

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

**MINUTES OF THE BOARD OF DIRECTORS  
MEETING OF WEDNESDAY, APRIL 12, 2017**

A regular meeting of the Board of Directors of CARMA was held on April 12, 2017, at the Bickmore office in Sacramento, California.

**BOARD MEMBERS PRESENT:** Tim Przybyla, CSJVRMA, President  
Dan Schwarz, BCJPIA, Vice President  
Gary Goodman, VCJPA, Treasurer  
Linda Cox, MPA  
Rene Mendez, MBASIA

**ALTERNATE MEMBERS PRESENT:** None

**OTHERS PRESENT:** Rob Kramer, Administrator  
Maria de Leon, Analyst  
Nancy Broadhurst, Finance Manager  
Breanne Hughey, Senior Accountant  
Craig Farmer, Board Counsel  
Craig Wheaton, Litigation Manager  
Ric Burwell, Bickmore  
Ritesh Sharma, Bickmore  
Jack Joyce, Bay Actuarial Services (*left, 10:35 a.m.*)  
Jeanette Workman, CSJVRMA Administrator (*left, 11:16 a.m.*)  
Seth Cole, Alliant Insurance Services (*left, 11:16 a.m.*)  
Jaesa McCulligan, BCJPIA (*left, 11:16 a.m.*)  
Lance Gerber, Bickmore (*joined, 11:16 a.m. – 11:37 a.m.*)

**1. CALL TO ORDER**

The April 12, 2017, Board of Directors meeting was called to order at 11:39 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 Rene Mendez, to approve the agenda as presented. Motion passed unanimously.*

#### **4. PUBLIC COMMENTS**

Mr. Rob Kramer, Administrator, reported that at the January 2017 meeting, Mr. Ric Burwell was introduced to the Board, with the expectation that Mr. Burwell will eventually assume the Administrator role in CARMA. In preparation for the transition, Mr. Burwell will be leading the meeting, with Mr. Kramer providing comments or background information on specific agenda items, as necessary.

In addition, Mr. Kramer introduced Mr. Ritesh Sharma to the Board. Mr. Sharma is experienced in finance and has previously performed financial audits of various public entities, including MPA, during his tenure at James Marta & Company, his previous employer. Mr. Sharma will be replacing Ms. Nancy Broadhurst on CARMA as Finance Manager.

The Board will be asked to make their formal appointments of Mr. Burwell and Mr. Sharma, as CARMA's Administrator and Finance Manager, respectively, at the June 14, 2017, meeting.

Ms. Broadhurst thanked the Board and noted that she will continue to be available as a resource to CARMA after the transition, as the need arises.

#### **5. CONSENT CALENDAR**

*Rene Mendez moved, seconded by Gary Goodman, to approve the following Consent Calendar items: A) Minutes of the January 6, 2017, Board of Directors Meeting, B) Warrant Listing from January 1, 2017, through March 31, 2017, C) Treasurer's Report as of December 31, 2016, D) Internal Financial Statements for the Quarter Ended December 31, 2016, E) Change in Timeline for Distribution of Meeting Agenda, and F) CARMA Goals and Objectives. Motion passed unanimously.*

#### **6. ADMINISTRATIVE MATTERS**

##### **A. Agreement with Bickmore for Administrative, Litigation Management, and Financial Services**

Mr. Kramer reported that, at the January 2017 meeting, the Board discussed the expiring agreement between CARMA and Bickmore for Administrative, Litigation Management, and Financial Services, and authorized the Board President and Vice President to negotiate the terms of the renewal of the CARMA-Bickmore agreement with Mr. Kramer.

Subsequently, following review of staff hours expended in managing CARMA, Mr. Kramer sent a letter of proposal to Mr. Przybyla and Mr. Dan Schwarz, CARMA President and Vice President, respectively. The proposal proposed a less than 1% increase, from \$346,921, to \$350,000, on the first year of the five-year contract, with a proposed escalator fee of 2.5%, annually, in years two through five. Copies of the proposal letter and the proposed five-year Agreement were included in the agenda for the Board's consideration. It was noted that the Agreement had been reviewed by CARMA Board Legal Counsel, Mr. Craig Farmer.

*Gary Goodman moved, seconded by Linda Cox, to approve the five-year Bickmore Agreement as presented. Motion passed unanimously.*

## B. CARMA Website

Mr. Burwell reported that Bickmore is undergoing a website redesign for all of its JPA clients, including CARMA, in order to make the websites more current, robust, and user-friendly. In addition, Bickmore is currently working on a new pool management information system, Clarity, which would eventually allow each member to access its own web portal from the JPA website, submit coverage information, review loss data, manage risk control services, and more, at no additional cost. Clarity is in its development stage and is currently being piloted by another Bickmore client, with features phased in over the next several years. The platform of the existing website for all JPA clients will need to be updated, in order to prepare for connectivity to Clarity, as well as to address many of the issues encountered with the current websites. To save costs, Bickmore has determined that it will be most cost-effective to develop only one set of platform templates for all of its JPA clients, which can be tailored to each JPA needs. Bickmore has obtained a quote of \$7,500 per site from CareWorks to develop the templates. Mr. Burwell noted the quote from CareWorks is significantly less than the quote provided by another vendor, which was \$13,000 per site. Bickmore will then seek reimbursement from each client to cover the development cost of the new website platform.

In that CareWorks is a York-owned company, staff did not make any specific recommendation to the Board on this agenda item.

***Linda Cox moved, seconded by Rene Mendez, to approve the one-time \$7,500 website development fee. Motion passed unanimously.***

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

Mr. Burwell reported that, due to medical reasons, Mr. Tim Farley of Farley Consulting Services, LLC, will not be able to attend and present the Claims Audit Report to the Board. He added that Mr. Farley has sent his regrets for having to cancel his presentation to the Board.

The Board felt comfortable accepting the report without a presentation from Mr. Farley, since there have not been any issues with past reports prepared by Mr. Farley,

***Gary Goodman moved to accept and file, seconded by Dan Schwarz, the Claims Audit Report prepared by Farley Consulting Services, LLC. Motion passed unanimously.***

## 7. FINANCIAL MATTERS

### A. Actuarial Study Prepared by Bay Actuarial Consultants

Mr. Jack Joyce of Bay Actuarial Consultants presented the Actuarial Study dated March 21, 2016. Mr. Joyce noted that CARMA's actuarial study is prepared annually for two main purposes: 1) to project the appropriate funding rates for the incoming program year, and 2) to estimate CARMA's ultimate liabilities projected to June 30, 2017. He added that the loss data used in the study was valued as of December 31, 2016.

Mr. Joyce highlighted key results of the actuarial study, including:

- The projected \$3M x \$1M rate for 2017/18, calculated at 80% confidence level, and discounted at 2%, increased by 6.97% (from \$0.514 to \$0.614).
- The estimated liability for unpaid losses as of June 30, 2017, is \$23.05M (undiscounted) and \$21.42M (discounted at 2%).
- The total Ultimate Losses for all years prior to 2016/17 had an overall reduction of approximately \$442,000. Ms. Broadhurst commented that a claim in 2010/11 that had a reserve of \$3M had developed favorably, as such, it is anticipated that the actuarial projections for next year will see a slight reduction.

***Rene Mendez moved, seconded by Gary Goodman, to accept and file the actuarial study as presented. Motion passed unanimously.***

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

Mr. Seth Cole of Alliant Insurance Services (Alliant) provided an update on the status of the CARMA excess insurance renewal for 2017/18. He noted that AmTrust currently reinsures the first \$10M of coverage in excess of the CARMA pooled layer (including member retention), and Colony provides the \$15M of excess coverage above that, for a total of \$25M in excess limits.

Mr. Cole reported that at the January 2017 meeting, Alliant was directed to market the reinsurance and excess layers, and the Board requested that price indications at various retention levels be provided at the April 2017 meeting, to help the Board evaluate whether to activate the Mid-Layer Pool. The Board also discussed at that meeting the potential for an additional \$10M in limits, to bring the total limits to \$35M excess of CARMA's pooled layer and member retention. Mr. Cole noted that based on his conversations with the excess liability underwriters, the estimated premium for the additional \$10M in limits would be in the range of \$200,000

Mr. Cole elaborated that Alliant approached several reinsurance carriers including Amtrust (the incumbent provider of the \$10M x \$4M reinsurance coverage), Genesis, Munich Re, Markel, and Great American. Thus far, only Great American has provided viable options for that layer. He added that AmTrust has missed the deadline for the refiling of their financial data to the Securities and Exchange Commission (SEC), which could impact their AM Best rating. He anticipates that issue to be resolved and expects to receive renewal quotes from AmTrust before the June 2017 CARMA meeting. The pricing options from Great American were as follows:

- \$10M x \$4M - \$1,406,781
- \$10M x \$5M - \$840,000 - \$910,000
- \$9M x \$5M - \$815,000 - \$880,000

Mr. Cole noted the \$15M x \$10M excess layer was submitted to over a dozen markets for consideration. He expects a flat renewal rate for this layer; however, there may be a slight increase in premiums due to CARMA's increased payroll of about 6% for 2017/18.

The Board directed Mr. Cole to present formal reinsurance and excess insurance renewal quotes at the June 14, 2017, meeting, and expressed preference for the \$9M x \$5M reinsurance option. The

Board deferred further discussion of the additional \$10M excess limits at the June 14<sup>th</sup> meeting.

### C. Consideration of Mid-Layer Pool

Mr. Burwell reported that CARMA has set aside a total of \$2M in a designated fund to be used for the future implementation of a mid-layer pool (MLP). The Board approved the first \$1M in January 2015 and the other \$1M was approved in January 2017, to be netted from the approved dividend release and placed in the designated fund for the implementation of the MLP. However, the Board deferred making a decision regarding the implementation of the MLP to the April 2017 meeting, pending review of reinsurance and excess insurance renewal options for 2017/18. Mr. Burwell noted, should the Board approve to implement the MLP, a draft policy pertaining to the implementation of the MLP will be presented for the Board's consideration in June 2017.

Ms. Broadhurst noted the purpose of the MLP is to fund claims activity between \$4M and \$5M layer (the lowest \$1M of the current reinsured layer). She added that based on a loss stratification analysis that staff performed, there has only been four claims activity in that layer since the inception of CARMA, and opined that \$2M should be sufficient to fund the MLP.

Additionally, in consideration of the implementation of the MLP, Ms. Broadhurst reported that staff performed a cost analysis, based on the reinsurance preliminary premium indications from Alliant for 2017/18, at various retention levels. The results of that analysis indicated that there is potential for \$526,780 and \$496,781 premium savings for the \$9M x \$5M and \$10M x \$5M layers, respectively.

Ms. Jeanette Workman, expressed the CSJVRMA board is in favor of the implementation of the MLP; however, recommended that CARMA continue to fund the MLP, beyond the \$2M target, to avoid potential member assessments in the event that the fund is depleted because of claims activity in that layer. She opined the MLP can continue to be funded by collecting an additional premium from the members, annually. The additional cost is offset by the reinsurance premium savings that the members would otherwise pay to reinsure that layer.

Mr. Gary Goodman expressed that due to the size of VCJPA's membership, he does not believe the entity has the same level of risks as the rest of the CARMA members. He added that, since joining CARMA, VCJPA has only had one claim that has reached the CARMA layer and is unlikely that any future claims would hit the MLP layer. However, he noted, in support of CARMA as a whole, the VCJPA board has expressed support of the implementation of the MLP.

Mr. Dan Schwarz expressed appreciation for the feedback provided and recommended that the CARMA Board discuss further the future funding of the MLP at the January 2018 meeting.

***Gary Goodman moved, seconded by Linda Cox, to approve the implementation of the Mid-Layer Pool with an initial funding of \$2M from the Designated Fund to cover losses in the \$4M to \$5M layer, effective July 1, 2017. Motion passed unanimously.***

### D. Proposed Operating Budget Options for Fiscal Year 2017/18

Two budget options were presented to the Board for the 2017/18 fiscal year. Both budgets reflect member contributions calculated at the 80% confidence level, discounted at 2%, increased funding

rate of 6.97%, and overall payroll increase of approximately 6%. Option 1 reflected the current coverage structure: funding for the pooled losses at \$3M x \$1M, reinsurance and excess insurance at \$10M x \$4M and \$15M x \$14M, respectively. Based on this option, the overall budget increased by \$1,129,575 or 12.3%. Option 2 reflected the following structure: funding for pooled losses of \$3M x \$1M, MLP at \$1M x \$4M, reinsurance at \$9M x \$5M, and excess insurance as \$15M x \$14M. With the inclusion of the MLP, the overall increase is \$602,794, or 6.6%, over last year's budget.

Since the Board approved the implementation of the MLP in the previous agenda and expressed interest in the \$9M x \$5M reinsurance layer, Ms. Broadhurst focused her presentation on Budget Option 2. She noted key changes to the proposed budget as compared to last year's budget, including an overall 1% increase to the Administration Budget to account for the contractual increases in program administration, financial audit, actuarial services, and the addition of the \$7,500 one-time fee for the website redesign. She noted that the Claims Audit fee decreased by 37% due to a reduction in the scope of the audit for next year. She added the increase in excess premiums is due to the increased payroll; however, the excess rate is expected to remain flat for 2017/18.

***Linda Cox moved, seconded by Gary Goodman, to approve Option 2 of the Annual Operating Budget at the 80% confidence level, using a 2% discount factor. Motion passed unanimously.***

## **8. COVERAGE MATTERS**

### **A. CARMA Memorandum of Coverage (MOC) for the 2016/17 Program Year**

Mr. Burwell reported that the only change being proposed to the CARMA Memorandum of Coverage is an update to the program year from 2016/17 to 2017/18.

***Rene Mendez moved, seconded by Dan Schwarz, to approve revised CARMA Memorandum of Coverage, as presented. Motion passed unanimously.***

## **9. CLAIMS MATTERS**

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

Pursuant to Government Code Section 54956.95(a), the Board recessed to closed session at 11:16 a.m. to discuss the following claims:

- Atkin v. Larkspur (BCJPIA)
- Benson v. San Anselmo (BCJPIA)
- Frei/Geherman v. Larkspur (BCJPIA)
- Gilg v. Sausalito (BCJPIA)
- Lutsky v. San Anselmo (BCJPIA)
- Moore/Ganz v. Mill Valley (BCJPIA)
- Moorthy/Kaniya v. Sausalito (BCJPIA)
- Nimmo v. Sausalito (BCJPIA)
- Pritchard v. Sausalito (BCJPIA)

B. Report from Closed Session

The Board reconvened to open session at 11:37 a.m. and Mr. Farmer, Board Counsel, reported there were no actions taken during closed session.

10. CLOSING COMMENTS

A. Board

None

B. Staff

It was noted a copy of Mr. Burwell's profile is provided in the agenda for the Board's reference.

11. ADJOURNMENT

The April 12, 2017, Board of Directors meeting adjourned at 11:39 a.m. by general consensus of the Board.



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Ric Burwell, Board Secretary