

**MINUTES OF THE  
MBASIA BOARD OF DIRECTORS MEETING  
Monday, February 3, 2014 at 9:30 A.M.  
City of Sand City, CA**

**MEMBERS PRESENT**

Lisa Murphy, City of Capitola  
Jaime Goldstein, City of Capitola  
Rene Mendez, City of Gonzales  
Susan Stanton, City of Greenfield  
Brett Miller, City of Hollister  
Michael Powers, City of King  
Layne Long, City of Marina – Left 10:48 A.M.  
Steve Matarazzo, City of Sand City  
Steve Ando, City of Scotts Valley  
Adela Gonzales, City of Soledad

**MEMBERS ABSENT**

Daniel Dawson, City of Del Rey Oaks

**GUESTS AND CONSULTANTS**

Conor Boughey, Alliant Insurance Services  
Vadim Livshits, Alliant Insurance Services  
Michael Simmons, Alliant Insurance Services  
Ken Maiolini, Risk Management Services  
Milissa Gilihan, JT2 Integrated Resources  
Mark Hannah, Defense Attorney  
Bob Sanders, Defense attorney  
Nina, Susan Stanton's Assistant

**A. CALL TO ORDER**

President Rene Mendez called the meeting to order at 9:33 A.M.

**B. CONSENT CALENDAR**

**B1. Approval of Minutes – October 3, 2013, Long Range Planning Meeting & Board of Directors Meeting**

A motion was made to approve the consent calendar.

**MOTION:** Steve Ando

**SECOND:** Adela Gonzales

**MOTION CARRIED**

	<u>AYE</u>	<u>NYE</u>	<u>Abstain</u>
Lisa Murphy			X
Jamie Goldstein	X		
Rene Mendez	X		
Susan Stanton	X		
Brett Miller	X		
Michael Powers	X		
Layne Long	X		
Steve Matarazzo	X		
Steve Ando	X		
Adela Gonzales	X		

## B2. Service Calendar & Status of Deliverables

A motion was made to approve the Service Calendar & Status of Deliverables.

**MOTION:** Steve Ando

**SECOND:** Adela Gonzales

**MOTION CARRIED**

	<u>AYE</u>	<u>NYE</u>	<u>Abstain</u>
Lisa Murphy			X
Jamie Goldstein	X		
Rene Mendez	X		
Susan Stanton	X		
Brett Miller	X		
Michael Powers	X		
Layne Long	X		
Steve Matarazzo	X		
Steve Ando	X		
Adela Gonzales	X		

## B3. Bills and Correspondence

A motion was made to approve Bills and Correspondence.

**MOTION:** Steve Ando

**SECOND:** Adela Gonzales

**MOTION CARRIED**

	<u>AYE</u>	<u>NYE</u>	<u>Abstain</u>
Lisa Murphy			X
Jamie Goldstein	X		
Rene Mendez	X		
Susan Stanton	X		
Brett Miller	X		
Michael Powers	X		
Layne Long	X		

Steve Matarazzo	X		
Steve Ando	X		
Adela Gonzales	X		

**C. Oral Communications & Public Comments**

None.

**D. Board of Directors**

**D1. Unfinished Business**

**D1a. Member Loan Policy**

Conor Boughey Reported that at the October Long Range Planning Meeting, the current member loan policy was discussed. It was decided that the current policy is not ideal, and needs to be updated. A new criteria was requested as follows:

- The max that can be loaned is \$325,000
- Each member can use up to \$125,000, only one loan may be taken out by each member
- If the member is expelled or leaves, the loan is due at the date of separation
- The interest is greater of LAIF or 3%
- The maximum loan term is three years
- Each loan must be applied for with a completed application that includes a justification for the loan
- Each loan is vetted by the Executive and Finance Committees, and approved by a resolution from the Board.

A policy and procedure based on this criteria was developed. If the criteria are unsatisfactory, they can be reviewed.

A motion was made to approve the loan policy as presented.

**MOTION:** Adela Gonzales    **SECOND:** Michael Powers

**MOTION CARRIED**

	<u><b>AYE</b></u>	<u><b>NYE</b></u>	<u><b>Abstain</b></u>
Lisa Murphy			X
Jamie Goldstein	X		
Rene Mendez	X		
Susan Stanton	X		
Brett Miller	X		
Michael Powers	X		
Layne Long	X		
Steve Matarazzo	X		
Steve Ando	X		
Adela Gonzales	X		

## **D2. Committee Report**

### **D2a. Executive and Finance Committee**

#### **D2a1. Liability Premium Reconciliation**

Conor Boughey reported that the first half of the MBASIA Liability Premium was billed on July 1, 2013. Unfortunately, due to an administrative error, the wrong amounts were billed. The problem was fixed before the second billing, and the proper billing of the approved amount was sent out. However, some Cities chose to pay in full at the time they received their first bill, or paid the second installment before they received a new invoice. This resulted in the wrong amount being paid. Refunds were issued for overpaid amounts. This is a fix to the administrative error that happened.

#### **D2b1. MBASIA Safety Funds**

Conor Boughey reported that at the June 2013 meeting, MBASIA adopted an annual budget for the grant program that is used by Members for allocating safety funds. Each member can request up to \$7,500 to be reimbursed for safety expenses that can reduce Liability or Workers Compensation claims. The Board is updated at each meeting on the use of these funds. The administrators would like this program as well utilized as possible. Members must request funds by May 1<sup>st</sup> to have them guaranteed. After May 1<sup>st</sup> all members will have access to all remaining funds, regardless of if they have already been allocated funds for the fiscal year. A single member may not use more than 1/5 of the year's budget. Application rules remain the same.

Steve Ando asked if there is any limit after May 1<sup>st</sup>, to which Conor Boughey replied that the limit at that point is \$15,000, so if you already requested \$7,500, you can only get \$7,500 more.

Adela Gonzales asked if funds are automatically approved if not expressly denied by the safety committee, to which Conor replied that they are due to the potential of funds being held up by lack of member response.

### **D2c. Coverage and Claims Committee**

Nothing to report.

## **D3. NEW BUSINESS**

### **D3a. Excess Pool Representation**

Conor Boughey reported that changes occurred, and new representation was chosen for CARMA and ERMA. Previously, Robert Galvan represented CARMA and Dan Dawson represented ERMA. Rene Mendez served as alternate for both. The new representative for CARMA is Rene Mendez, and Daniel Dawson remains as the representative for ERMA. Lisa Murphy is now the backup representative to both of these boards. Mike and Conor cannot vote, so Board representation is needed.

## **D3b. PEPPI Insurance Renewal**

Conor reported that PEPPI will be renewing on July 1, 2014. Alliant is getting ready to canvas the marketplace for the best possible rates. Last year's increase was higher than average due to recent a large claim. The market is currently softening, but the board should not expect to see a reduction due to the large claim.

Lisa Murphy asked how long will the claim stay on the books, to which Conor replied that it varies, but can be up to five years.

Conor indicated that the Board will probably not see a rate decrease while recovering from claims.

## **D3c. CARMA – Dividend Discussion**

Conor reported that CARMA has declared a \$5,432,715 return fund dividend. Due to MBASIA's short tenure with CARMA, however, the pool has a \$37,346 deficit. CARMA decided to waive an assessment against MBASIA, and instead decided to roll the value forward into future year retroactive adjustments.

The Board discussed the chart on page 31 of the meeting agenda, showing how funds were distributed. MBASIA's negative balance this year will be applied against its positive balance next year.

Mike Simmons stated that the reason CARMA is not asking for the deficit amount is because next year's dividend declaration will result in a wash, so they don't want to take money just to give it back.

PARSAC is owed \$1,878,523, but CARMA cannot pay it out until a dividend is declared, which is why they are declaring it.

Steve Ando asked if PARSAC will be removed after the dividend is issued, to which Mike answered that they will.

## **D3d. CARMA Refresher**

Conor Boughey gave a description of what CARMA is, and stated their core is to be a strong financial partner for excess liability. He discussed the charts in pages 33-37 of the agenda, outlining how Actuaries predicted more claims in the 2009-2010 fiscal year, but that those claims did not materialize. Additionally, insurance premiums have been trending down steadily year after year.

Michael Simmons added that this pool used to include both pools and individual cities. Due to a disagreement between PARSAC and CARMA, they split. They wanted to only be a super-pool that insures above \$1,000,000, only for risk sharing and to purchase high limit insurance.

The Board discussed how other members of the group affect their rates.

### **D3e. State of the Insurance Market**

Michael Simmons explained MBASIA's relationship with the excess market.

MBASIA rolls up into two different pools, CARMA and CSAC-EIA. The pool shares risk with 350 of the 500 cities in California for first \$3,000,000 of exposure. For liability, it shares risk to \$4,000,000 and excess to \$29,000,000.

Net income after taxes works in a unique way in the insurance market. In last quarter of 2013, the industry is on its way to earning money. This means premiums won't go up and investors will be attracted to this investment. In turn, the insurance environment becomes more competitive and premiums go down.

Surplus is the amount of money the industry holds, when surplus goes up, rates go down. Surplus at 3/31/12 was a record high of \$607,700,000,000.

P&C markets have a cyclical nature, a cycle of about seven years. We are going back into a soft market, because of profitability.

Underwriting gain/loss: The industry has only earned a profit in three years since 1979. The industry only earns money from interest. Right now we are in a soft market, but a catastrophe can change the market.

Insurance companies buy insurance from each other, called reinsurance. Because loss experience has been low, results for this year's outlook are good.

### **D4. Loss Report**

#### **D4a. Workers' Compensation Administrator's Report**

A motion was made to enter into closed session at 10:22 A.M. pursuant to Government Section Code 54956.95.

**MOTION:** Michael Powers    **SECOND:** Steve Ando    **MOTION CARRIED**

	<u><b>AYE</b></u>	<u><b>NYE</b></u>	<u><b>Abstain</b></u>
Lisa Murphy			X
Jamie Goldstein	X		
Rene Mendez	X		
Susan Stanton	X		
Brett Miller	X		
Michael Powers	X		
Layne Long	X		
Steve Matarazzo	X		

Steve Ando	X		
Adela Gonzales	X		

No reportable actions.

**D4b. 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 come out of closed session at 11:04 A.M.

**MOTION:** Michael Powers                      **SECOND:**                      **MOTION CARRIED**

**Authority was given to settle 2/3 items on the closed session agenda**

	<u><b>AYE</b></u>	<u><b>NYE</b></u>	<u><b>Abstain</b></u>
Lisa Murphy			X
Jamie Goldstein	X		
Rene Mendez	X		
Susan Stanton	X		
Brett Miller	X		
Michael Powers	X		
Layne Long	X		
Steve Matarazzo	X		
Steve Ando	X		
Adela Gonzales	X		

Direction was given to Ken Maiolini regarding the agendized claims.

**E. Program Administrator's Report**

**E1. Alliant Service Team Update**

Michael Simmons and Conor Boughey introduced Vadim Livshits to the Board. Vadim joined the service team at the beginning of January. He comes to the Pool from the San Mateo County Schools Insurance Group (SMCSIG), with seven years of previous experience at the San Diego Pooled Insurance Program Authority (SANDPIPA), where he worked during college. He did not spend seven years in college.

**E2. Updates to the Brown Act**

Conor Boughey explained that effective January 1, 2014, there have been some changes to the brown act. This primarily affects the pool in one specific way. Minutes will now include a table showing Aye, Nye and Abstentions, showing a mark corresponding with each Board Member's vote.

**F. Correspondence/Information**

## **F1. Next Board Meeting & ERMA Training Schedule**

Conor Boughey indicated that the next board meeting is scheduled for April 14, 2014 and will once again take place in Sand City. Additionally, several training opportunities being offered within a two hour drive of most members. February 4<sup>th</sup> in Madera, there will be a training on reasonable accommodation, on March 19<sup>th</sup> in Los Altos, there will be a training on AB1825, and on April 10<sup>th</sup> in King City, there will be a training on accommodating disabled employees.

Michael Powers advised that the King City training date has been changed, but the new date has not yet been confirmed.

Michael Simmons added that the more people that come to trainings, the more trainings there will be.

Conor also pointed out that the annual PARMA Conference will take place the week of February 10<sup>th</sup>, 2014 in San Jose.

## **G. General Risk Management Issues**

### **ADJOURNMENT**

The meeting was adjourned at 11:08 A.M.

Minutes recorded and composed by,

---

Vadim Livshits  
Account Representative  
February 6, 2014