**MINUTES OF THE**

**MBASIA BOARD OF DIRECTORS MEETING**

**Monday, June 11, 2012 at 9:30 A.M.**

**City of Sand City, CA**

**MEMBERS PRESENT**

Lisa Murphy, City of Capitola

Daniel Dawson, City of Del Rey Oaks

Rene Mendez, City of Gonzales

Brent Slama, City of Greenfield

Robert Galvan, City of Hollister

Steve Matarazzo, City of Sand City

Steve Ando, City of Scotts Valley

**MEMBERS ABSENT**

Michael Powers, City of King City

Doug Young, City of Marina

Adela Gonzales, City of Soledad

**GUESTS AND CONSULTANTS**

Conor Boughey, Alliant Insurance Services

Monica Sandbergen-Izo, Alliant Insurance Services

Michael Simmons, Alliant Insurance Services

Tabatha Bettencourt, JT2 Integrated Services

Stephanie Snyder, JT2 Integrated Services

**A. Call To Order**

President Rene Mendez called the meeting to order at 9:39 a.m.

**B. Consent Calendar**

**B1. Approval of Minutes**

A motion was made to approve the consent calendar.

**MOTION**: Lisa Murphy **SECOND**: Daniel Dawson **MOTION CARRIED**

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

Nothing to report.

**B3. Bills and Correspondenc**e

Nothing to report.

**C. Oral Communications & Public Comments**

**D. Board of Directors**

**D1. Unfinished Business**

**D2. Committee Report**

**D2a. Executive and Finance Committee**

**D2a1. Updated Committee Assignments**

Conor Boughey advised that the Executive and Finance Committee met on May 8, 2012 to discuss the Committee Assignments. Mr. Boughey presented the updated Committee Assignments to the Board members and advised that Jaime Goldstein was added to the Claims Committee and that the Adela Gonzales was officially added to the Safety Committee.

**D2b. Safety Committee**

**D2b1. 2012 - 2013 Safety Funds Budget**

Conor Boughey advised that in March, 2011, MBASIA adopted a Grant Program Policy & Procedure which allows members to apply for Grant Funds to address safety concerns at Member Agencies. Mr. Boughey further advised that each year, the amount allocated to the safety funds needs to be approved under the budget. Mr. Boughey stated that there is room in the budget for up to $75,000 for Safety Grant funds that is currently coded under the Liability budget. Mr. Boughey reported that this will need to be moved to the Workers Compensation budget once the amount has been approved.

Lisa Murphy advised that she would like to see who has used the safety funds and for what purpose. Mike Simmons reminded the members that the Safety Grant Fund is a "use it or lose it" policy and that those members who don't use their portion of the funds will lose it and it will be rolled into the general fund next year.

A motion was made to approve the allocation of $75,000 to the Safety Grant Fund as part of the Workers Compensation budget.

**MOTION**: Daniel Dawson **SECOND**: Lisa Murphy **MOTION CARRIED**

**D2b2. Safety Inspection Timelines - Status of Deliverables**

Conor Boughey reported that at the February 13, 2012 Board meeting, a policy was implemented in which the Members would address all deficiencies in their Safety Inspection reports that were scored less than 60%. Mr. Boughey further advised that 9 out of the 10 Member Agencies have submitted their timeline reports showing when the safety deficiencies will be addressed and fulfilled. Mr. Boughey stated that Alliant compiled all of the timelines into spreadsheets that were included in the agenda packet and that the members should provide updates at each Board meeting on the status of their timelines.

Robert Galvan advised that he has revised the City of Hollister's timeline and that he will be emailing Alliant with the updated version.

No action necessary.

**D2c. Coverage and Claims Committee**

**D2c1. Report from the May 22, 2012 Coverage and Claims Committee**

Conor Boughey advised that the Coverage & Claims Committee met on May 22, 2012 to discuss the agendized items on page 26 of the agenda packet.

No action necessary.

**D2d. Ad Hoc Budget Committee**

**D2d1. Draft Liability Budget**

Robert Galvan advised that the FY 12-13 budget increased to $1,060,613 from $883,996, which is an increase of $176,617 increase over the prior year or 19.9%. Claims expenses increased by $282,000 which was a large part of the increase. Steve Ando confirmed that the $75,000 allocated to line item 6240 (Outside Services) should be removed and that the Credit from Surplus should be decreased to $425,000 from $500,000. This is for the Safety Funds item.

Mike Simmons reminded the members that the Credit from Surplus is now $425,000 and that MBASIA’s surplus is running low. Mr. Simmons further stated that he doesn’t see the 25% premium cap as being advantageous in next year’s budget because the surplus is getting too low and that this will need to be revisited once the audits are done.

Steve Matarazzo expressed concern over Sand City’s large contribution for such a small city and advised that he would like to see the backup documentation and factors regarding the budget when the allocation methodology is revisited.

A motion was made to adopt the draft 2012-2013 Liability Budget with the Safety Funds item moved to the Workers Compensation Budget.

**MOTION**: Daniel Dawson **SECOND**: Lisa Murphy **MOTION CARRIED**

**D2d2. Draft Workers Compensation Budget**

Conor Boughey stated that the 2012 Workers Compensation Budget was kept flat but that the certain member’s allocations changed. Mr. Boughey further explained that the reason for the allocation change was based on the number of claims and payroll.

A motion was made to approve the 2012 Workers Compensation Budget with $75,000 moved from Liability Budget

**MOTION**: Steve Matarazzo **SECOND**: Brent Slama **MOTION CARRIED**

**D3. Appeal of Denied Liability Claim for Late Reporting**

**D3a1. Comments by Coverage & Claims Committee**

Conor Boughey advised that the Coverage & Claims Committee met on May 22, 2012 to review several claims. One of the claims reviewed was a claim involving the City of Del Rey Oaks. The Claim occurred in November, 2009 and was settled in March, 2010. The claim was first reported to RMS on December 12, 2011. The claim was then reported to the Board on April 16, 2012. DRO claim happened in 2009, settled in 2010, and notice was given in 2012. Mr. Boughey advised that the Claims Committee decided to not grant coverage due to late reporting and that Del Rey Oaks has decided to appeal the decision made by the committee. Mike Simmons stated that Ken Maiolini had advised that the settlement amount was reasonable, but the fact that this claim was reported 16 months late is the issue. The committee is denying the claim because it felt it did have the authority to accept a claim that was reported late by 16 months. They felt Del Rey Oaks would need to come to the Board under the appeal process. Mr. Simmons advised that what is decided today is the final decision - there is no second appeal process. Steve Matarazzo advised that he would like to see Ken Maiolini's evaluation of the claim and the settlement amount. Conor Boughey advised that Ken Maiolini did provide a 1 page evaluation to the Claims Committee.

**D3a2. Presentation by Member Representative of Del Rey Oaks**

Daniel Dawson advised that when he started at the city, he didn't know that Del Rey Oaks had EPL insurance nor did he know what MBASIA was. Mr. Dawson advised that he did what he thought was best 3 months into the job. Robert Galvan brought up the point of if this allowed for Del Rey Oaks, will other cities follow suit? Daniel Dawson advised that MBASIA’s policy doesn’t state that this type of claim is not covered but that the pool doesn’t have an obligation to cover it. Mr. Dawson stated that MBSIA’s policy needs work regardless of what the Board decides on this claim. Mr. Dawson stated that he drafted a late reporting policy based on percentages. Mr. Dawson stated that he did a lot of research on his own of how other JPA’s handle late reporting of claims and found that other agencies will cover claims if it’s within the rating period.

Conor Boughey advised that Del Rey Oaks’ official appeal is $177,000, not including the city’s $10,000 deductible.

A motion was made to enter into closed session at 10:20 a.m.

**MOTION**: Brent Slama **SECOND**: Steve Matarazzo **MOTION CARRIED**

Conor Boughey reviewed Ken Maiolini's review/report on the Del Rey Oaks claim.

Mike Simmons advised that the importance of early reporting is getting the best result. ERMA doubles the SIR for late reporting. Mike advised that MBASIA budgets based on what the actuary states should be funded for the next year. Therefore, MBASIA missed budgeting 177,000 in its budget for this claim. Mike stated that maybe the Board should go back to the Claims Committee to come up with a policy on late reporting. Robert Galvan advised that under the current policy, the claims committee couldn't approve the claim.

A motion was made to exit closed session at 10:41 a.m.

**MOTION**: Daniel Dawson **SECOND**: Brent Slama **MOTION CARRIED**

A motion was made to consider the Del Rey Oaks claim at a later time when Alliant has a recommended Policy & Procedure on late reporting to include the application of a penalty up to 24 months and a provision of no-coverage after 24 months.

**MOTION**: Steve Matarazzo **SECOND**: Steve Ando **MOTION CARRIED**

Alliant will come back with a Policy & Procedure on late reporting. The Coverage & Claims Committee will meet and review the policy. The policy will then be brought to the Board for review within 45 days and the Del Rey Oaks claim will be readdressed based on the policy & procedure.

Mike Simmons set a date with the Board to meet via teleconference on Monday, July 23, 2012 from 10:00 a.m. to 11:00 a.m. to review the policy & procedure.

**D3b. Update to Conflict of Interest Code**

Conor Boughey advised that on page 39, the FPPC changed their guidelines on the Conflict of Interest Code. Instead of Alliant obtaining the original copy, the originals will be mailed to the FPCC and Alliant will retain copies.

A motion was made to approve the updated Conflict of Interest Code

**MOTION**: Robert Galvan **SECOND**: Lisa Murphy **MOTION CARRIED**

**D3c. Liability Program Coverage - RDA's, Successor Agencies & Oversight Boards**

Mike Simmons asked the Board members to consider the Successor Agencies of the RDA's covered under MBASIA's MOC, because the Successor Agencies are the same individuals that were the RDA's. Mr. Simmons advised that there was some disagreement among PARSAC on this issue. The city's appointees to the oversight boards are covered because they are appointed by the city. Mr. Simmons further advised that the issue at large is whether the Oversight Boards needs insurance or if they are so closely tied to the city, that they are covered by default. Rene Mendez advised that they are not tied to the Oversight Boards, such as the school appointees.

Mike Simmons stated that the oversight boards won't be able to get insurance on their own. CSAC has decided to cover Oversight Boards. MBASIA can decide to not insure those boards that they don't appoint. Mr. Mendez asked if the school insurance pools are insuring their Oversight Boards. Mr. Simmons advised that the schools have no understanding right now what they are going to do.

A motion was made to cover Successor Agencies under MBASIA’s Memorandum of Coverage.

**MOTION**: Steve Ando **SECOND**: Brent Slama **MOTION CARRIED**

A motion was made to cover the appointees by the city to the Oversight Board.

**MOTION**: Steve Matarazzo **SECOND**: Brent Slama **MOTION CARRIED**

It was further decided that MBASIA will hold off on deciding whether Oversight Boards should be covered under the MOC until CARMA makes a decision.

**D3d. CARMA Insurance Renewal**

Conor Boughey stated that CARMA is MBASIA's Excess Liability pool. The 2012 renewal premium is $253,067 which is an increase from $244,058, or 3.69%. Given the overall insurance market, this is a very good insurance renewal. If MBASIA purchased this coverage on their own outside of a pool, the increase would be more like 9%.

No action necessary.

**D3e. ERMA Insurance Renewal**

Conor Boughey advised that ERMA's draft renewal budget indicates an increase from $84,187 to $86,238 which is an increase of 2.4%. The premium is paid for out of MBASIA’s Liability Budget.

No action necessary.

**D3f. CSAC-EIA Insurance Renewal**

Conor Boughey presented the 2012 CSAC-EIA renewal to the members and advised that CSAC-EIA has reported a draft renewal premium of $505,000 which is an increase of $127,351 or 33% from last year. Mr. Boughey further reported that MBASIA’s ex-mod is 155% - anything over 100% is considered really ‘bad’. Mr. Boughey advised that the 33% increase is due to losses that MBASIA has reported to CSAC-EIA. Mr. Boughey stated that MBASIA has been a member of CSAC for 2 years with a $250,000 SIR and used to purchase coverage through LAWX at a $500,000 SIR. MBASIA has submitted 3 claims to CSAC-EIA totaling $526,000 in the layer between $250K and $500K which has saved MBASIA a lot of money. CSAC will most likely pay over $1M in claims on MBASIA’s behalf. Despite the increase, MBASIA has saved a significant amount of money by becoming a member of CSAC-EIA. Mr. Boughey stated that despite the huge increase, MBASIA’s actuarial study is improving because MBASIA is retaining less losses due to the lower SIR. Robert Galvan asked if there is any indication from CSAC-EIA of the SIR being increased. Conor Boughey advised that there has been no mention from CSAC-EIA at this point that they are going to increase the SIR.

No action necessary.

**D3g. PEPIP Insurance Renewal**

Conor Boughey advised that the Property proposal included in the agenda packet is a combined proposal for those members who are in the PEPIP program. Mr. Boughey further advised that the proposal indicates a 23% increase from last year. The rate has increased 17% and the values have increased by 5%. The total premium will be allocated to each individual member and individual invoices will be sent out to the members. Mr. Boughey advised that the rate being offered for 2012 is still a very good rate given the low deductibles that are being purchased by the members. Mr. Boughey stated that Alliant is still working with a few of the members (Marina and Greenfield) on different options, but that the proposal included in the agenda packet is an “apples to apples” comparison to last year with the increase in values.

No action necessary.

**D3h. Workers Compensation Actuarial Report**

Conor Boughey stated that the Actuarial study was presented at the April Board meeting and tabled for the Board’s review. Conor Boughey advised that the 2012 central estimate rate with a $250,000 SIR is $4.45, which is down from $4.83 last year, or 7.9%. The Estimated Liability for Unpaid Losses undiscounted is up slightly to $11,409,000 from $11,390,000 last year. And the short-term liability is $1,658,000, down from $1,806,000 last year. Mr. Boughey further advised that the central estimate rate decreased by about 8%, which is due to the retention being decreased from $500,000 to $250,000.

A motion was made to receive and file the 2012 Workers Compensation Actuarial Report.

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

**D3i. Liability Actuarial Report**

Conor Boughey reported that 2012 central estimate rate with a $1M SIR and $500K Employment Liability Practices SIR is $2.17, which is up from $2.05 last year or 6%. Mr. Boughey further advised that the Estimated Liability for Unpaid Losses undiscounted is $2,463,274, up from $1,676,264 last year. Mr. Boughey stated that the Estimated Liability for Unpaid Losses figure of $2.4M is comprised of $1.1M of reserves and $1.3M in IBNR. Mr. Boughey reported that 2 factors are driving the increase being seen in the Actuarial Study. The first factor is the discount rate since investment income is not being made. The other factor is MBASIA reporting more losses. Rene Mendez asked what the nature of the losses is. Mike Simmons advised that there are more employment practices claims that are being seen, and also there are “out of the ordinary” flood claims that are also driving the loss pattern up. Mr. Simmons stated that there isn’t a trend of General Liability claims being seen, except for the Employment Practices Liability claims which are now being reported which weren’t before. Mike Simmons reminded the member that the $20,000 claim 5 years ago is now costing MBASIA $40,000 now.

A motion was made to receive and file the 2012 Liability Actuarial Report.

**MOTION**: Robert Galvan **SECOND**: Lisa Murphy **MOTION CARRIED**

**D3j. Concern - EAP Program Renewal**

Conor Boughey stated that MBASIA utilizes Concern-EAP to provide each member agency with an Employee Assistance Program and that Concern-EAP has provided renewal terms for a two year contract extension with a year one increase of 3% and a 0% increase in year two. Mr. Boughey further advised that the current contract fees are $4.14 per employee per month and that the proposed contract fee is $4.26 per employee per month for the first year of the 2 year contract and that this will remain flat for year 2 of the proposed contract.

A motion was made to approve the 2 year contract extension with Concern-EAP.

**MOTION**: Lisa Murphy **SECOND**: Robert Galvan **MOTION CARRIED**

**D3k. 2012-2013 Program Year Calendar of Meetings**

Conor Boughey presented the 2012-2013 Program Year Calendar of Meetings to the Board members and advised that the next Board meeting is a Long Range Planning Meeting on October 18th & 19th. Conor reminded the members last year’s Long Range Planning meeting was at the Hotel Pacific in Monterey and that the upcoming October Long Range Planning meeting will most likely be at this same hotel or another facility comparable to Hotel Pacific.

A motion was made to approve the 2012-2013 Program Year Calendar of Meetings.

**MOTION**: Daniel Dawson **SECOND**: Brent Slama **MOTION CARRIED**

**D4. Loss Report**

Nothing to report.

**E. Program Administrators Report**

None.

**F. Correspondence/Information**

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

Conor Boughey reminded the members that ERMA offers free trainings and that they should be taken advantage of if possible.

**F2. Considerations in Discounting Claims for Self Insured Retention Pools**

Nothing to report.

**G. General Risk Management Issues**

Rene Mendez asked the members if they have a Social Networking Policy. Mr. Mendez advised that a complaint was submitted due to the treatment of someone who was pulled over during a traffic stop. Mr. Mendez stated that comments were posted on Facebook by city employees regarding the matter. Mr. Mendez further stated he hopes that this doesn’t turn into an employment practices issue. Mr. Mendez stated that this is an area that MBASIA should pay more attention to.

Mr. Mendez stated he sent an employee to the Social Networking training provided by ERMA and that the city is working to put together a Social Networking policy which will be brought back to the Board if they do so.

**ADJOURNMENT**

The meeting was adjourned at 11:28 a.m.