**MINUTES OF THE**

**MBASIA BOARD OF DIRECTORS MEETING**

**Monday, June 10, 2013 at 9:30 A.M.**

**City of Sand City, CA**

**MEMBERS PRESENT**

Jamie Goldstein, City of Capitola

Lisa Murphy, City of Capitola

Daniel Dawson, City of Del Rey Oaks

Rene Mendez, City of Gonzales

Robert Galvan, City of Hollister

Michael Powers, City of King

Layne Long, City of Marina

Steve Matarazzo, City of Sand City

Adela Gonzalez, City of Soledad

Francine Uy, City of Soledad

Steve Ando, City of Scotts Valley

**MEMBERS ABSENT**

Susan Stanton, City of Greenfield

**GUESTS AND CONSULTANTS**

Conor Boughey, Alliant Insurance Services

Monica Sandbergen-Izo, Alliant Insurance Services

Michael Simmons, Alliant Insurance Services

Ken Maiolini, Risk Management Services

Tabatha Bettencourt, JT2 Integrated Resources

**A. CALL TO ORDER**

Rene Mendez called the meeting to order at 9:30 am.

Introductions were given.

**B. CONSENT CALENDAR**

**B1. Approval of Minutes – April 15, 2013 Board of Directors Meeting**

**B2. Service Calendar & Status of Deliverables**

B3. Bills and Correspondence

B3ai. Month Ending March 31, 2013

B3aii. Month Ending April 30, 3013

B3Aiii. Month Ending May 31, 2013

A motion was made to approve the Consent Calendar.

**MOTION**: Robert Galvan **SECOND**: Daniel Dawson **MOTION CARRIED**

**C. ORAL COMMUNICATIONS & PUBLIC COMMENTS**

None.

**D. BOARD OF DIRECTORS**

**D1. UNFINISHED BUSINESS**

**D2. COMMITTEE REPORT**

**D2a. Executive and Finance Committee**

**D2a1. Updated Committee Assignments**

Conor Boughey advised he had a quick discussion with Rene Mendez regarding the Committee assignments and they both agreed that the current Committee is working well. Conor advised that unless someone has a request to be added or removed from the committee, the Committee assignments are the same as last year. Conor reviewed the current committee assignments with the members. Rene asked members to start thinking about what committees they would like to be on next year.

**D2b. Safety Committee**

**D2b1. 2013-2014 Safety Funds Budget**

Conor Boughey reminded the members that they have until June 30th to put in a request to get this year’s current funds and it’s now open for a member to request an additional amount if a member has already applied and received the $7,500. A second request can be made for up to $15,000. Not all members are using their allocation of the Safety Funds Budget. Instead of having it roll into the General Fund of the Authority, it was decided to allow members to make a second request after May 1, 2013. Conor reminded the members that if they have any requests they would like to make, to please send them to Alliant, and Alliant will forward them on to the Safety Committee for approval.

This item is also about approving the budget for the next year. In 2010-2011, the Authority had a large budget and none of it was getting used, so the Authority authorized an $80,000 budget for this program. The following term, it was decided to pay BRS for the Safety Inspections, so the Authority Budgeted $50,000 for this program. Last term, $75,000 was authorized. The Workers Compensation and Liability Budgets have been built around $75,000 budgeted for Safety. They don’t have to be used for the Grant Program – they can be allocated for something else. Last term, the Authority authorized $75,000 for this program.

Conor Boughey advised that Alliant is looking for action to approve certain budget amount; any amount up to $75,000.

Mike Simmons advised it would be nice to have $25,000 for a group project and then each member would have $5,000.

A motion was made to approve a budget of $75,000 for the 2013-2014 Safety Grant Program.

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

**D2c. Coverage and Claims Committee**

Nothing to report.

**D2d. Ad Hoc Budget Committee**

**D2d1. Proposed Liability Budget**

Conor Boughey advised that the Liability Budget is on page 17 of the agenda packet – this is unchanged from the last meeting. The Summary of the entire budget is on page 21 which shows year of year changes. The Budget Committee started meeting in January and looked at the allocations. Conor further stated that the Budget is allocated 70% on payroll and 30% on experience. Conor reported that the committee increased the cap by which the premium can go up or down from 20% to 50% which would allow the deposit to flow to where it should flow and not be restricted. Conor also advised that the budget was increased from last year by $200k to $1,260,613. The group has started to see more frequency of claims in the liability program. Therefore, most members received a 50% increase with the cities of Del Rey Oaks, Hollister and Soledad not receiving that increase. The members that received that large increase had continually hit the 20% cap and it wasn’t giving them enough premium and taking it away from the other members. Conor advised hopefully next year the budget won’t need to be increased.

Mike Simmons advised that starting in October, Alliant should start showing next year’s numbers so that they begin to see how their change in claims will be impacted because there is still money in excess of the cap that will hit the member. Jamie advised that would be helpful and in addition, having a budget year and a forecast year would be very helpful. Alliant is to include this in the April Board Meeting.

A motion was made to approve the 2013 Liability Budget.

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

**D2d2. Proposed Workers’ Compensation Budget**

Conor advised that the Workers’ Compensation Program is about 3 times the size of the Liability Program. In this program, several years ago, the pool identified that it was underfunding. The overall budget is flat, but the allocation between members changes. Level 1 assessment is allocated on payroll. Level 2 is based on experience (4 years history; each claim capped at $250,000 not including 4850); Level 3 Assessment is a locked assessment which is based on reserves when the loan was taken in 2005.

On page 24 shows year over year changes. Conor advised that the large swings between members’ premiums is driven by losses. The year prior year was based on 2 years of claims history. That has been changed to now 4 years of loss history. The large swings being seen is due to a large increase in claims.

Mike Simmons advised Layne Long that in 2005, this group realized that it had a cash flow issue. So it took a $5M loan that it’s repaying. The reason it hasn’t been paid off is the group pays under 1% for the loan. When the loan was done, everyone signed up to pay a fixed amount.

A motion was made to approve the 2013 Workers’ Compensation budget.

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

**D3. NEW BUSINESS**

**D3a. CARMA Insurance Renewal**

Conor Boughey stated that CARMA provides the excess liability coverage for MBASIA at a $1M attachment to a limit of $35M . Conor advised CARMA’s final draft renewal budget indicates an increase from $281,700 to $312,504, which is an increase of $30,804 (11% increase). What drove that increase was the actuarial study that CARMA received. The first factor was loss history. The second factor was CARMA has proposed decreasing their discount rate from 2.5% to 2%. Any time the discount rate is decreased, rates are increased. Jaime Goldstein advised that the Admin premium seems high. Direction was given to Robert Galvan to address MBASIA’s admin premium at the next CARMA meeting. Overall premium increase is 8.26 % which has already been built into the budget.

No action needed.

**D3b. ERMA Insurance Renewal**

Conor Boughey advised that ERMA provides Excess Employment Practices coverage for MBASIA. The coverage attaches at a $500,000 SIR to a $2,000,000 limit. When MBASIA joined this program, it decided to back-out of its agreement with Liebert Cassidy where the pool was paying about $26,000 just for training alone. Liebert Cassidy did not provide Employment Practices coverage. MBASIA made a decision to join ERMA to buy down its Employment Practices coverage to $500,000. ERMA provides training (not as extensive as Liebert Cassidy) and litigation management (Vince Hurley is on their panel). Conor advised that the premium for 2013 is $91,671, which is up from $86,425. This is a 6.1% increase. The reasons for the increase are outlined in the agenda item on page 28 of the agenda packet. MBASIA has the highest retention in ERMA of $500,000. MBASIA looked at its membership in ERMA as an Excess partnership to try and save premium dollars. Rene Mendez is MBASIA’s representative to ERMA.

No action needed.

**D3c. CSAC EIA Insurance**

Conor advised that at the Long Range Planning meeting, it was discussed how MBASIA’s premium had been increasing. It was discussed how MBASIA joined at the $250,000 retention level because the pool wanted a lower retention level as one of the tools to help fix the Workers’ Compensation deficit issue so that the pool would be transferring severe claims to another Authority for a set premium that we could account for. The Board gave Alliant action at the Long Range Planning Meeting that if the premium increased over $600,000, that that would trigger MBASIA asking for a higher retention to lower the premium. The original estimate was just above $600,000. Alliant evaluated different retention levels at the last Board meeting in April. The Board gave direction at last Board Meeting that they would like to consider a $350,000 SIR. The 2013 CSAC EIA premium came in at $578,558, which is about $35,000 less than CSAC EIA’s prior estimate. This is an overall 14.5% increase. At the $250,000 retention, MBASIA has on average $2,074,087 in claims. At the $350,000 retention, MBASIA averages $2,239,263 in claims. There is a $20 different between the $250,000 and $350,000 retention levels. Alliant recommends staying at the $250,000 retention.

A motion was made to renew with MBASISA’s Excess Workers’ Compensation Program with CSAC EIA at the $250,000 SIR.

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

**D3d. PEPIP Insurance Renewal**

Conor Boughey reminded the members that MBASIA participates in a property program – not all cities are in the program. The program is placed with PEPIP. The Summary is on page 36. The Total Insured Values of all cities who participate went up about 2.6%. Rate on account went from $.08 to $.10 which is a 20% overall increased. The Premium increased $116,658 to $143,734. The reason why MBASIA is receiving a 20% is due to loss history.

The first layer is placed with Lexington. This year, PEPIP is trying to insert a new captive called Catlin. PEPIP is looking at carving out a piece out of Lexington to gain control over claims and the underwriting process. Lexington (AIG) is harder on claims due to their financials. Alliant is trying to find another carrier that will provide the same coverage for a similar price, but at a greater claims control process.

Mike Simmons stated that although the 20% increase is high, MBASIA pays a $.10 rate and most of the MBASIA members have a $5,000 property deductible. Most schools pay a $.20 rate and have a $100,000 deductible. The carrier is continuing to offer MBASIA very low deductibles at a very good rate for broad coverage.

Due to the Capitola claim, Lexington will continue to charge MBASIA more than an average city with no losses.

Conor reminded the members that an allocation spreadsheet has been prepared with each of the member’s premiums. That spreadsheet will be sent to the City of Scotts Valley and Scotts Valley will prepare an invoice for each of the members.

Conor reminded the members that earlier this year, Alliant sent each members their Schedule of Values. Conor stated that it’s very important for each member to review their Schedule of Values and make sure that all of their buildings are listed that the member wants to have covered.

Conor stated that Cyber and Pollution coverage is included. Conor advised the members that if there is a pollution or cyber loss, please call Alliant ASAP.

Mike Simmons advised that PEPIP is a unique program in that it has these “bolt on” coverages. Cyber Liability is one of those coverages. Cyber Liability is both first and third party coverage. Beazley has a condition in that they will only pay $500,000 for credit monitoring unless city calls immediately and use their service. If the member calls immediately and uses their service, then Beazley will pay $1,000,000 for credit monitoring.

Mr. Simmons further advised that the members have a Pollution policy “bolted” onto their Property policy. Mr. Simmons advised the members that if they have a sewer spill, call Alliant immediately. After one week, there is no emergency response coverage.

Conor to provide a one page bullet on claims reporting.

**D3e. 2013-14 Program Year Calendar of Meetings**

Conor Boughey advised that at the June meeting, Alliant sets the Program Year Calendar of meetings. Conor ran through the proposed dates with the members.

A motion was made to approve the 2013-2014 Program Year Calendar of Meetings.

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

**D4. LOSS REPORT**

**D4a. 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 10:30 AM pursuant to Government Section Code 54956.95.

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

A motion was made to come out of closed session at 10:45 a.m.

**MOTION**: Daniel Dawson **SECOND**: Jaime Goldstein **MOTION CARRIED**

**E. PROGRAM ADMINISTRATORS REPORT**

**E1. MBASIA’s Website – Transitioning to Alliant Connect**

Monica Sandbergen and Michael Simmons gave a presentation to the Board on Alliant Connect and demonstrated a sample site to the members.

**F. CORRESPONDENCE/INFORMATION**

**G. GENERAL RISK MANAGEMENT ISSUES**

None.

Meeting adjourned at 11:03 a.m.