

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

**MINUTES OF THE BOARD OF DIRECTORS
MEETING OF JUNE 14, 2017**

A regular meeting of the Board of Directors of CARMA was held on June 14, 2017, via teleconference.

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: Patrice Hildreth, City of Porterville (*joined-10:06 a.m.*)
Tamara Davis, Marin-Sonoma Mosquito VCD

OTHERS PRESENT: Rob Kramer, Administrator
Ric Burwell, Bickmore
Maria de Leon, Analyst
Craig Wheaton, Litigation Manager
Ritesh Sharma, Finance Manager
Craig Farmer, Esq., Board Counsel
Seth Cole, Alliant Insurance Services
Jeanette Workman, CSJVRMA Administrator

1. CALL TO ORDER

The June 14, 2017, Board of Directors meeting was called to order at 10:02 a.m. by President Tim Przybyla.

2. INTRODUCTIONS

A roll call was taken and it was determined that a quorum of the Board was present.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Rene Mendez moved, seconded by Dan Schwarz, to approve the agenda as posted. A roll call was taken and the motion passed unanimously.

4. PUBLIC COMMENTS

None

5. **CONSENT CALENDAR**

- A. Minutes of the April 12, 2017, Board of Directors Meeting
- B. Warrant Listing from April 1, 2017, through May 31, 2017
- C. Treasurer's Report as of March 31, 2017
- D. Interim Financial Statements as of March 31, 2017
- E. CARMA 2017/18 Memorandum of Coverage
- F. CARMA 2017/18 Strategic Goals & Action Items Update

Gary Goodman moved, seconded by Linda Cox, to approve the Consent Calendar. A roll call vote was taken. The motion passed unanimously.

6. **ADMINISTRATIVE MATTERS**

- A. Appointment of CARMA Administrator and Introduction of CARMA Finance Manager

Mr. Rob Kramer, Administrator, reported that he will be coming off the CARMA account and proposed Mr. Ric Burwell, Bickmore, be appointed as his replacement as CARMA Administrator. Mr. Kramer indicated that he will continue to participate at future CARMA meetings representing the Bay Cities Insurance Joint Powers Insurance Authority. Additionally, Mr. Kramer introduced Mr. Ritesh Sharma, Bickmore, and reminded the Board that as mentioned at the April CARMA meeting, Mr. Sharma will be assuming the role of CARMA Finance Manager, replacing Ms. Nancy Broadhurst. Mr. Kramer noted that he and Ms. Broadhurst will continue to be available as additional resources to CARMA, as necessary.

Gary Goodman moved, seconded by Rene Mendez, to appoint Ric Burwell as CARMA Administrator. A roll call vote was taken. The motion passed unanimously.

- B. Resolution of the Board of Directors of CARMA Establishing Meeting Dates for the 2017/18 Fiscal Year

Mr. Burwell reviewed the dates and locations being proposed for CARMA meetings in 2017/18, which is similar to the prior year's schedule. He noted that the September meeting will be held in South Lake Tahoe, as in previous years, in conjunction with the Annual CAJPA Fall Conference. Mr. Burwell added that for the January 2018 Board meeting and workshop, staff was able to obtain a commitment from Dream Inn Santa Cruz to match the rate structure offered in January 2017. Given the positive Board responses to the venue, the convenient location, and favorable rate structure, staff recommended returning to the Dream Inn for the January 2018 event. The rest of the meetings will be held at the Bickmore office in Sacramento or by teleconference.

Rene Mendez moved, seconded by Gary Goodman, to adopt Resolution No. 1-2017/18 as presented. A roll call vote was taken. The motion passed unanimously.

C. Approval of Request for Proposal for Actuarial Services

Mr. Burwell reported that based upon the Board's direction, staff has prepared a Request for Proposal (RFP) for excess liability actuarial services. He noted that the incumbent as well as Bickmore are on the list of RFP recipients. Mr. Burwell added that since Bickmore is on the list, staff will not be able to make a recommendation to the Board as to which firm to select for actuarial services.

Linda Cox moved, seconded by Gary Goodman, to: 1) approve the Request for Proposal for Actuarial Services, as presented; and 2) direct staff to distribute the RFP for actuarial services. A roll call vote was taken. The motion passed unanimously.

7. COVERAGE MATTERS

A. Renewal Rates for Specific Reinsurance and Excess Coverage for the 2017/18 Program Year

Mr. Seth Cole, Alliant Insurance Services (Alliant), presented the final price quote from Great American for the \$9M x \$5M reinsurance coverage layer. Mr. Cole noted that the final quote (\$917,467) is approximately 4% higher than the preliminary price indication presented at the April meeting. Mr. Cole advised that a quote from AmTrust, the incumbent reinsurance provider, was not received. Initially, Alliant anticipated obtaining a quote from AmTrust before the June meeting; however, AmTrust recently withdrew from the public entity market.

Mr. Cole also presented final quotes for the \$15M x \$9M excess coverage layer from Colony, the incumbent carrier, and Allied World National Assurance Company (AWAC). The quotes presented were different from the quotes shown in the agenda packet as the carriers provided updated pricing prior to the start of the meeting. Mr. Burwell noted the updated information was distributed to the primary Board members earlier in the day.

Mr. Cole elaborated that the final quote from Colony (\$593,000) is slightly lower than the final quote from AWAC; however, the Colony policy provides for significant exclusions, including exclusions pertaining to loss associated with neurodegenerative brain injury. Additionally, defense costs are outside the Colony limit; thus, defense costs do not erode its limit. In contrast, the proposed AWAC policy provides broader coverage and defense costs are inside the limit. Due to those factors, Mr. Cole and staff recommended binding with AWAC for the \$15M x \$9M excess coverage at a premium of \$603,000, which represents a 1.7% increase from last year.

A Marketing Summary showing the list of carriers and pricing that Alliant was able to obtain for the reinsurance and excess coverage layers was provided in the agenda for the Board's reference.

Rene Mendez moved, seconded by Dan Schwarz, to approve placement of reinsurance with Great American for \$9M x \$5M, and with Allied World National Assurance Company for \$15M x \$9M for optional excess coverage. A roll call vote was taken. The motion passed unanimously.

8. FINANCIAL MATTERS

A. CARMA Annual Operating Budget for the 2017/18 Program Year

Mr. Sharma presented the proposed Annual Operating Budget for 2017/18. He noted the budget is calculated based upon funding at the 80% confidence level (CL), and using a 2% discount factor. Mr. Sharma noted key changes to the budget from last year, including a 5.9% increase in payroll, 6.9% rate increase, 1% increase in Administrative Expense, and the inclusion of the website fee of \$7,500. Mr. Sharma noted that there were no material changes to the proposed budget since it was presented to the Board in April. However, he noted that further, minor adjustments will be made to the final budget to reflect the final reinsurance and excess insurance coverage premiums. He added that the implementation of the mid-layer pool, which increased CARMA's retained limit from \$4M to \$5M, has resulted in a 35% overall premium savings. The final budget will be distributed to the Board following the meeting.

Linda Cox moved, seconded by Gary Goodman, to adopt the CARMA 2017/18 Annual Operating Budget at the 80% CL, using a 2% discount factor, to be further modified to reflect final reinsurance and excess insurance coverage premiums. A roll call vote was taken. The motion passed unanimously.

B. PARSAC Dividend Release

Mr. Burwell reported that at the January meeting, the Board discussed the release of \$965,776 dividends payable to PARSAC, a former member of CARMA. However, at that time, the Board only authorized the release of \$250,000 (paid in February) of that amount to PARSAC pending updates in the pool's fully developed claims obligations. Mr. Burwell elaborated that, in light of the favorable change in CARMA's claim liabilities, as indicated in the Actuarial Report as of May 14, 2017, staff recommends the Board grant PARSAC's request for release of the remaining balance of the \$965,776 dividend.

A copy of an email from PARSAC General Manager requesting the release of the funds was provided in the agenda for the Board's reference, as well as pertinent staff reports from the January and April CARMA Board meetings.

Dan Schwarz moved, seconded by Rene Mendez, to authorize payment to PARSAC of accrued dividends of \$965,776, less \$250,000 previously paid. A roll call vote was taken. The motion passed unanimously.

9. ELECTION AND APPOINTMENT OF OFFICERS

A. Nomination and Election of President and Vice President, and Appointment of Treasurer, Assistant Treasurer, and Secretary

Rene Mendez moved, seconded by Linda Cox, to elect Tim Przybyla and Dan Schwarz for the position of CARMA President and Vice President, respectively. A roll call vote was taken. The motion passed unanimously.

President Przybyla appointed Mr. Gary Goodman and Mr. Burwell as CARMA Treasurer and Secretary, respectively, to serve through the end of the 2017/18 program year. In addition, Mr. Przybyla appointed Mr. Sharma as Assistant Treasurer, to serve until replaced.

Dan Schwarz moved, seconded by Rene Mendez, to approve the appointment of Gary Goodman and Ric Burwell as CARMA Treasurer and Secretary, respectively, and Ritesh Sharma as Assistant Treasurer. A roll call vote was taken. The motion passed unanimously.

10. CLAIMS MATTERS

A. Litigation Manager's Report (Verbal)

Mr. Craig Wheaton, Litigation Manager, indicated that a request for settlement may be presented for Board's action at the September 2017 meeting.

11. CLOSING COMMENTS

A. Board

Ms. Linda Cox, MPA, notified the Board that she will not be in attendance at the September meeting.

B. Staff

12. ADJOURNMENT

The June 14, 2017, Board of Directors meeting adjourned at 10:45 a.m. by general consensus of the Board.



Ric Burwell, Board Secretary