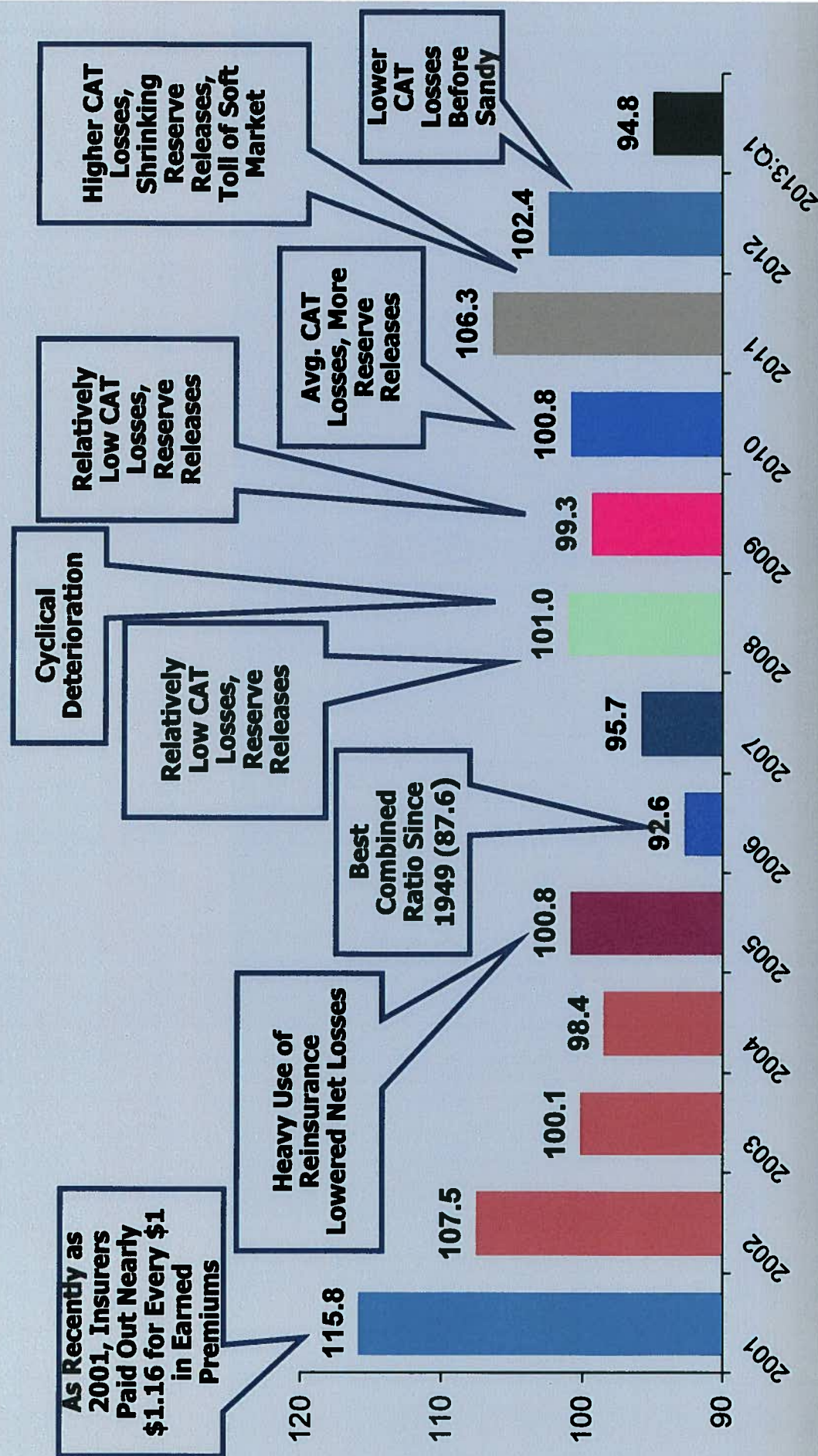
2012 Was the 3rd Highest Year on Record for Insured Losses in U.S. History on an Inflation-Adj. Basis. 2011 Losses Were the 6th Highest. YTD 2013 Running Below Average But Q3 Is Typically the Costliest Quarter.

*Through 6/2/13. Includes \$2.6B for 2013:Q1 (PCS) and \$5.32B for the period 4/1 - 6/2/13 (Aon Benfield Monthly Global Catastrophe Recap).

Note: 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01 (\$25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B (\$15.6B in 2011 dollars.)

Sources: Property Claims Service/ISO; Insurance Information Institute.

P/C Insurance Industry Combined Ratio, 2001-2013:Q1*

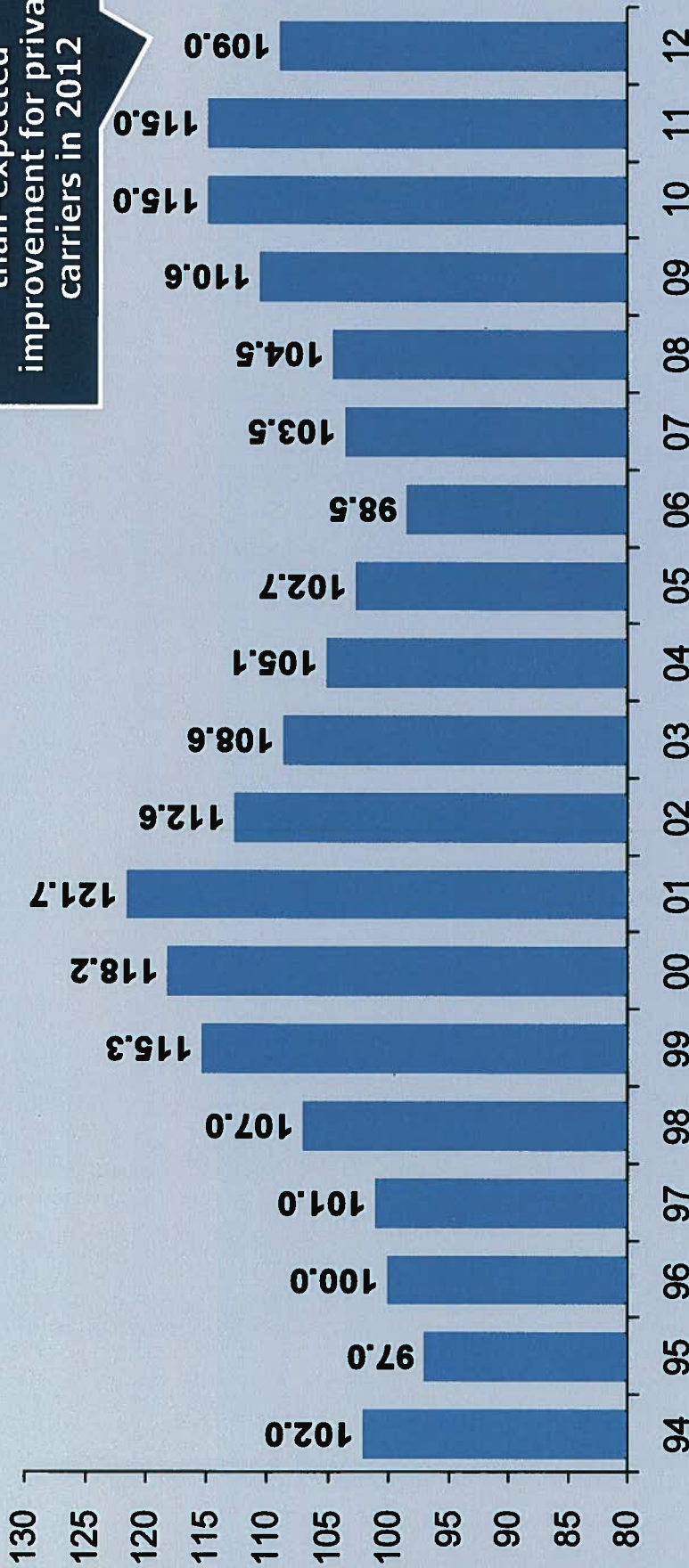


* Excludes Mortgage & Financial Guaranty insurers 2008-2012. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=108.1; 2012=103.2.

Sources: A.M. Best, ISO.

Workers Compensation Combined Ratio: 1994-2012P

WC showed a better-
than-expected
improvement for private
carriers in 2012



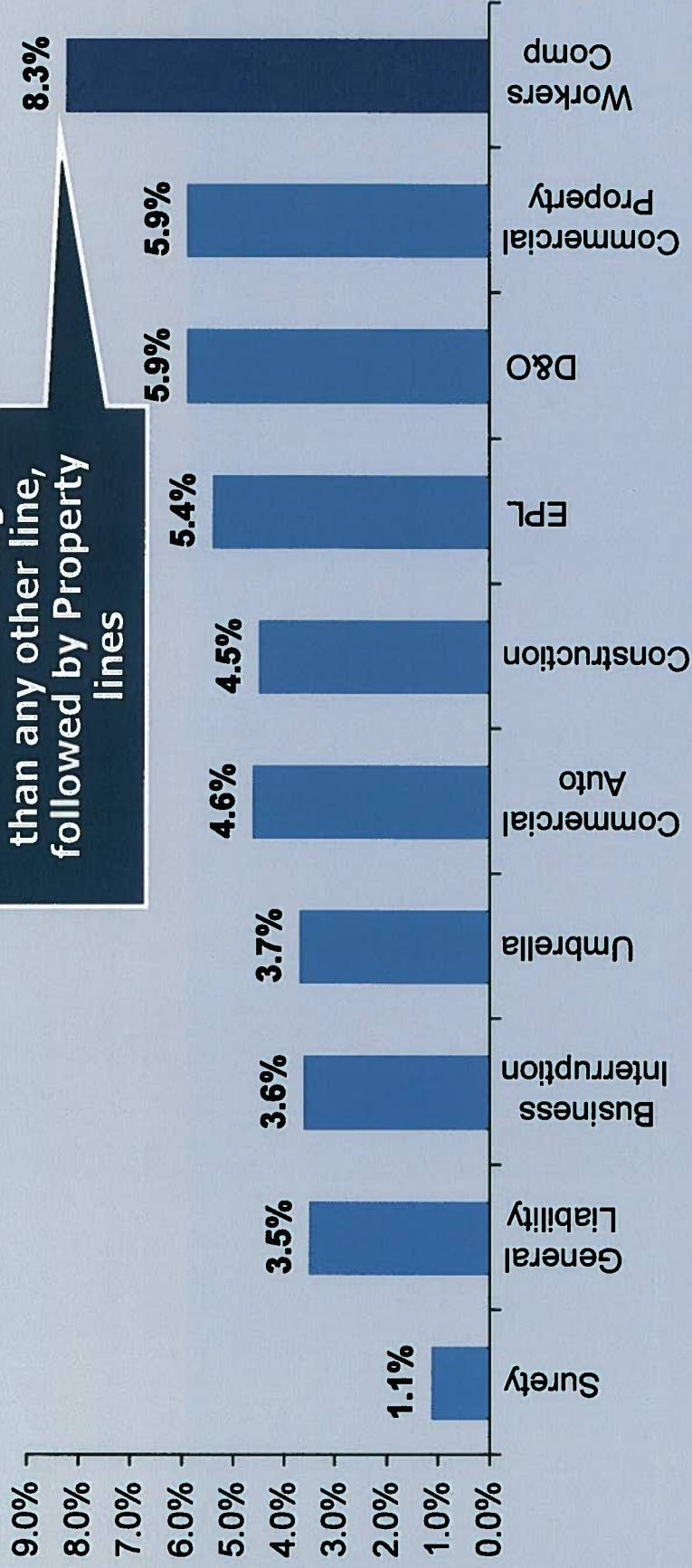
Workers Comp Results Began to Improve in 2012. Underwriting Results Deteriorated Markedly from 2007-2010/11 and Were the Worst They Had Been in a Decade.

Sources: A.M. Best (1994-2009); NCCI (2010-2012P) and are for private carriers only; Insurance Information Institute.



Change in Commercial Rate Renewals, by Line: 2013:Q2

Percentage Change (%)



Major Commercial Lines Renewed Uniformly Upward in Q2:2013 for the 8th Consecutive Quarter; Property Lines & Workers Comp Leading the Way; Cat Losses and Low Interest Rates Provide Momentum Going Forward

Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.



Property Insurance Market Outlook

A Tipping Point?

Reasons for Optimism

- ❑ So Far, So Good - - Profit Recovery in 2013 After High CAT Losses in 2011-12
 - ❑ The P/C Insurance Industry Both Entered and Emerged from the 2012 Hurricane Season Very Strong Financially
- ❑ Net income is up substantially (+64%) from 2012 Q1
- ❑ Surplus as of 3/31/13 stood at a record high \$607.7B
- ❑ Ample Capacity Despite Heavy Global Catastrophe Activity in Recent Years
- ❑ Economy improving with greater economic activity generating increase premium flow

Causes for Concern

- ❑ Catastrophes and Other Factors Are Pressuring Insurance Markets for Rate Increase
- ❑ Damage from Tornadoes, Floods, Large Hail and High Winds Keep Insurers Busy
- ❑ Record Low Interest Rates Are Contributing to Underwriting and Pricing Pressures
- ❑ Major Commercial Lines Renewed Uniformly Upward in Q2:2013 for the 8th Consecutive Quarter; Property Lines & Workers Compensation are Leading the Way
- ❑ The Weak Economy and Soft Market Have Made the Workers Comp Operating Environment Increasingly Challenging
- ❑ Correct Flood mapping is poor or non-existent at best, and carriers are retreating on flood cover. Unclear if FEMA will or has the capacity to improve maps

Discussion and Questions



**Item No. E.1
Board of Directors
February 3, 2014**

ALLIANT STAFF UPDATE

ISSUE: Alliant will give a verbal report on staff transitions which effect the administration of MBASIA.

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

FINANCIAL IMPACT: No financial impact is expected.

BACKGROUND: Vadim Livshits comes to Alliant from San Mateo County Schools Insurance Group, with prior experience at San Diego Pooled Insurance Program Authority.

ATTACHMENT: None.

Item No. E.2
Board of Directors
February 3, 2014

UPDATES TO THE BROWN ACT

ISSUE: The legislature made a change to the Brown Act. Effective January 1, 2014, meeting minutes now have to show how each committee member voted on each item.

RECOMMENDATION: Minutes will now include a table showing the Aye, Nye and Abstentions, showing a mark that corresponds with each member's vote. No action or direction is needed.

FINANCIAL IMPACT: None

BACKGROUND:

SB 751 – Requires the Legislative Body of a Local Agency to Publicly Report the Vote or Abstention of Each Legislative Body Member on any Action Taken.

The Brown Act provides that all meetings of a legislative body of a local agency are to be open to the public and that the legislative body may not take action by secret ballot. SB 751 expands this requirement to require local agencies to publicly report any action taken and the vote or abstention of each individual member present.

Local agencies will now need to review their voting procedures at any legislative body meetings covered under the Brown Act to ensure that they meet this new requirement to track the individual votes of their board members and make those votes public.

ATTACHMENT: None

Item No. F.1
Board of Directors
February 3, 2014

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:

Monday, April 14, 2014 at City of Sand City

Training Opportunities:

February 4, 2014 –Reasonable Accommodation – Madera, CA – 9AM – 12PM

March 19, 2014 – AB1825 – Los Altos, Ca - 9AM – 12PM

April 10, 2014 – Accommodating Disabled Employees – King City, Ca – 9AM – 12PM

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