

Member Cities

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

AGENDA

JPA: MBASIA Board of Directors Meetings

DATES/TIMES: Monday, June 11, 2012 at 9:30 AM

LOCATION: City of Sand City
1 Sylvan Way
San 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

(A)

- 1-6** 1) Approval of Minutes – April 16, 2012 Board of Directors Meeting
Members will review these minutes and may take action to approve or amend.
- 7-8** 2) Service Calendar & Status of Deliverables
- 9-14** 3) Bills and Correspondence
- a) Ratification of Disbursements
 - i. Month Ending March 31, 2012
 - ii. Month Ending April 30, 2012
 - iii. Month Ending May 31, 2012

C. ORAL COMMUNICATIONS & PUBLIC COMMENTS

(I)

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

D. BOARD OF DIRECTORS

1) UNFINISHED BUSINESS

-None-

2) COMMITTEE REPORT

- 4** a) Executive and Finance Committee (I)
The Executive and Finance Committee may give a verbal report in addition to discussing the following items:
- 15** 1. Updated Committee Assignments
The Executive Committee will discuss the updated Committee Assignments.
- 1** b) Safety Committee (I)
The Safety Committee may give a verbal report in addition to discussing the following items:
- 16-17** 1. 2012-2013 Safety Funds Budget

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- The Safety Committee will discuss the amount allocated to the Safety Fund for the 2012-2013 Program Year and members may take action or give direction.*
- 18-24** 2. Safety Inspections Timelines – Status of Deliverables
- 4 c) Coverage and Claims Committee (I)
The Coverage and Claims Committee may give a verbal report in addition to discussing the following items:
- 25-26** 1. Report from the May 22, 2012 Coverage and Claims Committee Meeting
- 1 d) Ad Hoc Budget Committee (A)
The Ad Hoc Budget Committee may give a verbal report in addition to discussing the following items:
- 27-29** 1. Draft Liability Budget
Members will review the draft version of the proposed Liability Budget and may take action or give direction
- 30-33** 2. Draft Workers' Compensation Budget
Members will review the draft version of the proposed Workers Compensation Budget and may take action or give direction.
- 3) **NEW BUSINESS**
- 1 a) Appeal of Denied Liability Claim for Late Reporting (A)
1. Comments by Coverage & Claims Committee
2. Presentation by Member Representative of Del Rey Oaks
- 34-36**
- 37-38**
- 39-42** 1 b) Update to Conflict of Interest Code (A)
Members will review the Code, make amendments if necessary, and adopt as required biennially.
- 43-49** 1 c) Liability Program Coverage – RDA's, Successor Agencies & Oversight Boards (A)
Members will hear a report from the Program Administrators regarding this item and may take action or give direction.
- 50-51** 1 d) CARMA Insurance Renewal (A)
Members will receive a report on the status of the CARMA insurance renewal; action may be taken for the July 1, 2012 renewal.
- 52-54** 1 e) ERMA Insurance Renewal (A)
Members will receive a report on the status of the ERMA insurance renewal; action may be taken for the July 1, 2012 renewal.
- 55-56** 1 f) CSAC-EIA Insurance Renewal (A)
Members will receive a report on the status of the CSAC-EIA insurance renewal; action may be taken for the July 1, 2012 renewal.
- 57-99** 1 g) PEPPI Insurance Renewal (I)
Members will receive a report on the status of the PEPPI renewal.
- 100-108** 1 h) Workers Compensation Actuarial Report (A)
Members will review the draft Workers Compensation Actuarial Report and may take action or give direction.
- 109-117** 1 i) Liability Actuarial Report (A)
Members will review the draft Liability Actuarial Report and may take action or give direction.
- 118-149** j) Concern-EAP Program Renewal
Members will review the terms of the proposed contract extension and may take action or give direction.

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- 150** *1* k) 2012-13 Program Year Calendar of Meetings (A)
Members will review the draft calendar of meetings and may take action or give direction.
- 4) **LOSS REPORT** (A)
CLOSED SESSION – Pursuant to Gov’t Code 54956.95
Members will review the following Items:
- 1* a) Workers’ Compensation Administrator’s Report
Janet Kirkpatrick from JT2, MBASIA’s Workers Compensation TPA, will provide a report on current claims status.
- 1* b) Liability Third Party Administrator’s Report
Alliant will provide a verbal report on the status of current claims.
- RECONVENE – DISPOSITION OF CLOSED SESSION ITEMS**
- E. PROGRAM ADMINISTRATORS REPORT**
- 1) -None- (I)
- F. CORRESPONDENCE / INFORMATION** (I)
- 151** 1) Next Board Meeting & ERMA Training Schedule
- 152-163** 2) b) Considerations In Discounting Claims For Self Insured Retention Pools
- 4 G. GENERAL RISK MANAGEMENT ISSUES** (I)
Subjects that are of interest to members: please bring 15 copies of any materials.
- ADJOURNMENT**

**MINUTES OF THE
MBASIA BOARD OF DIRECTORS MEETING
Monday, April 16, 2012 at 9:30 A.M.
City of Sand City, CA**

MEMBERS PRESENT

Lisa Murphy, City of Capitola
Jamie Goldstein, 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
Douglas Yount, City of Marina
Steve Matarazzo, City of Sand City
Adela Gonzalez, City of Soledad
Steve Ando, City of Scotts Valley

MEMBERS ABSENT

Brent Slama, City of Greenfield
Michael Powers, City of King City

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Monica Sandbergen-Izo, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Corrie Kates, City of Scotts Valley
Theresa Fernandez, JT2 Integrated Services
Stephanie Snyder, JT2 Integrated Services
Arleane Cavlan, JT2 Integrated Services
Ken Maiolini, Risk Management Services

A. CALL TO ORDER

Daniel Dawson called the meeting to order at 9:31 a.m.

B. CONSENT CALENDAR

B1. Approval of Minutes – February 13, 2012 Board of Directors Meeting

A motion was made to approve the minutes as presented.

MOTION: Steve Matarazzo **SECOND:** Adela Gonzalez **MOTION CARRIED**
Abstentions: Lisa Murphy and Doug Yount

B2. Service Calendar & Status of Deliverables

Conor Boughey ran through the current action item list that was created from February 13, 2012 Board of Directors Meeting with the members and gave a status report on each item.

C. ORAL COMMUNICATIONS & PUBLIC COMMENTS

There were no public comments.

D. BOARD OF DIRECTORS

D1a. Bills and Correspondence

Conor Boughey reported that there were several substantial transfers from MBASIA's investment accounts to its checking account for claims payments.

It was decided to move Bills & Correspondence to the Consent Calendar on future agendas.

A motion was made to approve the disbursements.

MOTION: Steve Ando **SECOND:** Robert Galvan **MOTION CARRIED**

D2. UNFINISHED BUSINESS

None

D3. COMMITTEE REPORTS

D3a. Executive and Finance Committee

D3a1. Member Representatives

Daniel Dawson introduced Douglas Yount, the City of Marina's new Interim City Manager, to the Board members.

No action necessary.

D3b. Safety Committee

D3b1. Report from the April 3, 2012 Safety Committee Meeting

Conor Boughey reported that the Safety Committee met on April 3rd to discuss the City of Hollister's Safety Grant Fund request. The policy allows each member to use a certain amount of safety funds each year for safety/loss prevention services. This year the amount was set at \$5,000. Mr. Boughey advised that the request involved financing a larger project over several years and reimbursing the member. Mr. Boughey stated that the Safety Committee decided to not

approve the request because the Safety Grant Fund Policy is a reimbursement policy, not a finance policy. Mike Simmons advised that Hollister can have early access to next year's funds if the 2012 fund amount is approved by the Board in June. Robert Galvan stated the request for funds for the ergonomic study was submitted in an effort to reduce Hollister's claims with the ultimate goal of reducing MBASIA'S rates. Robert Galvan advised that his request involved being provided \$30,000 now so that he could purchase the ergonomic equipment and then draw down their city's portion of the safety grant funds in future years. Rene Mendez reminded the members that MBASIA is not a bank and that MBASIA is already granting loans to members. Steve Ando recommended amending the current policy to allow for a one time submittal of a long term project. Jaime Goldstein suggested including a time cap in the amendment, such as a pre-approved project that a member can apply for 2 years in advance. After further discussion, the Board decided that it was in agreement with the Safety Committee's recommendation of not amending the current policy and procedure to meet Hollister's request. Hollister will be allowed early access to their portion of the 2012 safety grant funds if the fund amount is approved at the June Board meeting.

No action necessary.

D3b2. Completed Safety Inspection Deficiency Checklists with Timelines

Conor Boughey reported that all timelines were received from all the members, except for King City. Mr. Boughey advised that the timelines will be compiled and members who do not meet their timelines will be reported as deficient on the Consent Calendar on future agendas.

No discussion needed.

D3c. Coverage and Claims Committee

Nothing to report.

D3d. Ad Hoc Budget Committee

D3d1. Draft Liability Budget

Conor Boughey advised that the Ad Hoc Budget Committee met to discuss the Liability and Budget for the upcoming year. The Draft Liability Budget takes into consideration the formula changes from last year. The final budget will be presented at the June Board meeting. Conor advised that the total budget remained flat at \$883,996 but each Member's share of the budget changed. Several members hit the 25% premium increase cap.

D3d2. Draft Workers' Compensation Budget

Conor Boughey advised that the Ad Hoc Budget Committee met to discuss the Workers Compensation budget, however, the Committee is not prepared to present the Workers Compensation budget at this time due to several variables such as reserves, excess workers compensation costs, etc. Mr. Boughey stated that the Budget Committee will be meeting again in the next few weeks to finalize the budget before the June Board meeting. Steve Ando asked if

there was a general idea of what the 2012 WC Budget will look like. Conor advised that the goal is to keep the budget relatively flat, however, the general insurance market is experiencing rate increases. Mr. Boughey further reported that all members should be budgeting increases, especially if a member city is experiencing a lot of Workers' Compensation claims.

D4. NEW BUSINESS

D4a. CARMA Insurance Renewal

Conor Boughey advised that the 2012 CARMA Insurance Renewal is looking to be relatively stable renewal. Mr. Boughey further stated that CARMA's draft renewal budget is included in the agenda packet and indicates an increase from \$244,058 to \$253,067, which is an increase of \$9,009, or 3.69%. Mr. Boughey reported that a 3.69% projected rate increase is very stable given what is currently happening in the insurance market in general. MBASIA's payroll for 2012 increased 8.9% which is a factor that goes into the calculation. MBASIA's ex-mod decreased by 4%. CARMA is also transitioning their re-insurance costs from one allocation base to another allocation base.

D4b. ERMA Insurance Renewal

Conor Boughey advised that MBASIA has a \$500,000 attachment point in ERMA. Mr. Boughey further reported ERMA's 2012 draft renewal budget indicates an increase from \$84,187 to \$86,238, which is an increase of \$2,051 or 2.4%. This is relatively stable renewal pricing indication, especially with all the rate increases that are currently being seen in the insurance market.

D4c. CSAC-EIA Insurance Renewal

Conor Boughey reminded the members that MBASIA withdrew from LAWCX two years ago to join CSAC because CSAC offered a \$250,000 SIR option that LAWCX was not able to offer MBASIA. Mr. Boughey further reported that CSAC will pay about \$1.8M in claims on MBASIA's behalf and MBASIA has only paid about \$600,000 in premium. Mr. Boughey further reported that CSAC's 2012 draft renewal budget indicates an increase from \$377,649 to \$505,000 which is an increase of \$127,351 or 33%. Conor advised that even if MBASIA never had any losses, their renewal premium would still go up 15% because the California Workers Compensation market is hardening. Mike Simmons stated that if MBASIA's claims keep trending up, CSAC will most likely ask MBASIA to increase its SIR. Conor advised that if members were to purchase Workers Compensation insurance on its own outside of CSAC, safety officers would not be insured with less than \$1M retention.

D4d. Workers Compensation Actuarial Report

Conor advised that since MBASIA has lowered its WC SIR to \$250,000 from \$500,000, less claims are hitting the pool which in turn is creating a more favorable actuarial outlook for MBASIA. Conor Boughey presented the 2012 Draft Workers Compensation Actuarial Report to the members and reported that the 2012 central estimate rate with a \$250,000 SIR is \$4.45, which is down 7.9% from 2011. Mr. Boughey further stated that the 2012 Estimated Liability for

Unpaid Losses is \$11,409,000 (undiscounted), which is up slightly from \$11,390,000 last year. Mr. Boughey also advised that the 2012 short-term liability is \$1,658,000 which is down from \$1,806,000 last year. Conor stated that while MBASIA's CSAC WC premium is estimated to increase by approximately \$127,000 for 2012, the 7.9% rate decrease projected by the actuary calculates to be \$107,000 less in funding that MBASIA needs to put into the pooled layer.

Conor Boughey advised that the actuary has reduced the discount rate from 2% to 1.5%

Mr. Boughey stated that MBASIA's average indemnity claim is \$75,900 which is a very high average for this group.

No action necessary. The final report will be included in the upcoming June Board Meeting agenda packet.

D4e. Liability Actuarial Report

Conor Boughey advised that MBASIA is now starting to have Liability losses whereas before, its Liability claims experience used to be very good. Mr. Boughey reported that the central estimate rate undiscounted with a \$1M SIR and a \$500K EPL Sir is \$2.17, which is up 5.9% from last year's \$2.05. Mr. Boughey further stated that the Estimated Liability for Unpaid Losses undiscounted is \$2,463,274, which is up from \$1,676,264 last year. MBASIA's short-term liability is \$943,000, which is up from \$661,000 last year. The 2012 Liability budget may need to be revised again to account for the higher short-term liability figure reported in the actuary report.

No action necessary. The Liability Actuarial Report will be brought back to the June Board Meeting for final approval.

D4f. JT2 Integrated Resources – Service Team Update

Theresa Fernandez from JT2 Integrated Resources advised that Janet Kirkpatrick has left JT2. Stephanie Snyder introduced herself to the MBASIA members and advised that she will be the claims examiner on MBASIA's account. Arleane Cavlan with JT2 also introduced herself to the Board members and advised that she will be the supervisor on the account. Virginia will be handling the medical only claims, but was not present to introduce herself. Theresa advised that Stephanie is the contact person on any claims related questions the members may have. Arleane will be reviewing Stephanie's work regularly and if members would like to have a second opinion on a claim, they can contact Arleane. Tabatha is responsible for overall claims service and service issues. Loss runs requests can be sent to Arleane or Tabatha.

D5. LOSS REPORT

D5a. 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 10:32 AM pursuant to Government Section Code 54956.95.

MOTION: Rene Mendez

SECOND: Doug Yount

MOTION CARRIED

D5b. Workers' Compensation Administrator's Report

Nothing to report.

A motion was made to come out of closed session at 10:59 a.m.

MOTION: Adela Gonzalez

SECOND: Lisa Murphy

MOTION CARRIED

Direction was given to RMS to take action on claims discussed during closed session.

MOTION: Adela Gonzalez

SECOND: Daniel Dawson

MOTION CARRIED

E. PROGRAM ADMINISTRATORS REPORT

F. CORRESPONDENCE/INFORMATION

None.

G. GENERAL RISK MANAGEMENT ISSUES

None.

ADJOURNMENT

Rene Mendez adjourned the meeting at 11:06 AM.

Item No. B.2
Board of Directors
June 11, 2012

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 will be presented on the Consent Calendar at each Board meeting.

RECOMMENDATION: This is an information item on the consent calendar and therefore the report should 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 June 5, 2012

AGENDA ITEM B.2
BOARD OF DIRECTORS
JUNE 11, 2012

SERVICE CALENDAR AND STATUS OF DELIVERABLES

PREVIOUS ITEMS:

ITEM	STATUS
1. Safety Committee – Review Requests for Grant Funds	Completed
2. Claims Committee – Discuss Closed Session Claims	Completed
3. Executive and Finance Committee – Committee Assignments	Completed
4. Program Administrator Meeting with JT2 to discuss claims and projects	Completed
5. Safety Committee – Create Checklists	Completed
6. TPA Visits with Member Agencies	Completed
7. MBASIA Budget Committee – Finalize Budgets	Completed

CURRENT ACTIVITIES:

ITEM	STATUS
1. CSAC Renewal for Workers Compensation	In Progress
2. Finalize July 1, 2011 Financial Audit	In Progress
3. CARMA Renewal for Liability	In Progress
4. PEPiP Property Renewal	In Progress
5. ERMA Renewal for Employment Practices Coverage	In Progress
6. MBASIA Liability Budget – Draft at April Board Meeting	In Progress
7. MBASIA Workers Compensation Budget – Draft at April Board Meeting	In Progress

**Item No. B.3
Board of Directors
June 11, 2012**

June 11, 2012

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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 March, April & May, 2012

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

(Please Print Name)

Date

Second Signature

(Please Print Name)

8:59 AM
06/04/12

Monterey Bay Area Self Insurance Authority
Check Detail
March through May 2012

Type	Num	Date	Name	Account	Paid Amount
Check		3/8/2012	Transfer	1130 · Checking - S.C....	
				1150 · Transfer - to/from	-25,000.00
TOTAL					-25,000.00
Check		3/8/2012	Transfer	1130 · Checking - S.C....	
				1150 · Transfer - to/from	-27,000.00
TOTAL					-27,000.00
Check		3/23/2012	Transfer	1130 · Checking - S.C....	
				1150 · Transfer - to/from	-13,000.00
TOTAL					-13,000.00
Check		3/23/2012	Transfer	1130 · Checking - S.C....	
				1150 · Transfer - to/from	-20,000.00
TOTAL					-20,000.00
Check		3/30/2012	Transfer	1130 · Checking - S.C....	
				1150 · Transfer - to/from	-98,000.00
TOTAL					-98,000.00
Check		3/31/2012	Transfer	1140 · Savings - S.C....	
				1150 · Transfer - to/from	-200,000.00
TOTAL					-200,000.00
Check		3/31/2012	JT2	1110 · Checking - S.C....	
				6150 · Workers Comp ...	-229,754.22
TOTAL					-229,754.22
Check		4/11/2012	Transfer	1130 · Checking - S.C....	
				1150 · Transfer - to/from	-53,000.00
TOTAL					-53,000.00
Check		4/27/2012	Transfer	1130 · Checking - S.C....	
				1150 · Transfer - to/from	-40,000.00
TOTAL					-40,000.00
Check		4/27/2012	Transfer	1130 · Checking - S.C....	
				1150 · Transfer - to/from	-71,000.00
TOTAL					-71,000.00
Check		4/30/2012	Santa Cruz County Bank	1130 · Checking - S.C....	
				6120 · Bank Charges, f...	-12.50
				6120 · Bank Charges, f...	-12.50
TOTAL					-25.00

Monterey Bay Area Self Insurance Authority

Check Detail

March through May 2012

Type	Num	Date	Name	Account	Paid Amount
Check		4/30/2012	Transfer	1140 · Savings - S.C....	
				1150 · Transfer - to/from	-290,000.00
TOTAL					-290,000.00
Check		4/30/2012	JT2	1110 · Checking - S.C....	
				6150 · Workers Comp ...	-191,925.66
TOTAL					-191,925.66
Check		4/30/2012	Santa Cruz County Bank	1110 · Checking - S.C....	
				6120 · Bank Charges, f...	-12.50
				6120 · Bank Charges, f...	-12.50
TOTAL					-25.00
Check		5/16/2012	Transfer	1130 · Checking - S.C....	
				1150 · Transfer - to/from	-35,000.00
TOTAL					-35,000.00
Check		5/16/2012	Transfer	1130 · Checking - S.C....	
				1150 · Transfer - to/from	-67,000.00
TOTAL					-67,000.00
Check		5/21/2012	City of Soledad	1130 · Checking - S.C....	
				6195 · Training/Confer...	-489.96
				6195 · Training/Confer...	-489.95
TOTAL					-979.91
Check		5/22/2012	Transfer	1130 · Checking - S.C....	
				1150 · Transfer - to/from	-74,000.00
TOTAL					-74,000.00
Check		5/24/2012	City of Soledad	1130 · Checking - S.C....	
				6195 · Training/Confer...	-489.96
				6195 · Training/Confer...	-489.95
TOTAL					-979.91
Check		5/24/2012	Concern	1130 · Checking - S.C....	
				6135 · E.A.P. Insuranc...	-2,210.76
TOTAL					-2,210.76
Check		5/24/2012	JT2 Claims	1130 · Checking - S.C....	
				6150 · Workers Comp ...	-1,152.00
TOTAL					-1,152.00

Monterey Bay Area Self Insurance Authority
Check Detail
 March through May 2012

Type	Num	Date	Name	Account	Paid Amount
Check		5/24/2012	JT2	1130 · Checking - S.C....	
				6110 · JT2 Fees	-17,855.61
TOTAL					-17,855.61
Check	1230	3/2/2012	Concern	1130 · Checking - S.C....	
				6135 · E.A.P. Insuranc...	-2,210.76
TOTAL					-2,210.76
Check	1231	3/2/2012	JT2 Claims	1130 · Checking - S.C....	
				6150 · Workers Comp ...	-3,641.00
TOTAL					-3,641.00
Check	1232	3/2/2012	JT2	1130 · Checking - S.C....	
				6110 · JT2 Fees	-34,976.70
				6110 · JT2 Fees	-48.84
TOTAL					-35,025.54
Check	1233	3/2/2012	Lisa Murphy	1130 · Checking - S.C....	
				6195 · Training/Confer...	-442.02
				6195 · Training/Confer...	-442.02
TOTAL					-884.04
Check	1234	3/2/2012	Risk Management Servi...	1130 · Checking - S.C....	
				6105 · RMS - Claims A...	-7,643.91
TOTAL					-7,643.91
Check	1235	3/30/2012	Concern	1130 · Checking - S.C....	
				6135 · E.A.P. Insuranc...	-2,210.76
TOTAL					-2,210.76
Check	1236	3/30/2012	Crowe Horwath	1130 · Checking - S.C....	
				6190 · Audit / Accounting	-1,500.00
				6190 · Audit / Accounting	-1,500.00
TOTAL					-3,000.00
Check	1237	3/30/2012	JT2 Claims	1130 · Checking - S.C....	
				6150 · Workers Comp ...	-1,561.00
TOTAL					-1,561.00
Check	1238	3/30/2012	Lexipol	1130 · Checking - S.C....	
				6580 · Legal - Other	-6,350.00
TOTAL					-6,350.00

8:59 AM

06/04/12

Monterey Bay Area Self Insurance Authority

Check Detail

March through May 2012

Type	Num	Date	Name	Account	Paid Amount
Check	1239	3/30/2012	Risk Management Servi...	1130 · Checking - S.C....	
				6105 · RMS - Claims A...	-6,424.94
TOTAL					-6,424.94
Check	1240	3/30/2012	City of Scotts Valley	1130 · Checking - S.C....	
				6590 · Safety Services	-3,411.40
				6190 · Audit / Accounting	-1,949.26
				6190 · Audit / Accounting	-1,949.26
TOTAL					-7,309.92
Check	1241	4/25/2012	JT2	1130 · Checking - S.C....	
				6110 · JT2 Fees	-34,976.70
TOTAL					-34,976.70
Check	1242	4/25/2012	JT2 Claims	1130 · Checking - S.C....	
				6150 · Workers Comp ...	-2,489.00
TOTAL					-2,489.00
Check	1243	4/25/2012	Bay Actuarial Consultants	1130 · Checking - S.C....	
				6250 · Actuary Services	-5,915.00
				6250 · Actuary Services	-5,915.00
TOTAL					-11,830.00
Check	1244	4/25/2012	Risk Management Servi...	1130 · Checking - S.C....	
				6105 · RMS - Claims A...	-9,093.95
TOTAL					-9,093.95
Check	1245	4/25/2012	City of Soledad	1130 · Checking - S.C....	
				6195 · Training/Confer...	-240.91
				6195 · Training/Confer...	-240.91
TOTAL					-481.82
Check	1246	4/25/2012	Kathy McFall	1130 · Checking - S.C....	
				6195 · Training/Confer...	-235.00
				6195 · Training/Confer...	-235.00
TOTAL					-470.00
Check	1247	4/25/2012	City of Hollister	1130 · Checking - S.C....	
				6195 · Training/Confer...	-617.50
				6195 · Training/Confer...	-617.50
TOTAL					-1,235.00
Check	1248	5/11/2012	JT2 Liability Insurance	1130 · Checking - S.C....	
				6150 · Workers Comp ...	-421.50
TOTAL					-421.50

8:59 AM

06/04/12

Monterey Bay Area Self Insurance Authority

Check Detail

March through May 2012

Type	Num	Date	Name	Account	Paid Amount
Check	1249	5/11/2012	JT2 Claims	1130 · Checking - S.C....	
				6150 · Workers Comp ...	-989.00
TOTAL					-989.00
Check	1250	5/11/2012	Lexipol	1130 · Checking - S.C....	
				6580 · Legal - Other	-2,850.00
TOTAL					-2,850.00
Check	1251	5/11/2012	Liebert Cassidy Whitmore	1130 · Checking - S.C....	
				6220 · Fees/Dues/Stat...	-3,062.00
				6220 · Fees/Dues/Stat...	-3,062.00
TOTAL					-6,124.00

Item No. D.2.a.1
Board of Directors
June 11, 2012

UPDATED COMMITTEE ASSIGNMENTS

ISSUE: On May 8, 2012, the Executive and Finance Committee met to update the Committee Assignments. The new Committee assignments are shown in the Background section.

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

FISCAL IMPACT: No financial impact is expected from the recommended action

BACKGROUND: Below are the new Committee assignments:

2012-13 Committee Assignments	
EXECUTIVE & FINANCE COMMITTEE:	
Chair	Rene Mendez
Vice Chair	Daniel Dawson
Secretary	Steve Ando
Past Chair	Robert Galvan
COVERAGE & CLAIMS COMMITTEE:	
<i>Claims Committee Chair is chosen by the Claims Committee</i>	
Rene Mendez	
Robert Galvan	
Jamie Goldstein	
Michael Powers	
SAFETY COMMITTEE:	
<i>Chaired by Vice President</i>	
<i>President is an automatic member, per Bylaws</i>	
Daniel Dawson (Committee Chair)	
Rene Mendez	
Lisa Murphy	
Adela Gonzales	

ATTACHMENT: None

Item No. D.2.b.1
Board of Directors
June 11, 2012

SAFETY FUNDS BUDGET – GRANT PROGRAM

ISSUE: In March 2011, MBASIA adopted a Grant Program Policy and Procedure which allows members to apply for Grant Funds for to address safety concerns at Member Agencies (as defined in the attached policy). Within the policy, the Authority must annually adopt the amount of funds to be allocated to the Grant Program.

RECOMMENDATION: It is recommended that the Authority take action to adopt a budgeted amount of funds to be used for the Grant Program.

FINANCIAL IMPACT: The funds used for the Grant Program are allocated within the Liability Budget, under line item 6240. The Draft budget was built with \$75,000 to be allocated to this line item, but not all of these funds need to be allocated to this program.

BACKGROUND: The Grant Program was first adopted in March 2011 and allows members to reimburse expenses incurred at their Member Agency. The program was designed to help reduce Workers Compensation claims, but the funds could also be used to reduce Liability claims as well. For the 2010-11 term, the Authority budgeted \$80,000 for this program (\$8,000 per city), and for the 2011-12 term, the Authority budgeted \$50,000 for the program (\$5,000 per city). The reduction was due to safety funds being allocated to the Safety Inspections.

ATTACHMENT: MBASIA Policy and Procedure: Grant Program for Safety Services

ADMINISTRATIVE POLICY AND PROCEDURE

SUBJECT: GRANT PROGRAM FOR SAFETY SERVICES

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.

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.2.b.2
Board of Directors
June 11, 2012

SAFETY INSPECTION TIMELINES – STATUS OF DELIVERABLES

ISSUE: At the February 13, 2012 Board of Directors Meeting, the Board took action to implement a policy in which Members would address all Safety Inspection deficiencies that were scored less than 60%. The checklists were distributed to each member, and responses were received from 9 out of 10 cities. We are still waiting for the City of King City's response to the checklist.

The Program Administrators have compiled the responses into the attached spreadsheet, this report will be provided at each Board Meeting. Members should continue to update the Program Administrators with their completion progress.

RECOMMENDATION: This is an information item, but direction should be given on where the report should be presented to the Board.

FINANCIAL IMPACT: No financial impact is expected.

BACKGROUND: At the Long Range Planning Meeting the Board reviewed the results of the inspections, and the Safety Committee was assigned the task of reviewing all of the final reports and reporting to the Board at the February Board Meeting. The Safety Committee proposed creating a checklist for Members to go back and address each item they scored less than 60% compliance.

ATTACHMENT: Status Report of Safety Inspection Timelines

Safety Inspection - Timelines for Deliverables

Capitola		
Aerial Lift Operations	Partially Completed	06/30/12
Blood Borne Pathogens & Exposure Control Program	TBD	TBD
Contractor Selection & Control	In Progress	12/30/12
Contractual Transfer of Risk	Partially Completed	12/30/12
Hazard Communication Program	Partially Completed	06/30/12
Hearing Conservation Program	In Progress	06/30/12
Lockout-Tagout & Hazardous Energy Control Program	Partially Completed	06/30/12
Parks & Recreation Operations	Partially Completed	12/30/12
Respiratory Protection Program	In Progress	06/30/12
Risk Management Program Overview	Completed	Completed
Traffic Engineering	Completed	Completed

Del Rey Oaks		
Aerosol Transmissible Disease Control	In Progress	12/30/12
Americans with Disabilities Act Compliance	In Progress	12/30/12
Business Continuity Plan	In Progress	12/30/12
Confined Space Entry Program	In Progress	12/30/12
Hazard Communication Program	In Progress	12/30/12
Hearing Conservation Program	In Progress	12/30/12
Heat Illness Prevention Program	In Progress	12/30/12
Injury & Illness Prevention Program	In Progress	12/30/12
Lockout-Tagout & Hazardous Energy Control Program	In Progress	12/30/12
Parks & Recreation Operations	In Progress	12/30/12
Respiratory Protection Program	In Progress	12/30/12
Risk Management Program Overview	In Progress	12/30/12
Urban Forest Management	In Progress	12/30/12

Gonzales		
Aerosol Transmissible Disease Control	In Progress	01/01/13
Confined Space Entry Program	In Progress	09/28/12
Contractual Transfer of Risk	In Progress	09/30/12
Fire Prevention Program	In Progress	12/31/12
Forklifts & Powered Industrial Trucks	In Progress	07/31/12
Hazard Communication Program	In Progress	12/31/12
Hearing Conservation Program	In Progress	09/28/12
Heat Illness Prevention Program	In Progress	09/28/12
Injury & Illness Prevention Program	In Progress	12/31/12
Respiratory Protection Program	In Progress	08/31/12
Risk Management Program Overview	In Progress	12/31/12
Trenching & Excavation Operations	In Progress	08/30/12

Greenfield		
Aerial Lift Operations	In Progress	07/06/13
Aerosol Transmissible Disease Control	In Progress	07/06/13
Americans with Disabilities Act Compliance	In Progress	07/06/13
Animal Control Services	In Progress	07/06/13
Blood Borne Pathogens & Exposure Control Program	In Progress	07/06/13
Confined Space Entry Program	In Progress	07/06/13
Contractor Selection & Control	In Progress	07/06/13
Ergonomic Injury Management	In Progress	07/06/13
Hazard Communication Program	In Progress	07/06/13
Hearing Conservation Program	In Progress	07/06/13
Heat Illness Prevention Program	In Progress	07/06/13
Injury & Illness Prevention Program	In Progress	07/06/13
Lockout-Tagout & Hazardous Energy Control Program	In Progress	07/06/13
Parks & Recreation Operations	In Progress	07/06/13
Respiratory Protection Program	In Progress	07/06/13
Return-to-Work & Transitional Duty Program	In Progress	07/06/13
Risk Management Program Overview	In Progress	07/06/13
Sewers Liability Management	In Progress	07/06/13
Sidewalks Liability Management	In Progress	07/06/13
Traffic Engineering	In Progress	07/06/13
Trenching & Excavation Operations	In Progress	07/06/13
Urban Forest Management	In Progress	07/06/13
Work Zone Safety	In Progress	07/06/13

Hollister		
Aerial Lift Operations	In Progress	12/30/12
Aerosol Transmissible Disease Control	In Progress	12/30/12
Americans with Disabilities Act Compliance	In Progress	12/30/12
Animal Control Services	In Progress	12/30/12
Blood Borne Pathogens & Exposure Control Program	In Progress	12/30/12
Business Continuity Plan	In Progress	12/30/12
Confined Space Entry Program	In Progress	12/30/12
Contractor Selection & Control	In Progress	12/30/12
Contractual Transfer of Risk	In Progress	12/30/12
Ergonomic Injury Management	In Progress	12/30/12
Fire Prevention Program	In Progress	12/30/12
Forklifts & Powered Industrial Trucks	In Progress	12/30/12
Hazard Communication Program	In Progress	12/30/12
Hearing Conservation Program	In Progress	12/30/12
Heat Illness Prevention Program	In Progress	12/30/12
Injury & Illness Prevention Program	In Progress	12/30/12
Lockout-Tagout & Hazardous Energy Control Program	In Progress	12/30/12
Parks & Recreation Operations	In Progress	12/30/12
Respiratory Protection Program	In Progress	12/30/12
Return-to-Work & Transitional Duty Program	In Progress	12/30/12
Risk Management Program Overview	In Progress	12/30/12
Sewers Liability Management	In Progress	12/30/12
Sidewalks Liability Management	In Progress	12/30/12
Traffic Engineering	In Progress	12/30/12
Trenching & Excavation Operations	In Progress	12/30/12
Urban Forest Management	In Progress	12/30/12
Work Zone Safety	In Progress	12/30/12

King City		
Aerial Lift Operations	TBD	TBD
Aerosol Transmissible Disease Control	TBD	TBD
Americans with Disabilities Act Compliance	TBD	TBD
Animal Control Services	TBD	TBD
Blood Borne Pathogens & Exposure Control Program	TBD	TBD
Business Continuity Plan	TBD	TBD
Confined Space Entry Program	TBD	TBD
Contractor Selection & Control	TBD	TBD
Contractual Transfer of Risk	TBD	TBD
Ergonomic Injury Management	TBD	TBD
Fire Prevention Program	TBD	TBD
Forklifts & Powered Industrial Trucks	TBD	TBD
Hazard Communication Program	TBD	TBD
Hearing Conservation Program	TBD	TBD
Heat Illness Prevention Program	TBD	TBD
Injury & Illness Prevention Program	TBD	TBD
Lockout-Tagout & Hazardous Energy Control Program	TBD	TBD
Parks & Recreation Operations	TBD	TBD
Respiratory Protection Program	TBD	TBD
Return-to-Work & Transitional Duty Program	TBD	TBD
Risk Management Program Overview	TBD	TBD
Sewers Liability Management	TBD	TBD
Sidewalks Liability Management	TBD	TBD
Traffic Engineering	TBD	TBD
Trenching & Excavation Operations	TBD	TBD
Urban Forest Management	TBD	TBD
Work Zone Safety	TBD	TBD

Marina		
Aerial Lift Operations	In Progress	3/30/13 - 3/30/16
Aerosol Transmissible Disease Control	In Progress	3/30/13 - 3/30/16
Americans with Disabilities Act Compliance	In Progress	3/30/13 - 3/30/16
Animal Control Services	In Progress	3/30/13 - 3/30/16
Blood Borne Pathogens & Exposure Control Program	In Progress	3/30/13 - 3/30/16
Business Continuity Plan	In Progress	3/30/13 - 3/30/16
Confined Space Entry Program	In Progress	3/30/13 - 3/30/16
Contractor Selection & Control	In Progress	3/30/13 - 3/30/16
Contractual Transfer of Risk	In Progress	3/30/13 - 3/30/16
Ergonomic Injury Management	In Progress	3/30/13 - 3/30/16
Fire Prevention Program	In Progress	3/30/13 - 3/30/16
Forklifts & Powered Industrial Trucks	In Progress	3/30/13 - 3/30/16
Hazard Communication Program	In Progress	3/30/13 - 3/30/16
Hearing Conservation Program	In Progress	3/30/13 - 3/30/16
Heat Illness Prevention Program	In Progress	3/30/13 - 3/30/16
Injury & Illness Prevention Program	In Progress	3/30/13 - 3/30/16
Lockout-Tagout & Hazardous Energy Control Program	In Progress	3/30/13 - 3/30/16
Parks & Recreation Operations	In Progress	3/30/13 - 3/30/16
Respiratory Protection Program	In Progress	3/30/13 - 3/30/16
Return-to-Work & Transitional Duty Program	In Progress	3/30/13 - 3/30/16
Risk Management Program Overview	In Progress	3/30/13 - 3/30/16
Sewers Liability Management	In Progress	3/30/13 - 3/30/16
Sidewalks Liability Management	In Progress	3/30/13 - 3/30/16
Traffic Engineering	In Progress	3/30/13 - 3/30/16
Trenching & Excavation Operations	In Progress	3/30/13 - 3/30/16
Urban Forest Management	In Progress	3/30/13 - 3/30/16
Work Zone Safety	In Progress	3/30/13 - 3/30/16

Sand City		
Aerial Lift Operations	In Progress	07/01/12
Aerosol Transmissible Disease Control	In Progress	07/01/13
Americans with Disabilities Act Compliance	Partially Completed	07/01/12
Confined Space Entry Program	In Progress	07/01/12
Contractor Selection & Control	In Progress	N/A
Contractual Transfer of Risk	Partially Completed	07/01/13
Fire Prevention Program	Partially Completed	TBD
Heat Illness Prevention Program	In Progress	07/01/13
Lockout-Tagout & Hazardous Energy Control Program	In Progress	07/01/12
Parks & Recreation Operations	In Progress	12/01/12 & 07/01/13
Risk Management Program Overview	In Progress	07/01/14
Sidewalks Liability Management	In Progress	12/1/12 & 07/01/13
Urban Forest Management	In Progress	07/01/13

Scotts Valley		
Aerosol Transmissible Disease Control	Partially Completed	05/14/12
Blood Borne Pathogens & Exposure Control Program	Completed	04/26/12
Confined Space Entry Program	Completed	04/26/12
Fire Prevention Program	Completed	04/18/12 & 04/26/12
Hazard Communication Program	Completed	04/26/12
Hearing Conservation Program	Completed	04/18/12
Heat Illness Prevention Program	Completed	04/14/12 & 04/26/12
Lockout-Tagout & Hazardous Energy Control Program	Completed	05/10/12
Parks & Recreation Operations	Partially Completed	05/26/12
Respiratory Protection Program	Completed	04/18/12 & 4/26/2012
Return-to-Work & Transitional Duty Program	Completed	04/14/12 & 04/26/12
Risk Management Program Overview	Completed	06/17/12
Sidewalks Liability Management	Partially Completed	06/12/12
Urban Forest Management	Partially Completed	04/25/12
Workers' Compensation Claims Administration	Partially Completed	05/13/12

Soledad		
Aerial Lift Operations	In Progress	09/01/12
Aerosol Transmissible Disease Control	In Progress	12/01/12
Animal Control Services	In Progress	09/01/12
Confined Space Entry Program	In Progress	09/01/12
Contractor Selection & Control	In Progress	09/01/12
Contractual Transfer of Risk	In Progress	12/01/12
Ergonomic Injury Management	In Progress	12/01/12
Fire Prevention Program	In Progress	09/01/12
Forklifts & Powered Industrial Trucks	In Progress	09/01/12
Hazard Communication Program	In Progress	12/01/12
Hearing Conservation Program	In Progress	12/01/12
Heat Illness Prevention Program	In Progress	09/01/12
Injury & Illness Prevention Program	In Progress	12/01/12
Lockout-Tagout & Hazardous Energy Control Program	In Progress	12/01/12
Parks & Recreation Operations	In Progress	09/01/12 & 12/01/12
Respiratory Protection Program	In Progress	12/01/12
Risk Management Program Overview	In Progress	09/01/12
Sidewalks Liability Management	In Progress	09/01/12
Trenching & Excavation Operations	In Progress	12/01/12
Urban Forest Management	In Progress	12/01/12

Item No. D.2.c.1
Board of Directors
June 11, 2012

**REPORT FROM THE MAY 22, 2012
COVERAGE AND CLAIMS COMMITTEE MEETING**

ISSUE: The Claims Committee met on May 22, 2012 to give direction regarding several claims. As a result of that meeting, one of the claims will be discussed later on the agenda.

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

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

BACKGROUND: This item is presented to the Board so that all Members are aware of action or direction decided by the Claims Committee.

ATTACHMENT: Claims Committee Agenda Page

CALL IN: 855-201-9213

PASSCODE: 5797667

AGENDA

JPA: MBASIA Coverage and Claims Committee Teleconference Meeting

DATES/TIMES: Tuesday, May 22, 2012 at 10:15 AM

LEGEND:
 A – Action may be taken
 I – Information
 1 – Included
 2 – Handout
 3 – Separate
 4 – Verbal

Member Cities

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

PRIMARY LOCATION: Alliant Insurance Services, Inc.
 100 Pine Street
 11th Floor
 San Francisco, Ca 94111
 (415) 403-1411

LOCATIONS VIA TELEPHONE:

- City of Capitola – 420 Capitola Ave., Capitola, CA 95010 (831) 475-7300
- City of Gonzales – 147 Fourth Street, Gonzales, CA 93926 (831) 675-5000
- City of Hollister – 375 Fifth Street, Hollister, CA 95023 (831) 636-4300
- City of King City – 212 So. Vanderhust Ave, King city, CA 93930 (831) 385-3281

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) 403-1411, 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**
- 4 A. CALL TO ORDER**
- 4 B. CONSENT CALENDAR** (A)
- 1) Approval of Minutes – January 20, 2012 Coverage and Claims Committee Meeting
Members will review these minutes and may take action to approve or amend.
- 4 C. PUBLIC COMMENTS** (I)
The public is invited at this point to address the Board on issues of interest to them.
- 1 D. COVERAGE AND CLAIMS COMMITTEE**
CLOSED SESSION – Pursuant to Gov't Code 54956.95
Members will review the following Closed Session Items
1. Liability Third Party Administrator's Report
Ken Maiolini from RMS, MBASIA's Liability TPA, may provide a report on pending claims.
- i. Villareal v. Del Rey Oaks
 ii. Hernandez v. Marina
 iii. Allen v. Capitola
- RECONVENE - DISPOSITION OF CLOSED SESSION ITEMS**
- E. CORRESPONDENCE / INFORMATION** (I)
 None
- 4 F. GENERAL RISK MANAGEMENT ISSUES** (I)
Subjects that of interest to members: please bring 15 copies of any materials.
- ADJOURNMENT**

Item No. D.2.d.1
Board of Directors
June 11, 2012

DRAFT LIABILITY BUDGET

ISSUE: The Budget Committee has prepared the FY 12/13 Draft Liability Budget. As a result of the Liability Actuarial Study and Budget Committee discussion, it was decided that the budget required increases since the last presentation.

RECOMMENDATION: The Budget Committee recommends the Board review the attached draft Liability Budget and take action to approve or give direction.

FINANCIAL IMPACT: The FY 12/13 total budget has increased to \$1,060,613, which is a \$176,617 (20%) increase over the prior year. This increase is a result of claims development.

BACKGROUND: The Budget Committee has been working to finalize the budget calculation based on the member exposure factors, and the budget needs. While the total budget has remained flat, each individual member's share of the total has been allocated as follows:

1. Exposure base is determined by member's Payroll
2. Experience base is determined by member's total paid claims for the 5 program years ending 2010-11
3. A 25% premium increase cap remains

After reviewing the Liability Actuarial Report, it was determined that an increase to the budget is necessary. The Actuarial Report notes a Short Term Liability (paid within the next 12 months) of \$943,000, last year this figure was \$661,000. Additionally, the Actuary suggests that the pool contribute \$957,813 at the Central Estimate, Discounted, to pay for future claims. At the 70% Confidence Level, Discounted, he recommends \$1,216,422 to go towards claims payments. In addition to these funds, the budget also includes contracted services and other administrative fees.

ATTACHMENT: FY 12/13 Liability Budget including a year over year comparison to prior.

**MONTEREY BAY AREA SELF INSURANCE AUTHORITY
FY '12-13 LIABILITY INSURANCE FUND**

UNMODIFIED CONTRIBUTIONS, TOTAL REVENUES AND COMPARATIVE ANALYSIS					
MEMBER AGENCY	FY '11-12 ACTUAL CONTRIBUTIONS	FY '12-13 RECOMMENDED CONTRIBUTIONS	INCREASE (DECREASE) FROM PRIOR YEAR	PERCENTAGE CHANGE FROM PRIOR YEAR	
Capitola	\$ 65,338	\$ 81,672	\$ 16,334	25%	
Del Rey Oaks	25,690	32,113	6,423	25%	
Gonzales	21,129	26,412	5,282	25%	
Greenfield	35,589	44,486	8,897	25%	
Hollister	357,397	402,364	44,967	13%	
King City	54,918	68,648	13,730	25%	
Marina	89,350	111,687	22,337	25%	
Sand City	50,611	63,264	12,653	25%	
Scotts Valley	49,383	61,728	12,346	25%	
Soledad	134,592	168,240	33,648	25%	
	\$ 883,996	\$ 1,060,613	\$ 176,617		
TOTAL CONTRIBUTIONS FOR FY '09-10		\$ 1,060,613			

MONTEREY BAY AREA SELF INSURANCE AUTHORITY
FY '10-11 LIABILITY INSURANCE FUND

LIABILITY EXPENDITURE DETAIL

LIABILITY OPERATING FUND							
<i>(as of 041012)</i>							
ACCOUNT	CATEGORY	FY '10-11 ADOPTED	FY '11-12 ADOPTED	FY '11-12 ACTUAL	% OF BUDGET	FY '12-13 PROPOSED	OVER/(UNDER) PRIOR YEAR
ADMINISTRATIVE COSTS							
6010.00	Office/Other G&A	625	250	49	20%	250	-
6100.00	Administrative Contract	25,000	94,000	94,258	100%	96,664	2,664
6120.00	Bank Charges	-	-	192		75	75
6130.00	Excess Insurance	285,000	265,449	257,972	97%	265,449	-
6130.01	Liability Premium		255,449			254,000	(1,449)
6130.02	E&O Premium		10,000			10,000	-
6130.03	Crime Premium		-			-	-
6190.00	Audit/Accounting	11,800	11,800	10,893	92%	16,250	4,450
6195.00	Travel/Meetings	3,500	2,500	2,602	104%	3,000	500
6200.00	Telephone	600	-			-	-
6220.00	Fees/Dues/Assessments	-	-			-	-
6240.00	Outside Services	184,500	75,000		0%	75,000	-
6250.00	Actuary Services	10,000	7,500		0%	7,500	-
6520.00	TPA Administrative Fees	51,200	55,000	46,214	84%	55,000	-
6530.00	Claims Other		DELETE			DELETE	
6550.00	Claims Expense	692,000	661,000	649,281	98%	943,000	282,000
6575.00	Claims Legal		DELETE			DELETE	
6580.00	Legal Other (ERMA)	-	86,132	80,274		87,000	868
NEW	Legal - Legal Services P&P		7,500	35,200		7,500	-
6160.00	Miscellaneous	2,000	4,000	25,050	626%	4,000	-
SUBTOTAL ADMINISTRATIVE COSTS		1,266,225	1,270,131	1,201,985	94.63%	1,560,613	290,482
<i>Credit from Surplus</i>		<i>(332,229)</i>	<i>(386,135)</i>			<i>(500,000)</i>	
<i>Investment Earnings Discount</i>		<i>(50,000)</i>					
TOTAL LIABILITY EXPENDITURES		883,996	883,996	1,201,985	135.97%	1,060,613	290,482

Updated: Conor Boughey on 5/1/12

Item No. D.2.d.2
Board of Directors
June 11, 2012

DRAFT WORKERS COMPENSATION BUDGET

ISSUE: The Budget Committee has finalized the FY 12/13 Draft Workers Compensation Budget. The Total Budget has remained flat, collecting \$3,735,251 for the 2012-13 year. Each Member's share of the total has changed as a result of the budget calculation, and is attached.

RECOMMENDATION: The Budget Committee will continue to review the budget factors and will distribute draft budget figures as soon as they are available.

FINANCIAL IMPACT: The FY 12/13 budget has remained flat at \$3,735,251.

BACKGROUND: The Budget Committee has been working to calculate the 2012-13 budget and also working to verify claims reserves and budget needs. The following factors make up the calculation methodology:

1. Exposure base is determined by Member Payroll
2. Experience base is determined by total incurred claims with an individual claims cap of \$250,000 for the 4 years ending 7/1/2011

The Workers Compensation budget is separated into three different categories:

- I. Administrative Assessment
- II. Claims Assessment
- III. Debt Service Assessment

The Level I assessment is budgeted to meet the administrative needs of the organization, such as insurance, fees and taxes. The Level II assessment budgets the funds that will go towards the payment of claims. The Actuarial funding guidelines suggest collecting \$2,325,000 at the 70% discounted funding level; the budget allocates \$2,472,000 to this assessment. The Level III assessment is collected to repay a loan, and the percentage shares of the payments are fixed based on the original agreement.

ATTACHMENT: FY 12/13 Workers Compensation Budget including a year over year comparison to prior.

WORKER'S COMP

	Budget		Incr (Decr)	
	2011-12	2012-13		
Capitola	467,344	407,960	(59,385)	-12.7%
Del Rey Oaks	133,603	179,540	45,937	34.4%
Gonzales	102,773	81,055	(21,718)	-21.1%
Greenfield	237,149	184,687	(52,462)	-22.1%
Hollister	1,156,359	1,018,959	(137,400)	-11.9%
King City	273,832	238,437	(35,396)	-12.9%
Marina	584,335	829,162	244,826	41.9%
Sand City	65,465	71,104	5,639	8.6%
Scotts Valley	370,138	281,715	(88,423)	-23.9%
Soledad	344,251	442,632	98,381	28.6%
Total	<u>3,735,250</u>	<u>3,735,251</u>	<u>-</u>	0.0%

Item	2011			2012	
	Budget	Actual (as of 4/1/11)	Difference	Budget	Difference
6010 · Office/Other G&A	\$ 50	\$ 49	\$ (1)	\$ 50	0%
6100 · Risk Manager - Rice Fees	\$ 95,000	\$ 94,258	\$ (742)	\$ 95,000	0%
6110 · JT2 Fees	\$ 165,000	\$ 160,645	\$ (4,355)	\$ 165,000	0%
6111 · JT2-Bill Review Fees	\$ 70,000	\$ 69,254	\$ (746)	\$ 70,000	0%
6120 · Bank Charges, fees & supplies	\$ 200	\$ 192	\$ (8)	\$ 200	0%
6130 · Excess Insurance	\$ 395,000	\$ 394,286	\$ (714)	\$ 505,000	28%
6190 · Audit / Accounting	\$ 12,000	\$ 10,893	\$ (1,107)	\$ 12,000	0%
6195 · Training/Conferences	\$ 5,000	\$ 2,602	\$ (2,398)	\$ 5,000	0%
6220 · Fees/Dues/State Assessment	\$ 95,000	\$ 90,680	\$ (4,320)	\$ 91,000	-4%
6590 · Safety Services	\$ 18,000	\$ 11,779	\$ (6,221)	\$ 15,000	-17%
TOTAL	\$ 855,250	\$ 834,639	\$ (20,611)	\$ 958,250	12%
6150 · Workers Comp Claims Expense	\$ 2,575,000	\$ 1,670,961	\$ (904,039)	\$ 2,472,000	-4%

855250

ASSESSMENT CALCULATIONS

EXPENSE SUMMARY

Level II		
Admin Budget	\$	958,250
Level II		
Claims Budget	\$	2,472,000
Level III		
Debt Service	\$	305,000
Total WC Budge	\$	3,735,250

LEVEL I ASSESSMENT			
Assessments based upon payroll ending 12/31 of the prior year			
	31-Dec Payroll	Percent of Payroll	Target Funding:
			\$ 958,250.00
Capitola	\$ 5,400,712	12%	\$113,699
Del Rey Oaks	938,149	2%	\$19,751
Gonzales	2,276,473	5%	\$47,926
Greenfield	2,858,645	6%	\$60,182
Hollister	9,803,583	22%	\$206,391
King City	2,513,276	6%	\$52,911
Marina	8,519,813	19%	\$179,365
Sand City	2,436,058	5%	\$51,285
Scotts Valley	4,736,984	10%	\$99,726
Soledad	6,033,135	13%	\$127,013
Total	\$45,516,827	100%	\$958,250

LEVEL II ASSESSMENT							
Experienced Based Assessment Formula							
	Incrd Loss 07/08	Incrd Loss 08/09	Incrd Loss 09/10	Incrd Loss 10/11	Total Incrd Loss	% of Ttl	Ttl Lvl II Assmt
Capitola	\$ 156,977	\$ 253,651	\$ 88,527	\$ 297,909	\$797,065	9.6%	\$238,443
Del Rey Oaks	\$ 178,606	\$ 85,838	\$ 4,200	\$ 238,096	\$506,740	6.1%	\$151,592
Gonzales	\$ 2,062	\$ 5,572	\$ 11,698	\$ (1,996)	\$17,336	0.2%	\$5,186
Greenfield	\$ 40,262	\$ 63,974	\$ 253,789	\$ 31,736	\$389,762	4.7%	\$116,598
Hollister	\$ 387,404	\$ 519,373	\$ 746,030	\$ 724,891	\$2,377,698	28.8%	\$711,291
King City	\$ 5,673	\$ 256,960	\$ 212,850	\$ 139,426	\$614,909	7.4%	\$183,951
Marina	\$ 201,644	\$ 385,489	\$ 442,300	\$ 1,018,264	\$2,047,697	24.8%	\$612,571
Sand City	\$ 1,510	\$ 1,549	\$ 1,318	\$ 15,750	\$20,127	0.2%	\$6,021
Scotts Valley	\$ 147,848	\$ 44,128	\$ 279,402	\$ 66,740	\$538,118	6.5%	\$160,979
Soledad	\$ 274,564	\$ 119,332	\$ 47,351	\$ 512,683	\$953,930	11.5%	\$285,369
Total	\$1,396,551	\$1,735,867	\$2,087,465	\$3,043,499	\$8,263,383	100.0%	\$2,472,000

LEVEL III ASSESSMENT				
Debt Service and Loan Repayments				
JT2 Resrv Dec. 05	% of Ttl JT2 Resrv	Debt Assmt	Loan Repay	Ttl Lvl III Assmt
\$568,925	18.3%	\$55,818	0	\$55,818
\$83,558	2.7%	\$8,198	0	\$8,198
\$284,809	9.2%	\$27,943	0	\$27,943
\$80,594	2.6%	\$7,907	0	\$7,907
\$1,032,266	33.2%	\$101,276	0	\$101,276
\$16,049	0.5%	\$1,575	0	\$1,575
\$379,431	12.2%	\$37,226	0	\$37,226
\$140,630	4.5%	\$13,797	0	\$13,797
\$214,153	6.9%	\$21,011	0	\$21,011
\$308,319	9.9%	\$30,249	0	\$30,249
\$3,108,734	100.0%	\$305,000	0	\$305,000

70% discounted (excluding 4850) funding is: \$2.325M

Members	Total Premium
Capitola	\$407,960
Del Rey Oaks	\$179,540
Gonzales	\$81,055
Greenfield	\$184,687
Hollister	\$1,018,959
King City	\$238,437
Marina	\$829,162
Sand City	\$71,104
Scotts Valley	\$281,715
Soledad	\$442,632
Total	\$3,735,250

Item No. D.3.a.1
Board of Directors
June 11, 2012

**APPEAL OF DENIED LIABILITY CLAIM FOR LATE REPORTING:
COMMENTS BY COVERAGE AND CLAIMS COMMITTEE**

ISSUE: The Claims Committee met on May 22, 2012 to discuss several claims. The City of Del Rey Oaks submitted a claim to the Authority for an employment matter that occurred in November of 2009, and was settled in March of 2010. The case was first reported to RMS on December 12, 2011, and first reported to the Board on April 16, 2012. The claim was denied by the Claims Committee due to late reporting, the City of Del Rey Oaks would like to appeal to the Board of Directors to grant coverage (next agenda item).

The Claims Committee will give a verbal report on why they made their coverage decision.

RECOMMENDATION: MBASIA's Claims Committee denied coverage for late reporting, however the City of Del Rey Oaks has decided to appeal to the Board of Directors. The Board has authority to override the Committee's decision, and grant coverage or negotiate a settlement with the City.

FINANCIAL IMPACT: The Claims Committee denied coverage, however the claim is valued at \$177,208. If the City's standard deductible applied to this claim, MBASIA would have paid \$167,208.

BACKGROUND: The background of the claim is summarized below:

- Claim occurred in November 2009
- Claim settled in March 2010
- Claim first reported to RMS on December 12, 2011
- Claim reported to the Board by RMS on April 16, 2012
- Claims Committee denied claim for late reporting on May 22, 2012
- Del Rey Oaks appealed the coverage decision on May 23, 2012

The following sections have been taken from the Memorandum of Coverage:

SECTION VII - CONDITIONS

1. The **covered party's** duties in the event of **occurrence**, claim, or suit reasonably likely to involve the **Authority** are as follows. These provisions are conditions precedent to coverage afforded under this MOC. The **covered party's** failure to comply with any of these provisions shall void coverage herein.

- (a) The **covered party** shall notify the **Authority** within 30 days upon receipt of notice of a claim reasonably likely to exceed fifty percent of the **retained limit** or any **occurrence** involving:
- (i) One or more fatalities;
 - (ii) Loss of limb or amputation;
 - (iii) Loss of use of any sensory organ;
 - (iv) Spinal cord injuries (quadriplegia or paraplegia);
 - (v) Third degree burns involving 10% or more of the body;
 - (vi) Serious facial disfigurement;
 - (vii) Paralysis;
 - (viii) Closed head injuries;
 - (ix) Serious loss of use of any body functions;
 - (x) Long-term hospitalization; or
 - (xi) Title 42 U.S.C. §1983 claims or other claims involving civil rights violations.

Written notice containing particulars sufficient to identify the **covered party** and also reasonably obtainable information with respect to the time, place, and circumstances of the **occurrence**, and the names and addresses of the **covered party** and of available witnesses shall be given to the **Authority** or any of its agents as soon as possible after notice of the claim is given to the **Authority**, if such information is not available prior to giving notice to the **Authority**.

- (b) If claim is made or suit is brought against the **covered party**, the **covered party** shall be obligated to promptly forward to the **Authority's** designated claims adjustor every demand, notice, summons, or process received by it or its representative.
- (c) The **covered party** shall cooperate with the **Authority** and upon its request assist in making settlements, in the conduct of suits and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the **covered party** because of **bodily injury, personal injury, property damage, public officials errors and omissions, or sudden and accidental pollution** with respect to which coverage is afforded under this MOC; and the **covered party** shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. The **covered party** shall not, except at its own cost, voluntarily make any payment, assume any obligation, or incur any expense toward the settlement of any claim for which the **Authority** has accepted responsibility and has so notified the **covered party**.
- (d) Any payments made, or arrangements to make payments, or expenses incurred by the **covered party** in relation to the claim, prior to giving notice of the claim to the **Authority**, shall be the sole responsibility of the **covered party**, and the **Authority** shall have no obligation to pay said costs or to reimburse the **covered party** therefore.

- (e) As to any claim for which the **Authority** has accepted responsibility and has so notified the **covered party**, if the **covered party's** refusal to change its position prevents settlement of the claim for a reasonable amount, defined as the amount the **Authority** is willing to pay and the claimant is willing to accept, and increases the **covered party's** potential liability for **damages** and continued **defense costs**, the **covered party** shall pay or shall reimburse the **Authority** for those **defense costs** incurred after the claim could have been settled, and for any **damages** awarded or settlement agreed upon in excess of the amount for which the claim could have been previously settled.

9. Arbitration

The Coverage and Claims Committee shall make the initial determination whether to deny coverage on all or part of a claim, or to reserve the **Authority's** right to deny coverage on all or part of a claim if a loss subsequently exceeds the retained limit.

A decision by the Coverage and Claims Committee to deny coverage can be appealed to the Board of Directors. Notice of such appeal shall be submitted in writing within thirty (30) calendar days of the date of the Coverage and Claims Committees written notice of decision.

The appeal than be considered by the Board of Directors at the next regular or special meeting following receipt of the written appeal; lithe appeal is received too late for inclusion in the agenda packet, it can be postponed to the next following Board meeting. The Coverage and Claims Committee and the **covered party** will have the right to submit written materials and present oral argument to the Board; subject to reasonable time constraints.

Within sixty (60) days following any denial of coverage by the Board, the Member or **covered party** may request, in writing, that the **Authority** initiate a declaratory relief action in Superior Court for a determination of the coverage matter. The declaratory relief action shall he initiated in Santa Cruz County, California, unless the **Authority** and **covered party** agree on a different venue.

Any determination by the Executive Committee, and by the Board of Directors if the matter is appealed to the Board of Directors, whether a **covered party** has breached the Conditions concerning notice of a claim, and any determination whether the **Authority** has been prejudiced by that breach, so that this coverage does not apply, comes within the sole discretion of the Board of Directors, Such determinations shall be conclusive, final and binding and shall not be the subject of any further review, whether by declaratory relief action or otherwise.

ATTACHMENT: None

Item No. D.3.a.2
Board of Directors
June 11, 2012

**APPEAL OF DENIED LIABILITY CLAIM FOR LATE REPORTING:
PRESENTATION BY MEMBER REPRESENTATIVE OF DEL REY OAKS**

ISSUE: The City of Del Rey Oaks would like to appeal the Claims Committee decision to deny coverage for late reporting of an employment claim. The City will present their case for why coverage should be granted.

RECOMMENDATION: It is recommended that the Board review the letter submitted by the City of Del Rey Oaks, hear the City's presentation, and take action or give direction.

FINANCIAL IMPACT: The Claims Committee denied coverage due to late reporting, however the claim is valued at \$177,208. If the City's standard deductible applied to this claim, MBASIA would have paid \$167,208.

BACKGROUND: The background of the claim is summarized below:

- Claim occurred in November 2009
- Claim settled in March 2010
- Claim first reported to RMS on December 12, 2011
- Claim reported to the Board by RMS on April 16, 2012
- Claims Committee denied claim for late reporting on May 22, 2012
- Del Rey Oaks appealed the coverage decision on May 23, 2012

ATTACHMENT: Del Rey Oaks Appeal Letter



CITY OF DEL REY OAKS

650 CANYON DEL REY RD. • DEL REY OAKS, CALIFORNIA 93940
PHONE (831) 394-8511 • FAX (831) 394-6421

Office of the City Manager – Daniel J. Dawson

May 23, 2012

Conor Boughey, ARM
Michael Simmons, LEG
Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111

Gentlemen;

I would like to exercise my appeal rights as a member of MBASIA in regards to the Policy language of the MOC Section VII – Conditions. I believe that the lack of clear policy in regards to timing of claims, or potential claims, needs clarification by the Board. The current situation does not give the Claims Review Committee the ability to clearly make decisions based on timing of claims submission.

I came to the City of Del Rey Oaks as the City Manager in August of 2009 under less than ideal circumstances. The Mayor of 35 years had a "Vote of no confidence" signed by 100% of the employees as well as harassment claims against him. Additionally there were a few employees who were contributing to the hostile work environment, one of which was the Police Sergeant of 22 years, Mr. Villareal. I was quite literally managing in a state of chaos and triage and quite frankly holding the lid on a very volatile situation. After convincing the Mayor to resign I was verbally assaulted by the Sergeant and immediately placed him on leave pending disciplinary action. The Sergeant threatened lawsuits and claims against the City and me personally, claiming he was being discriminated against based on his Hispanic heritage, his overweight condition, and a litany of issues. He had 22 years service at that time and was 18 months from retirement eligibility.

I made the decision to negotiate with his attorney rather than face costly and lengthy litigation which resulted in the settlement that eventually totaled \$177,000 with final payment in October 2011. I had no idea what MBASIA was, and certainly was completely unaware that as a member we were entitled to Employment Practices coverage. As I became involved in the MBASIA Board I realized that I had a valid claim that potentially saved MBASIA substantial litigation and settlement expenses and discussed the matter with Mr. Maolini who encouraged me to submit the claim.

The language in Section VII – Conditions of the Memorandum of Coverage (MOC) states that a covered party's duty is to notify the Authority "in the event of occurrence, claim or suit reasonably likely to involve the Authority". The language is vague at best and begs several questions; What does "reasonably likely" mean? What is an "occurrence"? If I was unaware that the Authority existed how could I have been aware that an "occurrence" that would "reasonably be likely" to involve the Authority had, in fact occurred?

I look forward to a healthy policy discussion regarding this appeal at a full Board meeting and thank you for agendizing this item.

Daniel Dawson

Item No. D.3.b
Board of Directors
June 11, 2012

UPDATE TO CONFLICT OF INTEREST CODE

ISSUE: The Political Reform Act requires every multi-county agency to review its Conflict of Interest Code biennially (on every even numbered year) and submit notice to the Fair Political Practices Commission (FPPC), which specifies if the current code is accurate or if it must be amended.

We have proposed an amendment to the Conflict of Interest Code to be in compliance with new FPPC requirements. In the past, Alliant would file the original notice and send a copy to the FPPC, however now the FPPC requires the original copy, and Alliant will hold a copy of the filing.

RECOMMENDATION: Members are encouraged to review the Code, and approve the proposed changes. Staff further recommends the Board give Michael Simmons authority to sign and file the FPPC form when it becomes available.

FISCAL IMPACT: None.

BACKGROUND: The Fair Political Practices Commission, as the code reviewing body for multi-county agencies, must receive the attached Conflict of Interest Biennial Notice no later than October 1, 2012. This notice must be returned to the Commission regardless of how recently the agency's code has been approved. If amendments are necessary, the revised code must be forwarded to the Commission for approval within 90 days from the date the biennial notice was submitted. Amendments to any agency's code are not effective until approved by the Commission.

ATTACHMENTS: Redline - MBASIA Conflict of Interest Code
2010 Multi County Biennial Notice form (*2012 is not yet available*)

CONFLICT OF INTEREST CODE OF MONTEREY BAY AREA SELF INSURANCE AUTHORITY

The Political Reform Act, Government Code Sections 81000, et seq., requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation, 2 Cal. Code of Regs Section 18730, which contains the terms of a standard Conflict of Interest Code, which can be incorporated by reference, and which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings. Therefore, the terms of 2 Cal Code of Regs Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission, along with the attached Appendix in which officials and employees are designated and disclosure categories are set forth, are hereby incorporated by reference and constitute the Conflict of Interest Code of the Monterey Bay Area Self Insurance Authority ("MBASIA").

Designated Employees, as shown on the Appendix attached to this Code, shall file statements of economic interests with MBASIA who will make the statements available for public inspection and reproduction (Gov. Code Section 81008). Upon receipt of the statements, the Authority shall make and retain copies and forward the originals to the Fair Political Practices Commission. All original statements will be retained by the Fair Political Practices Commission. ~~MBASIA shall retain the original of these statements.~~

**APPENDIX
TO
CONFLICT OF INTEREST CODE
OF
MONTEREY BAY AREA SELF INSURANCE AUTHORITY**

<u>Designated Employees</u>	<u>Disclosure Categories</u>
Members of the Board of Directors	All
Alternates of the Board of Directors	All
Treasurer*	All
Investment Manager**	All
Program Administrator/Broker**	1, 2, 3 and 5
Claims Administrator**	1, 2, 3 and 5
Consultants***	All

In accordance with Regulation 18720, those members who manage public investments will file Form in lieu of Form 730, Statement of Economic Interest.

* If the officers are also members of the Board of Directors, they need only file one statement covering both designated positions.

** If these Designated Employees are business firms, the Statement shall be filed by the individual in the firm who has primary responsibility for conducting the firm's business activities for the MBASIA.

*** "Consultants" shall include any natural person who provides, under contract, information, advice, recommendation or counsel to a state or local government agency, provided, however, the "consultant" shall not include a person who: (A) conducts research and arrives at conclusions with respect to his or her rendition of information, advice, recommendation or counsel independent of the control and direction of the agency or of any agency official, other than normal contract monitoring; and (B) Possesses no authority with respect to any agency decision beyond the rendition of information, advice, recommendation or counsel.

The President may determine in writing that a particular consultant, although a "Designated Employee," is hired to perform a range of duties that are limited in scope and thus is not required to fully comply with the disclosure requirements described in this section. Such written determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. Such a determination shall be retained with the agency. Nothing herein excuses any such consultants from any other provision of the Conflict of Interest Code. The President's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code.

Disclosure Categories

Persons designated to report in any of the following categories shall disclose relevant information concerning:

- (a) Investment and business positions in;
- (b) Sources of income from; or
- (c) His or her status as a director, officer, partner, trustee, employee or any position of management in any business entities hereafter described.

Category 1. Business entities which are of the type to supply to MBASIA materials, products, supplies, commodities or equipment utilized by MBASIA.

Category 2. Business entities which are of the type to supply to MBASIA services, including professional services, utilized by MBASIA.

Category 3. Business entities engaged in the business of insurance including, but not limited to, insurance companies, carriers, holding companies, underwriters, brokers, solicitors, agents adjusters, claims managers and actuaries.

Category 4. Financial institutions including, but not limited to, banks, savings and loans associations and credit unions which are located in, doing business in, plan to do business in, or have done business in the jurisdiction of MBASIA.

Category 5. Business entities or persons who have filed a claims, or have a claim pending, against MBASIA or any member of MBASIA.

Category 6. All interests in real property located within the jurisdiction of the Fund.

Category 7. Investments, business positions, and sources of income in entities in which MBASIA is empowered to invest its funds.

Item No. D.3.c
Board of Directors
June 11, 2012

LIABILITY PROGRAM COVERAGE – RDA’S, SUCCESSOR AGENCIES AND OVERSIGHT BOARDS

ISSUE: About one third of MBASIA Member Cities had operating Redevelopment Agencies. These RDAs were covered as a Named Insured by MBASIA and included for coverage with CARMA due to the wording that says,

*“The **Member**, including any and all councils, commissions, agencies, districts, authorities, boards, including the governing board or similar entities coming under such **Member’s** direction or control or for which such **Member’s** board members sit as the governing body. **Covered party** includes departments and constituent agencies of the **Member**, except an airport or hospital board or commission, regardless of how such body is denominated.”*

As long as a City’s RDA had no outside Board or staff they would not have to be added as a Named Covered Party. Most everyone is in agreement that these RDA “Successor Agencies”, and the *ongoing operations of the RDA* through this process, **should continue to be considered Named Covered Parties** when City Councils continue in a governance roll, and city paid staff continue to act in the administrative role, but even this needs confirmation by any excess layers above your level.

The Oversight Boards continue to be the unknown issue. The current legislation suggests that the individuals serving on these OBs have statutory immunity much like non-profits; but they can still be sued. Although each of individual representative’s parent agencies can cover the individuals, it still doesn’t cover the cost of defending the suit against the Board. The likelihood of liability is very low, but we don’t currently have an understanding regarding the potential severity. If there is any exposure here, it could be expensive; and although the legislation suggests that the OB’s direct the Successor Agencies, in reality, the “developers” are going to be suing the Successor Agency because that’s who they are directly related to, and likely, all of these suits are going to be Fiduciary or Breach of Contract in nature.

The issue of how to properly cover potential liability for the Oversight Boards seems to be the biggest dilemma; although the members of the OB are only partly made up by City appointees, their actions and directions **directly impact the operations** of the Successor Agency. The OBs might not even be named since they aren’t even really a public agency, but if named, they still need to have a consolidated defense, and not by four Agencies legal counsels’ representing the individual appointees. (A suit directly against the OB would also need legal involvement, and this would end up being paid for by the Successor Agency under current legislation. Therefore, if we are going to insure the Successor Agencies, we need address the **control of defense and litigation against the OB’s** as its’ related to the risks involving the Successor Agencies.

RECOMMENDATION: Due to the relationship that exists between the Successor Agency and its Oversight Board, along with the reality that the liability likely ends up to be the cost of the Successor Agency; we are recommending that the Board authorize the Executive Committee to approve the final endorsement wording, similar to the following, effective retroactive to February 1, 2012 **after CARMA's Board** reviews this issue at their upcoming Board meeting **so that we don't create conflicting wording** if they 1) select this approach but tailor the wording differently but achieve the same result, or 2) use this suggested wording and approach if CARMA chooses to handle the issue differently.

We have a difficult time suggesting the assumption of the miscellaneous types of exposure that can exist that the parent agency of the Appointees should still be responsible for; like Employment Practices Liability and Non-owned Auto Liability. Therefore, we drafted wording the following wording that covers the majority of the exposure related to this risk:

Endorsement. #____: Coverage regarding the dissolution of Members' Redevelopment Agency.

It is agreed that the "COVERED PARTY, COVERED PERSONS OR ENTITIES" section of the Memorandum is amended to include:

- A. The Successor Agency of a Member's former Redevelopment Agency.*
- B. The appointed members of the Oversight Board for a Member's Successor Agency, provided that:*
 - 1. This coverage shall not apply to any claims or liability arising out, or alleged to have arisen out of, the operation, loading, or unloading of an automobile, watercraft, or aircraft.*
 - 2. This coverage shall not apply to any claims or liability arising out of, or alleged to have arisen out of, harassment (sexual or otherwise), discrimination, violations of state, federal, or local laws governing employment and employment-related practices.*
 - 3. A governmental entity's appointee(s) to the Oversight Board are considered, for the purposes of this coverage, to be employees, volunteers, or otherwise serving on behalf of the appointing entity; and this coverage shall only apply in excess of, and not contribute with, any insurance, self-insurance, self-funding, or risk retention maintained by the appointing entity for the benefit of any and all employees, volunteers, and other persons serving on behalf of the appointing entity.*

Nothing in this Endorsement # x shall operate, or be construed to operate, in a manner that would in any way diminish coverage under this MOC for any employee of, or volunteer appointed by, the Member Agency to serve on such Oversight Board, that would otherwise exist under the terms and conditions of this MOC.¹

¹ This endorsement was drafted in part by Mike Simmons, and significant content added by Tom Vance. It still may benefit from additional vetting and legal review.

FISCAL IMPACT: There would be no increase in funding necessary to cover this risk, although a loss could occur that would need to be paid by the pool. It is unlikely that CARMA would charge an increase either, but again, losses may sometime impact funding.

BACKGROUND: Draft *WHITEPAPER* Document: *COVERAGE ISSUES: RDA Successor Agencies (and Oversight Boards)*

ISSUE: Effective February 1 2012 the 400 Redevelopment Agencies (RDAs) in the State are no longer directly under the control of their city/county that formed them. Ultimately, all assets will be sold and distributed back to the communities they were formed to support. With the exception of about ten that we have identified, most of these RDAs were directly linked to their partner city/county; i.e., the City Council sat as the Board, city employees performed services, and the city's insurance extended coverage to this risk.

Many pools did not specifically include the Redevelopment Agency (RDA) as an Named Covered Party; they relied on the MOC Cover Party/Named Insured wording that basically says, "This includes all entities named in the Declarations page, including any and all commissions, agencies, districts, authorities, boards (including the governing board) or similar entities coming under the entity's direction or control, or for which the entity's board members sit as the governing body." so as long as a City's RDA had no outside Board or staff they would not have to be added as a Named Covered Party. (All of that said, some pools to control this exposure by adding them nonetheless, or cities have asked for affirmative confirmation of coverage and been added).

Most everyone is in agreement that these RDA "Successor Agencies", and the *ongoing operations of the RDA* through this process, could continue to be considered Named Covered Parties when City Councils continue in a governance roll, and city paid staff continue to act in the administrative role, but even this needs confirmation by any excess layers above your level. They will likely want you to document how the Successor Agency is governed.

The Oversight Boards continue to be the unknown issue. The current legislation suggests that the individuals serving on these OBs have statutory immunity much like non-profits; but they can still be sued. Although each of individual representative's parent agencies can cover the individuals, it still doesn't cover the cost of defending the suit against the Board. The likelihood of liability is very low, but we don't currently have an understanding regarding the potential severity. Since the liability issues are not anticipated to be sorted out soon. Section 34179(d) states:

"Oversight board members shall have personal immunity from suit for their actions taken within the scope of their responsibilities as oversight board members." There is legal basis for posing the question whether such costs are the responsibility of the Successor Agency - as HSC 34179(c) states that the "...successor agency shall pay for all of the costs of meetings of the oversight board and may include such costs in its administrative budget".

If there is any exposure here, it could be expensive; and although the legislation suggests that the OB's direct the Successor Agencies, in reality, the "developers" are going to be suing the Successor Agency because that's who they are directly related to, and likely, all of these suits are going to be Fiduciary or Breach of Contract in nature.

It's important to keep in mind that it's likely this exposure requiring the need for coverage that may include both the Successor Agency and their Oversight Boards, if applicable, would be retroactive to February 1, 2012. Since most cities have coverage renewing effective July 1st all Options below include the need to discuss your proposed solution(s) with your excess pool, carrier or most importantly, reinsurer. We highly recommend to document why you wish to proceed in granting coverage in the appropriate manner so that they agree to attach directly in excess of your approach.

The issue of how to properly cover potential liability for the Oversight Boards seems to be the biggest dilemma; although the members of the OB are only partly made up by City appointees, their actions and directions **directly impact the operations** of the Successor Agency. The OBs might not even be named since they aren't even really a public agency, but if named, they still need to have a consolidated defense, and not by six Agencies legal counsels' representing the individual appointees. (A suit directly against the OB would also need legal involvement, and this would end up being paid for by the Successor Agency under current legislation. Therefore, if you are going to insure the Successor Agencies, you want to address the **control of defense and litigation against the OB's** as its' related to the risks involving the Successor Agencies. (These OBs are going to be in existence for about three years).

OPTIONS: There seem to be three unique approaches being discussed:

1 - Traditional Approach: *Municipal Insurance 101* has always told us that the Insured's policy extends to additional operations where City Council sits as the exclusion Board (and/or may extend to include their Appointees). As discussed in the first paragraph of **ISSUES**, Pools and carriers differ on how to document this coverage; with some it's considered automatic, and with others the RDA Successor Agency may need to be endorsed on as a Covered Party.

The Oversight Board that directs actions of the Successor Agency would **not be covered** under the terms of the MOC since the OB make-up includes non-appointees of the City Council. It's important to at least inform those involved that:

1. Their elected officials that sit on the Oversight Boards are only covered by the City's policy if they are named in a suit and need a defense funded; that 34179(d) grants them personal immunity.
2. The Oversight Board can purchase a separate policy; from something like SLIP (for about \$1,500 for a \$1,000,000 limit) but because they are immune from liability it may pay little more than defense; and we don't necessarily recommend this as a solution since that's about \$4,500 for three years, and right now no one is even sure who's got the money to bind coverage.
4. If purchased now, this coverage may not be available in the future due to market conditions, or for a reasonable price, so if the individuals in the Oversight Board are concerned, they may want to discuss some sort of "joint defense" clause that all appointing agencies sign amongst themselves.

2 – Full Coverage: Many believe that most of the liability exposure arising out of Successor Agencies and their Oversight Boards will be from breach of contract, which is excluded under municipal liability MOCs. There is very likely premises liability exposure, but it is no greater than what already existed with the insured RDAs. And since there is an obligation to sell the

properties right away, it's likely everyone will be maintaining the properties so they can achieve the highest possible sale price down the road.

Based on the members' need for confirmation that they have coverage for claims arising out of their new responsibility, and subject to the exclusions currently provided in coverage, one option is to grant Full Coverage and include the Oversight Board as a Covered Party.

Approximately one-quarter of the RDAs were insured through CSAC EIA. They have recently taken this approach. They don't believe it makes sense for each member to secure separate policies and expend the funds to insure each one of these agencies. Unless the Successor Agencies and their Oversight Boards are new, separate legal entities, then CSAC EIA members with this **new responsibility** have coverage under their MOC. They are adding the following language retroactive to February 1st (after receiving confirmation from their excess carrier(s)).

"It is agreed that the "COVERED PARTY, COVERED PERSONS OR ENTITIES" section of the Memorandum is amended to include a former redevelopment agency's Successor Agency and its Oversight Board, if applicable."

3 – Limited Coverage: In large part, due to the relationship that exists between the Successor Agency and its Oversight Board, along with the reality that the liability likely ends up to be the cost of the Successor Agency; Alliant will be recommending this third approach to the **pools that it manages**; ACCEL, MBASIA, NCCSIF & SCORE (subject to review and confirmation with excess pools and carriers that support their programs).

Each Successor Agency has an Oversight Board that supervises it, **but it does not govern it**. Oversight Board members will make major decisions' and will have considerable authority over the former RDA's financial affairs. The seven-member board is designed so that no local agency has dominant control, but the OBs will be working directly with the Successor Agencies toward common goals, and more importantly, both will be named in the same litigation for the same causes of action; difficult to separate from one another. Although we have determined that the likelihood of liability is very low, we don't yet know about the potential severity. We think that the common risks associated are too intertwined to separate, and need common coverage.

That said, we have a difficult time assuming the miscellaneous types of exposure that can exist that the parent agency of the Appointees should still be responsible for; like Employment Practices Liability and Non-owned Auto Liability. Therefore, we drafted sample wording to discuss with these pool:

Endt. # x: Coverage regarding the dissolution of Members' Redevelopment Agency.

It is agreed that the "COVERED PARTY, COVERED PERSONS OR ENTITIES" section of the Memorandum is amended to include:

C. The Successor Agency of a Member's former Redevelopment Agency.

D. The appointed members of the Oversight Board for a Member's Successor Agency, provided that:

- 1. This coverage shall not apply to any claims or liability arising out, or alleged to have arisen out of, the operation, loading, or unloading of an automobile, watercraft, or aircraft.*

2. *This coverage shall not apply to any claims or liability arising out of, or alleged to have arisen out of, harassment (sexual or otherwise), discrimination, violations of state, federal, or local laws governing employment and employment-related practices.*
3. *A governmental entity's appointee(s) to the Oversight Board are considered, for the purposes of this coverage, to be employees, volunteers, or otherwise serving on behalf of the appointing entity; and this coverage shall only apply in excess of, and not contribute with, any insurance, self-insurance, self-funding, or risk retention maintained by the appointing entity for the benefit of any and all employees, volunteers, and other persons serving on behalf of the appointing entity.*

Nothing in this Endorsement # x shall operate, or be construed to operate, in a manner that would in any way diminish coverage under this MOC for any employee of, or volunteer appointed by, the Member Agency to serve on such Oversight Board, that would otherwise exist under the terms and conditions of this MOC.²

BACKGROUND: On December 29, 2011, the California Supreme Court delivered its decision in the *California Redevelopment Association v. Matosantos* case. The effect was the dissolution of all Redevelopment Agencies (RDA), as of February 1, 2012. Essentially, the RDA's are to be wound down similar to a company going out of business. There are approximately 400 former RDAs.

As of that date, the entity that formed the RDA became the successor agency, for purposes of winding down the operations of the RDA, unless the entity took action to opt out. The only entities to opt out were the cities of Bishop, Los Angeles, Los Banos, Merced, Pismo Beach, Riverbank, and Santa Paula.

The one common conclusion from people dealing with this issue is that the legislation that led to this change is not clear on several points, particularly if the successor agencies and oversight boards are separate legal entities or if they have just become a new responsibility of the entity that originally formed them.

Clean up legislation has been introduced but we understand from our lobbyist that it is unlikely to pass through the legislature this year due to budget implications. Some of the clean up language would have provided more clarity around the liability issues. In fact, one of the provisions was to clarify that the successor agencies and its oversight board are a separate legal entity from its founding entity (the city or county).

If approval is granted to issue the universal endorsement, it is important that it be done retroactively to February 1, 2012 when the transitions officially took place. Using any other date will only create additional confusion and ambiguity.³

² This endorsement was drafted in part by Mike Simmons, and significant content added by Tom Vance. It still needs additional vetting and legal review.

³ The prior paragraphs in this section were also part of the CSAC EIA staff report.

Commonly Asked Questions Regarding the Winding Down of RDAs⁴

Are successor agencies a separate entity? It depends on who you ask. Some attorneys believe that the successor agency is the entity that originally formed the RDA. For example, if a city established the RDA, it has become the successor for purposes of winding down the operations. Their conclusion is there is no separate entity formed by the transition. On the contrary, some attorneys believe that because the legislation speaks to collective bargaining agreements and other compensation matters, the successor agencies and the oversight boards are separate legal entities. In a communication from the FPPC, their conclusion was that they are separate entities. In our conversations, the conclusions on this topic are about split 50/50.

Who governs the winding down of the operations? The successor agency and an oversight board are responsible for satisfying enforceable obligations of each former RDA, and to administer the dissolution and wind down of each dissolved RDA. The actions of the successor agency will be monitored, and in some cases, approved by the oversight board.

Who serves on the oversight board? The oversight board is made up of 7 members appointed by/representing the following:

- County Board of Supervisors (2 Members)
- Mayor (1 Member)
- County Superintendent of Education (1 Member)
- Chancellor of California Community Colleges (1 Member)
- Largest special district taxing entity (1 Member)
- Former RDA employee appointed by Mayor/Board of Supervisors (1 Member)

Any appointments not made by May 15, 2012 will be referred to the Governor to make the appointments. Meetings of the oversight board are subject to the Brown Act. All actions of the oversight board do not go into effect until 3 business days after the action is taken. During that time, the State Department of Finance may request a review of a given oversight board action. If a review is requested, the Department of Finance has 10 days to approve the oversight board action or return it to the oversight board for reconsideration.

What does the oversight board do? The oversight board is generally intended to supervise the activities of the successor agency. By 2016, all the oversight boards within a county jurisdiction will converge into 1 county-wide oversight board.

Who is responsible for actions of Oversight Board? A question has been raised as to which entity is responsible for actions of the oversight board, not specifically related to their oversight duties. For example, if an oversight board member made a defaming statement during an official meeting and a lawsuit was filed, who would it be filed against? In most cases, the attorneys we have talked to indicated the responsibility would rest with the entity that appointed the individual to the oversight board. However, there are situations where a good argument could be made that oversight board is liable.

⁴ This is part of a document from a recent CSAC EIA agenda packet provided by Gina Dean.

**Item No. D.3.d
Board of Directors
June 11, 2012**

CARMA INSURANCE RENEWAL

ISSUE: CARMA provides excess liability coverage for MBASIA at a \$1,000,000 attachment point. CARMA's draft renewal budget is attached, and indicates an increase from \$244,058 to \$253,067, which is an increase of \$9,009 or 3.69%.

This increase is a result of three major factors that drive member premium changes in this preliminary budget:

- Payroll (MBASIA's increased by 8.9%)
- Ex Mod (MBASIA's decreased by approximately 4%)
- Allocation of reinsurance based on change in ex mod methodology (this is the second year of a three year tiered change)

RECOMMENDATION: It is recommended that the Board review the report on the anticipated renewal terms, and give direction to the Program Administrators with respects to renewal strategy.

FINANCIAL IMPACT: The July 1, 2012 renewal premium is estimated to be \$253,067, which is an increase of \$9,009 or 3.69%.

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

ATTACHMENT: CARMA Draft Budget

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

~ 2012/2013 Operating Budget ~ Preliminary Approval April 17, 2012 ~

Funding For Pooled Losses at the 75% Confidence Level ~ Discount Factor 2.5%

~ Excess Purchase \$15 million ex of \$14 million - Colony ~ 2011/12 Rates inflated by 5%

~ Reinsurance Purchase \$10 million ex of \$4 million - Am Trust Financial ~ 2011/12 Rates inflated by 2.5%

	2011 PAYROLL	FUNDING FOR POOLED LOSSES	EXPERIENCE MOD FACTOR	LOST ADJUSTED FOR EX MOD	OFF-BALANCE FACTOR	ADJUSTED POOLED LOSSES
MEMBER AGENCY	NOTE 1	NOTE 2	NOTE 3	NOTE 4	NOTE 5	NOTE 6
BCJPIA	\$379,792,376	\$1,561,706	1.131	\$1,766,390	0.9866	\$1,742,726
CSJVRMA	357,297,500	1,469,207	0.775	1,138,187	0.9866	1,122,938
MBASIA	45,516,827	187,165	0.825	154,475	0.9866	152,406
MPA	248,950,133	1,023,683	1.250	1,279,604	0.9866	1,262,461
PARSAC						
VCJPA	46,286,921	190,332	0.807	153,621	0.9866	151,563
TOTALS	\$1,077,843,757	\$4,432,094	0.958	\$4,492,276		\$4,432,094

(average)

LAYER "B" RATE	\$3 X \$1 Rate for Discounted Losses and ALAE (75% Confidence Level)	0.411
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LAYER "C" RATE	Reinsurance Rate + Broker's Fee	\$0.10817
(\$5-14 MIL)	Broker's Fee (included in reinsurance rate)	\$68,000

LAYER "D" RATE	Excess (\$15-\$29 Mil) Insurance Rate	\$0.04792
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LAYER "A" \$0 - \$1 MIL - NOT ACTIVATED

LAYER "B" \$3 MIL EX \$1 MIL

LAYER "C" \$10 MIL EX \$4 MIL

LAYER "D" \$15 MIL EX \$14 MIL

NOTES:

- 2011 Payroll
- Payroll/100 * Rate Discounted at 2.50%
- Minimum of .75 AND Maximum of 1.25 (Page 2).
- (2)*(3)
- Total (2) / Total (4)
- (4) * (5).
- (Payroll/100) * Reinsurance Rate (1/3 applied to ex mod)
- (Payroll/100) * Excess Insurance Rate
- From Page 4
- Sum of (6) Through (9)

	ADJUSTED POOLED LOSSES	REINSURANCE: \$10 Mil X \$4 Mil			EXCESS \$15Mil x \$14Mil	ADMIN PREMIUM	2012-2013 CARMA PREMIUM	RATE PER \$100 PAYROLL
		1/3 Premium Applied to ExMod	2/3 Premium Not Applied to ExMod	Reinsurance Premium				
MEMBER AGENCY	NOTE 6	NOTE 7			NOTE 8	NOTE 9	NOTE 10	
BCJPIA	\$1,742,726	\$152,818	\$273,890	\$426,708	\$182,004	\$114,099	\$2,465,537	\$0.649
CSJVRMA	1,122,938	\$98,470	\$257,667	356,137	171,224	83,949	1,734,249	\$0.485
MBASIA	152,406	\$13,364	\$32,825	46,189	21,813	61,280	281,688	\$0.619
MPA	1,262,461	\$110,704	\$179,532	290,236	119,302	129,532	1,801,531	\$0.724
PARSAC						7,262	7,262	
VCJPA	151,563	\$13,290	\$33,380	46,670		54,027	252,260	\$0.545
TOTALS	\$4,432,094	\$388,647	\$777,293	\$1,165,940	\$494,343	\$450,150	\$6,542,526	\$0.607

COMPARISON TO PRIOR YEAR		
2011-2012 CARMA PREMIUM	INCREASE (DECREASE)	Percentage INCREASE (DECREASE)
\$2,268,556	\$196,981	8.68%
1,554,561	\$179,688	11.56%
244,058	\$37,630	15.42%
1,611,818	\$189,713	11.77%
14,523	(\$7,261)	-50.00%
238,467	\$13,793	5.78%
\$5,931,983	\$610,543	10.29%

Revisions from prior year:

- ~ Percentage Change comparisons for ex mods, losses, and payroll to prior year featured on "Xmod" tab
- ~ Revised reinsurance allocation: One third of the reinsurance premium continues to be applied to the JPA ex mod, while two thirds of the premium is not.
- ~ VCJPA no longer participating in excess
- ~ Withdrawal of the CCF's and Hanford in CSJVRMA
- ~ Withdrawal of SFRA in BCJPIA

**Item No. D.3.e
Board of Directors
June 11, 2012**

ERMA INSURANCE RENEWAL

ISSUE: ERMA provides excess employment practices liability coverage and training for MBASIA. The coverage attaches at \$500,000. ERMA's draft renewal budget is attached, and indicates an increase from \$84,187 to \$86,238, which is an increase of \$2,051 or 2.4%.

RECOMMENDATION: It is recommended that the Board review the report on the anticipated renewal terms, and give direction to the Program Administrators with respects to renewal strategy.

FINANCIAL IMPACT: The draft renewal premium is estimated to be \$86,238, which is an increase of \$2,051 or 2.4%.

BACKGROUND: MBASIA has been a member of ERMA since 2011. ERMA provides excess employment practices liability coverage for the Authority, attaching at \$500,000 and providing excess pooled and insurance limits. Additionally, ERMA has a very strong training program that is offered to MBASIA. MBASIA has one seat on the Board of Directors; currently Rene Mendez is MBASIA's representative, and Daniel Dawson as the Alternate.

ATTACHMENT: ERMA Draft Budget

Employment Risk Management Authority

~ 2012/2013 Operating Budget ~ Preliminary Approval 4.23.2012 ~

~ 80 % Confidence Level ~ 2.0% Discount Factor ~

~ Excess Insurance \$1 million x \$1 million ~ \$2 million / \$10 million Aggregate ~

	Prior Year - 2011/2012		2012/2013	Increase/(Dec)	
	Projected Actual	Final Budget	Proposed Budget	Over Prior Year Budget	Percentage Change
<u>Claims Expense:</u>					
Funding for Pooled Losses (SIR to \$1M)	\$5,957,225	\$5,957,225	\$5,113,289	(\$843,935)	-14.17%
Excess Insurance	190,084	190,084	209,485	19,401	10.21%
Total Claims Costs	\$6,147,309	\$6,147,309	\$5,322,775	(\$824,534)	-13.41%
<u>Loss Prevention and Training:</u>					
Employee Reporting Mechanism	7,500	7,500	7,500	0	0.00%
Web-based Training: AB1825 & AB1234	18,000	18,000	18,000	0	0.00%
Training Bulletins	6,000	6,000	6,000	0	0.00%
Additional Web-based Training	12,000	12,000	12,000	0	0.00%
Hotline Services - Jackson Lewis & LCW	5,000	5,000	5,000	0	0.00%
Misc. Training Expenses	3,000	3,000	3,000	0	0.00%
Customized Training Sessions (Attorney firms) - (6 x \$1,800)	10,800	10,800	10,800	0	0.00%
MAXIMizing the Workplace Workshops (11 x \$1,800)	19,800	19,800	19,800	0	0.00%
Total Loss Prevention and Training	\$82,100	\$82,100	\$82,100	\$0	0.00%
<u>Administration:</u>					
Program Management	\$504,637	\$504,637	\$508,240	\$3,602	0.71%
Includes:					
• MAXIMizing the Workplace Workshops					
(Inhouse as per BRS contract - 20 x \$1,800 = \$36,000)					
Risk Assessments	15,000	30,000	30,000	0	0.00%
Legal Services	26,500	25,000	25,000	0	0.00%
Actuarial Study	9,840	9,840	9,840	0	0.00%
Financial Audit	8,000	8,000	8,250	250	3.13%
Claims Audit	0	0	5,900	5,900	
Board Meetings & Retreat	20,000	25,000	25,000	0	0.00%
Memberships and Conferences	1,000	1,500	1,500	0	0.00%
Marketing Costs	0	5,000	0	(5,000)	-100.00%
Accreditation	1,415	1,500	1,500	0	0.00%
Fidelity Bonds	990	1,000	1,000	0	0.00%
E & O Coverage	2,190	2,500	2,500	0	0.00%
Brokerage Fees	5,456	25,000	0	(25,000)	-100.00%
Claims System	3,560	4,000	4,000	0	0.00%
Investment Management Services	25,000	20,000	25,000	5,000	25.00%
Website	600	600	600	0	0.00%
Other Expenses	500	3,000	13,000	10,000	333.33%
Total Administration	\$624,688	666,577	\$661,330	(\$5,248)	-0.79%
Total Deposit Premium Needed	\$6,854,097	\$6,895,986	\$6,066,204	(\$829,782)	-12.03%

2012/2013 revisions in Proposed Budget from the prior year include:

- ~ Withdrawal of the City of Los Banos in CSJVRMA
- ~ Withdrawal of the CCF's in CSJVRMA
- ~ Withdrawal of SFRA in BCJPIA
- ~ Change of SIR from \$100,000 to \$250,000 for Rancho Cucamonga in PARSAC
- ~ Brokerage fees included in excess premium

Employment Risk Management Authority

~ 2012/2013 Operating Budget ~ Preliminary Approval 4.23.2012 ~

Member Summary

~ 80 % Confidence Level ~ 2.0% Discount Factor ~
~ Excess Insurance \$1 million x \$1 million ~ \$2 million / \$10 million Aggregate ~

Member Entities	Actual 2011 Payroll	Funding For Losses	Loss Prevention & Training	Admin. Costs	Deposit Premium	Experience Modification Factor	Deposit Premium Adjusted for Ex Mod	Off-Balance Factor	Deposit Premium			Prior Year Comparison		
									Deposit Premium Adjusted for Off-Bal Factor	Excess Insurance \$1M x \$1M	TOTAL Deposit Premium	Prior Yr. Deposit Premium	Percentage Change	Percentage Change Net of Payroll
BCJPIA	\$191,825,166	\$831,037	\$14,296	\$115,158	\$960,491	0.750	\$720,369	1.050	\$756,644		\$756,644	\$911,688	-17.0%	-7.2%
CSJVRMA	161,481,413	908,989	12,035	96,942	1,017,965	1.250	1,272,456	1.050	1,336,533	61,839	1,398,372	1,671,121	-16.3%	-4.3%
MBASIA	45,516,827	37,852	3,392	27,325	68,570	1.000	68,570	1.050	72,023	17,431	89,453	84,187	6.3%	6.3%
MPA	265,498,192	1,297,501	19,787	159,386	1,476,674	0.750	1,107,505	1.050	1,163,276	101,673	1,264,948	1,389,727	-9.0%	-5.7%
PARSAC	206,202,607	896,382	15,368	123,789	1,035,539	0.966	1,000,329	1.050	1,050,702		1,050,702	1,087,755	-3.4%	1.0%
PERMA	144,263,857	741,021	10,752	86,606	838,378	1.105	926,326	1.050	972,973		972,973	1,209,349	-19.5%	-16.7%
SCORE	12,293,155	58,562	916	7,380	66,858	0.969	64,809	1.050	68,073		68,073	98,102	-30.6%	-11.3%
VCJPA	45,796,016	182,449	3,413	27,493	213,355	1.059	225,910	1.050	237,286	17,538	254,824	262,735	-3.0%	-4.2%
Oakland H.A.	23,545,759	130,679	1,755	14,135	146,569	1.042	152,658	1.050	160,345	9,017	169,362	138,134	22.6%	6.8%
Contra Costa H.A.	5,192,250	28,817	387	3,117	32,321	1.145	37,002	1.050	38,865	1,988	40,854	43,188	-5.4%	-0.2%
Total	\$1,101,615,243	\$5,113,289	\$82,100	\$661,330	\$5,856,719		\$5,575,933		\$5,856,719	\$209,485	\$6,066,204	\$6,895,986	-12.0%	-6.8%

2010 Actual Payroll \$1,162,938,365
Percent Change -5.3%

Table of Rates	
Budget Item	Rates
Funding for Losses - 2.0% Discounted 80% Confidence Level	\$0.5550
Excess Insurance: \$1M x \$1M ~ \$2M / \$10M Aggregate	\$0.0383
Safety & Training	\$0.0075
Administration	\$0.0600

Item No. D.3.f
Board of Directors
June 11, 2012

CSAC-EIA INSURANCE RENEWAL

ISSUE: CSAC-EIA provides excess workers compensation coverage for MBASIA, attaching at \$250,000. CSAC-EIA's draft renewal budget is attached, this is the third round draft and includes their estimates for excess insurance premiums and incorporates their actuarial study findings. MBASIA's renewal premium indicates an increase from \$377,649 to \$505,000, which is an increase of \$127,351 or 33%.

This increase has to do with several factors:

1. The California Workers Compensation market is hardening, even cities with no losses would expect to see a 15% increase due to market conditions (losses, investment income, actuarial assumptions)
2. MBASIA's losses continue to deteriorate. Our X-mod is 111% and 155% in the two layers they evaluate. (Anything more than 100% is considered 'bad').

RECOMMENDATION: It is recommended that the Board review the report on the anticipated renewal terms, and give direction to the Program Administrators with respects to renewal strategy. We still believe that the \$250,000 attachment to excess has saved MBASIA money overall and should be continued as long as offered.

FINANCIAL IMPACT: MBASIA's renewal premium is estimated to be \$505,000, which is an increase of \$127,351 or 33%. The Authority will receive a \$4,608 credit for the payroll audit, which will offset some of this cost.

BACKGROUND: MBASIA has been a member of CSAC-EIA since 2010. CSAC-EIA provides excess Workers compensation coverage at a \$250,000 attachment. Prior to July 1, 2010, MBASIA was insured at a \$500,000 attachment with LAWCX.

Just after leaving LAWCX, effective 7/1/10, we put them on notice of three losses that currently total \$508,000 in the layer between \$250K and \$500K that we MBASIA will be responsible to pay.

We now have three other claims post 7/1/10 noticed to CSAC EIA with Total Incurred amounts of \$526,000 in the layer between \$250K and \$500K that we CSAC EIA will be responsible to pay on our behalf, and it's possible that additional claims development on prior years could increase these costs. We have reporting claims excess of our retention totaling \$1,069,088 in the first two years of our membership; what could be called 'astute insurance purchasing'.

ATTACHMENT: CSAC-EIA Workers Compensation Budget

CSAC Excess Insurance Authority

2012/13 Premium Estimates

Version 3 - March 2012

Monterey Bay Area Self Insurance Authority (MBASIA)

Premium estimates are prepared to aid members in budgeting for the next fiscal year. The estimates are based on early indicators and the current status of the insurance market. The costs needed to fund the Programs are, in most cases, allocated to members based on their own exposure and losses. CSAC EIA has recently collected exposure and loss information for many of the Programs. While we are providing estimates for all programs, we have updated figures for the PWC, EWC, GLI, Property and Crime Programs at this time.

The estimates are shown in a range with the high end of the range contemplating more conservative estimates and assumptions. We will continue to refine the premium estimates throughout the year as new or better information becomes available. The next expected update is in March, when we hope to have updated pool and reinsurance estimates.

Excess Workers' Compensation Program

Premium

10/11 Premium:	\$324,546	\$125k-\$300k layer ex-mod:	111.03%
11/12 Premium:	\$377,649	\$300k-\$1M layer ex-mod:	155.20%
12/13 Estimated Premium:	\$505,000 to \$506,000	10/11 Estimated Payroll Audit:	(\$4,608)

The EWC premium projections have been updated to reflect your entity's payroll from the 2012/13 renewal application, as well as updated losses from the June 30, 2011 data collection. For those members with SIRs less than \$1M, the ex-mod factors have been updated and are provided above. The premium projections reflect the pool rates and excess terms at are being considered by the Board at their meeting, but some of the excess layers are not yet finalized. Also shown above are the results of the 2010/11 payroll audit. You will be given options on how to apply the audit, one of which is as a premium adjustment. If you plan to apply it to the 2012/13 premium, please add or subtract it from the premium shown to determine your collectible premium.

Item No. D.3.g
Board of Directors
June 11, 2012

PEPIP INSURANCE RENEWAL

ISSUE: MBASIA has a group purchase property program through which most Members purchase their property insurance. The program will renew on July 1, 2012, and we expect to have quotes by the time of the meeting, but not by the time of the agenda mail date.

RECOMMENDATION: This is an information item, Members are asked to work directly with Alliant Insurance Services on their renewal options.

FINANCIAL IMPACT: The 2012 premium is \$115,124. This amount is subject to change based on each member's coverage decisions on certain options. The expiring premium was \$93,073, which is a 23.6% increase. This increase is due to market conditions and claims experience.

BACKGROUND: We are pleased to provide you with the FY 12/13 Public Entity Property Insurance Program (PEPIP) attached renewal material.

The property market has been firming in 2012 due to the significant worldwide catastrophic activity in 2011 including: the Tōhoku Earthquake in Japan; spring Tornadoes in the U.S. including those in early 2012; Thailand flooding; the New Zealand Earthquake; and Hurricane Irene. These events and the associated drain on insurer capital have resulted in market responses ranging from moderate to strong rate increases.

Understanding the difficult economic environment our Public Entity clients are operating in, we have aggressively marketed the program to provide members with the best terms and rates possible. We believe that PEPIP terms, conditions and pricing for the 2012 renewal season remain the best available for the large majority of Public Entity members.

ATTACHMENT: MBASIA Property Proposal



Alliant Property Insurance Programs (APIP)

PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)

JULY 1, 2012-JULY 1, 2013 PROPOSAL

MONTEREY BAY AREA SELF INSURANCE AUTHORITY

JUNE 5, 2012



Including: Schools Insurance Property Program & Public Utility Business



July 1, 2012 – July 1, 2013
Monterey Bay Area Self Insurance Authority
EXECUTIVE SUMMARY

We are pleased to provide you with the 2012–2013 Public Entity Property Insurance Program (PEPIP) attached renewal material.

The property market has been firming in 2012 due to the significant worldwide catastrophic activity in 2011 including: the Tōhoku Earthquake in Japan; spring Tornadoes in the U.S. including those in early 2012; Thailand flooding; the New Zealand Earthquake; and Hurricane Irene. These events and the associated drain on insurer capital have resulted in market responses ranging from moderate to strong rate increases. Understanding the difficult economic environment our Public Entity clients are operating in, we have aggressively marketed the program to provide members with the best terms and rates possible. We believe that PEPIP terms, conditions and pricing for the 2012 renewal season remain the best available for the large majority of Public Entity members.

Lexington (Best Rated A XV) will continue to provide the primary layer of property insurance coverage with a \$25,000,000 Limit. Excess limits will be placed with London, Bermudian, European and U.S Domestic markets (Best Rated minimum of A- VII) up to a limit of \$1,000,000,000. Members should note several key highlights for this year's renewal:

- Maintain current sublimits with some minor form changes (see Page 2 for details)
- Optional coverage for "Upgrade to Green" building coverage maintained
- Boiler & Machinery for participating members of the PEPIP Boiler Program maintained. Jurisdictional inspections will be performed either by the incumbent CNA or Hartford Steam Boiler (HSB)
- Cyber (Privacy Liability) Coverage for both 1st and 3rd parties from the Beazley Syndicate at Lloyd's (for those members eligible)

Alliant Business Services (ABS) will continue to play a significant role not only in providing various types of loss control services, but also in providing appraisal services. For the 2012-2013 policy year property valuations will continue to be a key focus. As a reminder, it is our intent to have all buildings with a scheduled value of \$5,000,000 or more appraised every five years to seven years. This service is included in your total annual cost. You may also choose to have lower valued buildings appraised. The cost to have all or specific buildings appraised between \$25,000 and \$5,000,000 will be quoted at the time the request is made.

Year-over-Year Rate and Premium Comparison

<u>Monterey Bay Area Self Insurance Authority</u>	<u>11-12</u> (at 02/01/2012)	<u>12-13</u>	<u>Variance</u>
Total Insurable Values:	\$ 122,571,446	\$ 128,666,146	4.97%
Account Rate (per hundred dollars):	0.0759337	0.0894750	17.83%
Earthquake TIV:	\$ 0	\$ 0	N/A
Earthquake Limit:	Not Covered	Not Covered	N/A
*Total Annual Cost:	\$ 93,073	\$ 115,124	23.69%

* Total Annual Cost includes Premiums, Surplus Lines Taxes & Fees, Appraisal and Loss Prevention Inspection Fees

Major Coverage Changes effective 7/01/12

<u>Item</u>	<u>11-12 Coverage or Sublimit Per Occurrence</u>	<u>12-13 Coverage or Sublimit Per Occurrence</u>	<u>Status</u>
Increased Cost of Construction	...The Maximum amount of additional insurance by this policy which results from the above referenced 12 month period is not-to-exceed 20% of the amount of the physical damage loss or \$25,000,000 whichever is greater from which this additional loss results.	...The Maximum amount of additional insurance by this policy which results from the above referenced <u>6</u> month period is not-to-exceed 20% of the amount of the physical damage loss or \$25,000,000 whichever is greater from which this additional loss results.	Final
Flood	Definition of Flood does not include ensuing loss or damage not otherwise excluded	Definition of Flood does not include ensuing loss or damage <u>by fire, explosion, or sprinkler leakage</u>	Final
Earthquake	Definition of Earthquake does not include ensuing loss or damage not otherwise excluded	Definition of Earthquake does not include ensuing loss or damage <u>by fire, explosion, or sprinkler leakage</u>	Final
Subrogation	Under certain circumstance, a waiver of subrogation can be made after the loss	Waiver of subrogation must be made before loss occurs	Final
Jurisdictional Boiler Inspections	CNA provides jurisdictional inspections on objects for members that purchase B&M coverage in PEPiP	CNA or HSB will jurisdictional inspections on objects for members that purchase B&M coverage in PEPiP	Final decision on CNA or HSB pending

Thank you for your continued support of PEPiP. We look forward to working with you this next year. Please let us know if you have any questions about your Renewal Proposal.

Alliant Insurance Services
May 2012

TYPE OF INSURANCE: ☒ Insurance ☐ Reinsurance

NAMED INSURED: Monterey Bay Area Self Insurance Authority

DECLARATION: 1-Cities 1

POLICY PERIOD: July 1, 2012 to July 1, 2013

COMPANIES: See Attached List of Companies

**TOTAL INSURED
VALUES:** \$ 128,666,146 as of June 05, 2012

ALL RISK

COVERAGES &

LIMITS:

\$	1,000,000,000	Per Occurrence: All Perils, Coverages (subject to policy exclusions) and Insureds/Members combined, subject to the following per occurrence and/or aggregate sub-limits as noted.
	Not Covered	Flood Limit - Per Occurrence and in the Annual Aggregate (for those Members(s)/Entity(ies) that purchase this optional dedicated coverage)
	Not Covered	Per Occurrence and in the Annual Aggregate for all locations in Flood Zones A , V, and all other 100 year exposures. This Sublimit does not increase the specific flood limit of liability for those Members(s)/Entity(ies) that purchase this optional dedicated coverage.
	Not Covered	Earthquake Shock - Per Occurrence and in the Annual Aggregate (for those Members(s)/Entity(ies) that purchase this optional dedicated coverage)
\$	100,000,000	Combined Business Interruption, Rental Income and Tax Interruption and Tuition Income (and related fees) - except \$500,000 per Member/Entity subject to maximum of \$2,500,000 Per Occurrence limit if specific values for such coverage have not been reported as part of the Member(s)/Entity(ies) schedule of values held on file with Alliant Insurance Services, Inc. Coverage for power generating plants is excluded, unless otherwise specified.
\$	50,000,000	Extra Expense
\$	25,000,000	Miscellaneous Unnamed Locations for existing Members Excluding Earthquake coverage for Alaska and California Members. If Flood coverage is purchased for all scheduled locations, this extension will extend to include Flood coverage for any location not situated in Flood Zones A or V.

180 Days Extended Period of Indemnity

See Policy Provisions	\$25,000,000 Automatic Acquisition up to \$100,000,000 or a member's Policy Limit of Liability if less than \$100,000,000 for 90 days excluding licensed vehicles for which a sublimit of \$10,000,000 applies per policy Automatic Acquisition and Reporting Condition. Additionally a sublimit of \$2,500,000 applies for Tier 1 Wind Counties, Parishes and Independent Cities for 60 days for the states of Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Louisiana, Texas and/or situated anywhere within the states of Florida and Hawaii. The peril of EQ is excluded for the states of Alaska and California. If Flood coverage is purchased for all scheduled locations, this extension will extend to include Flood coverage for any location not situated in Flood Zones A or V.
\$ 1,000,000	Unscheduled Landscaping, tees, sand traps, greens and athletic fields and further subject to \$25,000 / 25 gallon maximum per item
\$ 5,000,000	Scheduled Landscaping, tees, sand traps, greens and athletic fields and further subject to \$25,000 / 25 gallon maximum per item. Higher limits available for members with scheduled values greater than \$5,000,000 for an additional premium with underwriting approval
\$ 50,000,000	Errors & Omissions - This extension does not increase any more specific limit stated elsewhere in this policy or Declarations.
\$ 25,000,000	Course of Construction and Additions (including new) for projects with completed values not exceeding the sublimit shown. Projects valued between \$25,000,001 and \$50,000,000 can be added for an additional premium with underwriting approval
\$ 2,500,000	Money & Securities for named perils only as referenced within the policy
\$ 2,500,000	Unscheduled Fine Arts
\$ 250,000	Accidental Contamination per occurrence and annual aggregate per member with \$500,000 annual aggregate for all insureds / members per declaration
\$ 500,000	Unscheduled Tunnels, Bridges, Dams, Catwalks (except those not for public use), Roadways, Highways, Streets, Sidewalks, Culverts, Street Lights and Traffic Signals unless a specific value has been declared (excluding coverage for the peril of Earthquake Shock, and excluding Federal Emergency Management Agency (FEMA) and/or Office of Emergency Services (OES) declared disasters)
\$ 25,000,000	Increased Cost of Construction due to the enforcement of building codes/ ordinance or law (includes All Risk and Boiler & Machinery)
\$ 25,000,000	Transit

\$	2,500,000	Unscheduled Animals; not to exceed \$50,000 per Animal, per Occurrence
\$	2,500,000	Unscheduled Watercraft up to 27 feet
	Not Covered	Per Occurrence for Off Premises Vehicle Physical Damage
\$	25,000,000	Off Premises Services Interruption including Extra Expense resulting from a covered peril at non-owned/operated locations
\$	5,000,000	Per Occurrence and Annual Aggregate for Earthquake shock on Licensed Vehicles, Unlicensed Vehicles, Contractor's Equipment and Fine Arts for all insured/members in this declaration combined that do not purchase Earthquake coverage
\$	5,000,000	Per Occurrence and Annual Aggregate for Flood on Licensed Vehicles, Unlicensed Vehicles, Contractor's Equipment and Fine Arts for all insured/members in this declaration combined that do not purchase Flood coverage
\$	3,000,000	Contingent Business Interruption, Contingent Extra Expense, Contingent Rental Values and Contingent Tuition Income separately
\$	500,000	Jewelry, Furs, Precious Metals and Precious Stones Separately
\$	1,000,000	Claims Preparation Expenses
\$	50,000,000	Expediting Expenses
\$	1,000,000	Personal Property Outside of the USA
\$	100,000,000	Per Member/Entity Per Occurrence subject to \$200,000,000 Annual Aggregate of Declarations 1-14, 18, 19, 20, 21, 26, 27, 28, 29, 30, 32, 33 and 34 combined as respects Property Damage, Business Interruption, Rental Income and Extra Expense Combined for Terrorism (Primary Layer)
\$	250,000,000	Per Member/Entity for Terrorism (Excess Layer) subject to;
\$	550,000,000	Per Occurrence, All Members combined in Declarations 1-9, 11, 12, 13, 14, 19, 20, 21, 26, 27, 28, 30, 32, 33 and 34 for Terrorism (Excess Layer) subject to;
\$	850,000,000	Annual Aggregate shared by all Members/Entities combined in Declarations 1-9, 11, 12, 13, 14, 19, 20, 21, 26, 27, 28, 30, 32, 33 and 34, as respects Property Damage, Business Interruption, Rental Income and Extra Expense combined for Terrorism (Excess Layer)
	Not Covered	Per Occurrence Per Declaration Upgrade to Green Coverage subject to the lesser of, the cost of upgrade, an additional 25% of the applicable limit of liability shown in the schedule of values or this sub limit.
	Included	Information Security & Privacy Insurance with Electronic Media Liability Coverage. See Cyber Coverage Summary for details of coverage terms, limits and deductibles
	Included	See attached Public Entity Pollution Liability 2012 Insurance Summary for applicable limits and deductibles

VALUATION:

- Repair or Replacement Cost
- Actual Loss Sustained for Time Element Coverages
- Contractor's Equipment / either Replacement Cost or Actual Cash Value (ACV) as declared by each member. If not declared, valuation will default to Actual Cash Value (ACV)

EXCLUSIONS**(Including but not limited to):**

- Seepage & Contamination
- Cost of Clean-up for Pollution
- Mold

“ALL RISK”**DEDUCTIBLE:**

\$ 5,000 Except \$10,000 for City of Capitola, City of Greenfield, and Scotts Valley Per Occurrence, which to apply in the event a more specific deductible is not applicable to a loss

DEDUCTIBLES FOR SPECIFIC PERILS AND COVERAGES:

Not Covered Per Occurrence for Flood Zones A & V

Not Covered All Flood Zones Per Occurrence excluding Flood Zones A & V

Not Covered Earthquake Shock: If the stated deductible is a flat dollar amount, the deductible will apply on a Per Occurrence basis, unless otherwise stated. If the stated deductible is on a percentage basis, the deductible will apply Per Occurrence on a Per Unit basis, as defined in the policy form, subject to the stated minimum.

\$ 1,000 Per Occurrence for Specially Trained Animals

\$ 500,000 Per Occurrence for Unscheduled Tunnels, Bridges, Dams, Catwalks (except those not for public use), Roadways, Highways, Streets, Sidewalks, Culverts, Street Lights and Traffic Signals unless a specific value has been declared (excluding coverage for the peril of Earthquake Shock, and excluding Federal Emergency Management Agency (FEMA) and/or Office of Emergency Services (OES) declared disasters)

\$ 10,000 Minimum subject to \$100,000 Maximum per Vehicle or Item for Licensed Vehicles, Unlicensed Vehicles and Contractors Equipment Per Occurrence and Annual Aggregate and shared by all members of this Declaration for the peril of Earthquake for members who do not purchase dedicated Earthquake limits

\$ 50,000 Per Occurrence and Annual Aggregate and shared by all members of this Declaration for Fine Arts for the peril of Earthquake for members who do not purchase dedicated Earthquake limits

\$ 10,000 Minimum subject to \$100,000 Maximum per Vehicle or Item for Licensed Vehicles, Unlicensed Vehicles and Contractor's Equipment Per Occurrence and Annual Aggregate and shared by all members of this Declaration for the peril of Flood for members who do not purchase dedicated Flood limits

\$ 50,000 Per Occurrence and Annual Aggregate and shared by all

members of this Declaration for Fine Arts for the peril of Flood
for members who do not purchase dedicated Flood limits

24 Hour Waiting Period for Service Interruption for All Perils and Coverages

2.5% of Annual Tax Value per Location for Tax Interruption

Not Covered Vehicle Physical Damage

Vehicle Valuation Basis

\$ 5,000 Except \$10,000 for City of Capitola, City of Greenfield, and
Scotts Valley Per Occurrence for Contractor's Equipment

\$ 5,000 Except \$10,000 for City of Capitola, City of Greenfield, and
Scotts Valley Per Occurrence for Primary Terrorism

\$ 500,000 Per Occurrence for Excess Terrorism (Applies only if the
Primary Terrorism Limit is exhausted)

\$ 250,000 Per Occurrence for Wave Wash

Included Information Security & Privacy Insurance with Electronic
Media Liability Coverage. See Cyber Coverage Summary
for details of coverage terms, limits and deductibles.
(Cyber Liability)

SPECIAL TERMS 1:

Wave Wash for City of Capitola

1,000,000

Special Terms Limit

250,000

Special Terms Deductible

TERMS & CONDITIONS:

25% Minimum Earned Premium and cancellations subject to 10% penalty

Except Cyber Liability Premium is 100% Earned at Inception

Except Pollution Liability Premium is 100% Earned at Inception

NOTICE OF CANCELLATION:

90 Days except 10 Days for non-payment of premium

	Annual Cost*
Total Property Premium:	\$ 107,182
Excess Boiler:	\$ 1,482
ABS Fee:	\$ 2,967
SLT&F's (Estimate)	\$ 3,493
Broker Fee:	\$ 0
TOTAL COST: (Including Taxes and Fees)	\$ 115,124
*Premiums are based on valid selectable options and the TIV's above. Changes in TIV's will require a premium adjustment.	

IMPORTANT NOTICE: THE NONADMITTED & REINSURANCE REFORM ACT (NRRA) WENT INTO EFFECT ON JULY 21, 2011. ACCORDINGLY, SURPLUS LINES TAX RATES AND REGULATIONS ARE SUBJECT TO CHANGE WHICH COULD RESULT IN AN INCREASE OR DECREASE OF THE TOTAL SURPLUS LINES TAXES AND/OR FEES OWED ON THIS PLACEMENT. IF A CHANGE IS REQUIRED, WE WILL PROMPTLY NOTIFY YOU. ANY ADDITIONAL TAXES AND/OR FEES OWED MUST BE PROMPTLY REMITTED TO ALLIANT INSURANCE SERVICES, INC.

QUOTE VALID

UNTIL: July 1, 2012

BROKER: **ALLIANT INSURANCE SERVICES, INC.**

License No. 0C36861

Michael Simmons
Vice Chairman

Conor Boughey
Associate Broker

Monica Sandbergen
Account Representative

NOTES:

- *Major pending and approved changes to the PEPiP Program are described in the Executive Summary.*
- *Change in Total Insurable Values will result in adjustment in premium*
- *Some coverage, sublimits, terms and conditions could change until negotiations with the insurance carriers have been finalized*
- *Coverage outlined in this Proposal is subject to the terms and conditions set forth in the policy. Please refer to Policy for specific terms, conditions and exclusions*

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at www.alliantinsurance.com. For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA 92101.

**Analyzing insurers' over-all performance and financial strength is a task that requires specialized skills and in-depth technical understanding of all aspects of insurance company finances and operations.*

Insurance brokerages such as Alliant Insurance typically rely upon rating agencies for this type of market analysis. Both A.M. Best and Standard and Poor's have been industry leaders in this area for many decades, utilizing a combination of quantitative and qualitative analysis of the information available in formulating their ratings.

A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at www.ambest.com.

For additional information regarding insurer financial strength ratings visit Standard and Poor's website at www.standardandpoors.com.

To learn more about companies doing business in your state, visit the Department of Insurance website of that state.

PROGRAM:	Monterey Bay Area Self Insurance Authority		
NAMED INSURED:	Monterey Bay Area Self Insurance Authority		
POLICY PERIOD:	July 1, 2012 to July 1, 2013		
COMPANIES:	See attached list of Companies		
TOTAL INSURED VALUES:	\$ 128,666,146 as of June 5, 2012		
STATUS/RATING:	See attached list of Companies for Best's Guide Ratings, Admitted Status and Standard & Poor's Ratings.		
COVERAGES & LIMITS:	\$	100,000,000	Boiler Explosion and Machinery Breakdown, (for those Member(s)/Entity(ies) that purchase this optional dedicated coverage) as respects Combined Property Damage and Business Interruption/Extra Expense (Including Bond Revenue Interest Payments where Values Reported and excluding Business Interruption for power generating facilities unless otherwise specified). Limit includes loss adjustment agreement and electronic computer or electronic data processing equipment with the following sub-limits:
		Included	Inspection Services
	\$	10,000,000	Per Occurrence for Utility Interruption for Utilities owned by others
	\$	10,000,000	Per Occurrence for Ammonia Contamination
	\$	10,000,000	Per Occurrence for Water Damage
	\$	10,000,000	Per Occurrence for Consequential Damage
	\$	10,000,000	Per Occurrence for Electronic Data Processing Media
	\$	2,000,000	Per Occurrence, Per Member/Entity and in the Annual Aggregate per declaration for Earthquake Resultant Damage for Members who purchase Dedicated Earthquake Coverage
	\$	1,000,000	Per Occurrence for Hazardous Substance
		Included	Per Occurrence for Machine or Apparatus used for Research, Diagnosis, Medication, Surgical, Therapeutic, Dental or Pathological Purposes
NAMED INSURED CLAUSE:	Named Insured covers entities you acquire or in which you have 50% or more ownership or contractual control prior to loss		

**NEWLY ACQUIRED
LOCATIONS:**

\$ 25,000,000 Automatic Acquisition for Boiler & Machinery values at newly acquired locations. Values greater than \$25,000,000 or Power Generating Facilities must be reported within 90 days and must have prior underwriting approval prior to binding

VALUATION:

Repair or Replacement except Actual Loss sustained for all Time Element coverages

EXCLUSIONS

(Including but not limited to):

- Testing
- Explosion, except for steam or centrifugal explosion
- Explosion of gas or unconsumed fuel from furnace of the boiler

OBJECTS EXCLUDED:

(Including but not limited to):

- Insulating or refractory material
- Buried Vessels or Piping
- Furnace, Oven, Stove, Incinerator, Pot Kiln

NOTICE OF

CANCELLATION:

90 days except 10 days for non-payment of premium

DEDUCTIBLES:

\$	5,000	Except \$10,000 for City of Capitola, City of Greenfield, and Scotts Valley Specific Objects or Perils	Except as shown for
\$	5,000	Except \$10,000 for City of Capitola, City of Greenfield, and Scotts Valley Media	Electronic Data Processing
\$	5,000	Except \$10,000 for City of Capitola, City of Greenfield, and Scotts Valley Damage	Consequential
\$	5,000	Except \$10,000 for City of Capitola, City of Greenfield, and Scotts Valley of heating surface	Objects over 200 hp, 1,000 KW/KVA/Amps or Boilers over 5,000 square feet
\$	50,000	Objects over 350 hp, 2,500 KW/KVA/Amps or Boilers over 10,000 square feet of heating surface	
\$	100,000	Objects over 500 hp, 5,000 KW/KVA/Amps or Boilers over 25,000 square feet of heating surface	
\$	250,000	Objects over 750 hp, 10,000 KW/KVA/Amps or Boilers over 75,000 square feet of heating surface	
\$	350,000	Objects over 25,000 hp, 25,000 KW/KVA/Amps or Boilers over 250,000 square feet of heating surface	

\$ 10 per foot / \$2,500 Minimum Deep Water Wells

24 Hours Business Interruption/Extra Expense Except as noted below

30 Days Business Interruption – Revenue Bond

24 Hour Waiting Period – Utility Interruption

5 x 100% of Daily Value – Business Interruption – All Objects over 750 hp or 10,000 KW/KVA/Amps or 10,000 Square feet Heating Surface

5 x 100% of Daily Value – Business Interruption – All Objects at Waste Water Treatment Facilities and All Utilities

	Annual Cost*
COST:	Cost is included on Property Proposal

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BROKER: **ALLIANT INSURANCE SERVICES, INC.**
License No. 0C36861

Michael Simmons
Vice Chairman

Conor Boughey
Associate Broker

Monica Sandbergen
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NOTES:

- *Major pending and approved changes to the PEPiP Program are described in the Executive Summary.*
- *Change in Total Insurable Values will result in adjustment in premium*
- *Some coverage, sublimits, terms and conditions could change until negotiations with the insurance carriers have been finalized*
- *Coverage outlined in this Proposal is subject to the terms and conditions set forth in the policy. Please refer to Policy for specific terms, conditions and exclusions*

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at www.alliantinsurance.com. For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA 92101.

**Analyzing insurers' over-all performance and financial strength is a task that requires specialized skills and in-depth technical understanding of all aspects of insurance company finances and operations.*

Insurance brokerages such as Alliant Insurance typically rely upon rating agencies for this type of market analysis. Both A.M. Best and Standard and Poor's have been industry leaders in this area for many decades, utilizing a combination of quantitative and qualitative analysis of the information available in formulating their ratings.

A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at www.ambest.com.

For additional information regarding insurer financial strength ratings visit Standard and Poor's website at www.standardandpoors.com.

To learn more about companies doing business in your state, visit the Department of Insurance website of that state.

**TYPE OF
INSURANCE:**

☒ Insurance ☐ Reinsurance

**TYPE OF
COVERAGE:**

Information Security & Privacy Insurance with Electronic Media Liability Coverage

PROGRAM:

**Public Entity Property Insurance Program (PEPIP) inclusive of
Hospital All Risk Property Program (HARPP)**

NAMED INSURED:

Any member(s), entity (ies), agency(ies), organizations(s), enterprise(s) and/or individuals(s) attached to each Declaration insured as per schedule on file with Insurer.

DECLARATION:

Various Declarations as on file with Insurer

POLICY PERIOD:

July 1, 2012 to July 1, 2013

**RETROACTIVE
DATE:**

PEPIP

For new members – the retro active date will be the date of addition
July 1, 2010 For existing members included on the July 1, 2010/11 policy

HARPP

For new members – the retro active date will be the date of addition
July 1, 2009 For members endorsed onto the July 1, 2009/10 policy at a \$500,000 limit except for those members who did not provide a “No Known Losses Letter” then the retro date is the date that the member was added
July 1, 2010 For \$1,500,000 excess \$500,000

CSU

July 1, 2008 California State University and CSU Auxiliary Organizations.

COMPANIES:

Lloyd’s of London - Beazley Syndicate:
Syndicates 2623 - 623 - 100%

COVERAGES & LIMITS:

**THIRD PARTY
LIABILITY**

Ai.	\$	20,000,000	Annual Policy and Program Aggregate Limit of Liability (subject to policy exclusions) for all Insureds/Members combined (Aggregate for all coverages combined, including Claims Expenses), subject to the following sub-limits as noted.
Aii.	\$	2,000,000	Annual Aggregate Limit of Liability for each Insured/Member for Information Security & Privacy Liability (Aggregate for all coverages combined, including Claim Expenses) but sublimited to:
B.	\$	500,000	Annual Policy Aggregate Limit of Liability for each Insured/Member Privacy Notification Costs coverage. Limit is \$1,000,000 if Beazley vendor services are used.

- | | | | |
|----|----|-----------|---|
| C. | \$ | 2,000,000 | Annual Policy Aggregate Limit of Liability for each Insured/Member for all Claims Expenses and Penalties for Regulatory Defense and Penalties |
| D. | \$ | 2,000,000 | Annual Policy Aggregate Limit of Liability for each Insured/Member for all Damages and Claims Expenses for Website Media Content Liability (Occurrence Based) |

The sub-limits of liability displayed above in Items B, C and D are part of, and not in addition to, the overall Annual Aggregate Limit of Liability for each Insured/Member (Item Aii)

**FIRST PARTY
COMPUTER
SECURITY**

- | | | | |
|----|----|-----------|---|
| E. | \$ | 2,000,000 | Policy Aggregate Sublimit of Liability for each Insured/Member for Cyber Extortion Loss |
| F. | \$ | 2,000,000 | Policy Aggregate Sublimit of Liability for each Insured/Member for Data Protection Loss and Business Interruption Loss |
| G. | | | First Party Business Interruption Sub-Limits of Liability for each Insured/Member |
| | \$ | 25,000 | 1) Hourly Sublimit |
| | \$ | 25,000 | 2) Forensic Expense Sublimit |
| | \$ | 100,000 | 3) Dependent Business Interruption Sublimit. |

NOTICE:

Policy coverage sections I.A - Information Security & Privacy Liability, I.B.- Privacy Notification Costs and I.C.-Regulatory Defense & Penalties of this policy provide coverage on a claims made and reported basis; except as otherwise provided, coverage under these insuring agreements applies only to claims first made against the insured and reported to underwriters during the policy period. Claims expenses shall reduce the applicable limit of liability and are subject to the applicable retention.

**EXTENDED
REPORTING PERIOD:**

For First Named Insured - To be determined at the time of election (additional premium will apply)

**SPECIFIC
COVERAGE
PROVISIONS:**

- A. Information Security and Privacy Liability** pays on behalf of the Insured/Member damages and claims expenses excess of the retention which the Insured/Member shall become legally obligated to pay because of any claim, including a claim for violation of a privacy law first made against the Insured/Member and reported to underwriters during the policy period for
- theft, loss or unauthorized disclosure of personally identifiable non-public information or third party corporate information that is in the care, custody or control of the Insured/Member, or an independent contractor that is holding, processing or transferring such information on behalf of the Insured/Member.
 - Acts or incidents that directly result from the failure of computer security to prevent a security breach including
 - Alteration, corruption, destruction, deletion, or damage to a data asset stored on computer systems
 - Failure to prevent transmission of malicious code from computer systems to third party computer systems
 - Participation in a denial of service attack directed against a third party computer system
 - The failure to timely disclose any of the above in violation of any breach notice law
 - The failure to comply with a privacy policy involving the disclosure, sharing or selling of personally identifiable non-public information
 - The failure to administer an identity theft prevention program
- B. Privacy Notification Costs** pay the Insured/Member for reasonable and necessary costs to comply with a breach notice law because of an incident that first takes place on or after the retroactive date and before the end of the policy period. Privacy Notification Costs means costs incurred within one year of the reporting of the incident or suspected incident to the Underwriters:
- To hire security experts;
 - Notification provisions,
 - Public relations mitigation up to \$50,000 subject to 20% coinsurance
 - Credit monitoring for the purpose of mitigating potential damages and are subject to 20% coinsurance
 - Credit file monitoring,
 - Mailing and third party administrative costs

- C. **Regulatory Defense and Penalties** pays on behalf of the Insured/Member claims expenses and penalties which the Insured/Member shall become legally obligated to pay because of any claim in the form of a regulatory proceeding resulting from a violation of a privacy law and caused by an incident described under certain sections of the information security and privacy liability section of the policy.
- D. **Website Media Content Liability** (occurrence based) pays on behalf of the insured damages and claims expenses resulting from any claim made against the Insured/Member for one or more of the following acts committed in the course of covered media activities:
- Defamation, libel, slander, trade libel
 - Privacy violation
 - Invasion or interference with publicity
 - Plagiarism, piracy, misappropriation of ideas under implied contract
 - Infringement of Copyright
 - Infringement of domain name, trademark
 - Improper deep-linking or framing within electronic content
- E. **Cyber Extortion** indemnifies the Insured/Member for costs incurred as a result of an extortion threat by a person other than employees, directors, officers, principals, trustees, governors, managers, members, etc.
- F. **First Party Data Protection** indemnifies the Insured/Member for data protection loss as a result of alteration, corruption, destruction, deletion, damage or inability to access data assets.
- G. **First Party Network Business Interruption** indemnifies the Insured/Member for business interruption loss as a direct result of the actual and necessary interruption or suspension of computer systems and is directly caused by a failure of computer security to prevent a security breach.

**EXCLUSIONS
(Including but not
limited to):**

Coverage does not apply to any claim or loss from

- Bodily Injury or Property Damage
- Any employer-employee relations, policies, practices
- Contractual Liability or Obligation
- Any actual or alleged act, error or omission or breach of duty by any director, officer, manager if claim is brought by principals, officers, directors, stockholders and the like
- Anti-trust violations
- Unfair trade practices
- Unlawful collection or acquisition of Personally Identifiable Non-Public Information
- Distribution of unsolicited e-mails, facsimile, audio or video recording
- Prior knowledge or previously reported incidents
- Incidents occurring prior to retroactive date/continuity date
- Any act, error, omission, of computer security if occurred prior to policy inception
- Collusion
- Securities Act Violations
- Fair Labor Act Violations
- Discrimination
- Intentional Acts with regard to Privacy and Security Breach
- Patent Infringement
- Federal Trade Commission and related state, federal, local and foreign governmental activities
- Insured vs. Insured
- Money/Securities/Funds Transfer
- Broadcasting, Publications and Advertising
- War and Terrorism
- Pollution
- Nuclear
- Radioactive

RETENTION:	\$	25,000	CSU Auxiliary Organizations only
	\$	50,000	Per Occurrence for each Insured/Member with TIV up to \$500,000,000 at the time of loss
	\$	100,000	Per Occurrence for each Insured/Member with TIV greater than \$500,000,000 at time of loss
		8	Eight hour waiting period for first party claims

COINSURANCE FOR SPECIFIC COVERAGES:	20%	For Public Relations Consultancy
	20%	For Credit File Monitoring

NOTICE OF CLAIM:	• IMMEDIATE NOTICE must be made to Beazley NY of all potential claims and circumstances (assistance, and cooperation clause applies)
	• Claim notification under this policy is to: Beazley Group Attn: Beth Diamond 1270 Avenue of the Americas New York, NY 10020 tmbclaims@beazley.com

NOTICE OF CANCELLATION:	60 days except 10 days for non-payment of premium
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REINSTATEMENT PROVISIONS:	Not Provided.
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CYBER COST: Cost is included in Total Property Premium
100% Earned Premium at Inception

OTHER SERVICES Unlimited Access to e-Place Solutions as per attached brochure.

QUOTE VALID UNTIL: July 1, 2012

BROKER: **ALLIANT INSURANCE SERVICES, INC.**
License No. 0C36861

Michael Simmons
Vice Chairman

Conor Boughey
Associate Broker

Monica Sandbergen
Account Representative

NOTES: Coverage outlined in this Summary is subject to the terms and conditions set forth in the policy. Please refer to Policy for specific terms, conditions and exclusions.

IMPORTANT NOTICE: THE NONADMITTED & REINSURANCE REFORM ACT (NRRA) WENT INTO EFFECT ON JULY 21, 2011. ACCORDINGLY, SURPLUS LINES TAX RATES AND REGULATIONS ARE SUBJECT TO CHANGE WHICH COULD RESULT IN AN INCREASE OR DECREASE OF THE TOTAL SURPLUS LINES TAXES AND/OR FEES OWED ON THIS PLACEMENT. IF A CHANGE IS REQUIRED, WE WILL PROMPTLY NOTIFY YOU. ANY ADDITIONAL TAXES AND/OR FEES OWED MUST BE PROMPTLY REMITTED TO ALLIANT INSURANCE SERVICES, INC.

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at www.alliantinsurance.com. For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA 92101.

*Analyzing insurers' over-all performance and financial strength is a task that requires specialized skills and in-depth technical understanding of all aspects of insurance company finances and operations.

Insurance brokerages such as Alliant Insurance typically rely upon rating agencies for this type of market analysis. Both A.M. Best and Standard and Poor's have been industry leaders in this area for many decades, utilizing a combination of quantitative and qualitative analysis of the information available in formulating their ratings.

A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at www.ambest.com.

For additional information regarding insurer financial strength ratings visit Standard and Poor's website at www.standardandpoors.com.

To learn more about companies doing business in your state, visit the Department of Insurance website of that state.

Getting Started

DATA SECURITY RISK MANAGEMENT SERVICES

Beazley has retained ePlace Solutions, Inc. to provide risk management policies, procedures, training, and other tools to help your company prevent a breach of confidential data.

ePlace Solutions will contact you soon to help you get started. If you have an immediate issue and need access to the on-line materials and expert support immediately, contact Vanessa Delgado (VDelgado@ePlaceInc.com) at 559-261-9292.

As a Beazley Data Security policyholder, you have unlimited access to:

ON-LINE COMPLIANCE MATERIALS

Federal and state compliance materials regarding data security, data breaches, and data privacy, including:

- Quick Tips on many subjects; Summaries of federal/state laws
- Links to statutes & regulations; Sample policies & procedures
- Continuing updates and electronic notification of significant changes to the on-line materials

QUARTERLY NEWSLETTER & "INSTANT ALERTS"

Sent by email, learn about changes in federal and state laws regarding data security, data breach, and data privacy issues; Instant Alerts sent by email for events require immediate attention.

EXPERT SUPPORT ON-LINE

Experts support from consultants/attorneys on data security issues; including:

- Health care & HIPAA compliance issues
- Data breach prevention issues
- Data Security best practices
- Computer forensic issues

STEP-BY-STEP PROCEDURES TO LOWER RISK

Procedures and on-line forms help you:

- Understand the scope of "personal information" ("PI")
- Determine where PI is stored
- Collect and/or retain the minimum amount of PI as required for business needs
- Properly destroy PI that is no longer needed
- Implement an Incident Response Plan

TRAINING MODULES

- Online training programs; Employee training bulletins
- Audio and PodCast training for managers and/or employees

HANDLING DATA BREACHES

Guidance provided to:

- Help prevent data security incidents
- Respond to a data breach



INSURANCE COMPANY	ACE – Illinois Union Insurance Company
POLICY TERM	July 1, 2012 to July 1, 2013
COVERAGE LOCATION	<p>Per the following SOVs submitted on 2/9/2012:</p> <ol style="list-style-type: none"> 1. PEPID DEC 1 – SOVs 2. PEPID DEC 2 – SOVs 3. PEPID DEC 3 – SOVs 4. PEPID DEC 4 – SOVs 5. PEPID DEC 5 – SOVs 6. PEPID DEC 8 – SOVs (Excludes SPIP) 7. PEPID DEC 11 – SOVs 8. PEPID DEC 12 – SOVs 9. PEPID DEC 19 – SOVs 10. PEPID DEC 20 – SOVs 11. PEPID DEC 21 – SOVs 12. PEPID DEC 26 – SOVs 13. PEPID DEC 28 – SOVs 14. PEPID DEC 30 – SOVs 15. PEPID DEC 32 – SOVs 16. PEPID DEC 33 – SOVs 17. PEPID DEC 34 – SOVs <p>Any properly permitted and licensed non-owned disposal sites that has not been identified by the United States EPA National Priorities List, and is not undergoing voluntary or regulatory required remediation at the time the waste was received for disposal.</p>
COVERED OPERATIONS <i>*See last page for additional information</i>	<p>Covered operations means transportation and any operations that are identified in the application and any supporting documentation provided prior to the inception date, which are performed by or on behalf of a named insured outside the physical boundaries of a covered location. Includes spraying operations, street construction and repair, utility construction and repair, and refuse collection.</p>
RETROACTIVE DATE	Policy Inception
COVERAGES	<p>Coverage A – New Pollution Conditions: Third party bodily injury, property damage, first party and third party remediation costs and associated legal defense expense arising out of a pollution condition on, at, under, or migrating from a covered location, provided that the pollution condition commences on or after the retroactive date.</p> <p>Coverage B – New Pollution Conditions From Covered Operations: Third party bodily injury, property damage, remediation costs and associated legal defense expense resulting from a covered operation, provided that the pollution condition commences on or after the retroactive date.</p> <p>Blanket Non-Owned Disposal Site (NODS) coverage, third party trigger only.</p> <p>First and third party transportation of waste</p>

INSURANCE COMPANY	ACE – Illinois Union Insurance Company	
CLAIMS MADE AND REPORTED	CLAIMS MADE AND REPORTED Defense Costs and Expenses are within Limits of Liability	
LIMITS	<p><i>Tier 1</i></p> <p>\$ 500,000</p> <p>\$ 500,000</p> <p>\$ 200,000</p> <p><i>Tier 2</i></p> <p>\$ 1,000,000</p> <p>\$ 1,000,000</p> <p>\$ 200,000</p> <p>\$25,000,000</p>	<p><i>Entity with < \$500M TIV</i></p> <p>Per Pollution Condition</p> <p>Per Member Aggregate</p> <p>Fungi & Legionella Sublimit</p> <p><i>Entity with > \$500M TIV</i></p> <p>Per Pollution Condition</p> <p>Per Member Aggregate</p> <p>Fungi & Legionella Sublimit</p> <p>Policy Aggregate</p>
SELF-INSURED RETENTION	<p><i>Tier 1</i></p> <p>\$ 50,000</p> <p>\$750,000</p> <p>\$10,000</p> <p><i>Tier 2</i></p> <p>\$100,000</p> <p>\$750,000</p> <p>\$10,000</p>	<p><i>Entity with < \$500M TIV</i></p> <p>Per Pollution Condition</p> <p>Underground Storage Tanks Specific</p> <p>In the event that a loss concurrently triggers both, the Insured's Property policy and this Premises Pollution Liability policy, then a \$10K SIR for "fungi" shall apply. If the Property policy is NOT triggered, then the standard insured-specific SIR, as identified on the Dec Page, shall apply.</p> <p><i>Entity with > \$500M TIV</i></p> <p>Per Pollution Condition</p> <p>Underground Storage Tanks Specific</p> <p>In the event that a loss concurrently triggers both, the Insured's Property policy and this Premises Pollution Liability policy, then a \$10K SIR for "fungi" shall apply. If the Property policy is NOT triggered, then the standard insured-specific SIR, as identified on the Dec Page, shall apply.</p>

EXCLUSIONS (Including but not limited to)	<ul style="list-style-type: none"> • Asbestos and Lead Based Paint • Contractual Liability • Divested Property • Employer's Liability • Failure to Follow Asbestos and/or LBP Management Plan • Fines and Penalties • First Party Property Damage – <i>Does not apply to remediation costs</i> • Fraud or Misrepresentation • Insured's Internal Expenses • Insured vs. Insured • Intentional Non-Compliance • Landfills, Recycling Facilities, Ports or Airports – <i>leased, owned or operated</i> • Material Change in Risk • Naturally Occurring Materials • Pre-Existing Conditions • Products Liability • Professional Liability • Regulatory Compliance • Work Product
ENDORSEMENTS (Including but not limited to)	<ul style="list-style-type: none"> • Named Insureds Schedule • Per Named Insured Aggregate Sublimit • Per Named Insured SIR • Automatic Acquisition and Due Diligence • Schedule of Excluded Members of PEPiP • Policy Modification – Property / Liability Mold Specific SIR of \$10K • Covered Locations Amendatory • Port, Airport, Oil/Gas Producing Property Exclusion - <i>Exclusion for any port or airport. However, ports, airports, oil/gas producing properties may be submitted for UW review on a one-off basis. In the event that a port, airport, oil or gas producing property is scheduled onto the PEPiP policy, such facility may not be subject to the same coverage terms or rates.</i> • Definitions Amendatory Endorsement - <i>Solely with respect to "fungi", the definition of "remediation costs" shall not include restoration costs</i>
ADDITIONAL INFORMATION	<ul style="list-style-type: none"> • The insurance afforded by this Policy shall apply in excess of and shall not contribute with any other such insurance. • Loss covered pursuant to a Federal, State, County or Municipality administered underground storage tank fund, or any functional equivalent to such fund, shall be considered primary insurance, to which the coverage afforded pursuant to this Policy shall only apply in excess. • Underlying SIR shall erode the SIR on this policy, in the event there is an underlying policy where the SIR is paid and limits are exhausted there would be no SIR in order to access the PEPiP coverage limits. • Individual JPA members have an SIR that is reflective of their TIV, as under the SIR listed above • Coverage for mid-term transactions must be within 90 days of property acquisition

ADDITIONAL INFORMATION (continued)	<ul style="list-style-type: none"> • Value-Added Engineering Package <ul style="list-style-type: none"> ○ <u>Mold Awareness Training</u> <ul style="list-style-type: none"> ○ Unit Count → 1 - Mold Awareness Training by ESIS personnel. Must be completed at one central location, or via webinar. ○ <u>Due Diligence Program Overview</u> <ul style="list-style-type: none"> ○ Unit Count → 50 – Up to 50 First Search Reports (Governmental Database Reports) ○ <u>ACM/LBP Plan</u> <ul style="list-style-type: none"> ○ Unit Count → 1 – Creation of ACM and LBP Plans. One report will be created so that the Insured may disseminate throughout the rest of the PEPiP Program members. ○ <u>Mold O&M Plan</u> <ul style="list-style-type: none"> ○ Unit Count → 1 - Creation of a Water Intrusion and Mold Mitigation Plan. One report will be created so that the Insured may disseminate throughout the rest of the PEPiP Program members.
LOSS REPORTING REQUIREMENTS	<p>Written notice of any claim or pollution condition, as soon as practicable. Concurrently, please send to:</p> <p>1) ACE Environmental Risk Claims Manager ACE USA Claims P.O. Box 5103 Scranton, PA 18505-0510 Environmental Emergency: 888-310-9553 (800) 951-4119(Fax) CasualtyRiskEnvironmentalFirstNotice@acegroup.com</p> <p>2) Robert Frey Alliant Insurance Services, Inc. 100 Pine Street, 11th Floor San Francisco, CA 94111-5101 415-403-1445 415-402-0773 – fax rfrey@alliantinsurance.com</p> <p>3) David Sutton Alliant Insurance Services, Inc. 100 Pine Street, 11th Floor San Francisco, CA 94111-5101 415-403-1417 415-402-0773 – fax dsutton@alliantinsurance.com</p>
Pollution Liability Premium is 100% Earned at Inception	

DATE PREPARED **June 5, 2012**

BROKER **ALLIANT INSURANCE SERVICES, INC.**

Thomas Bryson, Senior Vice President
Bill Nellen, Executive Vice President

THIS SUMMARY IS FOR INFORMATION PURPOSES ONLY AND DOES NOT AMEND, EXTEND OR ALTER THE POLICY IN ANY WAY. PLEASE REFER TO THE POLICY FORM FOR COMPLETE COVERAGE AND EXCLUSION INFORMATION.

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Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at www.alliantinsurance.com. For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Inc., Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA 92101.

Analyzing insurers' over-all performance and financial strength is a task that requires specialized skills and in-depth technical understanding of all aspects of insurance company finances and operations. Insurance brokerages such as Alliant Insurance typically rely upon rating agencies for this type of market analysis. Both A.M. Best and Standard and Poors have been industry leaders in this area for many decades, utilizing a combination of quantitative and qualitative analysis of the information available in formulating their ratings.

A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at www.ambest.com. For additional information regarding insurer financial strength ratings visit Standard and Poor's website at www.standardandpoors.com.

To learn more about companies doing business in California, visit the California Department of Insurance website at www.insurance.ca.gov.

June 5, 2012

Member: **Monterey Bay Area Self Insurance Authority**

We are required to send you this notice pursuant to federal legislation concerning terrorism insurance.

You are hereby notified that under the Terrorism Risk Insurance Act of 2002, as amended ("TRIA"), that you now have a right to purchase insurance coverage for losses arising out of acts of terrorism, as defined in Section 102(1) of the Act, as amended: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States-to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States mission; and to have been committed by an individual or individuals, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. Any coverage you purchase for "acts of terrorism" shall expire at 12:00 midnight December 31, 2014, the date on which the TRIA Program is scheduled to terminate or the expiry date of the policy whichever occurs first, and shall not cover any losses or events which arise after the earlier of these dates.

YOU SHOULD KNOW THAT COVERAGE PROVIDED BY THIS POLICY FOR LOSSES CAUSED BY CERTIFIED ACTS OF TERRORISM IS PARTIALLY REIMBURSED BY THE UNITED STATES UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THIS FORMULA, THE UNITED STATES PAYS 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURER(S) PROVIDING THE COVERAGE. YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

SELECTION OR REJECTION OF TERRORISM INSURANCE COVERAGE

WHAT YOU NEED TO DO NOW:

PLEASE "X" ONE OF THE BOXES BELOW AND RETURN THIS FORM TO YOUR INSURANCE BROKER.

<input type="checkbox"/>	I am interested in receiving a quote for Terrorism coverage as required to be offered under the Act. Please provide me with a quote.
<input type="checkbox"/>	I decline to purchase the Terrorism coverage as required to be offered under the Act.

Policyholder/applicant signature

Print Name

Date

Monterey Bay Area Self Insurance Authority

Company	A.M. Best's I.D. #	A.M. Best's Guide Rating	Standard and Poor's
ACE – Illinois Union Insurance Company	003510	A+, Superior; Financial Size Category 15; \$2,000,000,000 or greater (As of 6/22/11)	AA- (As of 12/14/10)
Arch Specialty Insurance Company	012523	A+, Superior; Financial Size Category 11; \$250,000,000 to \$500,000,000 (As of 1/23/12)	A+ (As of 7/29/10)
Axis Surplus Insurance Company	012515	A, Excellent; Financial Size Category 15; \$2,000,000,000 or greater (As of 11/22/11)	A+ (As of 2/2/09)
Axis Specialty Europe Ltd	83007	A, Excellent; Financial Size Category 15; \$2,000,000,000 or greater (As of 11/22/11)	A- (As of 02/02/09)
Chubb Custom Insurance Company	02713	A++, Superior; Financial Size Category 15; \$2,000,000,000 or greater (As of 4/18/12)	AA (As of 3/24/03)
Colony Insurance Company	03283	A, Excellent; Financial Size Category 12; \$1,000,000,000 to \$1,250,000,000 (As of 7/20/11)	A- (As of 7/7/05)
Continental Casualty Company (CNA)	002128	A, Excellent; Financial Size Category 15; \$2,000,000,000 or greater (As of 4/5/12)	A- (As of 11/17/11)
Empire Indemnity Insurance Company	002148	A+, Superior; Financial Size Category 15; \$2,000,000,000 or greater (As of 11/18/11)	AA- (As of 3/31/10)
Endurance American Specialty Ins. Company	013033	A, Excellent; Financial Size Category 15; \$2,000,000,000 or greater (As of 3/5/12)	A (As of 12/05/06)
Essex Insurance Company	002732	A, Excellent; Financial Size Category 13; \$1,250,000,000 to \$1,500,000,000 (As of 7/7/11)	Not Rated (As of 04/21/12)
First Mercury Ins Company	011883	A, Excellent; Financial Size Category 11; \$250,000,000 to \$500,000,000 (As of 3/18/11)	Not Rated (As of 4/21/12)
General Security Indemnity Company	02837	A, Excellent; Financial Size Category 15; \$2,000,000,000 or Greater (As of 5/2/12)	A (As of 3/13/09)

Company	A.M. Best's I.D. #	A.M. Best's Guide Rating	Standard and Poor's
Great American Ins. Company	003837	A, Excellent; Financial Size Category 13; \$1,250,000,000 to \$1,500,000,000 (As of 3/29/12)	A+ (As of 10/5/10)
Hartford Steam Boiler Inspec & Ins	00465	A++, Stable Financial Size Category 10 \$500,000,000 to \$750,000,000 (As of 10/12/11)	Not Rated (As of 5/18/12)
Homeland Insurance Company of New York	010604	A, Excellent; Financial Size Category 11; \$750,000,000 to \$1,000,000,000 (As of 10/7/11)	A- (As of 7/2/10)
Ironshore Specialty Insurance Company	013866	A-, Excellent; Financial Size Category 13; \$1,250,000,000 to \$1,500,000,000 (As of 6/22/11)	Not Rated (As of 4/23/12)
Lancashire Insurance Company LTD	078141	A, Excellent; Financial Size Category 13; \$1,250,000,000 to \$1,500,000,000 (As of 6/22/11)	A- (As of 5/18/10)
Lancashire Insurance Company (UK) LTD	078390	A, Excellent; Financial Size Category 13; \$1,250,000,000 to \$1,500,000,000 (As of 6/22/11)	A- (As of 5/18/10)
Landmark American Insurance Company	012619	A, Excellent; Financial Size Category 13; \$1,250,000,000 to \$1,500,000,000 (As of 7/10/11)	Not Rated (As of 4/21/12)
Lexington Ins. Company	002350	A, Excellent; Financial Size Category 15; \$2,000,000,000 or greater (As of 1/27/12)	A (As of 2/28/11)
Liberty Surplus Insurance Corporation	012078	A, Excellent; Financial Size Category 15; \$2,000,000,000 or Greater (As of 6/16/11)	A- (As of 9/25/08)
Lloyd's	085202	A, Excellent; Financial Size Category 15; \$2,000,000,000 or Greater (As of 7/14/11)	A+ (As of 4/23/07)
Maiden Specialty Insurance Company	011034	A-, Excellent; Financial Size Category 10; \$500,000,000 to \$750,000,000 (As of 6/13/11)	BBB+ (As of 2/9/11)

Company	A.M. Best's I.D. #	A.M. Best's Guide Rating	Standard and Poor's
Maxum Indemnity Company	012563	A-, Excellent; Financial Size Category 7; \$50,000,000 to \$100,000,000 (As of 2/10/12)	Not Rated (as of 4/23/12)
Princeton E&S Lines Insurance Company	012170	A+, Superior; Financial Size Category 15; \$2,000,000,000 or greater (As of 10/27/11)	Not Rated (As of 4/23/12)
QBE Specialty Insurance Company	012562	A, Excellent; Financial Size Category 11; \$750,000,000 to \$1,000,000,000 (As of 10/12/11)	A+ (As of 7/22/09)
Sompo Japan Fire & Marine Insurance Company of America	02693	A+, Excellent; Financial Size Category 15; \$2,000,000,000 or greater (As of 12/23/11)	A (As of 2/23/12)
Steadfast Insurance Company	03557	A+, Excellent; Financial Size Category 15; \$2,000,000,000 or greater (As of 11/18/11)	AA-
XL Insurance America Inc.	002423	A, Excellent; Financial Size Category 15; \$2,000,000,000 or greater (As of 9/21/11)	A (As of 11/23/10)

PUBLIC ENTITY PROPERTY INSURANCE PROGRAM (PEPIP)

The Public Entity Property Insurance Program (PEPIP) is the largest single property placement in the world. Formed in 1993 to meet the unique property insurance needs faced by public entities, PEPIP has grown from 65 members in one state and \$600 million in total insurable values (TIV) to nearly 6,000 members in over 40 states and more than \$325 billion in TIV.

The program's tremendous growth is a result of highly competitive terms, comprehensive coverage and, most importantly, working closely with members to get their claims paid in a timely manner. In recent years, one of the primary marketing focuses of PEPIP has been on groups of public entities that jointly purchase their insurance. These "pools," or joint powers authorities (JPAs), have found that PEPIP coverage is significantly broader and typically 25 to 40% less expensive than similar placements offered by competitors.

PEPIP Features

- Broad insuring agreement
- Coverage is not confined to a schedule; rather the policy provides coverage for all property of every description of an insurable nature—both real and personal—of the insured. Coverage also includes property of others in the care, custody, or control of the insured for which the insured is liable or under

obligation to keep insured wherever located in the United States.

- Replacement cost for physical damage, including comprehensive and collision damage as an option for automobiles
- Automatic acquisition of new locations, which allows entities to grow without having to wait for underwriting approval
- Blanket fine arts coverage (if scheduled)
- Municipal bond and tax revenue interruption coverage
- Course of construction coverage, including delay in start-up
- Property appraisals for all locations over \$5 million
- Boiler and machinery are included in the program
- Access to Alliant's OASYS-Net proprietary software system

PEPIP subscribers are an experienced group of highly qualified worldwide insurers and reinsurers. The program offers coverage per occurrence limits up to \$1 billion. The overall program structure employs a concept of grouping risks from different geographical areas into "towers" without involving any risk sharing among the membership. As a joint purchase program, PEPIP does not have any risk of assessment.

Because of its large size, PEPIP offers members the best available pricing and access to large earthquake, flood, wind, and hail limits with a carefully detailed spread of risk. In addition, PEPIP members are able to leverage the markets to obtain the best possible pricing and coverage terms.

Continued on reverse



PEPIP Boiler and Machinery

The boiler and machinery program is included in the PEPIP property program with limits up to \$100 million. The program partners with major boiler and machinery authorized inspection agencies for both jurisdictional and consultative services. It provides board-certified engineering expertise in machinery, equipment, electronics, and HVAC through a nationwide field network. The program offers electrical loss prevention surveys, infrared thermography, industry and technical consultation, key account service plan, transformer oil gas analysis, boiler operation and maintenance training, boiler and pressure vessel inspection services for non-code vessels (and vessels located in jurisdictions that do not require inspections); thereby offering a wide range of services to manage these critical exposures.

OASYS-Net

OASYS-Net is the proprietary computer program Alliant Insurance uses to access property schedules, claims, vendor certificates, and place certificate requests via the Internet. It allows clients to update their property locations, report a claim, or request a certificate of insurance. Client input is reviewed and, once accepted, the changes become a part of the OASYS-Net database.

About Alliant Insurance Services

Alliant Insurance Services is an industry leader in providing specialty brokerage services to the public sector. With more than 30 years of experience in

meeting the unique insurance needs of public entity clients, and over \$500 million in premiums and premium equivalents placed, we understand how public entities are perceived within the insurance marketplace and how the operating environment of the public sector shapes the risk transfer approach and requirements of these organizations.

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- Risk-sharing pools
- Joint powers authorities (JPAs)
- States, counties, cities, and townships
- Native American tribes
- Utilities
- Special districts
- Transportation authorities
- Private and public universities
- K-12 schools
- Hospitals
- Airports and seaports

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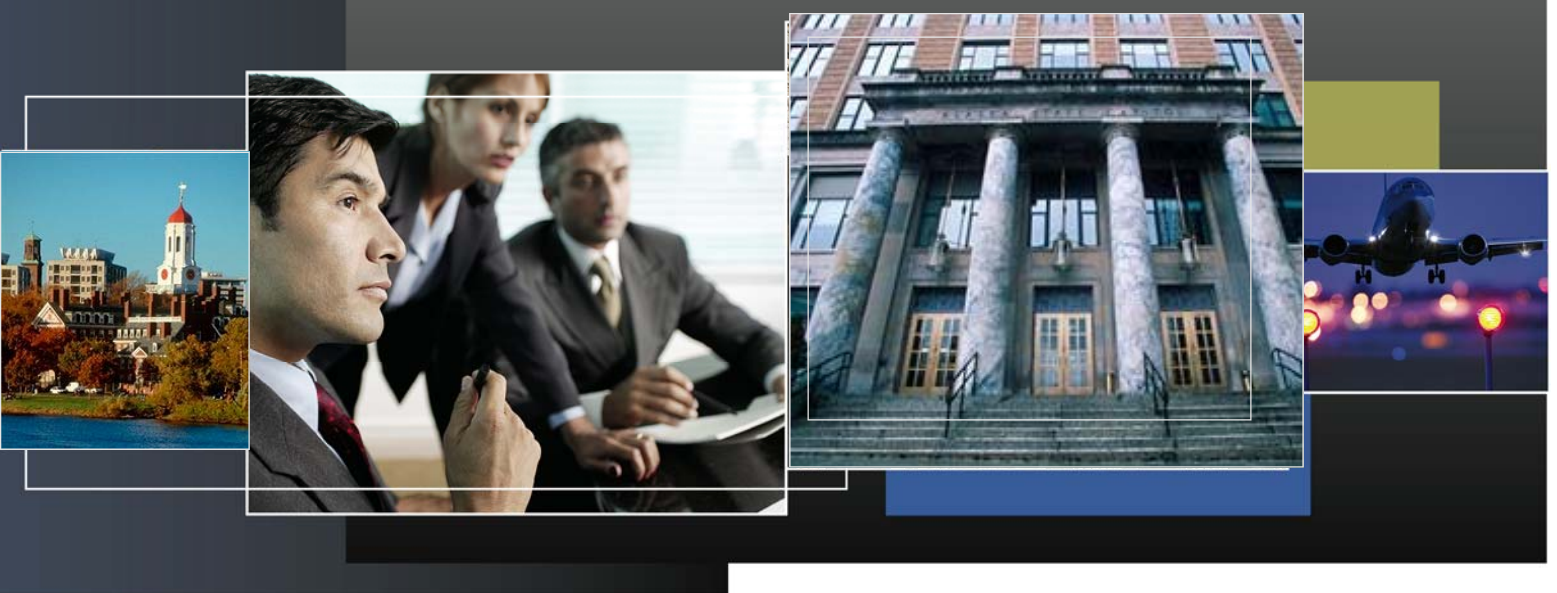


Risk Control and Safety Services

risk control



MEETING THE UNIQUE RISK CONTROL NEEDS OF PUBLIC ENTITIES AND NON-PROFITS



We understand that managing risk is essential to your organization's success.

Accidents and avoidable incidents that result in financial loss are costly to your organization in many ways. They mean lost time, damaged property, diversion of resources, and possible legal and medical expenses. Accidents and insurance claims can also reflect poorly on a public entity or non-profit organization and its leaders.

Alliant Insurance Services Risk Control Consulting (RCC) Practice is comprised of Alliant consultants and a strategically placed network of subject matter experts nationwide. Our consultants' primary mission is to assist

members of the Public Entity Property Insurance Program (PEPIP) in the identification and reduction of risk exposures.

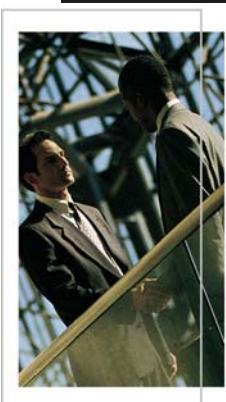
SPECIALIZED KNOWLEDGE

Our staff averages over 15 years of experience and carries a variety of credentials and certifications to include Professional Engineer, Certified Safety Professional, Industrial Hygienist, Certified Fire Prevention Officer, Associate in Risk Management and others. Most of our consultants maintain a four year college degree, many have post graduate degrees, and all are dedicated to continuing professional development. This helps ensure that we bring the most relevant and up to date risk solutions to our PEPIP members.

PEPIP members may access Alliant Risk Control Consulting in any of the following ways:

- Risk Control Consulting's Dedicated Email: riskcontrol@alliantinsurance.com
- Risk Control Solutions Hotline: (888) 737-4752
- Property Protection Impairment: (800) 789-5655

How to Choose the Right Risk Control Consultant



When seeking a qualified risk control consultant, you should ask:

- Does the consultant have diverse public entity and non-profit experience that includes safeguarding your type(s) of operations and assets?
- Does the consultant have the resources and availability to do the job when you need it and for your intended use?
- Do they tell you what you need to know to control risk?
- Does the consultant have a team of experts who is able to help you if there is a regulatory citation, a serious claim, or challenging litigation?
- Each of these questions can be answered yes by Alliant's Risk Control Consulting practice.

Our services include:

- **Risk Assessment**

We assess your exposures by providing C.O.P.E. (construction, occupancy, protection, and exposure) and natural disaster and catastrophe data, risk quality ratings, recommendations, and facility photographs.

- **Risk Mitigation**

We help you understand the magnitude of your property risks so you can allocate the appropriate resources to mitigate them.

- **Hazard Analysis**

We analyze significant hazards and exposures that are unique to public entities and non-profit organizations. Typically this analysis includes loss estimates, evaluation of protection, and detailed hazard-specific recommendations.

- **Loss Prevention and Environmental Health and Safety Program Analysis**

A detailed analysis of an organization's environmental health and safety, and property construction loss control programs is provided, including management of vendors and contractors, pre-emergency planning, and maintenance.

- **Continuity Planning**

Since various natural and man-made disasters can disrupt the operations of public entities or non-profit organizations, we help clients identify risk, determine potential organizational and customer impacts, and develop disaster plans that ensure survival, protect assets, and mitigate recovery costs.

- **Infrared Surveys**

To prevent unscheduled maintenance, decrease operational interruptions, and improve energy usage of electrical equipment and facilities, we offer infrared testing (which detects electrical problems such as faulty fuses, loose wires, and overloaded circuits).

- **Fire Prevention and Property Conservation**

Our risk control professionals have advanced skills in property conservation and hands-on experience with fire protection systems. Consulting services include:

- **Storage**—Assist clients in selecting the best storage and warehouse methods to help reduce environmental damage.

- **Sprinkler System Analysis**—Evaluate design of existing and new sprinkler systems for adequacy in protection against fire.

- **Pre-Construction**—Help clients choose new sites and review building plans to limit potential deficiencies.

- **Security**—Develop security policies and procedures to protect life and property.

- **Plan Review**—Assess building plans to ensure that fire protection, life safety and security designs meet specifications, insurance and Authority Having Jurisdiction (AHJ) requirements.

- **Hot Work**

Provide assistance to ensure that proper fire protection procedures are in place when facilities and/or contractors conduct work that emit or require a source of ignition such as grinding, use of torches for cutting and brazing, arc or heli arc welding, etc. Hot work permits are available by contacting RCC.

- **Fire Protection Impairment**

Notify RCC at (800) 789-5655 when you will be compromising fire protection systems for maintenance, construction or repair. Alliant will follow up within 24 hours to ensure that fire protection systems have been restored.

- **Workers' Compensation Services**

To create a safer, healthier workplace environment—and thereby lower workers' compensation costs—we work with clients to reduce the workplace hazards and organizational risk factors that cause or contribute to employee injuries and illnesses. Specialized areas of service include:

- **Total Cost of Risk**—Through a proprietary process, our consultants conduct an assessment and develop client business plans targeting cost drivers and cost reduction to properties.

- **Ergonomics**—Provide clients with workplace studies, process evaluations, office evaluations, and delivery of education and training to managers and supervisors.

- **Industrial Hygiene**—Help clients recognize, evaluate, and control noise, airborne contaminants or energy sources that cause work-related illnesses.

▪ **Fleet Safety Analysis**

Research-based transportation safety programs include full safety assessments, fleet training, accident investigation, and other regulatory audits.

▪ **Training Services**

Comprehensive training services are tailored to your organization's specific risk exposure and are presented in participant-only or train-the-trainer formats. Topics include:

- Arson Prevention
- Property Loss Control Training
- Business Interruption Planning – Business Continuity and Disaster Recovery
- Preventing Slips, Trips, and Falls
- Water Intrusion and Mold Prevention
- Workplace Security
- Crisis Management Communication
- Accident Investigation and Root Cause Analysis
- Chemical Hazards
- Confined Spaces
- Construction Safety
- Electrical Safety
- Ergonomics and Material Handling
- Defensive Driving
- Machine Guarding
- OSHA Compliance
- Office and Classroom Safety
- ... and many more

See the attached addendum for our streaming video library available to PEPIP members.

▪ **Webinars and Newsletters**

PEPIP members for the 2012-13 policy year will have the opportunity to earn a Risk Control Consulting sponsored Certificate of Completion for our four part "Human Elements of Property Protection" series.

See the attached 2012-13 webinar schedule.

On-line seminars, or "webinars," and newsletters are used to train and communicate with clients on emerging issues.

Experienced Risk Control Professionals

To meet the risk prevention and safety needs of public entity and non-profit clients across the United States, we bring together highly experienced local consultants in major markets nationwide. This ensures that each consultant understands the loss control and regulatory issues unique to that specific market, enabling us to provide the appropriately skilled staff when and where they are needed.

With an average of 15 years of experience in their respective fields, our consultants have the specialization needed to provide the right solutions for your unique exposures and needs.

Peer Review

To ensure that all report deliverables provided by Alliant Risk Control Consulting meet best practices, every deliverable we prepare is submitted for peer review by a Certified Safety Professional (CSP). This procedure validates our findings and conclusions while ensuring the feasibility of our recommendations.

Alliant Insurance Services, Inc.
1301 Dove Street ■ Suite 200 ■ Newport Beach, CA 92660
(949) 260-5042 Phone ■ (949) 809-1466 Fax ■ www.alliantinsurance.com

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Risk Control Consulting Streaming Safety Video Library

Driving Safety

- Accidents: "It Won't Happen to Me?"
- Bad Weather Driving
- Bucket Truck Safety
- Backing, Parking and Intersections
- Bobtailing and Jackknifing Safety for CDL Drivers
- Crash Course: Reporting Vehicle Incidents
- Defensive Driving: A Supervisor's Guide
- Defensive Driving: I Could See It Coming
- Defensive Driving: When Good Weather Goes Bad
- Distracted Driving: Real Accidents, Real Stories
- Distracted Driving: Real Accidents, Real Stories II
- Driving Distractions of the Everyday Driver
- Driving Distractions of the Professional Driver
- Driving in Extreme Weather Conditions for CDL Drivers
- Driving Safely in the Hazards of Winter
- Driving Safely: Reason on The Road
- Drowsy Driving: It's Your Wake Up Call
- Drug and Alcohol Testing Requirements for the DOT
- Dying to Get There...The Result of Reckless Driving
- Federal Motor Carrier Safety Administration 2010: Safety, Compliance and Accountability
- Flatbed Truck Safety Training
- High Speed Collisions: The Effects on the Brain
- Hours of Services Training for CDL Drivers
- Pre Trip Inspection: A Circle of Safety
- Preventing Slips, Trips and Falls in the Transportation Industry
- Road Rage: Highway Havoc
- Road Rage: Changing Your Attitude
- Safe Backing Maneuvers for CDL Drivers
- Safe Braking Techniques for CDL Drivers
- Safely Navigating Intersections for CDL Drivers
- Safe Use and Operation of Utility Carts
- The Ultimate Driving Challenge
- Tips and Techniques for Safer Driving
- The Extreme Driving Quiz
- The Safe Loading and Unloading of Delivery Vehicles
- The Safe Operation and Use of Motor Vehicles
- Trucks, Vans and Other Delivery Vehicles
- Vehicle Safety: Being Prepared
- Why We Drive the Way We Do
- Working Safely with Snow Plows and Other Snow Removal
- Utility Cart Safety

Health and Safety

- Back Injury Prevention through Proper Lifting Techniques
- Back Safety: Exercise and Ergonomics
- Back Safety: Proper Lifting Procedures
- Bloodborne Pathogens: Exposure Control
- Bloodborne Pathogens Training
- Ergonomics: Doing Your Part
- Ergonomics for the 21st Century
- Ergonomics: What's Wrong with This Picture?
- Ergonomic Task Analysis and Safety
- Eye Protection

- Good Housekeeping for a Manufacturing Environment
- Good Housekeeping: Keeping Your Workplace Safe
- Hand Injury Prevention
- Hearing Conservation: Testing, Training and Protection
- Heat Stress: Real Accidents, Real Stories
- Heat Stress: Staying Healthy, Working Safely
- Housekeeping
- Hypothermia Prevention
- Lifting and Stretching: A Back Owner's Guide
- Office Ergonomic Principals
- Personal Protective Equipment: Your Last Line of Defense
- Personal Protective Equipment
- Personal Protective Equipment: Awareness and Attitude
- Personal Protective Equipment: Real Accidents, Real Stories
- Preventing Hand and Wrist Injuries
- Preventing Slips, Trips and Falls
- Protect Yourself Against Bloodborne Pathogens
- Protecting Your Hearing
- Respirator Fit Testing and Training
- Respiratory Protection: Maintaining and Using Respirators
- Safe Lifting for Office Workers
- Slips, Trips and Falls: Preventing Accidents
- Slips, Trips and Falls: Stranger Than Friction
- The Cause and Effect of Slips, Trips and Falls
- The Elements of a Successful Ergonomics Program
- The Horror of Losing an Eye
- The Horrors of Losing a Hand
- Training on the Selection and Use of Respirators
- Understanding Musculoskeletal Disorders
- Working Safely in Cold Weather
- Workplace Safety Investigators: Bloodborne Pathogens

Security, Fire and Emergency Management

- A Good Samaritan's Guide to First Aid
- An Overview of an Incident Command System
- Bomb Threat Awareness
- Disaster Preparedness: Hurricanes, Tornadoes and Floods
- Earthquake Preparedness and Safety
- Emergency Evacuation: Plan, Process and Procedures
- Emergency First Aid
- Emergency Preparedness: An Employee's Responsibility
- Emergency Preparedness: A Supervisor's Role
- Emergency Preparedness: Knowing What to Do
- Emergency Preparedness: The Chemical and Biological Threat
- Fire Extinguishers: Ready to Respond
- Fire Extinguisher Training: The PASS Procedure
- Managing the Anger to Prevent the Violence
- Taking Control of Workplace Violence
- The Safe Operation and Use of Fire Extinguishers
- Why Dogs Attack
- Workplace Violence: The Myths and the Mystery
- Workplace Violence: Threat Detection

Risk Control Consulting Streaming Video Library

OSHA Compliance

- Asbestos Safety and Awareness
- Basics of Working with Electricity
- Bloodborne Pathogens: Exposure Control
- Bloodborne Pathogens Training
- Chemicals, Supplies & Equipment: Safety for Custodial Services and Maintenance Personnel
- Confined Space Entry Training
- Confined Space: Risk and Responsibilities
- Carbon Monoxide: Safety and Awareness
- Electrical Arc Flash Safety
- Electrical Safety Basics
- Elements of a Successful Ergonomics Program
- Ergonomics: Doing Your Part
- Ergonomics for the 21st Century
- Ergonomic Task Analysis and Safety
- Ergonomics: What's Wrong with this Picture?
- Fall Protection: Preparation, Application & Safety
- Flammable Liquid Safety
- Forklift Operator Safety and Training
- Forklift Safety
- Forklift Safety: Real Accidents, Real Stories
- Forklift Safety: The Experienced Operator
- Forklift Safety: The Triangle of Stability
- Forklift Safety: What's Wrong with This Picture?
- Hazard Communication: It's Your Right to Know
- Hazard Communication: KHAZ Talk Radio
- Hazard Communication: Real Accidents, Real Stories
- Hazard Communication: Satisfying the OSHA Standard
- Hazard Communication: Working Safely with Chemicals
- Hazardous Materials: Spills and Cleanup
- HAZWOPER: Identification of Hazardous Materials
- HAZWOPER: On Site Operations & Safety Considerations
- HAZWOPER Orientation
- HAZWOPER: Personal Protective Equipment
- HAZWOPER: Procedures for Donning, Doffing and Decontamination
- HAZWOPER: Procedures for Medical Surveillance
- HAZWOPER: Respiratory Protection
- HAZWOPER: Site Safety Plans, Instructions & Procedures
- Hearing Conservation: Testing, Training and Protection
- Heat Stress: Staying Healthy, Working Safely
- Hexavalent Chromium Safety
- Housekeeping
- Hydrogen Sulfide Safety Training
- Hypothermia Prevention
- Ladder Safety
- Lead Safety
- Lifting Safely: Cranes, Chains, Slips & Hoists
- Lockout/Tagout Safety
- Lockout/Tagout Safety for Authorized Employees
- Lockout/Tagout Safety for Affected Employees
- Lockout/Tagout Safety: Process, Policy and Procedures
- Machine Guards: Safety and Responsibility
- Machines, Operators and Guides: Real Accidents, Real

Stories

- New Employee Orientation
- New Employee Safety and Orientation Training
- New Rules: OSHA Log 300
- Office Ergonomic Principals
- Order Picker Safety
- Overhead Crane Safety
- Personal Protective Equipment
- Personal Protective Equipment: Awareness & Attitude
- Powered Pallet Jack Safety
- Protect Yourself Against Bloodborne Pathogens
- Protecting Your Hearing
- Recognition and Remediation of Toxic Mold
- Respirator Fit Testing and Training
- Respirator Protection: Maintaining & Using Respirators
- Safe Handling, Storage and Use of Compressed Gas Cylinders
- Safe Operation and Use of Hand & Power Tools
- Safety Operation and Use of Forklifts
- Safe Operation and Use of Pneumatic Tools
- Safety Awareness: Real Accidents, Real Stories
- Safety Awareness II: Real Accidents, Real Stories
- The Safe Operation and Use of Aerial Lifts
- The Safe Operation and Use of Portable Grinders
- Training on the Selection and Use of Respirators
- Understanding and Working Safely with Electricity
- Understanding Musculoskeletal Disorders
- Understanding the Principles of Machine Guarding
- Working Safely with Chemicals
- Working Safely with Scaffolds and Ladders

Behavioral Based Safety

- Accident Causes & Prevention
- Accident Investigation: Who, What, Where, Why & How
- A Million Excuses
- An Effective Safety Committee
- Job Safety Analysis Training
- New Employee Orientation
- Safety Awareness: The Most Horrifying Accidents
- Safety Behavior: Reducing Unsafe Acts
- Safety Guidelines for Every Employee
- Top 25 OSHA Violations

ADDITIONAL TOPICS AVAILABLE

Contractor and Construction

Groundskeeping Safety

Hospitality and Restaurants

Human Resources

Sanitation

Warehouse & Distribution Safety

Web-Based Risk Control Training: 2012-2013

PEPIP Members

A growing message from many members of the Public Entity Property Insurance Program (PEPIP) clients has been their struggle to cope with the cost, complexity and potential liability surrounding property-related loss control issues. To help members address this need, Alliant Risk Control Consulting is pleased to be able to provide a series of one-hour, web-based safety training programs **at no additional charge**.



Additional details are:

- This is an audio-plus-web format that enables participants to receive risk control/safety training without leaving their facility. All members need is a windows-based computer, audio (speakers) and a high speed internet connection.
- Since the programs are delivered live, participants are able to send their questions electronically to the presenter.
- The training series will be conducted by risk control and property insurance professionals with specific expertise on the various topics.
- You can choose to participate in selected programs, or the entire series.
- All programs are recorded for future playback.
- Detailed information on each program, including how to register, will be provided in advance of each webinar.
- **For 2012-13 we are offering a Risk Control Consulting sponsored Certificate of Completion for our four part series "Human Elements of Property Protection". (Certificate will only be issued to those who successfully complete all 4 webinars.)**

All training programs will be held from 10 a.m. to 11 a.m. Pacific time.

Tentative dates and topics are:

2012 - 2013

- **Thursday, August 9, 2012:** Electrical Installations (NFPA 70)
- **Wednesday, September 12, 2012:** Understanding Property Appraisals
- **Thursday, October 11, 2012:** Preparing for Severe Weather Conditions
- **Wednesday, November 14, 2012:** **Human Elements of Property Protection Series Part I—Hot Work and Sprinkler Impairment Program**
- **Thursday, December 13, 2012:** **Human Elements of Property Protection Series Part II— Inspection, Testing and Maintenance of Fire Protection Systems**
- **Wednesday, January 9, 2013:** **Human Elements of Property Protection Series Part III – Value of Infrared Testing**
- **Thursday, February 14, 2013:** **Human Elements of Property Protection Series Part IV – Property Conservation Facility Inspections**
- **Wednesday, March 13, 2013:** Emergency Response to Property Loss
- **Thursday, May 9, 2013:** Care and Guidelines for Pressure Vessels
- **Wednesday, June 12, 2013:** NFPA 101— Reviewing Fire Life Safety

Public Entity Solutions

Alliant Public Entity Environmental Liability (APEEL) Insurance Program



To provide a wide range of public entities with a broad range of pollution liability protection for gradual—as well as sudden and accidental—first-party and third-party environmental losses, Alliant Insurance Services has created the Alliant Public Entity Environmental Liability (APEEL) Insurance Program.

APEEL provides public entities with a single comprehensive policy that includes coverage for premises, covered operations, transportation, bodily injury/property damage from pollutions conditions, pollution clean-up, and both above-ground storage tanks (ASTs) and underground storage tanks (USTs). Coverage includes fixed-site pollution for owned locations, as well as off-site covered operations common to public entities.

APEEL Program Information

Minimums

- Minimum premium: \$6,000
- Minimum self-insured retention: \$10,000

Limits

- Limits available up to \$20 million per claim/aggregate (inclusive of defense)
- Split limits available

Typical Client Profile

- Schools: Any educational facility, including K–12, adult education, training facilities, and higher education facilities
- Transit authorities: Bus, taxi, department of transportation, and railway transit authorities
- Water/wastewater facilities: Municipal water and/or wastewater treatment facilities
- Utilities/power cooperatives: Municipal utility and/or power cooperatives
- Cities and counties: All properties and operations for cities and counties
- Parks and recreation facilities: All facilities owned, operated, or managed by a municipal parks and recreation department
- Special districts: Municipal risks that are homogeneous in their exposure basis. Excludes submissions that contain a mixture of risk classes; includes all other municipal operations not listed in the risk classes above, including:

Alliant Public Entity Environmental Liability (APEEL) Insurance Program

- Fire departments
- Police departments
- Administrative support facilities
- Maintenance facilities for municipalities
- Community recreation facilities
- Public works (not included within parks and recreation)

Restricted Classes or Industries

- Ports and port authorities
- Airports
- Landfills and/or recycling centers
- Oil- and gas-producing properties/assets

Above-Ground and Underground Storage Tanks (ASTs and USTs)

ASTs

- Blanket coverage on a primary basis
- Financial assurance coverage for select ASTs where required by the state

USTs

- Blanket coverage excess of a state UST fund or other primary UST insurance policy provided the USTs meet specified underwriting guidelines
- Financial assurance for select USTs where required by the state

Key Competitive Advantages

- Single comprehensive policy that includes coverage for premises, covered operations, transportation, bodily injury/property damage from pollutions conditions, pollution clean-up, ASTs, and USTs
- Financial assurance coverage available for ASTs and USTs
- Unlimited number of ASTs and USTs may be included within an APEEL program policy
- Ability to cover properties acquired by mid-term endorsement
- Coverage available for claims arising from non-owned disposal sites
- Coverage available for claims arising from fungi, lead-based paint, and asbestos
- Experienced, dedicated, and responsive underwriters with strong experience in environmental risks, as well as the unique needs of the public entity sector
- Dedicated claims and risk control services.

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From joint purchase agreements and risk sharing pools to risk retention and non-insurance approaches, Alliant Insurance Services has long been on the cutting edge of insurance program design for public entities. With a staff of more than 130 professionals dedicated solely to serving public entity clients, Alliant Insurance Services uses our knowledge and creativity to develop and provide highly successful strategies, services, and products for a complete range of public agencies. These include:

- Risk-sharing pools
- Joint powers authorities (JPAs)
- States, counties, cities, and townships
- Native American tribes
- Utilities
- Special districts
- Transportation authorities
- Private and public universities
- K-12 schools
- Hospitals
- Airports and seaports

Item No. D.3.h
Board of Directors
June 11, 2012

WORKERS COMPENSATION ACTUARIAL REPORT

ISSUE: The Draft Workers Compensation Actuarial Study was presented at the April Board Meeting, and action was postponed to the June Board Meeting so that Members could review the full report. Jack Joyce is MBASIA's Actuary and completed the FY 12/13 Workers Compensation Actuarial Report.

RECOMMENDATION: It is recommended that the Board review the Draft Workers Compensation Actuarial Report and take action to approve or give direction.

FINANCIAL IMPACT: There are many financial implications drawn from the Actuarial Report.

BACKGROUND: In past years, the Actuarial report was created after the July 1 renewal and used primarily for accounting purposes in the Financial Audit. After some discussion with the Board, direction was given to change the timing of the Actuarial study so that it could help the Authority decide on prudent funding levels.

Below are some facts related to the current funding and recommended funding gathered from the Actuarial study:

- The central estimate rate with a \$250,000 SIR is \$4.45 (2011 \$4.83 – down 7.9%)
- The Estimated Liability for Unpaid Losses undiscounted is \$11,409,000 (2011 was \$11,390,000)
- The Short-term liability is \$1,658,000 (2011 was \$1,806,000)

ATTACHMENT: FY 12/13 Workers Compensation Actuarial Report – Management Summary
(full report emailed to the Board, and available upon request)

Monterey Bay Area Self Insurance Authority

An Actuarial Review of the Workers' Compensation Program

Management Summary

DRAFT

Monterey Bay Area Self Insurance Authority

An Actuarial Review of the Workers' Compensation Program

Management Summary

Projected 2012-13 Loss Rates

Table I shows the MBASIA's projected rates of loss for 2012-13 at various self-insured retentions ("SIR's) ranging between \$150,000 and \$1,000,000, plus unlimited. These rates are discounted at 1.5% interest and include 4850/TD benefits. Table II is similar except that it excludes 4850/TD benefits. Table IV on page 11 has adjustment factors to change the Table I and II rates to their equivalents at different interest rates. The Table I and II rates do not reflect the full cost of self-insurance because they don't include claims handling fees, administrative costs, or the cost of excess insurance coverage.

Tables I and II show actuarial central estimates and estimates at various probability levels. The higher probability level rates have higher probabilities of being adequate. For example, we estimate that there is a 70% probability that the actual 2012-13 \$250,000 SIR loss rate with and without 4850/TD will be less than **\$6.62** and **\$5.11**, respectively.

Table I Projected 2012-13 Discounted Loss Rates (1.5% interest rate – INCLUDES 4850/TD)						
Probability Level	Projected Loss per \$100 of Payroll					
	\$150,000 SIR	\$250,000 SIR	\$500,000 SIR	\$750,000 SIR	\$1,000,000 SIR	Unlimited Retention
50%	4.45	5.53	6.56	6.99	7.15	7.24
Central Estimate	\$4.64	\$5.76	\$6.91	\$7.36	\$7.53	\$7.79
60%	4.87	6.05	7.26	7.73	7.91	8.10
70%	5.29	\$6.62	7.95	8.54	8.73	9.04
80%	5.85	7.32	8.91	9.57	9.79	10.28
90%	6.68	8.41	10.30	11.19	11.52	12.15
11 Central Estimate	\$4.88	\$6.04	\$7.09	\$7.38	\$7.47	\$7.60
Change in C.E.	-4.9%	-4.6%	-2.5%	-0.3%	+0.8%	+2.5%

The next to last row in Table I shows last year's projected 2010-11 central value rates. The bottom row shows the percentage changes between last year's and this year's central value rates. In Table I both this year's and last year's rates are discounted at 1.5% interest.

Table II: Projected 2012-13 Discounted Loss Rates (1.5% interest rate – EXCLUDES 4850/TD)						
Probability Level	Projected Loss per \$100 of Payroll					Unlimited Retention
	\$150,000 SIR	\$250,000 SIR	\$500,000 SIR	\$750,000 SIR	\$1,000,000 SIR	
50%	3.21	4.27	5.35	5.78	5.94	6.06
Central Estimate	\$3.34	\$4.45	\$5.63	\$6.08	\$6.25	\$6.52
60%	3.51	4.67	5.91	6.38	6.56	6.78
70%	3.81	\$5.11	6.47	7.05	7.25	7.56
80%	4.21	5.66	7.26	7.90	8.13	8.61
90%	4.81	6.50	8.39	9.24	9.56	10.17
11 Central Estimate	\$3.67	\$4.83	\$5.88	\$6.18	\$6.27	\$6.41
Change in C.E.	-9.0%	-7.9%	-3.3%	-1.6%	-0.3%	+1.7%

Last year we estimated that 4850/TD constituted 15.7% of the total unlimited losses. This year the data indicates 16.4%.

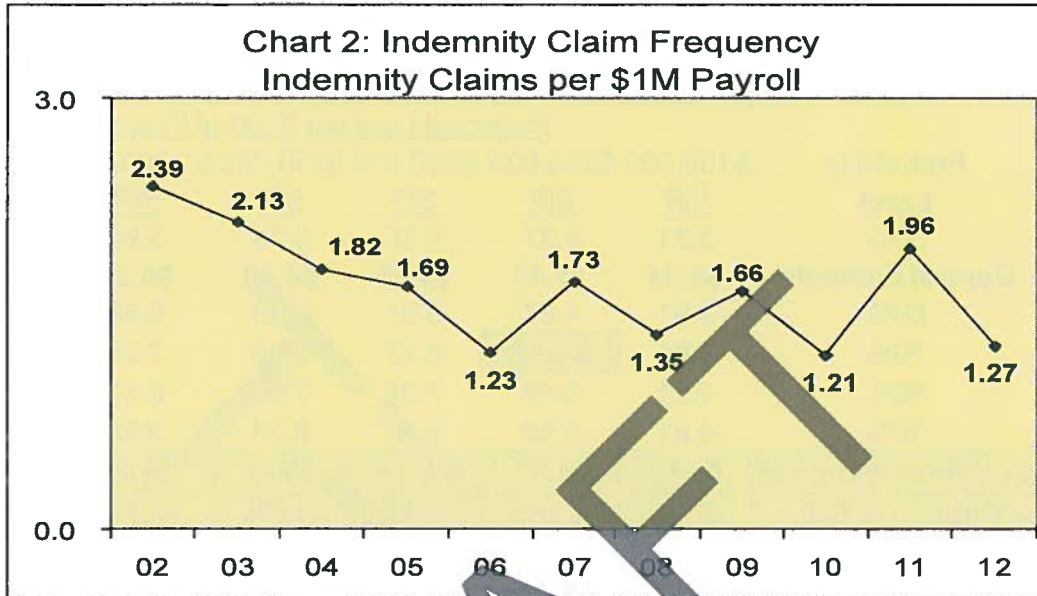
The Authority's Past Rates of Loss

Chart 1 displays the Authority's estimated past unlimited, undiscounted loss rates (no reduction for losses ceded to excess insurers). The loss rate is ultimate total loss per \$100 of payroll. ~~\$8.62~~ is the undiscounted central estimate unlimited rate for 2012-13. Our projection places the 2012-13 rate near the center of the past rates as shown in Chart 1. Six of the eleven prior rates are lower than **\$8.40**, and five are higher. The rates in Chart 1 include 4850/TD.



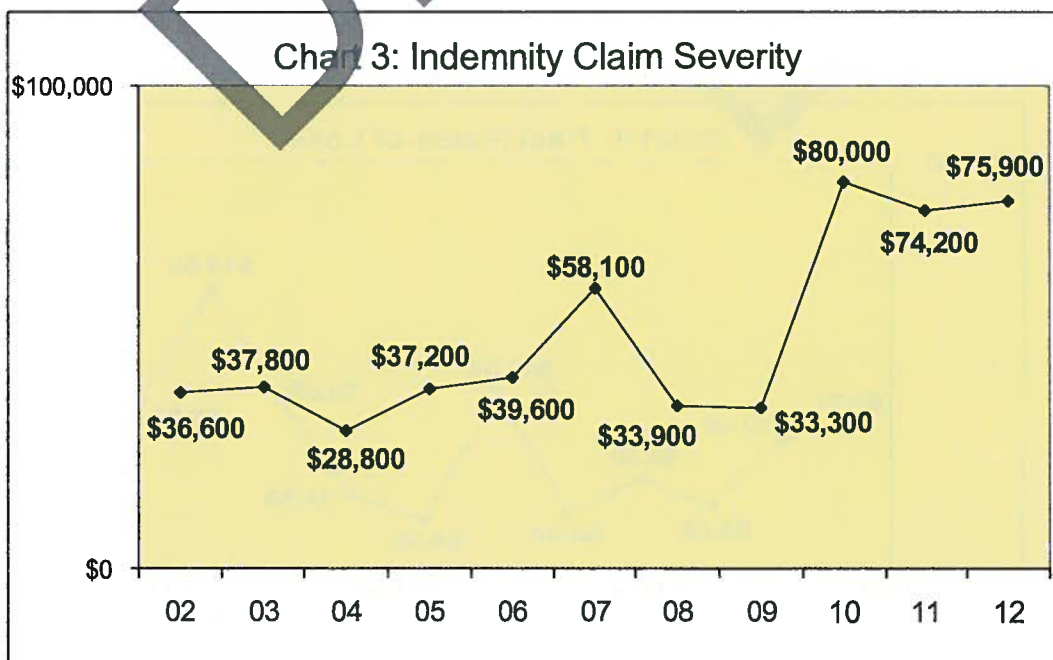
Indemnity Claim Frequency

Indemnity claim frequency is the number of "indemnity" claims divided by payroll. Chart 2 displays indemnity claim frequency.



Average Indemnity Claim Amount ("Severity")

Chart 3 shows the average indemnity claim amount, calculated by dividing the estimated annual losses by the number of indemnity claims. The values in this chart are based on unlimited loss data, so they include the portions of claims are ceded to excess insurers. The Chart 3 severities include 4850/TD.



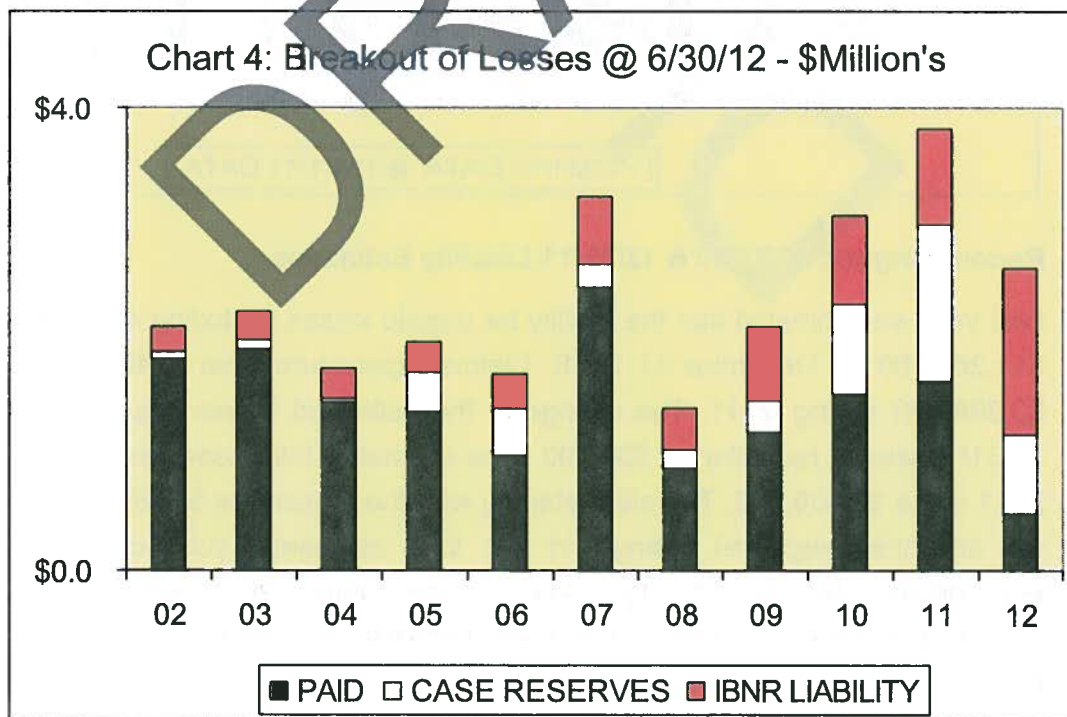
Limited Liability for Unpaid Losses @ 6/30/12

We project that the limited liability for unpaid losses will be **\$11,409,000** on June 30, 2012 on an undiscounted basis, or **\$10,350,000** if discounted at 1.0% interest. Table III shows these liabilities at various probability levels.

Table III: Estimated Liability for Unpaid Losses As of June 30, 2012 - \$1,000's		
Probability Level	Undiscounted Losses	Discounted at 1% Interest Losses
50%	11,181	10,143
Central Estimate	\$11,409	\$10,350
60%	11,751	10,660
70%	12,207	11,074
80%	13,006	11,799
90%	14,033	12,730

Loss Breakout as of 6/30/12

We project that the Authority's liability of **\$11,409,000** will comprise **\$4,850,000** in case reserves for known claims and an IBNR liability of **\$6,559,000**. Chart 4 breaks out the estimated total program year losses for 2000-01 through 2010-11 into their components: losses paid, case reserves, and IBNR liability.

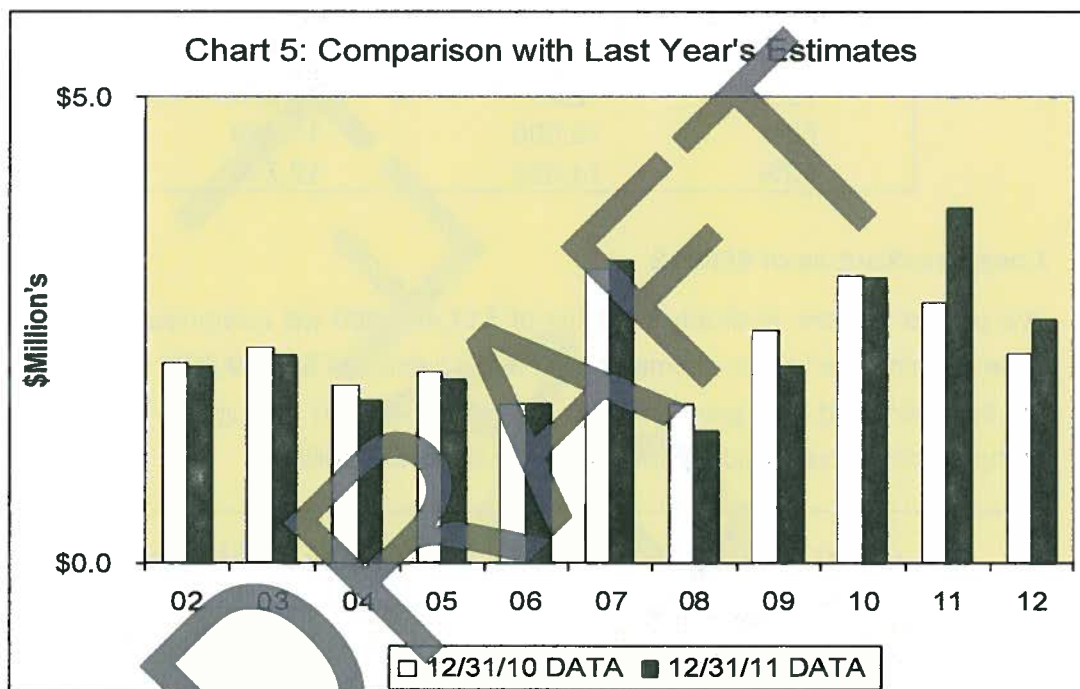


Short-Term Liability

Short-term liabilities are those expected to be expended within twelve months. The limited 6/30/12 liability comprises **\$1,658,000** in short-term and **\$9,751,000** in long-term liabilities.

Comparison with Last Year's Estimates

Chart 5 compares this year's estimates of the limited ultimate losses with last year's estimates. Chart 5 shows limited losses excluding 4850/TD benefits. The indication is for an average 2011-12 program year.



Reconciling the 12/31/10 & 12/31/11 Liability Estimates

Last year we estimated that the liability for unpaid losses (including 4850/TD) was \$11,265,000 on December 31, 2010. Claims expenditures, net of 4850/TD, were \$3,366,000 during 2011. The change in the estimated losses incurred through 12/31/10 was a reduction of \$38,000. The estimated total losses incurred during 2011 were \$3,800,000. Therefore starting with the December 31, 2010 liability, if we add the (negative) change in the loss estimates, subtract the claims expenditures, and add the total loss incurred during 2011, we end up with \$11,661,000, which matches our direct estimate of the unpaid losses as of December 31, 2011 on page 28.

Interest Rates

The discounted liabilities and rates in this report were calculated using a 1.5% interest rate. We used 1.0% for the discounted liabilities. Here are the adjustments to make for different interest rate assumptions:

Table IV: Interest Rate Adjustments						
Interest Rate	0%	0.74%	1.0%	1.16%	1.5%	2.0%
UNL Rate	+10.6%	N/A	+3.2%	+2.2%	+0.0%	-3.0%
1M Rate	+10.4%	N/A	+3.2%	+2.2%	+0.0%	-2.9%
750K Rate	+10.0%	N/A	+3.1%	+2.1%	+0.0%	-2.8%
500K Rate	+9.6%	N/A	+3.0%	+2.0%	+0.0%	-2.7%
250K Rate	+8.3%	N/A	+2.6%	+1.7%	+0.0%	-2.4%
Liabilities	+6.8%	+1.7%	+0.0%	N/A	-3.1%	-6.0%

We included columns labeled 0.74% and 1.16%. If one assembles a current portfolio of treasury bills and notes selected to mature just as the expected claims payments on the 2012-13 losses come due, that portfolio would yield an overall interest rate of 1.16%. If one assembles a similar portfolio with bills and notes selected to mature just as the expected payments on the 6/30/12 liability come due, that portfolio would yield 0.74%. Higher yields may be available, but only by taking on some credit risk by purchasing securities other than treasuries, or by speculating instead of holding the items in the portfolio to maturity.

Although we lowered the rates only to 1.0% and 1.5% (from last year's 2%) the differences in the rates and liabilities would be negligible if the rates were lowered all the way to 1.0% and 1.5%.

Monterey Bay Area Self Insurance Authority

**An Actuarial Review of the
Workers Compensation Program**

Technical Approach

Item No. D.3.i
Board of Directors
June 11, 2012

LIABILITY ACTUARIAL REPORT

ISSUE: The Draft Liability Actuarial Study was presented at the April Board Meeting, and action was postponed to the June Board Meeting so that Members could review the full report. Jack Joyce is MBASIA's Actuary and completed the FY 12/13 Liability Actuarial Report.

RECOMMENDATION: It is recommended that the Board review the Draft Liability Actuarial Report and take action to approve or give direction.

FINANCIAL IMPACT: There are many financial implications drawn from the Actuarial Report. The Board may consider budgeting funds, or using existing budgeted funds, to try to address claim concerns.

BACKGROUND: In past years, the Actuarial report was created after the July 1 renewal and used primarily for accounting purposes in the Financial Audit. After some discussion with the Board, direction was given to change the timing of the Actuarial study so that it could help the Authority decide on prudent funding levels.

Below are some facts related to the current funding and recommended funding gathered from the Actuarial Study:

- The central estimate rate undiscounted with a \$1M SIR and \$500K ELP SIR is \$2.17 (2011 \$2.05 – up 5.9%)
- The Estimated Liability for Unpaid Losses undiscounted is \$2,463,274 (2011 was \$1,676,264)
 - This is comprised of \$1,101,000 of known claims (reserves) and \$1,362,000 in IBNR
- The Short-term liability is \$943,000 (2011 was \$661,000)

ATTACHMENT: FY 12/13 Liability Actuarial Report – Management Summary
(full report emailed to the Board, and available upon request)

Monterey Bay Area Self Insurance Authority

An Actuarial Review of the Liability Self-Insurance Program

Management Summary

Monterey Bay Area Self Insurance Authority

An Actuarial Review of the Liability Self-Insurance Program

Management Summary

Projected 2012-13 Losses and Loss Rates

Tables I and II show the projected 2012-13 losses and loss rates at various probability levels, discounted and undiscounted. The rates in Table I are gross of the \$10,000 per loss deductible, while those in Table II are net of that deductible. We discounted the rates at 1% interest. The items in Tables I and II do not include claims handling fees ("ULAE"), administrative costs, or the cost of excess insurance coverage. The losses have been calculated assuming that CARMA will cover any general and auto liability losses that exceed \$1,000,000, and that ERMA will cover any EPL losses that exceed \$500,000.

Tables I and II show actuarial central estimates, plus estimates at various probability levels. The probability level rates correspond to the estimated probabilities that the indicated rate will be adequate. For example, we estimate that there is a 70% probability that the actual 2012-13 discounted loss rate, gross of deductibles (Table I) will be less than \$3.07.

Table V on page 11 shows factors to adjust these rates for interest rates other than 1%.

Table I: Projected 2012-13 Losses and Loss Rates (\$1M SIR (\$500K EPL SIR), Gross of \$10K Deductible, 1% Interest Rate)				
<u>Probability</u> <u>Level</u>	<u>Undiscounted</u> <u>Losses</u>	<u>Discounted</u> <u>Losses</u>	<u>Undiscounted</u> <u>Loss Rate</u>	<u>Discounted</u> <u>Loss Rate</u>
Central Estimate	\$1,159,438	\$1,128,133	\$2.55	\$2.48
70%	1,437,703	1,398,885	3.16	3.07
80%	1,739,157	1,692,200	3.82	3.72
90%	2,202,932	2,143,453	4.84	4.71
2011 C.E.	\$1,046,507	\$1,019,298	\$2.43	\$2.37
% Change from 11	+10.7%	+10.7%	+4.9%	+4.6%

Table II: Projected 2012-13 Losses and Loss Rates (\$1M SIR (\$500K EPL SIR), NET of \$10K Deductible, 1% Interest Rate)				
Probability Level	Undiscounted Losses	Discounted Losses	Undiscounted Loss Rate	Discounted Loss Rate
Central Estimate	\$987,436	\$957,813	\$2.17	\$2.10
70%	1,254,044	1,216,422	2.76	2.67
80%	1,579,898	1,532,501	3.47	3.37
90%	1,974,872	1,915,626	4.34	4.21
2011 C.E.	\$881,657	\$856,089	\$2.05	\$1.99
% Change from 11	+11.9%	+11.9%	+5.9%	+5.5%

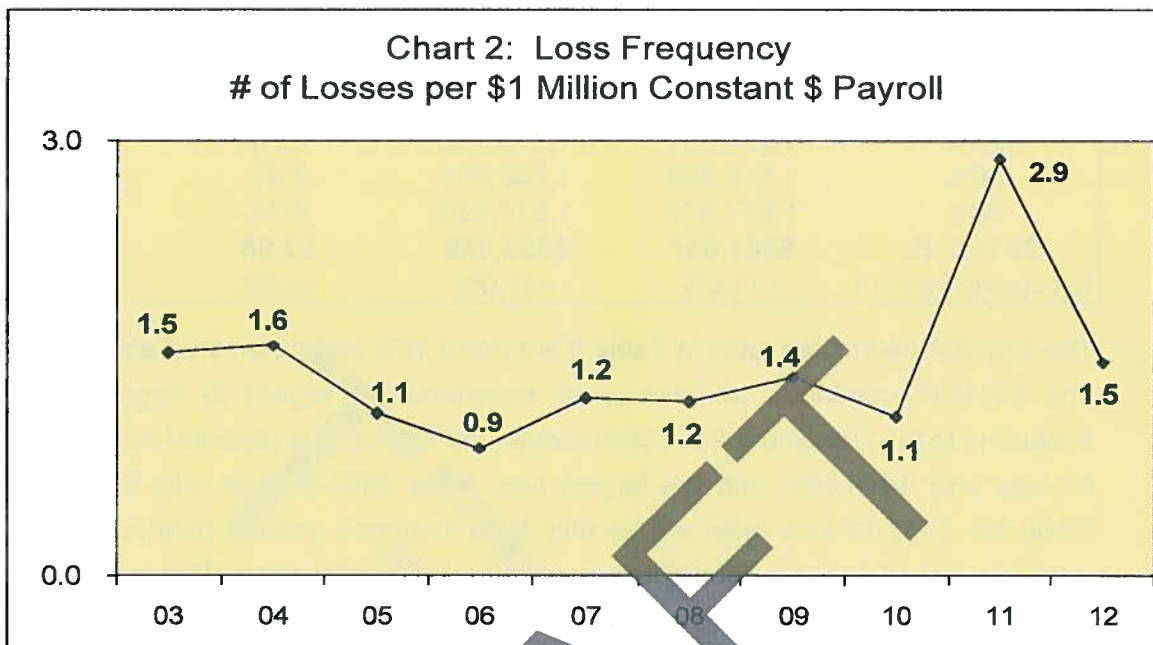
The \$10,000 deductible rates in Table II are about 15% lower than the Table I rates. The MBASIA continues to have good experience in regard to large claims. According to the December 2011 claims data, the largest loss reported since 2000-01 was only \$474,000, and the largest loss since 2003-04 was only \$358,000. While the 2012-13 loss rates are up only by a moderate amount over last year's rates, the actual indicated contributions are up significantly more. This is because the MBASIA payroll used to calculate the rates rose from \$43.0 million to \$45.5 million.

The Authority's Past Rates of Loss

Chart 1 shows the Authority's estimated past rates of loss. The rate is equal to the estimated total losses for the year divided by the total insured payroll measured in hundreds of dollars. The indicated loss rates are not discounted. The rate of **\$2.55** projected for 2012-13 in Chart 1 corresponds to the undiscounted rate in Table I.

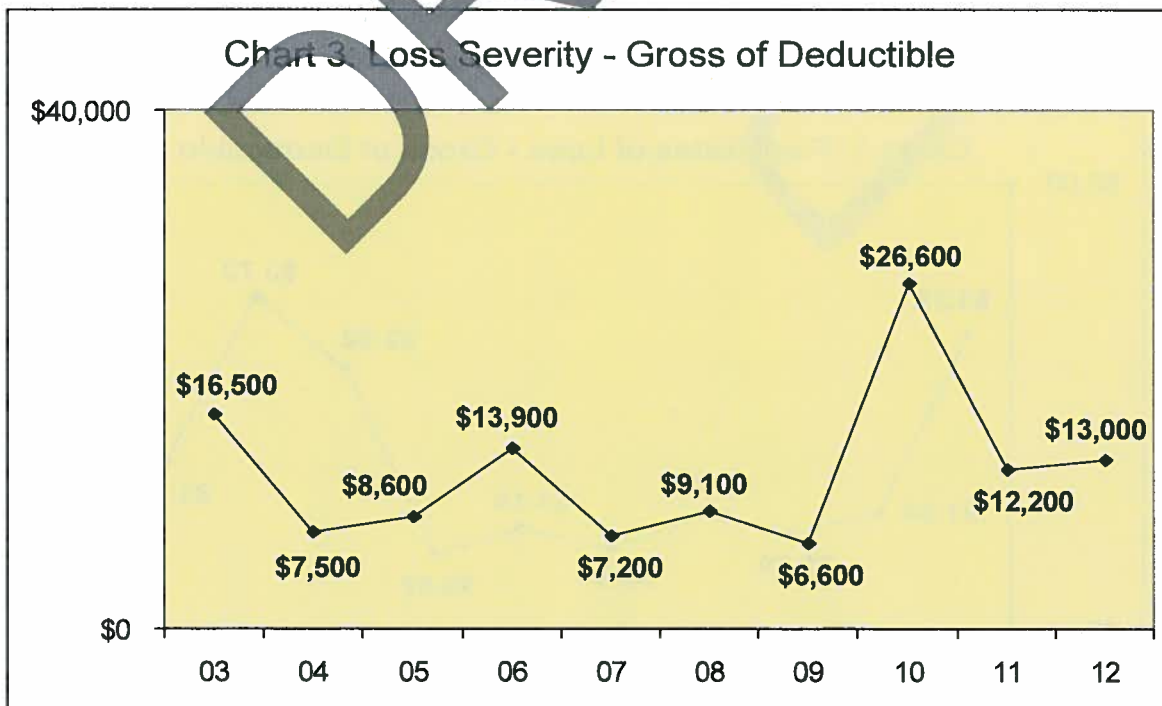


Loss "frequency" is the number of losses divided by 2011 payroll. Chart 2 displays recent loss frequency.



Average Loss Amount

The average loss amount is the estimated ultimate losses divided by the number of losses. Chart 3 displays the estimated average cost per loss.



We project that the Authority's liability for unpaid losses, undiscounted, will be **\$2,463,000** on June 30, 2012, or **\$2,440,000** if discounted at 1% interest. Table III shows the actuarial central estimate plus various probability levels. The estimates in Table III are net of the \$10,000 deductible that the members pay on each loss.

Table III: Projected Liability for Unpaid Losses As of June 30, 2012 – Net of Deductibles		
Probability Level	Undiscounted Losses	Discounted Losses
50%	2,290,151	2,269,540
Central Estimate	\$2,463,274	\$2,440,366
60%	2,561,030	2,537,981
70%	2,881,158	2,855,228
80%	3,275,183	3,245,687
90%	3,915,421	3,880,182

Table IV shows the projected liability gross of deductibles.

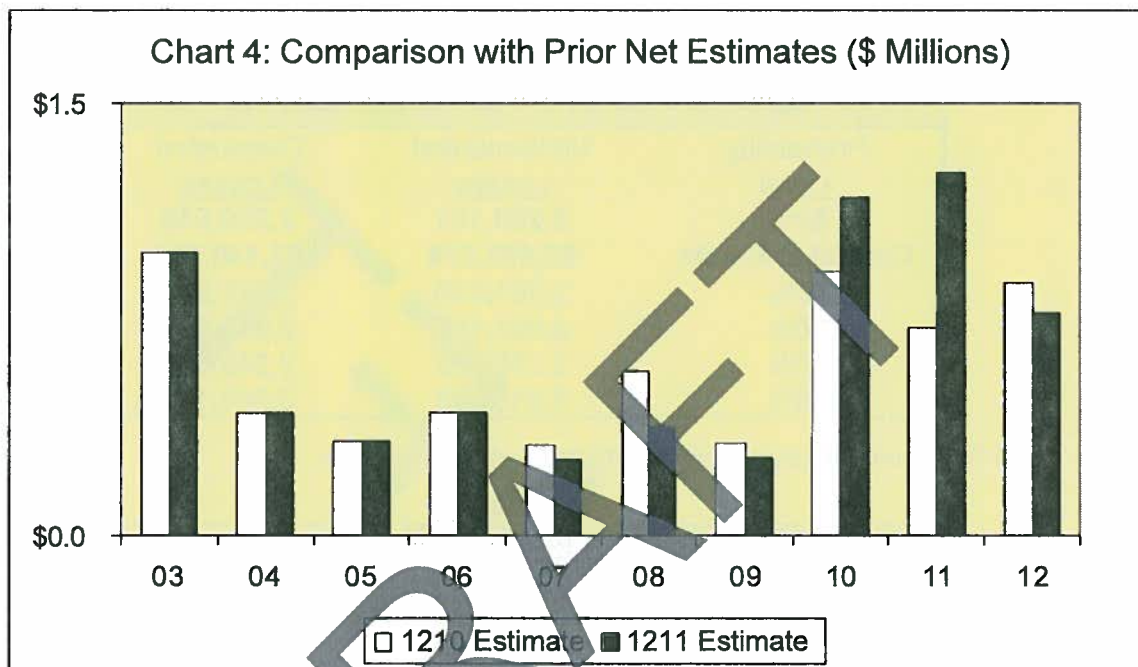
Table IV: Projected Liability for Unpaid Losses As of June 30, 2012 – Gross of Deductibles		
Probability Level	Undiscounted Losses	Discounted Losses
50%	2,468,810	2,447,331
Central Estimate	\$2,655,438	\$2,631,539
60%	2,760,820	2,736,801
70%	3,105,922	3,078,901
80%	3,530,664	3,499,948
90%	4,220,869	4,184,148

In our last report we projected the net liability as of June 30, 2011 at \$1.294 million. Claims expenditures, net of deductibles, were \$109,000 between July 1 and December 31. The change in our estimates of the ultimate losses for 2009-10 and prior were very slight in total, an increase of only \$12,000. We estimate the 2010-11 net losses at \$727,000, which is about \$200,000 higher than the annual average for 2000-01 through 2009-10. The \$382,000 increase in the projected liability between June 30, 2010 and June 30, 2012 is a function of the worse than average 2010-11 year and relatively slow claims expenditures during the last half of 2010. For example, we project 2012-13 claims expenditures at more than \$660,000, so the

\$109,000 that was actually expended between July 1 and December 31 was relatively low and this contributed to the increase in the projected liability.

Comparison with December 31, 2010 Estimates

Chart 4 compares the prior estimates of the net losses by program year with the new estimates.



The overall increase for all years combined was \$498,000. The increase was mostly caused by the poor experience in 2010-11. The increase in 2009-10 was offset by reductions in 2006-07, 2007-08, and 2008-09.

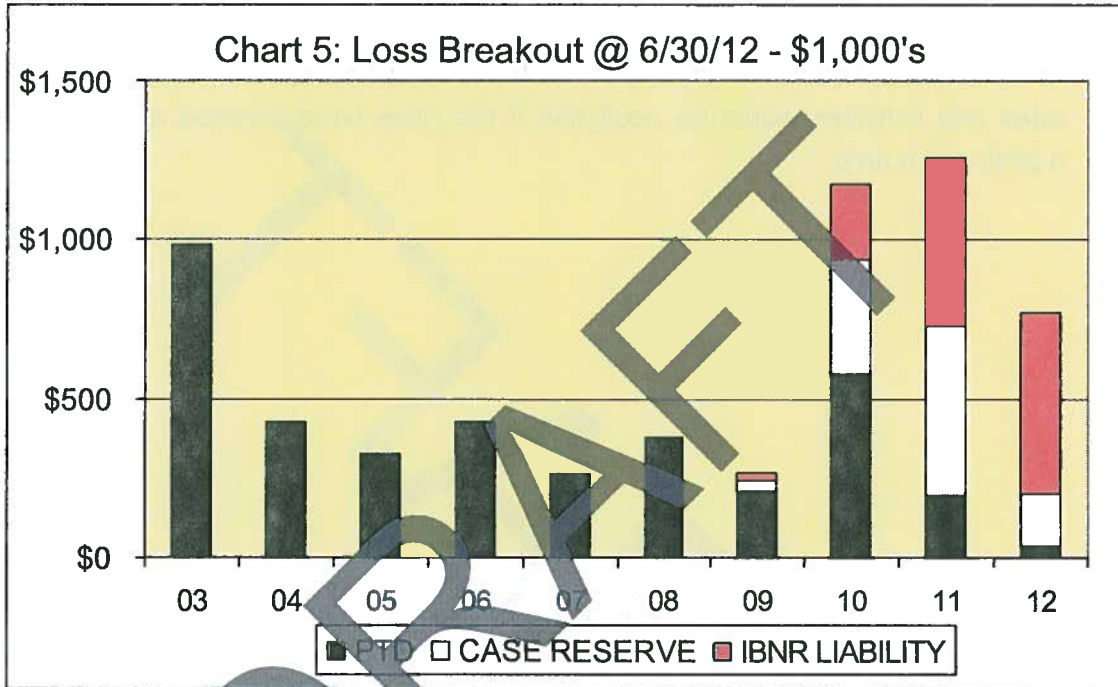
Reconciliation of 12/31/10 & 12/31/11 Estimates

These estimates are based on analysis of the 12/31/11 data. Last year we used 12/31/10 data and estimated a gross liability of \$1.825 million on that date. Claims expenditures were \$622,000 during 2011. We increased the losses estimates for 12/31/10 and prior by \$322,000 in this report. We estimate the losses incurred during 2011 at \$1.235 million.

Therefore starting with last year's 12/31/10 liability estimate, subtracting the claims payments, and adding the change in the estimates and the 2011 losses produces \$2.770 million as the estimated liability on 12/31/11. This matched the direct calculation shown on page 24.

Loss Breakout as of 6/30/11

In Table III we projected that the Authority's 6/30/12 liability, net of deductibles, would be **\$2,463,000**. This comprises **\$1,101,000** in case reserves for known claims and an IBNR liability of **\$1,362,000**. Chart 5 breaks out the projected total program year losses into their components: losses paid, case reserves, and IBNR liability. The details are on page 21. Therefore there is \$1.24 of IBNR liability for every \$1.00 of case reserves.



Short-Term Liability

Short-term liabilities are those expected to be discharged within twelve months. The total projected 6/30/12 liability of **\$2,463,000** comprises **\$943,000** of short-term and **\$1,520,000** of long-term liabilities.

Interest Rates

The discounted liabilities and rates in this report were calculated using a 1% interest rate. Here are the adjustments to make for different interest rate assumptions:

Interest Rate	0.0%	0.26%	0.50%	1.0%	2.0%
Gross Rates	+2.8%	+2.1%	+1.3%	+0.0%	-2.7%
Net Rates	+3.1%	+2.3%	+1.5%	+0.0%	-2.9%
Liabilities	+0.9%	+0.7%	+0.4%	+0.0%	-0.9%

We included columns labeled 0.26% and 0.50%. If one assembles a current portfolio of treasury bills and notes selected to mature just as the expected claims payments on the 2012-13 losses come due, that portfolio would yield an overall interest rate of 0.50%. If one assembles a similar portfolio with bills and notes selected to mature just as the expected payments on the 6/30/12 liability come due, that portfolio would yield 0.26%. Higher yields may be available, but only by taking on some credit risk by purchasing securities other than treasuries, or by speculating instead of holding the items in the portfolio to maturity.

Although we lowered the rate only to 1% (from last year's 2%) the differences in the rates and liabilities would be negligible if the rates were lowered all the way to 0.26% and 0.50%.

DRAFT

Item No. D.3.j
Board of Directors
June 11, 2012

Concern-EAP Program Renewal

ISSUE: MBASIA utilizes Concern-EAP to provide each member agency with an Employee Assistance Program. The current contract expires on April 31, 2012. Concern has provided renewal terms for a two year extension, with a year one increase of 3% and no increase in year two.

RECOMMENDATION: The Program Administrators recommend the Board of Directors review the proposed renewal terms and take action to approve, delegate authority or give direction.

FISCAL IMPACT: The current contract fees are \$4.14 per employee per month. The renewal agreement has been proposed for a two year term, with a 3% increase in the first year, and a flat second term. For the year starting August 1, 2012, the fee would be \$4.26 per employee per month.

BACKGROUND: Concern-EAP contracts with MBASIA to provide EAP services to each of the Member agencies. We have attached Concern's utilization review report.

ATTACHMENT: EAP Utilization Review
Current Contract with Concern EAP

CONCERN:EMPLOYEE ASSISTANCE PROGRAM
AMENDMENT #4 TO AGREEMENT FOR EMPLOYEE ASSISTANCE SERVICES

FOR

Monterey Bay Area Self-Insurance Authority

This Amendment #4 is entered into between CONCERN:Employee Assistance Program ("The Plan") and Monterey Bay Area Self-Insurance Authority ("The Group") on August 1, 2010 (the "Effective Date").

WHEREAS, The Plan and The Group entered into that certain Agreement For Employee Assistance Services on August 1, 2003 pursuant to which The Plan would provide certain employee assistance services to The Group's eligible employees and their eligible dependents ("The Agreement").

NOW, THEREFORE, THE PARTIES AGREE:

Attachment B – COMPENSATION of the Agreement is amended in its entirety and replaced with the following:

B.1 – Compensation. From August 1, 2010 through July 31, 2011, The Group shall pay \$4.02 per employee per month for Covered Services. From August 1, 2011 through July 31, 2012, The Group shall pay \$4.14 per employee per month for Covered Services. If the Group's headcount drops below one hundred and fifty (150) employees during a contract year and the total invoiced amount for that contract year is less than six thousand five hundred dollars (\$6,500), the difference between the total invoiced amount and six thousand five hundred dollars (\$6,500) shall be due and payable to The Plan at the end of the contract year.

B.2 – Invoices. The Plan will invoice The Group monthly based on an accurate headcount of all employees covered by The Plan, to be provided by The Group at the beginning of each month. All amounts due under this Agreement shall be paid to The Plan within 30 days of receipt of said invoice. Payment shall be remitted to:

CONCERN:EAP
Department 33079
P.O. Box 39000
San Francisco, CA 94139-3079

All invoices for services are due within 30 days of receipt. In the event that payment is not received within 30 days of invoice, a finance charge of 1.5% (18% annually) will be applied.

Tax I.D. number for The Plan is 77-0528349.

Except as set forth above, all terms and conditions of The Agreement remain in full force and effect.

Accepted and Agreed:

CONCERN: Employee Assistance Program

Name sign: Cecile Currier

Name print: Cecile Currier

Title: CEO

Date: 7/15/10

1503 Grant Road, Ste. 120
Mountain View, CA 94040

Monterey Bay Area Self-Insurance
Authority

Name sign: Robert Galvan

Name print: Robert Galvan

Title: Board Chair

Date: 6-18-10

~~144 Montclair Drive~~
~~Santa Cruz, CA 95060~~

CONCERN: Employee Assistance Program Utilization Report

Monterey Bay Area Self Insurance Authority
Report Period: November 01, 2011 through January 31, 2012

This quarterly report provides your organization valuable information on participation of the CONCERN: EAP Program. We appreciate your loyalty and look forward to continuing to earn your respect and business.

Total EAP Reach		
Based on average number of employees: 534		
Utilization based on Opens EOY Projected %: 5.62%	HR, Management and Onsite Services: 11.99%	Total EAP Reach: 17.61%

EAP Case Utilization					
Current Period		YTD		YTD %	
Counseling	4	Counseling	11	Counseling	73%
Work-Life	1	Work-Life	4	Work-Life	27%

Human Resources, Management and Onsite Services			
	Activity	Count	Participants
Employee Consultations	Clinical Assistance	2	2
Management Consultations	Clinical Assistance	2	2
Onsite Services	Crisis Incident Support	1	4
	Educational Seminars	3	44
	Health/Benefit Fair	1	9
	HR Meeting	1	2
Supervisor Referrals	Formal Referral	1	1
	Total:	11	64

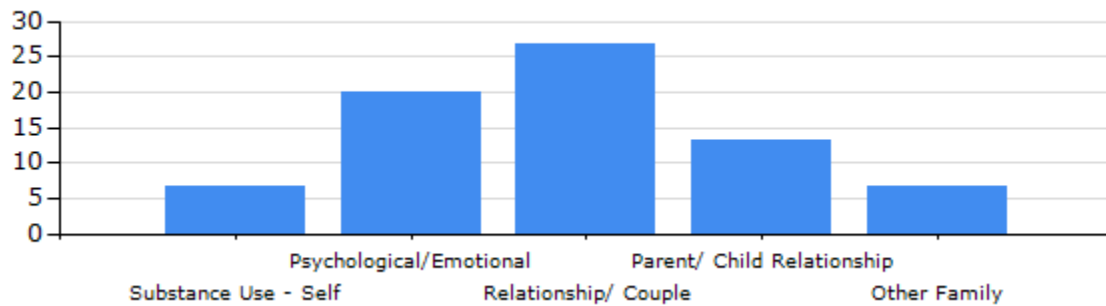
Problem Summary

Utilization Summary

Months	Average Empl Headcount	Current Period Opens	Total YTD Opens	Projected EOY Opens	Projected % 12 month utilization
6	534	5	15	30	5.62%

Counseling Services

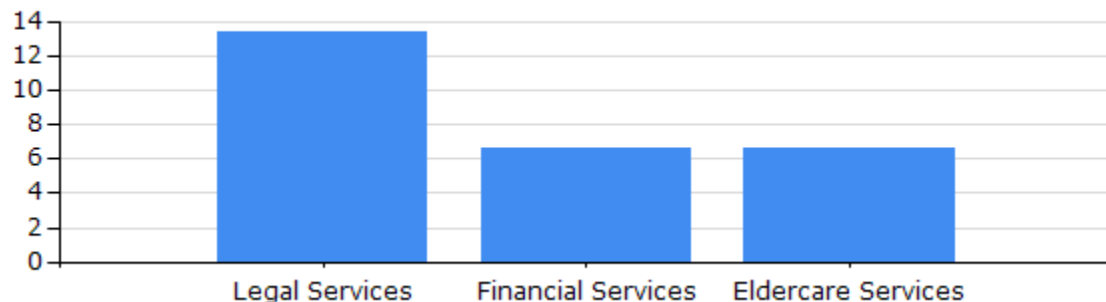
Counseling Problem Types % YTD



Counseling Cases	Current Period	YTD	YTD%
Substance Use - Self	0	1	7
Psychological/Emotional	2	3	20
Relationship/ Couple	1	4	27
Parent/ Child Relationship	1	2	13
Other Family	0	1	7

Work-Life Services

Work-Life Case YTD %



Work-Life Cases	Current Period	YTD	YTD%
Legal Services	1	2	13
Financial Services	0	1	7
Eldercare Services	0	1	7

Employee Consultations with Clinical Manager	Quantity YTD
Clinical Assistance	2

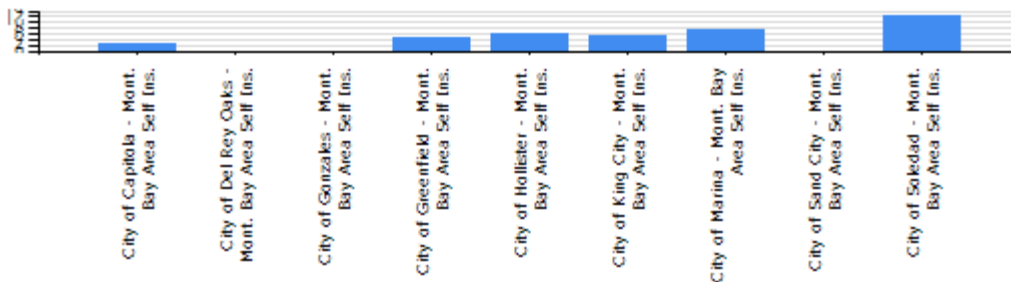
Human Resources and Management and Onsite Services

Management Consultations		Current Period		YTD
Management/organization support (not layoff-related)		1		1
Traumatic workplace incident		1		1
Crisis Incident Support	Location	Date	Contact	Participants
Onsite Process Group	Hollister	1/20/2012	Eric Olson	4
Educational Seminars	Location	Date	Contact	Participants
Money Basics: Spending Borrowing and Saving It	Greenfield	10/21/2011	Lee-Ann Ruyle	7
Online SH Training - Implementation	Gonzales	10/20/2011	Mary Villegas	5
Sexual Harassment Awareness for Combination of EE and Mgrs	Gonzales	11/8/2011	Mary Villegas	32
Health/Benefit Fair	Location	Date	Contact	Participants
Health/Benefit Fair	Hollister	9/21/2011	Elsie Marshall	9
HR Meeting	Location	Date	Contact	Participants
HR Meeting	Capitola	1/10/2012	Lisa Murphy	2
Marketing Communications				Quantity
40 Tips for Modifying Stress Handout				50
Biodots				50
Counseling Brochures				20
Employee & Work/Life Services Flyers				65
Giveaways - Hand Sanitizers				50
Guide to Healthy Sleep Booklet				50
Raffle Prize - Amazon Gift Card				1
Wallet Cards				10
Work/Life Brochures				20
Supervisory Referrals		Current Period		YTD
Pending Case Opening		0		1

Utilization by Location Summary

Location	Average Empl HeadCount	Current Period Opens	Total YTD Opens	Projected EOY Opens	Projected % 12 month utilization
City of Capitola - Mont. Bay Area Self Ins.	73	0	1	2	2.74 %
City of Del Rey Oaks - Mont. Bay Area Self Ins.	10	0	0	0	0.00 %
City of Gonzales - Mont. Bay Area Self Ins.	36	0	0	0	0.00 %
City of Greenfield - Mont. Bay Area Self Ins.	47	1	1	2	4.26 %
City of Hollister - Mont. Bay Area Self Ins.	136	1	4	8	5.88 %
City of King City - Mont. Bay Area Self Ins.	40	0	1	2	5.00 %
City of Marina - Mont. Bay Area Self Ins.	84	2	3	6	7.14 %
City of Sand City - Mont. Bay Area Self Ins.	25	0	0	0	0.00 %
City of Soledad - Mont. Bay Area Self Ins.	83	1	5	10	12.05 %
Rollup	534	5	15	30	5.62 %

Case Utilization % by Location



Problem Type by Location Summary

Location	Major Problem Types	Percentage
City of Capitola - Mont. Bay Area Self Ins.	Relationship/ Couple	100%
City of Greenfield - Mont. Bay Area Self Ins.	Legal Services	100%
City of Hollister - Mont. Bay Area Self Ins.	Legal Services	25%
	Parent/ Child Relationship	25%
	Relationship/ Couple	25%
	Substance Use - Self	25%
City of King City - Mont. Bay Area Self Ins.	Psychological/Emotional	100%
City of Marina - Mont. Bay Area Self Ins.	Eldercare Services	33%
	Psychological/Emotional	33%
	Relationship/ Couple	33%
City of Soledad - Mont. Bay Area Self Ins.	Financial Services	20%
	Other Family	20%
	Parent/ Child Relationship	20%
	Psychological/Emotional	20%
	Relationship/ Couple	20%

Utilization by Location

	Average Empl Headcount	Current Period Opens	Total YTD Opens	Projected EOY Opens	Projected % 12 Month utilization
City of Capitola - Mont. Bay Area Self Ins.	73	0	1	2	2.74 %

Counseling	Current Period	YTD	YTD%
Relationship/ Couple	0	1	100

	Average Empl Headcount	Current Period Opens	Total YTD Opens	Projected EOY Opens	Projected % 12 Month utilization
City of Greenfield - Mont. Bay Area Self Ins.	47	1	1	2	4.26 %

Work-Life	Current Period	YTD	YTD%
Legal Services	1	1	100

	Average Empl Headcount	Current Period Opens	Total YTD Opens	Projected EOY Opens	Projected % 12 Month utilization
City of Hollister - Mont. Bay Area Self Ins.	136	1	4	8	5.88 %

Counseling	Current Period	YTD	YTD%
Parent/ Child Relationship	1	1	25
Relationship/ Couple	0	1	25
Substance Use - Self	0	1	25

Work-Life	Current Period	YTD	YTD%
Legal Services	0	1	25

	Average Empl Headcount	Current Period Opens	Total YTD Opens	Projected EOY Opens	Projected % 12 Month utilization
City of King City - Mont. Bay Area Self Ins.	40	0	1	2	5.00 %

Counseling	Current Period	YTD	YTD%
Psychological/Emotional	0	1	100

	Average Empl Headcount	Current Period Opens	Total YTD Opens	Projected EOY Opens	Projected % 12 Month utilization
City of Marina - Mont. Bay Area Self Ins.	84	2	3	6	7.14 %

Counseling	Current Period	YTD	YTD%
Psychological/Emotional	1	1	33
Relationship/ Couple	1	1	33

Work-Life	Current Period	YTD	YTD%
Eldercare Services	0	1	33

	Average Empl Headcount	Current Period Opens	Total YTD Opens	Projected EOY Opens	Projected % 12 Month utilization
City of Soledad - Mont. Bay Area Self Ins.	83	1	5	10	12.05 %

Counseling	Current Period	YTD	YTD%
Other Family	0	1	20
Parent/ Child Relationship	0	1	20
Psychological/Emotional	1	1	20
Relationship/ Couple	0	1	20

Work-Life	Current Period	YTD	YTD%
Financial Services	0	1	20

Client Demographic Roll up Summary

Client Status	Current period	YTD	YTD%
Employee	4	12	80
Spouse/Partner	1	2	13
Child/Dependent	0	1	7

Gender	Current period	YTD	YTD%
Female	3	9	60
Male	2	5	33
Not Reported	0	1	7

Age	Current period	YTD	YTD%
<13	0	0	0
13-18	0	0	0
19-29	0	1	7
30-39	1	4	27
40-49	3	5	33
50-59	1	3	20
60-69	0	2	13
70+	0	0	0
Not Reported	0	0	0

Job Data	Current period	YTD	YTD%
Salary/Exempt	1	4	27
Hourly/Non-Exempt	3	9	60
Not Reported	1	2	13

Years of Service	Current period	YTD	YTD%
<1	0	0	0
1-3	1	3	23
4-6	0	4	31
7-10	2	3	23
11-20	1	3	23
20+	0	0	0
Not Reported	0	0	0

Source of Referral	Current period	YTD	YTD%
Promotional Material	0	2	13
Health Fair/Other Presentation	0	1	7
Manager/Supervisor	1	2	13
Co-Worker	0	1	7
HR/Orientation	1	1	7
Used Before	0	4	27
Not Reported	1	1	7
Other	2	3	20

CONCERN: Employee Assistance Program Annual Report

Monterey Bay Area Self Insurance Authority
August 01, 2010 through July 31, 2011

Prepared By: Humberto Chacon
Account Executive
650-988-7415

Monterey Bay Area Self Insurance Authority

August 01, 2010 through July 31, 2011

Thank you for continuing the partnership with CONCERN: EAP to provide services for Monterey Bay Area Self Insurance Authority. CONCERN provides individualized services to your employees and their families so that they can stay healthy, focused and more engaged at work and at home. We also support your management and Human Resources team through high quality consultations to develop effective approaches to deal with challenging and complex employee situations and to provide crisis intervention. CONCERN's expert licensed counselors, professional consultants and experienced, qualified staff allow us to contribute to the success of your organization. Through the use of short-term counseling and consultations for management effectiveness and employee work/life balance, we strive to consistently fulfill our promise of "Better Business through Balanced Lives."

This annual reports demonstrates how CONCERN has added value to your organization and assisted its employees during the past 12 months. Information is presented and analyzed in seven key reporting areas:

- Year-at-a-Glance
- Program Participation
- Problem Summary
- Impact of CONCERN: EAP Services
- Human Resources and Management Services
- Client Satisfaction
- CONCERN: EAP Enrichments

Year at a Glance Total EAP Reach		
Based on average number of employees: 534		
Opened EAP Case Utilization: 8.61%	HR, Management and Onsite Services: 70.41%	Total EAP Reach: 79.02%

EAP Case Utilization					
Current Period		YTD		YTD %	
Counseling	8	Counseling	31	Counseling	67%
		Work-Life	15	Work-Life	33%

Human Resources, Management and Onsite Services			
	Activity	Count	Participants
Employee Consultations	Clinical Assistance	14	14
Management Consultations	Clinical Assistance	3	3
Onsite Services	Educational Seminars	5	62
	Health/Benefit Fair	1	200
	HR Meeting	1	2
	Orientation	6	94
Supervisor Referrals	Formal Referral	1	1
	Total:	31	376

Program Participation

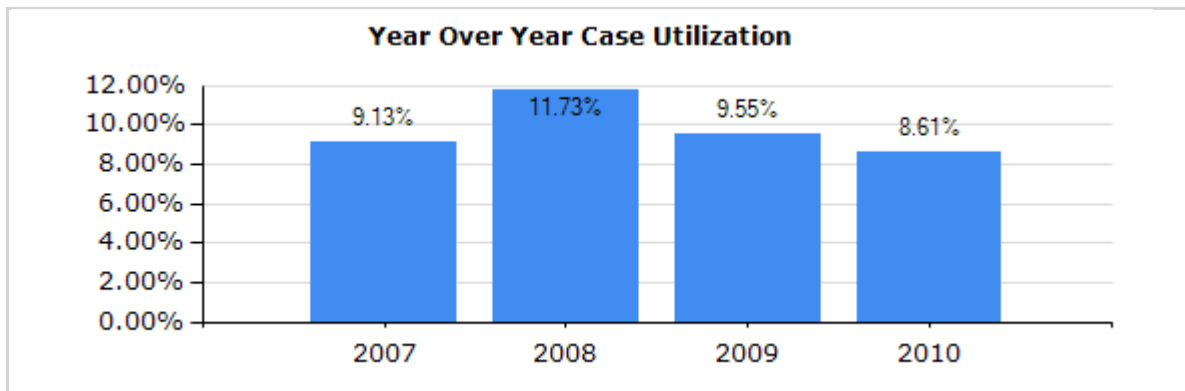
An important measure of CONCERN's value to your organization is our quick and easy access to services. Using rigorous quality assurance practices, we closely monitor access to ensure that we are meeting or exceeding our standards. Results from the past year based on all the organizations we serve demonstrate our success:

- 100% of callers requesting "urgent" services were offered a face-to-face appointment within 24-48 hours.
- 98% of callers requesting "routine" services were offered a face-to-face appointment within 3-5 business days.

Year over Year Comparison

Monterey Bay Area Self Insurance Authority EAP Case Utilization and Participation

	Utilization	Participants
Case Utilization	8.61%	46
HR, Management and Onsite Participation	70.41%	376
Total Combined	79.02%	422



Key Notes:

- Utilization has been strong and steady over the years. Last year's utilization at 8.61% was more than our overall client average of 6.3%.

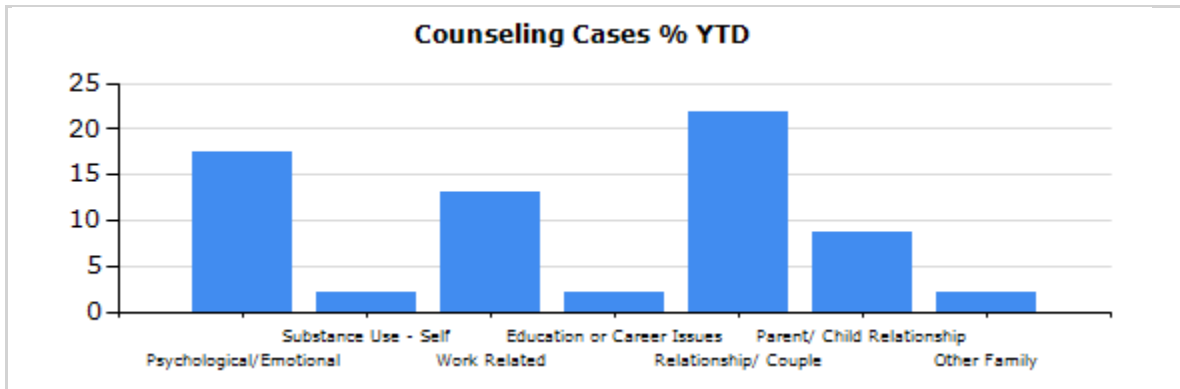
Problem Summary

The types of problems that brought your employees to CONCERN during the past year are identified in the graphs below. The categories of counseling and work/life services that we provided are expressed as a percentage of all requests.

Case Utilization Summary

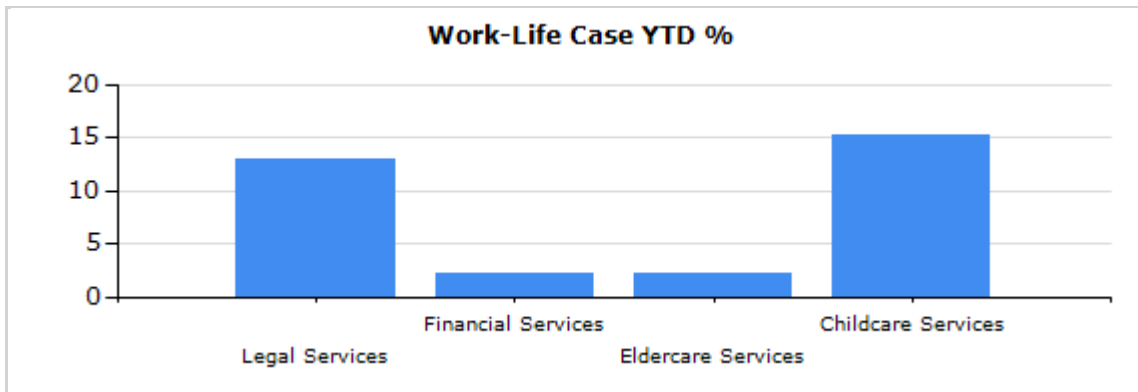
Months	Average Empl Headcount	Current Period Opens	Total YTD Opens	12 month utilization
12	534	8	46	8.61%

Counseling Services



Counseling Cases	Current Period	YTD	YTD%
Psychological/Emotional	1	8	17
Substance Use - Self	1	1	2
Work Related	0	6	13
Education or Career Issues	0	1	2
Relationship/ Couple	4	10	22
Parent/ Child Relationship	2	4	9
Other Family	0	1	2

Work-Life Services



Work-Life Cases	Current Period	YTD	YTD%
Legal Services	0	6	13
Financial Services	0	1	2
Eldercare Services	0	1	2
Childcare Services	0	7	15

Employee Consultations with Clinical Manager	Quantity YTD
Clinical Assistance	14

Key Notes:

- Counseling cases represented 67% of overall utilization. This compares to 48% on average for all of our clients. CONCERN has flyers and other promotional materials regarding available work/life services.

Human Resources, Management and Onsite Services

Organizational support services are a valuable component of our overall offering. CONCERN meets your needs through educational programs and information, consultation services, crisis intervention, and active promotion of the EAP benefit. When you take advantage of all the services CONCERN can provide to your employees, managers and human resources team, you will maximize the effectiveness of our comprehensive programs to your organization. Listed below are the activities that CONCERN provided to support your organization in the past year:

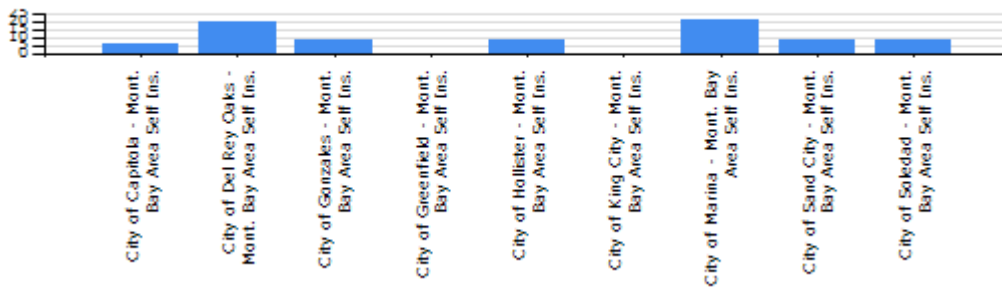
Management Consultations Categories		Current Period		YTD
Individual performance problem		0		1
Resources for an employee		0		1
Supervisor Referral		0		1
Educational Seminars	Location	Date	Contact	Participants
Prospering Through Changes at Work	Soledad	7/20/2011	Clifton Price	
Life in the Fast Lane: A Survival Guide to Healthy Eating	Marina	1/26/2011	Kathieryn Medina	33
Strategies for Managing Multiple Priorities	Greenfield	10/15/2010	Lee-Ann Ruyle	13
Sexual Harassment Awareness for Employees	Greenfield	4/15/2011	Lee-Ann Ruyle	14
Roadmap to Retirement	Capitola	7/21/2011	Lisa Murphy	
Health/Benefit Fair	Location	Date	Contact	Participants
Health/Benefit Fair	Hollister	9/22/2010	Elsie Marshall	200
HR Meeting	Location	Date	Contact	Participants
HR Meeting	Sand City	6/1/2011	Connie Horca	2
Orientation	Location	Date	Contact	Participants
Orientation	Marina	11/10/2010	Kathieryn Medina	16
Orientation	Marina	11/11/2010	Kathieryn Medina	3
Orientation	Marina	11/17/2010	Kathieryn Medina	23
Orientation	Sand City	9/13/2010	Robert Galvan	13
Orientation	Marina	10/7/2010	Kathy McFall	9
Orientation	Soledad	7/20/2011	Clifton Price	30
Marketing Communications				Quantity
Biodots				150
Counseling Brochures				165
Depression Brochures				10
Eldercare book				1
Employee Services Flyers				315
LifeAdviser Flyer				35

Management Orientation Packets	21
New Baby Kit	1
Raffle Prize	1
Wallet Cards	20
Work/Life Brochures	165
Supervisory Referrals	
	Current Period
Work Related	0
	YTD
	1

Utilization by Location Summary

Location	Average Empl HeadCount	Current Period Opens	Total YTD Opens	12 month utilization
City of Capitola - Mont. Bay Area Self Ins.	73	1	4	5.48 %
City of Del Rey Oaks - Mont. Bay Area Self Ins.	10	0	2	20.00 %
City of Gonzales - Mont. Bay Area Self Ins.	36	0	3	8.33 %
City of Greenfield - Mont. Bay Area Self Ins.	47	0	0	0.00 %
City of Hollister - Mont. Bay Area Self Ins.	136	4	11	8.09 %
City of King City - Mont. Bay Area Self Ins.	40	0	0	0.00 %
City of Marina - Mont. Bay Area Self Ins.	84	2	17	20.24 %
City of Sand City - Mont. Bay Area Self Ins.	25	0	2	8.00 %
City of Soledad - Mont. Bay Area Self Ins.	83	1	7	8.43 %
Rollup	534	8	46	8.61 %

Case Utilization % by Location



Problem Type by Location Summary

Location	Major Problem Types	Percentage
City of Capitola - Mont. Bay Area Self Ins.	Financial Services	25%
	Psychological/Emotional	25%
	Relationship/ Couple	25%
	Work Related	25%
City of Del Rey Oaks - Mont. Bay Area Self Ins.	Other Family	50%
	Parent/ Child Relationship	50%
City of Gonzales - Mont. Bay Area Self Ins.	Legal Services	33%
	Relationship/ Couple	33%
	Work Related	33%
City of Hollister - Mont. Bay Area Self Ins.	Parent/ Child Relationship	18%
	Psychological/Emotional	18%
	Relationship/ Couple	18%
City of Marina - Mont. Bay Area Self Ins.	Childcare Services	35%
	Psychological/Emotional	23%
City of Sand City - Mont. Bay Area Self Ins.	Psychological/Emotional	50%
	Relationship/ Couple	50%
City of Soledad - Mont. Bay Area Self Ins.	Legal Services	28%
	Relationship/ Couple	42%

Utilization by Location

	Average Empl Headcount	Current Period Opens	Total YTD Opens	12 Month utilization
City of Capitola - Mont. Bay Area Self Ins.	73	1	4	5.48 %

Counseling	Current Period	YTD	YTD%
Psychological/Emotional	0	1	25%
Work Related	0	1	25%
Relationship/ Couple	1	1	25%

Work-Life	Current Period	YTD	YTD%
Financial Services	0	1	25%

	Average Empl Headcount	Current Period Opens	Total YTD Opens	12 Month utilization
City of Del Rey Oaks - Mont. Bay Area Self Ins.	10	0	2	20.00 %

Counseling	Current Period	YTD	YTD%
Parent/ Child Relationship	0	1	50%
Other Family	0	1	50%

	Average Empl Headcount	Current Period Opens	Total YTD Opens	12 Month utilization
City of Gonzales - Mont. Bay Area Self Ins.	36	0	3	8.33 %

Counseling	Current Period	YTD	YTD%
Work Related	0	1	33%
Relationship/ Couple	0	1	33%

Work-Life	Current Period	YTD	YTD%
Legal Services	0	1	33%

	Average Empl Headcount	Current Period Opens	Total YTD Opens	12 Month utilization
City of Hollister - Mont. Bay Area Self Ins.	136	4	11	8.09 %

Counseling	Current Period	YTD	YTD%
Substance Use - Self	1	1	9%
Psychological/Emotional	0	2	18%
Work Related	0	1	9%
Relationship/ Couple	2	2	18%
Parent/ Child Relationship	1	2	18%

Work-Life	Current Period	YTD	YTD%
Eldercare Services	0	1	9%
Childcare Services	0	1	9%
Legal Services	0	1	9%

	Average Empl Headcount	Current Period Opens	Total YTD Opens	12 Month utilization
City of Marina - Mont. Bay Area Self Ins.	84	2	17	20.24 %

Counseling	Current Period	YTD	YTD%
Psychological/Emotional	1	4	24%
Work Related	0	2	12%
Relationship/ Couple	0	2	12%
Parent/ Child Relationship	1	1	6%

Work-Life	Current Period	YTD	YTD%
Childcare Services	0	6	35%
Legal Services	0	2	12%

	Average Empl Headcount	Current Period Opens	Total YTD Opens	12 Month utilization
City of Sand City - Mont. Bay Area Self Ins.	25	0	2	8.00 %

Counseling	Current Period	YTD	YTD%
Psychological/Emotional	0	1	50%
Relationship/ Couple	0	1	50%

	Average Empl Headcount	Current Period Opens	Total YTD Opens	12 Month utilization
City of Soledad - Mont. Bay Area Self Ins.	83	1	7	8.43 %

Counseling	Current Period	YTD	YTD%
Work Related	0	1	14%
Relationship/ Couple	1	3	43%
Education or Career Issues	0	1	14%

Work-Life	Current Period	YTD	YTD%
Legal Services	0	2	29%

Client Demographic Roll up Summary

Client Status	Current period	YTD	YTD%
Employee	5	40	87
Spouse/Partner	2	5	11
Child/Dependent	1	1	2

Gender	Current period	YTD	YTD%
Female	5	26	57
Male	3	16	35
Not Reported	0	4	9

Age	Current period	YTD	YTD%
<13	0	1	2
13-18	0	1	2
19-29	3	5	11
30-39	1	12	26
40-49	3	16	35
50-59	1	7	15
60-69	0	4	9
70+	0	0	0
Not Reported	0	0	0

Job Data	Current period	YTD	YTD%
Salary/Exempt	2	9	20
Hourly/Non-Exempt	2	17	37
Not Reported	4	20	43

Years of Service	Current period	YTD	YTD%
<1	0	1	3
1-3	0	7	23
4-6	1	8	26
7-10	2	6	19
11-20	1	6	19
20+	1	3	10
Not Reported	0	0	0

Source of Referral	Current period	YTD	YTD%
Promotional Material	1	7	15
Health Fair/Other Presentation	0	3	7
Manager/Supervisor	0	1	2
Co-Worker	0	1	2
HR/Orientation	0	3	7
Used Before	1	11	24
Not Reported	2	14	30
Other	4	6	13

Impact of CONCERN: EAP Services

The most frequent requests we receive for clinical services are for “Psychological/Emotional” and “Relationship/Couples” problems. These problems are often the result of depression, anxiety, stress and conflict. Independent surveys consistently identify depression, anxiety and stress as key drivers for the increasing costs of healthcare claims.[1]

Our EAP services add value to your organization that go beyond the healthcare savings that result from identifying and addressing depression, anxiety, and stress. Survey results gathered from employees and their family members in the past year confirm that their **absenteeism decreased** and their **work performance improved** after using CONCERN’s counseling services. We have seen a notable trend over the past several years as this impact continues to increase.

Reduction in Absenteeism

- Of all employees who requested CONCERN counseling services, 30% of those who responded to the survey reported that they had either been late to work or had missed work due to the problem that brought them to see CONCERN. What is especially noteworthy about this “absenteeism” group is that **they missed an average of 4.8 workdays within the 30 days prior to seeking help**. Lost workdays are a direct, measurable cost to your organization.

Fortunately, after completing CONCERN counseling, **78% of those who completed a survey and acknowledged having missed work prior to counseling reported a reduction in lost workdays**.

Work Performance Improvements

- Similarly, **69% of those using counseling services expressed concerns about their work performance** during the 30 days prior to using the EAP.
- After counseling, of those who completed a survey and acknowledged work performance problems prior to counseling, **92% reported that their work performance improved**, with 66% reporting a “considerable or significant” improvement.

These results validate that CONCERN services help your organization restore and maintain a healthier workforce that is more engaged while at work.

[1] EASNA Research Notes, Volume 1, Number 3, October 2009.

Client Satisfaction

CONCERN is committed to providing outstanding service to our clients' at all organizational levels. We measure our success at meeting this goal and obtain feedback on the effectiveness of the services we provide through regular surveys of our client organizations' human resources, management and employees. We collect feedback through:

- Anonymous, individual client satisfaction surveys yielding an average return rate of 23%. (This return rate is significantly above the industry norm.)
- Follow-up calls to clients to measure how well we are meeting our standards for the timeliness of scheduling appointments
- Evaluation of all clinical management consultation surveys returned to ensure competent and effective guidance was provided by the Clinical Manager
- Annual independent surveys of a cross section of our client organizations to gauge our effectiveness in providing EAP services.

These surveys help us evaluate the opportunities for enhancements or changes to our comprehensive employee assistance program.

The following excerpts, received during the past year, provide a snapshot of how satisfied your employees and other client organizations are with CONCERN.

Your Employee's Comments:

What your employees say they liked best about using CONCERN:

- *"I have learned a lot from the provider and I am grateful for her expertise."*
- *"Excellent counselor."*
- *"Excellent call center staff."*

Organizational Survey Data:

From the 2010 independent survey of our corporate clients, **95%** claimed:

- *The value of CONCERN services is "Excellent" or "Very Good."*
- *There is an "Excellent" or "Very Good" chance that they would recommend CONCERN to other organizations.*

Comments from the Survey:

- *"CONCERN is very responsive when we request advice. We receive great feedback from our employees."*
- *"Our Account Executive has done an excellent job of being helpful and proactive."*
- *"Everyone at CONCERN is extremely professional and responds quickly to questions and issues."*
- *"I think CONCERN provides great services to our employee and the HR team."*

CONCERN: EAP Enrichments

Based on the feedback we have received from our client organizations and their employees, we have made several plan enrichments during the past year that demonstrate our commitment to improving health and productivity.

Updates to Workplace Seminars

- New seminar titles including "Alzheimer's: Know the 10 Signs (™)" and "Workplace Support for Ongoing Health Conditions"
- Updated and refreshed seminar presentations.

"New Baby Kit"

- New Baby Kit replaced Prenatal Kit resources
- Kit includes *What to Expect: The First Year*, *Happiest Baby On the Block* DVD, *Super Soothing Sleep Sounds* CD, a collection of articles related to parenting, and a CONCERN onesie.

Upgraded Reporting Capabilities

- Total EAP reach - a measure of both case openings and other situations where CONCERN has contact (both telephonic and on-site) with employees and family members
- Additional detail in reporting on HR, Management and On-site participation
- Expanded detail for organizations with multiple reporting entities.

In closing, 97% of employees who complete CONCERN counseling and provide feedback say they have experienced an ***improved sense of overall health and well being as a result of using their EAP benefit***. Additionally, returned anonymous surveys show that 98% of employees who seek help for personal problems found their EAP benefit to be "Extremely Valuable" or "Very Valuable."

With such high levels of satisfaction and attention to service, it is no surprise that CONCERN adds to employee trust, increased focus and engagement. Organizations recognize that this contributes to attracting and retaining top talent. CONCERN is a low cost benefit that delivers a high return through improved health and productivity.

With more than 29 years of experience delivering excellent EAP benefits, we know how to partner with organizations to ensure a highly effective program for employees and management. The more you take advantage of both the employee services and management support services offered by CONCERN, the more effective we can be in partnering with you to maximize every benefits dollar you spend.

As your designated Account Executive, I continue to be committed to helping your organization realize the value we bring to your benefits package. I hope this annual report has been enlightening in this regard. I am available to meet with you at your convenience to share more ideas.

This report is provided by:

Humberto Chacon

Account Executive

Phone: 650-988-7415

Item No. D.3.k
Board of Directors
June 11, 2012

FY 12/13 PROGRAM YEAR CALENDAR OF MEETINGS

ISSUE: MBASIA does not have a set schedule of Board Meetings for FY 12/13. The following is our proposed Board of Directors Meeting schedule:

- Thursday, October 18, 2012 – Long Range Planning Meeting
- Friday, October 19, 2012 – Board of Directors Meeting
- Monday, February 11, 2013 – Board of Directors Meeting
- Monday, April 15, 2013 – Board of Directors Meeting
- Monday, June 10, 2013 – Board of Directors Meeting

In addition to the Board Meeting schedule outlined above, the Committees will meet as needed throughout the year.

RECOMMENDATION: The Program Administrators recommend the Board of Directors review the proposed meeting schedule and take action to approve the proposed schedule or give direction to amend.

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

BACKGROUND: The proposed meeting schedule follows a quarterly Board of Directors Meeting format. We have strategically planned the timing of these meetings to accomplish several goals relating to renewals, audits, and the Board and Program Administrators availability.

ATTACHMENT: None

**Item No. F.1
Board of Directors
June 11, 2012**

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:

- Friday, October 19, 2012 at Location TBD (Last Year was the Hotel Pacific in Monterey)

Training Opportunities:

- Creating Great Workplace Environments – June 21, 2012 at Martinez, Ca
- The Necessary Knowledge and Tools for Members: ERMA Training 101 – WEBINAR on June 13, 2012 at 2:00 PM

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



James Marta & Company
Certified Public Accountants

Accounting Auditing Tax and Consulting

Considerations in discounting claims for self-insured risk retention pools

A continuum of possibilities

Great rates to ruin

James Marta CPA, ARPM
Principal
James Marta & Company
Certified Public Accountants

April 11, 2012

Introduction

Insurance pools have been struggling to help its members face the difficult financial times. What has your pool done?

Is your pool cutting its funding margin from 85% to 80%, 75%, 60% or even 50%?

Is your discount rate you use for funding and recording claim liabilities higher than what you are earning or project to be earning in the next few years?

What are your returns on your investment portfolio?

When your securities are maturing what is the yield on the replacement securities?

Is your financial position eroding?

Is your risk increasing with these financing and accounting tactics?



You may be burning the candle at both ends.

Facing declining rates

The financial crisis that we have been in has significantly affected most businesses and governments. Their revenues have declined and earnings on investments have spiraled down. For governments with significant liabilities for pensions, post employment benefits and property casualty claims, the discount assumptions for future earnings have allowed them to fund or record far less than the full value of the future liabilities. The new realities of the investment earnings are now requiring that the valuation assumption be increased as the actual and anticipated investment earnings drop. In March 2012 CalPERS voted to reduce its investment rate assumption from 7.75 % to 7.5%. This drop will cost the state \$167 million per year. They were proposing a drop to 7.25%, which would have cost the state \$425 million per year. CalPERS earned 1.1% in 2011. The board voted to only decrease the estimate by .25%. This saved the State \$258 million per year. We have been quite dubious when looking at California's budget assumptions but it is great that CalPERS can vote to keep their earnings assumption at 7.5%. This saves us all money...? Of course they have assumptions to support this estimate? Is there bias in the selection of this critical rate to keep their earnings assumptions higher and thus show a higher funded position?

Definition

Discounting claim liabilities recognizes that if you have \$80 you could pay \$100 of claims given you are paying the claims in the future and you earn enough on your cash and investments held for that purpose to pay those claims. This can be significant if you have a long-tail type claim liability such as general liability or workers' compensation. Some workers' compensation claims can be paid over 20 to 50 years. The discount rate contemplates payout patterns as well as the time value of money measured in the earnings on the claim reserves over the outstanding period.

Discounting assumption; should include credit or default risk.

The discount assumption calculations require that you factor in the earnings rates, only the investments needed to satisfy the claim liabilities and the payout pattern. If you have two identical claim portfolios of \$50 Million and one has \$60 million in investments and one has \$100 million in investments, the discounted claims are the same. You cannot count the excess earnings on nonclaim assets. Discounting is a special case of counting your earnings early. It allows you to reduce the recorded value of your claim liabilities on the projected earnings of the claim assets. This is a very special case of accounting and it is limited to only discounting based on the total necessary to settle the claims.

History; in the past casualty loss and loss adjustment expense reserves were not discounted except in narrowly defined circumstances. In 1986, with the tax reform act, congress prescribed discounting claim liabilities for income-tax purposes. Prior to this most state insurance departments prohibited discounting. The National Association of Insurance Commissioners has been opposed to discounting claims except in certain specific circumstances.

How sensitive is your equity to your discount assumption?

Below is a scenario for a workers' compensation pool with assumed discount rates and the required funding needed under each assumption. The resulting equity shows how sensitive the recorded equity would be under each scenario.

Exhibit 1

Rate	0.0%		1.0%		2.0%		3.0%		3.5%		4.0%		5.0%	
Funding needed (M)	\$	81.30	\$	75.00	\$	69.70	\$	65.20	\$	63.20	\$	61.30	\$	58.00
Equity (M)	\$	(37.90)	\$	(17.90)	\$	(4.20)	\$	4.20	\$	8.10	\$	10.00	\$	13.30
(M) = Millions														

You can't just average earnings rates over a period of time. When you produce the earnings makes a difference because you are earning on a declining balance.

What if you earned 1 % for the first two years, 2% for three years, 3% for three years

Maybe a relevant exercise to examine what would be the effect of earning a lower current rate and this rate assumption increasing overtime?

Exhibit 2

Period(s)	Earnings Rate future pattern				
	A	B	C	D	E
1	1.00%	1.00%	1.00%	1.00%	1.00%
2	1.00%	1.00%	1.25%	1.50%	2.00%
3	2.00%	2.00%	1.75%	2.00%	3.00%
4	2.00%	2.00%	2.25%	2.50%	4.00%
5	2.00%	3.00%	2.75%	3.00%	5.00%
6	3.00%	3.00%	3.25%	3.50%	5.00%
7	3.00%	4.00%	3.75%	4.00%	5.00%
8	3.00%	4.00%	4.25%	4.50%	5.00%
9-36	8.86%	8.25%	8.16%	7.66%	5.77%

Periods 9-36; rate you must earn over the remaining 27 years to fund claims

What Exhibit 2 shows us is that it isn't just an average of rates overtime. When the earnings take place makes a big difference. If you do not have the earnings in the earlier years, then when claims are paid then you do not have the investments balances to earn on even if the subsequent years have higher rates.



Can you realistically catch up?

Discounting at 3.5% with \$63.2 million in assets you will have enough to fund over 36 years. But half of the investment balance is exhausted between years 4 and 5. Under scenario A above 50% of the investments are exhausted by year 3.

Exhibit 3 - balance decline over time means less assets to earn on.

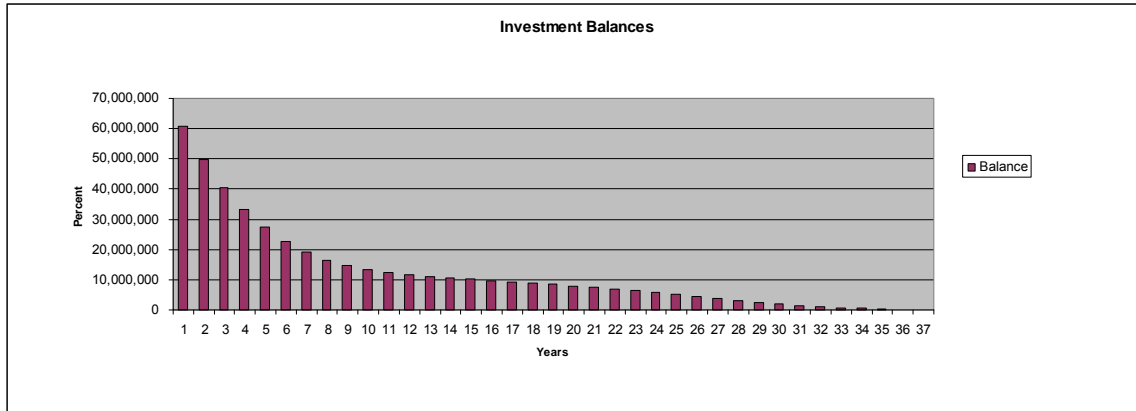
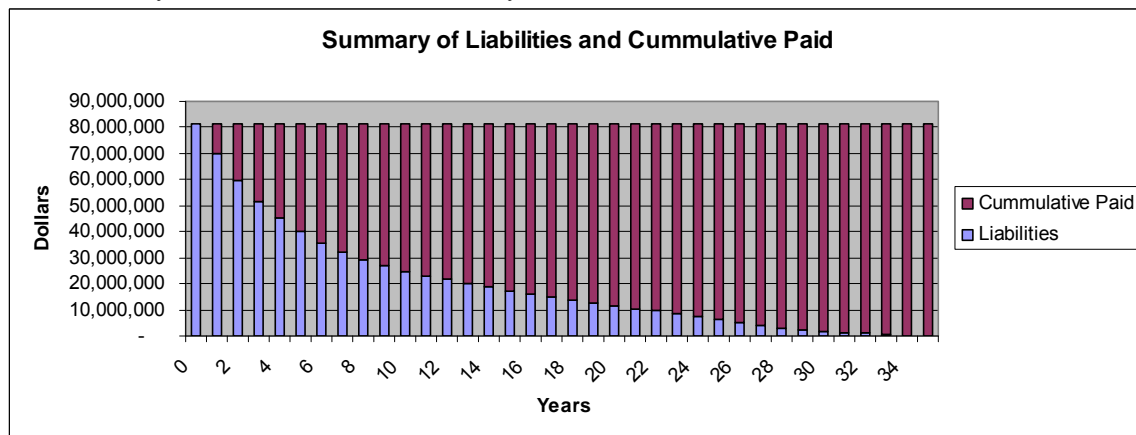


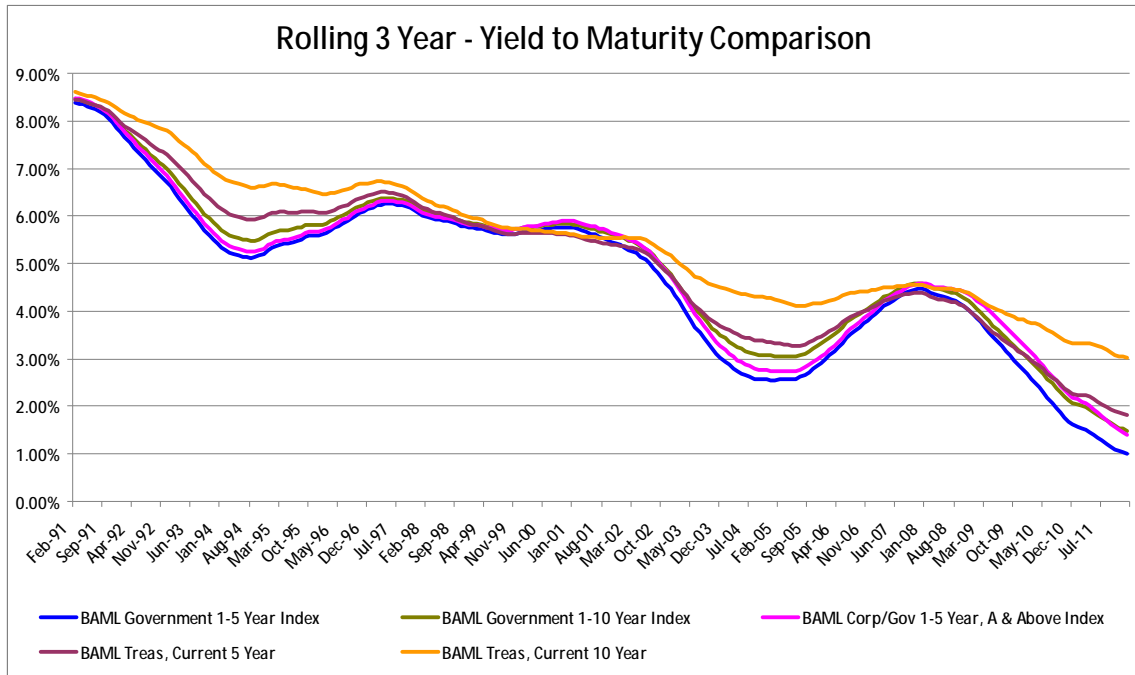
Exhibit 4 - Payments are skewed to the earlier years



Investment Earnings

We have been in a declining interest rate environment since 1983. Per the Exhibit 5 below you can see that investment returns have trended down and continue to head in that direction.

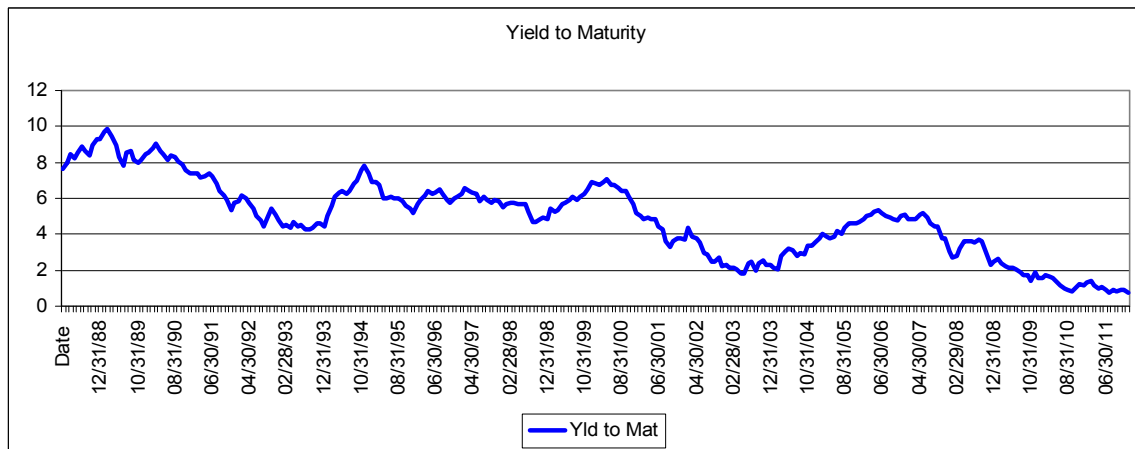
Exhibit 5



Contributed by Martin Castle, Chandler Asset Management

Using what you earned in the past; is what you earned in the past a reasonable predictor of the future?

Exhibit 6



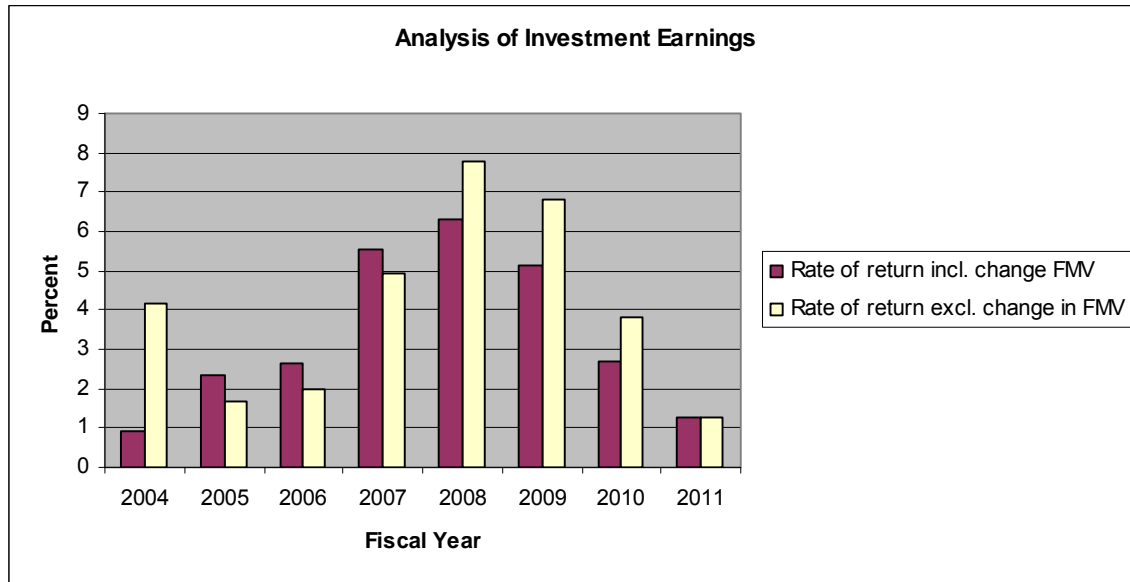
5 year government and corporate note yields

Contributed by Martin Castle, Chandler Asset Management

What have been your recent rates?

Recent returns may be declining and fair market valuation may be reflecting increased values as interest rates drop.

Exhibit 7



What assumptions should you use?

- A. You could average the past 10 years
- B. Assume yields will improve
- C. Assume yields will continue to erode
- D. Assume yields will stay the same.
- E. Don't discount your claim liabilities

Remember that the rolling yields your portfolios are experiencing include the higher yielding investments you purchased before. What can you replace those investments with now?

Earnings GAAP: if you assume you will earn 5% and you only earn 2% then that difference will hit the financial statements as follows.

- a. you will have less earnings
- b. your claim liabilities for the older years will increase. This is known as "Unwinding of the discount" and gets buried in the claims development.
- c. Everything else being normal, you would have a reduction of net assets.

This is likely to be more pronounced for long-tailed claims such as workers' compensation and liability program coverages. Ideally, the investment earnings will offset the unwinding of the discount and there would be no income statement affect.

Why discount?

Rewards:

- Contemplates the time value of money
- Allows the pool to efficiently price claims and coverage
- Improves stated financial position
- Future earnings contribute to the expected cash flows and claim funding
- Competitive rates
- Attract and maintain members



Why you shouldn't discount?

Risks:

- Ruin
 - § You are fired
 - § Assessment
 - § Increase in rates
 - § Decrease in ability to compete
 - § Variability
 - § Members leave
 - § Adverse risk pool
 - § Give back money when you shouldn't
 - § Set rates too low
 - § Based on assumptions you maintain too little capital
 - § Failure in ability to match rates with costs on an incurred or accrued basis



Actuary Role

- Client picks a rate assumption, the actuary disclaims any opinion on it
- Actuary provides a range of claim valuations at various discount rates
- Actuary recommends a particular discount rate
- Actuary recommends or uses a risk free rate
- Actuary recommends not to discount



- Client picks a rate assumption, the actuary disclaims any opinion on it
Really? How can the actuary disclaim on such an important component of the estimate factors? The discount rate can be a very significant and material assumption in the total loss estimate model that the actuary taking what the client estimates for earnings and does not provide a professional opinion. What would be the projected equity under more pragmatic estimates? If you cannot come up with a fair estimate should you ask the client to include their assumptions and to get an opinion from their investment advisor?

Actuary: How can we “disclaim on such an important component of the liability production”? Well, because we have limited background in finance and investments. In concept, this is the same reason we do not opine on the admissibility of certain assets, solvency of reinsurers, etc. And, the same reason that accountants and risk managers do not opine on IBNR reserves.

- Actuary provides a range of claim valuations at various discount rates
This is the start of a conversation and provides the ability for the actuary to include viable rates and options for the self-insured to select. It also would allow the client to review this with their investment advisor and have the various assumptions already calculated.
- Actuary recommends a particular discount rate
You have broad industry experience and an understanding of the long-term cash flows. You know what the insurance industry uses, what NAIC requires. However, you don’t always have sufficient information on the actual investment portfolio and how the planned investments will affect earnings. Including the client and investment advisor in the development of these assumptions would be the best partnership. But remember, your input is valuable. Should you just stand back and take the rate that they provide to you?

Actuary: Yes, it is important. And yes, we have told clients that their discounts are too high. But no, we cannot pick it for them. There is a reason that many investment advisors refuse to provide future discount rates; the past is not a good indicator of the

future and nobody knows what will happen over 20 years. If they provide the discount rate, it can be taken as a promise of a return, which they will not do. Moreover, each pool and entity has a different risk appetite, and thus a different expected return. Two entities with the exact same reserve payout pattern would have different appropriate discount rates. Thus, a generalized recommendation to all entities will not work.

- Actuary recommends or uses a risk free rate

This approach has some precedence in the industry and can consider the true risk free rate as allocated to the return on investments related to claims and any additional would theoretically be the investment earnings initiative that is beyond the risk free rate and could theoretically be attributed to the investment risk taking model.

- Actuary recommends not to discount

Clearly the most conservative of measure and may be the preferred recommendation for a client that has a more volatile program. It removes one more variable from the equation and implicitly builds in a more conservative valuation as compared to a discounted valuation.

How your actuary can help you through this process

Provide loss estimate valuations based on:

- Undiscounted
- Risk free rate
 - Which one?
 - § Time horizon consideration
 - 1 year treasury
 - 3 year treasury
 - 5 year treasury
 - 10 year treasury
- Well considered expected portfolio returns; not just (*“that’s what we earned in the past”*)
- Use rate assumptions that include rates that may vary over time
- How does currently projected net assets compare under each scenario?
- Display and discuss the risks and uncertainties (*see example on next page*)

Example disclosure:

The board has elected to discount claims liabilities at the 3.0% rate. The discounting assumption contemplates that if the value of discounted claim liabilities are invested at the assumed rate, earnings will be sufficient to provide for funding the claims at full value. The current portfolio has been yielding between 1% and 2% and near 1% for new investments. The actual earnings rate may vary from the assumed rate. The chart below shows the claim valuation at different assumptions and the resulting affect on net assets.

Discount Factor	0%	1%	2%	3%
Claims Liabilities	\$ 15,031,258	\$ 15,020,265	\$ 14,007,515	\$ 13,152,596
Net Asset Balance	\$ 7,177,556	\$ 7,188,549	\$ 8,201,299	\$ 9,056,218

What I recommend you receive from your actuary

Actuaries should be more uniformed in presenting discounted valuation information and the financial statement effect.

Show a table of

- Undiscounted claim liabilities
- Discounted at various rates: risk free rate, progression of rates
- Show under each of these rates the claim liability calculated and the resulting equity or net assets that would result in selecting the given rate.

By showing the net asset balance under each it would display the relative sensitivity to interest rates the pooled equity is at. This is not to encourage picking the rate that shows them in the best light, but to provide information that values liabilities and the resulting equity under other fair assumptions.

Investment Advisor

Your investment advisor can help you through this process. Your investment advisor can be an important expert in assisting you to estimate future earnings rates. The advisor would be knowledgeable about your allowable investments, your portfolio and may assist in projecting the market returns. Remember that you are not just picking a single rate. You should contemplate when those earnings will take place as discussed earlier.

There are new realities

- Well considered expected portfolio returns; not just (*“that’s what we earned in the past”*)
- How does currently projected net assets compare under each scenario?
- Display and discuss the risks and uncertainties

Should we discount?

Variables:

Claim experience

Claim cost drivers

Legislation

Timing of payments

Are your claims and payments predictable enough to throw in another significant variable?



Okay, I understand discounting, I even have been discounting for years, but how might I approach the rate decision today.

1. Don't discount
2. Use the lower of the risk free rate or what you expect to earn

Which risk free rate

- \$ Time horizon consideration
- \$ 1 year treasury
- \$ 3 year treasury
- \$ 5 year treasury
- \$ 10 year treasury

3. If my rate is high should I step it down slowly?

The rate estimate should stand on its own. What you used last year should not bear on this decision.

What your auditor might say

- *We are concerned about the achievability of the discount rate assumptions included in the actuary report.*
- *We will consider the factors and your supporting data when evaluating the interest rate assumptions implicit in the discount rates applied to your claim liabilities.*
- *Changes in these assumptions could be material to your financial statements.*
- *Are your financial statements fairly stated?*

The valuation of claim liabilities requires expert techniques and analysis by an actuary. The estimates are based on relevant history, current factors and estimated future factors to arrive at an expert opinion of the valuation. Discounting of claims require the same level of consideration. Historically there has been relatively better consistency and predictability in the earnings rates. The changing conditions in economics and

investments present fundamental changes in earning opportunities in the short-term, midterm and perhaps long-term. If your investments are primarily in treasuries, agencies and investment grade corporate notes, the past may not be a reasonable predictor of the current and future earnings. If your policy allows for investment in equities, you have experienced significant swings in valuations over the past three years.

Recommendations:

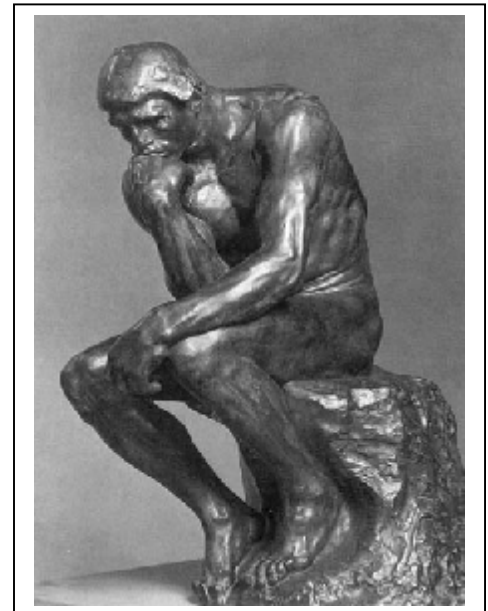
Given an expectation that rates will remain low for the short to mid-term, the earnings capacity demonstrated by the market, suggest you carefully consider the assumptions supporting your discount rate factors. You may consider tiered rates for 1-2 year, 2-5, 5-10 year and 10 years and beyond. We recommend the following:

1. Management review the attached analysis
2. Management consult with their financial advisor and provide this letter and related analysis
3. Management review this analysis and concerns with their actuary and ask the actuary to develop a model discount factor or ranges that, in consultation with your financial advisor would provide a basis for a discount factor that is in concert with current and projected achievable market realities.

The auditor will consider these factors and your supporting data when evaluating the interest rate assumptions implicit in the discount rates applied to your claim liabilities.

Conclusions

We have certainly been faced with challenging financial times. However, the decline in investment earnings has been decreasing for the past twenty years. As pools have tried to keep rates low and stable they may have resorted to reducing confidence levels for funding in an environment of increasing cost pressures for claims. In addition, to lean funding, members may be taking dividends out or credits against their contributions that further erode net assets. In this environment an overstatement of assumed investment earnings and as a result understating your claim liabilities could put your pool at risk will increase the likelihood of member assessments or sharp increases in future member rates.



Remember:

1. be conservative
2. think long-term stability
3. don't fall behind by ratcheting down rates overtime
4. don't get caught off guard