

**CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
(CARMA)**

**MINUTES OF THE BOARD OF DIRECTORS
MEETING OF WEDNESDAY, APRIL 13, 2016**

A regular meeting of the Board of Directors of CARMA was held on April 13, 2016, at the Bickmore office in Sacramento, California.

BOARD MEMBERS PRESENT: Tim Przybyla, CSJVRMA, President
Dan Schwarz, BCJPIA, Vice President
Gary Goodman, VCJPA
Ric Burwell, MPA

ALTERNATE MEMBERS PRESENT: Patrice Hildreth, CSJVRMA

OTHERS PRESENT: Rob Kramer, Administrator
Maria de Leon, Board Secretary
Nancy Broadhurst, Finance Manager
Breanne Hughey, Senior Accountant
Craig Farmer, Board Counsel
Jaesa McCulligan, Bickmore
Jeanette Workman, CSJVRMA Administrator
Chrissy Mack, VCJPA Assistant Administrator
Seth Cole, Alliant Insurance Services
Conor Boughey, Alliant Insurance Services
Tim Farley, Farley Consulting Services
Jack Joyce, Bay Actuarial Services

1. CALL TO ORDER

The April 13, 2016, Board of Directors meeting was called to order at 10:02 a.m. by President Tim Przybyla.

2. INTRODUCTIONS

Introductions were made and it was determined a quorum was established.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Gary Goodman moved, seconded by Dan Schwarz, to approve the agenda as presented. Ayes: Burwell, Goodman, Przybyla, and Schwarz. Motion passed unanimously.

4. PUBLIC COMMENTS

None.

5. **CONSENT CALENDAR**

Gary Goodman moved, seconded by Dan Schwarz, to approve the following Consent Calendar items: A) Minutes of the January 8, 2016, Board of Directors Meeting; B) Minutes of the March 7, 2016, Special Board of Directors Meeting; C) Warrant Listings from January 1, 2016, through March 31, 2016; D) Treasurer's Report as of December 31, 2015; and E) Interim Financial Statements as of September 30, 2015; and F) CARMA Goals & Objectives. Ayes: Burwell, Goodman, Przybyla, and Schwarz. Motion passed unanimously.

6. **ADMINISTRATIVE MATTERS**

A. **Consideration of Agreement for Insurance Brokerage and Consulting Services**

Mr. Rob Kramer, Executive Director, reported that CARMA's agreement with Alliant Insurance Services (Alliant) for brokerage and consulting services is due to expire in June 2016. At the January 8, 2016 meeting, the Board provided direction to renew the expiring agreement for another three years. Staff worked with Alliant on the terms of the new agreement. It was noted that, with the exception of the fees, there were no material changes to the agreement. The proposed term is from July 1, 2016, through June 30, 2019, for a fee of \$74,285 (a 2% increase over the expiring brokerage fee) with a 2% increase each succeeding year. A copy of the proposed agreement, which had been reviewed by Mr. Farmer, was provided in the agenda for the Board's approval.

Gary Goodman moved, seconded by Dan Schwarz, to approve the Agreement for Insurance Brokerage and Consulting Services with Alliant Insurance Services. Ayes: Burwell, Goodman, Przybyla, and Schwarz. Motion passed unanimously.

B. **Consideration of Agreement for Claims Audit Services**

CARMA's agreement with Farley Consulting Services, LLC (FCS) for Claims Audit Services Agreement is set to expire upon completion of the 2016 audit. At the January 2016 meeting, the Board directed staff to renew CARMA's agreement with FCS. The proposed agreement from FCS is for a two-year term, with an option for a third year. The proposed fees are \$29,400; \$18,500; and \$29,400 for 2017, 2018, and 2019, respectively. The proposed agreement has been reviewed by Mr. Farmer and was provided in the agenda for the Board's approval.

Ric Burwell moved, seconded by Gary Goodman, to approve the Agreement for Claims Audit Services with Farley Consulting Services, LLC. Ayes: Burwell, Goodman, Przybyla, and Schwarz. Motion passed unanimously.

C. **Presentation of Liability Claims Audit Report Prepared by Farley Consulting Services, LLC**

Mr. Tim Farley, FCS, presented the 2016 Liability Claims Audit Report which provides a summary of findings of the audit conducted of CARMA and its five JPA members: Bay Cities Joint Powers Insurance Authority (BCJPIA), Vector Control Joint Powers Agency (VCJPA), Central San Joaquin Valley Risk Management Authority (CSJVRMA), Municipal

Pooling Authority (MPA), and Monterey Bay Area Self-Insurance Authority (MBSIA).

He noted that this year's audit was positive for all members in virtually all areas. He did however identify some deterioration in the performance for some of the members in the area of diary maintenance. However, overall, he concluded that claims handling of all underlying CARMA member entities continue to be effective, and that he found no system-wide case reserving deficiency or inconsistency.

Mr. Kramer requested corrections to reflect that Mr. Rick Buys and Mr. Gerry Preciado are the Litigation Managers for the BCJPIA and CARMA, respectively.

A copy of the report as well as responses from CSJVRMA and MBSIA were provided in the agenda for the Board's reference.

Gary Goodman moved, seconded by Dan Schwarz, to accept the Liability Claims Audit Report prepared by Farley Consulting Services, LLC. Ayes: Burwell, Goodman, Przybyla, and Schwarz. Motion passed unanimously.

7. COVERAGE MATTERS

A. Report from Alliant Insurance Services on the Status of the Excess Insurance Renewal for CARMA

Mr. Seth Cole, Alliant Insurance Services (Alliant), provided a status update on the excess insurance renewal for CARMA.

Mr. Cole reported that AmTrust reinsures the first \$10M of coverage in excess of the CARMA pooled layer. For 2016/17, in accordance with its two-year Rate Stabilization Plan, the AmTrust premium will remain flat, provided that CARMA continues to meet the following conditions: 1) losses reported excess of the pooled layer cannot exceed \$1M; 2) CARMA not materially expand outside of its core group i.e., cities and/or special districts); or 3) payroll reported changes cannot be more than 10%. Additionally, the AmTrust rate is expected to decrease by approximately 3.6% when you consider the contribution will be flat but payroll has increased.

In terms of coverage for the Second Layer Excess, \$15M x AmTrust, Colony has provided indication that they will be offering competitive pricing for 2016/17. Alliant is prepared to market this layer in the event that Colony's pricing does not meet expectations.

Mr. Cole noted that, per staff's request, Alliant is working to obtain an optional premium quote for the Second Layer Excess that includes VCJPA, and will share the information once available.

Dan Schwarz moved, seconded by Gary Goodman, to approve binding coverage as outlined by Alliant. Ayes: Burwell, Goodman, Przybyla, and Schwarz. Motion passed unanimously.

B. CARMA Memorandum of Coverage (MOC) for the 2016/17 Program Year

Mr. Kramer reported that at the CARMA Annual Workshop in January 2016, the Board was provided a presentation pertaining to drones. At that time, the Board discussed the potential for providing coverage for drone operations as long as they are operated consistently with licensing and regulatory requirements. The Board also wanted to evaluate not covering drones for the upcoming year. Staff was directed to work with Mr. Farmer to develop options for providing or excluding coverage relative to liabilities associated with drones.

Mr. Farmer reviewed the proposed changes to the 2016/17 CARMA MOC with the Board, primarily in regards to drone coverage. Following discussion the Board requested the following modifications:

- Section II – Definitions, 1. – Amend definition to remove reference to Drone, and to state that Aircraft does not mean an Unmanned Aerial Vehicle.
- Amend references to Drone and Unmanned Aircraft to “Unmanned Aerial Vehicle” throughout the document.
- Section VI – Exclusions, 10. (c) – Un-strike “or watercraft.” The intent is to maintain exclusions for property damage to watercraft.
- Section VI – Exclusions, 11. – Amend reference to “Chief Executive Officer” to “Governing Body”.

Mr. Cole requested a copy of the revised MOC be sent to him so he can provide it to the excess carriers.

The revised MOC with the additional modifications noted above will be presented for Board approval at the CARMA meeting in June 2016.

Ric Burwell moved, seconded by Gary Goodman, to accept the proposed changes to the Memorandum of Coverage with the additional modifications requested by the Board. Ayes: Burwell, Goodman, Przybyla, and Schwarz. Motion passed unanimously.

8. FINANCIAL MATTERS

A. Review of Actuarial Study Provided by Mr. Jack Joyce of Bay Actuarial Consultants

Mr. Jack Joyce, Bay Actuarial Consultants, presented the CARMA Actuarial Study dated March 21, 2016, to the Board.

Mr. Joyce indicated the December 31, 2015, claims data was used to prepare the report. He also explained the purpose of the study is two-fold: 1) determine the appropriate contribution rates for the upcoming program year, and 2) calculate CARMA’s ultimate liabilities projected to June 30, 2016.

Mr. Joyce provided a brief overview of the results of the study, including:

- At the 75% confidence level, discounted at 2%, the projected rate for the \$3M xs \$1M, decreased by .001 from last year’s rate, or from .514 to .513.

- The projected Ultimate Loss and Loss Adjustment Expenses for all open program years decreased by 9.7% or \$5,133,084. Favorable development on claims that had large case reserves were the main driver in the significant decrease.
- The estimated liability for unpaid losses as of June 30, 2016, if undiscounted, is \$20.77 million; or \$19.28 million if discounted at 2%;
- It is projected that CARMA will discharge approximately \$2.93 million of its June 30, 2016, liability during the 2016/17 program year;
- The total overall reduction in estimates of Ultimate losses for all years prior to 2015/16 was \$4,830,000.

Gary Goodman moved, seconded by Dan Schwarz, to accept and file the actuarial study as presented. Ayes: Burwell, Goodman, Przybyla, and Schwarz. Motion passed unanimously.

B. Consideration of the Draft Annual Budget Models for the 2016/17 Fiscal Year

Ms. Nancy Broadhurst, Finance Manager, presented two draft Annual Budget Models for the 2016/17 Fiscal Year to the Board for consideration. The first draft budget model was based on a 75% confidence level (same as last year's approved budget), and the second budget model was based on an 80% confidence level, both discounted at 2%. By comparison, at the 75% confidence level, there is an overall contribution increase of 3.02% over last year's budget; and an overall 11.83% increase at the 80% confidence level.

It was noted that, to mitigate the decrease in the discount factor, CARMA has funded at the 75% confidence level since the 2011/12 program year. However, the prior six years, CARMA had funded at the 80% or higher confidence level. Staff opined that it is advisable that an excess pool such as CARMA fund more conservatively or at a higher confidence level than primary pools. Given the favorable development in claims, Mr. Joyce concurred that this is an opportune time to increase CARMA's funding to 80%. He noted that if not for the reduction in ultimate losses, the increase at the 80% confidence level would be at approximately 15%, as opposed to 11.83% as noted above. As such, it is best to make the change this coming year.

Ms. Broadhurst noted that the VCJPA has expressed interest in participating at the Second Excess, thus, was included in the proposed budget; however, should the member decide not to participate, it will be excluded from the proposed budget presented to the Board in June 2016.

In addition, Ms. Broadhurst briefly reviewed the proposed Administration Budget for 2016/17. She noted that, overall, the Administration Budget increased by 4.5% over last year's budget, mainly due to increases in contracted services, and fees for actuarial services, claims audit services, and legal services. She also noted Bank Fees was added as a new line item to the budget to ensure that those fees are captured in the annual operating budget moving forward.

Ric Burwell moved, seconded by Dan Schwarz, to approve the 2016/17 Draft Annual Operating Budget at the 80% confidence level, using a discount factor of 2.0%. Ayes: Burwell, Goodman, Przybyla, and Schwarz. Motion passed unanimously.

C. Appointment of CARMA Board Treasurer

President Przybyla appointed Mr. Gary Goodman as CARMA's Board Treasurer. Mr. Goodman accepted his appointment.

9. CLAIMS MATTERS

A. Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims

B. Report from Closed Session

Mr. Farmer provided an update on the following claims in open session: Padget v. Wright/City of Monte Sereno (BCJPIA); and Western Pacific Pulp & Paper v. San Ramon (MPA).

There were no actions taken on this item.

10. CLOSING COMMENTS

A. Board

None.

B. Staff

The next CARMA Board of Directors meeting will be held via teleconference on Wednesday, June 15, 2016, at 10:00 a.m.

11. ADJOURNMENT

The April 13, 2016, Board of Directors' meeting adjourned at 11:42 a.m. by general consensus of the Board.



Maria de Leon, Board Secretary