



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

EXECUTIVE COMMITTEE MEETING May 3, 2017 9:30 A.M.

Roseville Civic Center
HR Conference Room
311 Vernon Street
Roseville, CA 95678

(916) 774-5200

MINUTES

I. CALL TO ORDER:

- President Hamilton called the meeting to order at 9:52 A.M.

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|--------------------------------------|
| 1) Janet Hamilton, <i>Livermore</i> | 4) Roger Carroll, <i>SCORE</i> |
| 2) Kim Greer, <i>Richmond</i> | 5) Celeste Garrett, <i>Vacaville</i> |
| 3) David Rawe, <i>Roseville</i> | |

ABSENT

- 6) Jeff Tonks, *YCPARMIA*
- 7) Janice Magdich, *Lodi*

OTHERS PRESENT

- | | |
|--|--------------------------------|
| 8) Byrne Conley, <i>Gibbons & Conley</i> | 11) Marcia Hart, <i>CJPRMA</i> |
| 9) David Clovis, <i>CJPRMA</i> | |
| 10) Saima Kumar, <i>CJPRMA</i> | |

III. PRESENTATIONS

- None

IV. APPROVAL OF MINUTES

- A motion made by Director Rawe and seconded by Director Garrett to approve the minutes of January 19, 2017 Executive Committee meeting. Directors Hamilton, Greer, Carroll, voted for the approval of the minutes. Directors Magdich and Tonks were not present. Motion passes.

V. COMMUNICATIONS

1. Executive Committee Members
2. General Manager/Secretary
3. Next Scheduled Meetings: Board of Directors (05/24 & 25/2017) CJPRMA
Executive Committee (06/22/2017) Roseville

VI. CONSENT CALENDAR

- None

VII. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE EXECUTIVE COMMITTEE ON MATTERS OF EXECUTIVE COMMITTEE BUSINESS

VIII. ACTION CALENDAR

1. Business Calendar for 2017 (I)

The Business calendar was reviewed and it was determined that the Bi-annual election of the President and Vice-President would be moving to August. Directors Carroll and Magdich are approaching end of term June 30, 2017. Director Garrett will only be present until December 17, 2017.

2. Development of a CJPRMA Claims Committee and new Board practices in developing loss mitigation plans (A)

President Hamilton and the general manager met and discussed multiple options for implementing a claims committee. Their discussion included the potential positive impacts on litigation with the development of this committee. There are numerous options for implementing accountability and insuring that all members embrace active risk mitigation and efforts to reduce their exposures. These items were discussed:

1. Developing a claims committee with seasoned personnel committed to reviewing litigation and to participate in discussions that will result in minimizing the impacts of the claim, litigation and ultimately a settlement.
2. Utilizing the claims committee to evaluate the effectiveness of outside counsel and provide information to the membership based upon the overall review of the committee.
3. To reformat Board of Director Meetings and place the closed session items at the beginning of the meeting as opposed to the end of the meetings. It was discussed that most of the Board Members are anxious to depart and prefer that closed sessions items be presented quickly, with minimal impacts on their time. The review of claims and the proposed settlement should have high visibility to the Board of Directors resulting in timely and reflective discussions.

4. To implement an agenda item at each Board of Directors meeting where a member that has experienced a loss and who has met the developed criteria, i.e. exceeded the members SIR by 150%, that member will be required to make a presentation to the BOD, identifying the causation for the event and the efforts undertaken within the member to insure that a similar event will not occur again. This presentation will be considered as an educational tool and a lesson learned after the matter is fully resolved.
5. Staff will conduct post incident de-briefings with members and their assigned staff to discuss learning points from litigation and evaluate the policies and procedures that should be implemented to avoid similar occurrences.
6. Specific standards and policies will be developed so general manager can have flexibility in working with members when evaluating settlement alternatives.
7. Evaluate alternative training delivery systems that will have a significant impact on both the frequency and severity of claims.

Byrne Conley, Board Counsel suggested that discussion point #5 be moved before #4 as a natural progression in minimizing claims and prevention, and that this would be a Policy Committee. Mr. Conley also stated that, “a lesson learned for all members – a loss in ONE city could be a loss in ANY city.”

Director Garrett mentioned moving Closed Session to the beginning of a Board of Directors meeting will be great for Attorney availability, and that a de-briefing of the claim with the department heads like Police and Fire Chiefs would be beneficial.

This Claims Committee would be created by President Hamilton.

- A motion made by Director Carroll and seconded by Director Garrett to approve the development of a CJPRMA Claims Committee and developing new Board policies for loss mitigation. Directors Hamilton, Greer, Rawe, voted for the approval. Directors Magdich and Tonks were not present. Motion passes.

3. Development of Loss Allocation for Annual Contributions (I)

The general manager presented options to the Executive Committee for developing a methodology for implementing a loss allocation plan. Included would be the option of modifying the current practice of annual contributions based solely on exposure data.

The Executive Committee discussed multiple alternatives for determining the adequacy of the current contribution methodology of members and discussed alternative forms of contribution. The general manager discussed multiple options of evaluating the historic losses and comparing those experiences with the entire group. The committee reviewed the most recent loss history and looked at members loss histories evaluating both frequency and severity.

As discussed at the January 2017 meeting, the general manager provided the following topics for discussion:

1. Develop a method of contribution that develops contributions based upon each member's loss experience. No discounting applied.
2. Evaluate members and their impact on specific pool layer and explore modification of self-insured retentions.
3. Establish a warning period or probationary period prior to implementing a weighting to the individual member.
4. Develop contributions based upon loss history that would allow for an offset of a single loss or multiple losses over a program history.
5. Evaluate members from the date they initially joined CJPRMA, use a pro rata share concept based upon their program history.
6. Implement required risk management/claims management practices for any member with an adverse loss history. Use the member overall size within the program and the total exposures to determine their impact on the program.
7. Do nothing, and leave the program as is.
8. Re-evaluate the current contribution methodology that was implemented in 2008, referring to a copy of the March 2008 agenda bill.

Although this agenda item was for information only, based on the data provided regarding member loss comparison to the Executive Committee concerns were raised regarding City of Vallejo losses and premium contributions. A discussion took place on how to evaluate members with high severity. The general manager had a solution for this; he provided a policy on annual member evaluation to the committee. It was determined that guidelines would be appropriate instead of a written policy. The following options were suggested for implementation effective July 1, 2017:

1. Increase member SIR
2. Increase premium contributions
3. Withhold redistribution
4. Voted out of the program
5. Option as is listed above (1-8 on this agenda bill #3)

Director Greer and Garrett both mentioned and agreed that cities will argue for the timing of this implementation for July 1, 2018 not July 1, 2017 for it will affect their budgets. The general manager will provide these options to the Board of Directors at the May meeting. It was then decided that cities with high severity should have their SIR evaluated, resulting in changing this to an action item and to recommend that options 1-5 should be presented to the Board of Directors for discussion and approval.

- The motion was made by Director Greer, and seconded by Director Rawe for staff to add an agenda item for a review of City of Vallejo's SIR at the next Board meeting. Staff may consider the proposed criteria for review of SIR's presented in the Executive Committee agenda packet, but a formal policy for when a SIR review will be conducted does not need to be adopted; instead the Board will review the matter based on the JPA Agreement and By-laws. Directors Carroll, Garrett, Rawe, Greer and Hamilton all approved. Directors Magdich and Tonks were not present. Motion passes unanimously.

4. Review and Approval of the Succession Plan for the Replacement of the Retiring General Manager (A)

The general manager discussed the succession plan for the future of CJPRMA and his upcoming retirement in October 2018. With the goal of minimizing impact to the members, the general manager researched numerous successions plans generated from many organizations, and he concluded that the plan created by North Bay Schools Insurance Group met the needs of CJPRMA. This plan suggests an assistant general manager be hired six months prior to the general manager's departure to work under his direction.

The history of past general managers were reviewed, the current general manager responsibilities were discussed, as well as the upcoming needs, growth, the complexity of the organization, and the overall transition.

The general manager recommended that the Executive Committee work closely with him and oversee the recruitment process. Alternative forms of recruitment would include a local search, statewide search and potentially a national recruitment. The approval of an additional agenda bill requesting the Executive Committee approve an updated job description/salary range for the Assistant General Manager position follows.

Director Greer suggested that the incumbent to be hired six to nine months versus only six months prior to the retirement. This would provide the incumbent time to acclimate under the direction of the general manager and the opportunity to work on numerous projects that will affect the long-range effectiveness of the organization.

- A motion made by Director Carroll and seconded by Director Greer to approve a nine-month acclimation period for the incumbent and the reviewed succession plan. Directors Hamilton, Garrett, Rawe, Carroll, Greer, voted for the approval. Directors Magdich and Tonks were not present. Motion passes.

5. Approve updated job description for Assistant General Manager (A)

The general manager recommended that the Executive Committee approve the updated job description of the assistant general manager as discussed in the agenda bill above, and the salary range. The funding for this position would be recommended during the budget approval process at the May Board of Directors meeting. Originally, the current transition plan would involve the hiring of the assistant general manager by April 1, 2018 and working with the general manager until his anticipated retirement in October 2018. Since the above motion was approved and passed, a nine-month transitional period with the incumbent, the start date would target February 1, 2018.

- A motion was made by Director Carroll and seconded by Director Greer to approve the updated assistant general manager job description and salary range. Directors Hamilton, Garrett, Rawe, Greer and Carroll voted for the approval. Directors Magdich and Tonks were not present. Motion passes.

6. Status Update on General Manager's Goals & Objectives 2016-2019 (I)

The Executive Committee was provided a copy of the General Manager's Goals & Objectives. The general manager discussed the upcoming annual meeting and training courses that will be offered to members.

- No action was required on this item

7. Review of Proposed Memorandum of Coverage Changes for 2017-2018 (I)

Staff consulted with Mr. Byrne Conley, Board Counsel and Dr. William Deeb from AON Services regarding the 2016 - 2017 Memorandum of Coverage (MOC) and identified areas within the MOC that have coverage gaps or require clarification. The MOC was also reviewed for areas that presented confusion to members or required clarification to the intent of the language. Staff also met with an AON coverage expert attorney to review the MOC. The proposed changes are not intended to minimize or limit any coverage currently provided to the membership, but to clarify areas that are either out of date or present conflicts for the member. Mr. Conley reviewed with the Executive Committee the proposed MOC changes for 2017-2018 as listed below:

1. Definition of occurrences should be expanded to include "offenses". This is the current practice; this would clarify the definition.
2. Modify the language regarding coverage disputes to clarify the use of binding arbitration.
3. Pool D sub-limits definitions require expanded definition. Define aggregate limits for pool C for EPL, Subsidence, Fungal Pathogens, Sexual Abuse-Daycare, and Terrorism.
4. Subsidence definition.
5. Define claims arising out of FLSA allegations are excluded.
6. Clarify contractual obligations and exclusions.
7. Self-driving cars.
8. Modify the aircraft definition to specifically include drones.
9. Clarify exclusions regarding allegations of regulations relating to taxi cabs and rent control ordinances/regulations.
10. Class action lawsuits.
11. Define other insurance-and how that erodes SIR's.
12. Define Contractual Risk Transfer, adopt CJPRMA minimum limits, and provide co-insurance relief to members that utilize Risk Transfer.
13. Define criminal acts and exclude coverage for any employee convicted of a crime. The member would continue to be covered, but the employee convicted would not.
14. Implement a modified "Hammer Clause".
15. Modify the language regarding settlements completed without approval of CJPRMA to be binding and not optional.

16. Clarify the definition of Sewer-overflow.
17. Identify in the MOC that extent of coverage provided by a Cert of Coverage will not be broader than required by contract.
18. Exclude exposures of auto liability for employees operating personal vehicle unless minimum limits of \$100/\$300 are required by the city. In the event coverage is required and valid the proceeds would apply to the member SIR.
19. Implement arbitration clause for coverage disputes arguing multiple occurrences.
20. Identify coverage that may be excluded due to "intentional acts".
21. Add a Pool C annual aggregate per member for areas that contain Pool D limitations.

The proposed changes will be presented at the Board of Directors meeting in May 2017 for approval. If the proposed changes are approved, they will be included within the 2017-2018 CJPRMA Memorandum of Coverage.

After Mr. Conley established the above proposed changes, Director Carroll asked why drones were included since they were equipment. David Clovis answered that drones are considered property and he is working with Munich to include in the MOC, or bring back as an endorsement. Byrne Conley stated that drones are considered 55 pounds or less.

- No action was required on this item.

8. Approval of CJPRMA Litigation Policies and Procedures (A)

The Executive Committee and general manager have discussed numerous alternatives for encouraging members to utilize best practices in the area of Litigation Management in the past. The single greatest exposure to the CJPRMA Membership is the poor handling or lack of current standards in managing claims. CJPRMA adopted a number of Model Policies for the membership to use, but member utilization has not been mandatory. One of the policies available for the members is called Model Policy on Litigation Policies and Procedures created in 2000.

Staff reviewed the policy and updated items to meet current standards. Staff recognizes the importance of consistent policy amongst our members. Adopting this policy for the entire membership will provide the claim auditors with a formal set of standards that will be incorporated into audit findings. The Auditor will provide an annual report to the Board of Directors with the compliance history for all members. Staff further recommended that the policy be reviewed by the Board of Directors annually to insure that best practices and industry standards are applied to all member litigation management programs. A copy of the policy with revisions was attached to this agenda bill and reviewed.

- A motion was made by Director Rawe and seconded by Director Carroll to adopt this Litigation policy and recommend this to the Board of Directors for approval at the May meeting. Directors Hamilton, Garrett, Rawe, Carroll and Greer voted for the approval. Directors Magdich and Tonks were not present. Motion passes.

9. Risk Management Issues (I)

This is a standing agenda item. There were no items for discussion on this item.

- No action was required on this item.

IX. CLOSED SESSION

1. **Government Code Section 54956.9 (a)**

Conference with Legal Counsel – Litigation

Name of Case: Vexler, Talya v. City of Fremont

Court: Superior Court of the State of California, County of Alameda

Case No.: HG13692644

X. ACTION ON CLOSED SESSION ITEMS

- The Executive Committee conferred with staff regarding litigated claims and provided direction.

XI. ADJOURNMENT

- A motion was made to adjourn the meeting at 1:30 p.m. Directors Carroll, Hamilton, Garrett, Greer, and Rawe voted to adjourn the meeting. Magdich and Tonks were not present. Motion passed.