**MINUTES OF THE**

**MBASIA LONGE RANGE PLANNING MEETING**

**Thursday, October 28, 2010 at 8: 30 AM**

**Hotel Pacific, 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

Michael Compton, City of Greenfield

Robert Galvan, City of Hollister

James Larson, City of King City

Anthony Atfeld, City of Marina

Kathy McFall, City of Marina

Steve Matarazzo, City of Sand City

Steve Ando, City of Scotts Valley

**MEMBERS ABSENT**

Adela Gonzalez, City of Soledad

Stephon Compton, City of Soledad

**GUESTS AND CONSULTANTS**

Jack Joyce, Bay Actuarial Consultants

Janet Kirkpatrick, JT2 Integrated Resources

Ken Maiolini, Risk Management Services

Kent Rice, Kent Rice and Associates

Karen Thesing, Bickmore Risk Services & Consulting

Conor Boughey, Alliant Insurance Services

Monica Sandbergen-Izo, Alliant Insurance Services

Michael Simmons, Alliant Insurance Services

**A. CALL TO ORDER**

 MBASIA Chair Rene Mendez called the meeting to order at 8:30 A.M.

**B. CONSENT CALENDAR**

**C. LONG RANGE PLANNING**

**C1. INTRODUCTIONS/EXPECTATIONS**

**C2. REPORTS**

**C2A. Financial Overview**

Steven Ando advised that the liability claims payable went down due to the confidence level being switched from discounted to undiscounted. It was also reported that the net assets on liability have gone up by $600k.

No action necessary.

**C2B. CSAC Online Orientation**

Conor Boughey discussed a few of the features of CSAC-EIA’s website, such as the message boards which he reported can be used if members are dealing with unique issues and would like to seek the advice of other insurance professionals. Conor also discussed the video lending library available on the website and that this is a great resource that provides lots of training opportunities and can be used for back training for public services.

No action necessary.

**C2C. CARMA Overview**

Karen Thesing of Bickmore Risk Services gave an in-depth overview of California Affiliated Risk Management Authorities. She advised that CARMA has been credited with excellence for the past 13 years and that all members of CARMA are cities. She reported that there are five JPA’S within the pool and that these 5 JPA’s represent 140 individual members. She also advised that MBASIA has one of the lowest ex-mods in the group due to its excellent claim status. Currently MBASIA’s ex-mod is .82. The lowest ex-mod a member can have is .75. Ms. Thesing advised that CARMA’s reinsurance layers start at $3M and up. She also reported that CARMA can provide a $2,000,000 attachment point versus the $1,000,000 attachment point that the members currently have. Ms. Thesing reported that CARMA’s current payroll rate is 0.35, Everest Reinsurance’s rate is 0.12 and Colony has .05 payroll rate. It was also reported to the members that CARMA’s premium is .6 down from last year. Karen advised that auto claims make up 49% of CARMA’s claims, police claims make up 13% and 22% of the claims are due to flood and landslide losses. The members were advised that CARMA’s reporting requirement is the most important membership requirement. Fatalities must be reported immediately. If they are not reported immediately, coverage will be reduced by the numbers days that were not reported.

No action necessary.

**C2D. Workers’ Comp Overview: Trends, Current Environment, Best Practices, etc.**

Janet Kirkpatrick of JT2 Integrated Resources reported on the current Workers’ Compensation environment and trends. She advised that the majority of Workers’ Compensation claims involve the back, knees and shoulders. Ms. Kirkpatrick also mentioned that she is seeing a lot of entitlement claims. She also stressed that implementing a return to work program is highly valuable and that this saved Eugene, Oregon $53,000 in a two-year period.

No action necessary.

**C2E. Liability Overview Trends, Current Environment, Best Practices, etc.**

Ken Maiolini of Risk Management Services reported that the spent a lot of time on the loss run information and getting the financials accurate. He reported that all open claims are accurate and that he went back and looked at the closed claims data and got it reconciled. He also advised that there are currently 34 open claims, seven of which are litigated. Mr. Maiolini provided the members with a document that lists some examples of claims that can be handled by the member versus RMS. He instructed the members that when handling these claims on their own to provide RMS with the copy of the claim, a copy of the release and a copy of the city issued check. RMS will then input the data into their loss tracking system and will bill the member a rate of .75 of 1 hour to process the input. Mr. Maiolini also advised that if a member would like to seek Vince Hurley’s advice, such as on a contract review, they can go directly to Vince, or have Conor Boughey or Michael Simmons review the contract. Michael Simmons reminded the members to keep in mind that Vince Hurley is not the individual members’ attorney, but MBASIA’s attorney.

No action necessary.

**C2F. Liability and Workers Compensation Actuarial Trends**

Conor Boughey reported that the central estimate is Bay Area Actuarial’s best estimate. Jack did not know that members had $10,000 deductible, so members were overfunding their expected losses. That’s why the estimates are lower this year.

**C3. STRATEGIC PLANNING**

**C3A. Workers Compensation**

**C3A1. Current state of pool**

Michael Simmons reported that the Authority’s Workers’ Compensation claims are significantly higher than most cities of MBASIA’s type and size. MBASIA’s Workers’ Compensation pool is under-funded and that the goal is to get MBASIA out of the hole. It was reported that MBASIA has negative assets of $6.8M and that last year this number was $5.8M. It was also reported that in 2008, MBASIA had $10.5 million in negative assets but that was because the actuary did not know that MBASIA had a $10,000 member deductible.

**C3A2. Budget Process and Formula**

Conor Boughey advised that the 2010-2011 Workers’ Compensation budget is $3.5M AND that the majority of this calculation is based on the members’ losses. The members were advised that only using 2 years of loss data to assess the budget calculation is a short timeframe. It was suggested to extend the number of years of loss data that is collected for the calculation so that more solid and mature information is going into the calculation. Rene Mendez mentioned that the City of Gonzales incurred a claim that was never paid out and wanted to know why his contribution amount increased. Michael Simmons advised that the actuary looks at this data and suggested a higher contribution amount. Mr. Simmons also advised that some pools utilize a true-up system and audit the prior year’s payroll. MBASIA currently does not have a true-up system in place. Mr. Simmons advised the members that the goal of creating a rating system is to have it be fair and equitable to everyone. Robert Galvan wanted to know if the administrative costs that are paid are proportionate. Mr. Simmons responded to this question and advised that MBASIA is loss sensitive and that the largest city is paying the largest proportion. He also reported that most pools spend a lot of time arguing about this and it was eventually decided to base half of the administrative costs on the size of the member and the other half on fair share.

A motion was made to go to a 4 year with a cap, 25% collaring over 3 year period and split admin budget based on 60 percent FTE, 40 percent flat or looking at admin split to see the real numbers.

**MOTION: Mike Compton SECOND: Lisa Murphy MOTION CARRIED**

**C3A3. Set Goals/Targets/Tasks**

Michael Simmons advised that a loss control program must get up and running to modify future Workers’ Compensation claims from occurring. It was reported that higher claims are occurring in police, fire and public works. Robert Galvan reminded the members of the expectation that was held of the members to implement an Injury Illness & Prevention Program. Rene Mendez recommended this expectation needs to be taken to the next level and suggested that the members sign a document stating that they will implement an IIPP. Simmons reminded the members that MBASIA budgeted $100K to be used for safety purposes and that not a single member has taken advantage of those funds to date. He suggested budgeting the $100k to hire a retired safety person who can go to each member city and offer suggestions on how to improve safety. Lisa Murphy advised that she has a Safety Standards Committee Checklist that has proved to be very helpful and that she would send this out to all members.

After some discussion the Safety Committee announced they would be meeting on January 10th to review the Safety Committee surveys. The Committee will report back to the Board of directors on the findings of the survey at a Board Meeting to be scheduled for February.

After some discussion, a question was raised about what would happen to the $100,000 of safety funds if they are not used. Michael Simmons responded that if the funds are not exhausted, they will be rolled into the general account which will eventually go towards the payment of claims. After further discussion, the idea of creating a grant program was mentioned. Michael Simmons suggested that the Safety Committee first review the Safety Survey to determine what areas of weakness may be addressed, and if no specific areas of concern exist, that the Safety Committee put together a grant program.

After some discussion, Rene Mendez recommended taking action to reimburse Members for travel to safety training.

A motion was made to delegate authority to the Executive and Finance Committee to create a Travel and Training Policy and Procedure which would reimburse each Member Agency $2,000 to attend Safety Training and report back to the Board at the following meeting.

**MOTION: Rene Mendez SECOND: James Larson MOTION CARRIED**

**C3A4. Memorandum of Coverage – Coverage Discussion**

**C34i. Volunteers**

Michael Simmons reminded the members that MBASIA currently does not cover volunteers under its Workers’ Compensation Memorandum of Coverage. He also advised the members that most JPA’s cover volunteers because losses involving volunteers are rarely seen. Mr. Simmons reported that there are two ways to go about covering volunteers – 1) cover them under the Workers’ Comp MOC by passing a council resolution; 2) purchasing a Volunteer Accident Liability policy. He further reported that if no coverage is provided for volunteers and one of the volunteers ends up getting injured, a suit will occur under Third Party Liability.

After further discussion, a motion was made that the members obtain more information before making a decision regarding whether to cover volunteers or not.

**MOTION: Robert Galvan Second: None MOTION NOT CARRIED**

A second motion was made to maintain coverage as is and continue to not cover volunteers.

**MOTION: Daniel Dawson SECOND: Anthony Atfeld MOTION CARRIED**

**C3C. Services Providers**

**C3C1. Outline of Program Design**

The Board discussed the current program design outline and advised that they are happy with the new form of the Committees and Board meetings.

**C3C2. Review of Current Contractors**

**C3C2i. Financial Auditor – Hayashi & Wayland**

The Board delegated authority to the Executive Committee to issue an RFP for financial audit services starting June 1, 2011.

**C3C2ii. Actuarial Services – Bay Actuarial Services**

The Board advised that they are pleased with the services provided by Bay Actuarial Services and will continue with the current agreement/contract.

**C3C2iii. Liability TPA – Risk Management Services**

The Board advised that they are pleased with the services provided by RMS and would like to enter into contract negotiations.

A motion was made to enter into a contract negotiation with RMS with the intention of extending the contract to July 1, 2012.

**MOTION: Kathy McFall Second: Lisa Murphy MOTION CARRIED**

**C3C2iv. Workers Compensation TPA – JT2**

The Board addressed a few areas of JT2’s services that need a little more refinement in order for the Authority to fully benefit from JT2’s expertise. However, the Board advised that they are very pleased with the services JT2 provides them with.

**C3C2v. Program Administration – Alliant Insurance Services**

Nothing to report. Representatives of Alliant were excused from the Board’s discussion.

**C4. Resources**

**C4A. Current JPA Agreement and Bylaws**

Nothing to report.

**C4B. 2010 Liability Memorandum of Coverage**

Nothing to report.

**C4C. 2010 Workers Compensation Memorandum of Coverage**

Nothing to report.

**C4D. 2010 Liability Actuarial Study**

Nothing to report.

**C4E. 2010 Workers’ Compensation Actuarial Study**

Nothing to report.

**C4F. 2010 Financial Audit**

There were no issues discussed.

**ADJOURNMENT**

A motion was made to adjourn the meeting at 9:30 a.m.

**MOTION:** Daniel Dawson **SECOND:** Kathy McFall **MOTION CARRIED**