

**MINUTES OF THE  
NCCSIF EXECUTIVE COMMITTEE MEETING  
BONANZA INN, YUBA CITY CALIFORNIA  
MAY 26, 2011**

**MEMBERS PRESENT**

Steve Kroeger, City of Yuba City  
Steve Kimbrough, City of Corning  
Martin Nichols, City of Red Bluff  
Michael Daly, City of Jackson  
Tim Sailsbery, City of Willows

**MEMBERS ABSENT**

Beth Penner, City of Colusa  
Dixon Coulter, City of Marysville

**GUESTS & CONSULTANTS**

Sandy Ryan, City of Red Bluff  
Michael Simmons, Alliant Insurance Services  
Susan Adams, Alliant Insurance Services  
Stacey Weeks, Alliant Insurance Services  
Johnny Yang, Alliant Insurance Services  
Tom Baber York Insurance Services  
Ben Burg, York Insurance Services (arrived at 11:45 a.m.)  
Craig Wheaton, York Insurance Services (arrived at 12:00 p.m.)  
Alana Theiss, James Marta & Company

**A. CALL TO ORDER**

The meeting was called to order at 10:40 a.m.

**B. PUBLIC COMMENTS**

There were no public comments.

**C. APPROVAL OF AGENDA AS POSTED**

A motion was made to approve the agenda as posted.

**MOTION:** Martin Nichols    **SECOND:** Tim Sailsbery    **MOTION CARRIED**

**D. CONSENT CALENDAR**

Steve Kroeger asked for an update on the Risk Exposure Procedure Policy regarding York's Assessments of Potential Exposures.

Susan Adams advised that at its last Risk Management Committee Meeting, it was decided that any serious risks found by York's Risk Assessments will be brought back to the Risk Management Committee's attention within 90 days of the assessment. There was discussion on having corresponding cities provide a response to each Risk Assessment provided by York.

Martin Nichols suggested a Policy and Procedure be drafted and brought back to the Board regarding York's Risk Assessments.

Michael Simmons suggested having this procedure included in York's Contract.

Staff was directed to address a solution at the next Risk Management Committee and report a procedure at the next Executive Committee.

A motion was made to approve the consent calendar with the direction of the Committee.

**MOTION:** Martin Nichols    **SECOND:** Michael Daly    **MOTION CARRIED**

#### **E. COMMITTEE REPORTS**

There were no comments regarding Committee Reports.

#### **F. FINANCIAL REPORTS**

##### **F1. Quarterly Financial Report for the Period Ending March 31, 2011**

Alana Theiss advised the Quarterly Financial Reports includes the updated actuary and the dividends declared before March 31, 2011 but does include the dividends declared on April 14, 2011 which will be provided in the next report. There was a fair market value drop in investments of \$1,033,248 due to interest rates shifting.

There were no issues regarding NCCSIF member's accounts receivables.

Mike Simmons noticed a large reserve posted for 2010 in the Quarterly Financial Report. James Marta and York will research and report their findings to Susan Adams.

A motion was made to approve the Quarterly Financial Report for the period ending March 31, 2011.

**MOTION:** Steve Kimbrough    **SECOND:** Michael Daly    **MOTION CARRIED**

#### **G. JPA BUSINESS**

##### **G1. Discussion of Transfer of Workers' Compensation Claims from 1979 – 2010 through a Loss Portfolio Transfer (LPT) Reinsurance Agreement**

Michael Simmons explained the concept of selling prior years WC claims from the banking and shared risk layers to a carrier. There are two reasons a carrier would purchase WC claims from a client. (1) The carrier believes they can invest the claims for a higher interest rate; and (2) The carrier believes the client's actuary is incorrect and the claims will settle for less.

Based on the current Actuarial Study, at the 90% confidence level NCCSIF should retain \$21,823,897 for the cost of claims prior to July 1, 2010. NCCSIF currently has assets of \$30,466,434 for those same claims. The amount in excess of the assets is \$8,642,537. If claims develop more favorably than the Actuary currently anticipates additional funds could be available in return. If claims develop less favorably then fewer funds would be available for return.

The cost to transfer the claims to Safety National is preliminarily estimated at \$17,297,152. The amount of assets in excess of this is \$13,169,282. Future development of claims would be irrelevant.

York would still be responsible for handling the open claims on a "cradle to the grave" basis. Claims adjusting costs is to be borne by NCCSIF included in the Preliminary Quotation Costs.

The Board was concerned on what would happen should the carrier become insolvent. Staff advised a trust account must be set up in order to act as a failsafe for this transfer. There was discussion on the credibility of the carrier. Staff advised Safety National Casualty Corporation specializes in Workers' Compensation claims. The LPT was marketed to 4 different carriers and Safety National Casualty Corporation was the only carrier which came back at a competitive offer.

There was discussion about NCCSIF becoming vulnerable to any potentially high claims. Staff recommends finalizing the quotation particulars with Safety National as quickly as possible and to present the results at the June Board of Directors meeting with a recommendation to transfer claims prior to the July 1, 2010 to Safety National. If approved, it is recommended that the funds available for distribution would be distributed 25% a year over the next four years, so that Members are able to still have funds available to absorb any potentially large claims in the future. The possibility of funding at a higher confidence level is still available to help offset this as well.

There was also discussion on the credibility of the carrier on the possibility of Safety National becoming insolvent. Should Safety National become insolvent NCCSIF still be held responsible for retaining the liabilities. The implementation of a trust account would be required to act as a failsafe for this situation.

A motion was made to move forward with the consideration of the Loss Portfolio Transfer with the inclusion of the Actuarial, Accountant and Committee Appointed Committee to review and draft this item to present to the Board for final approval. Dixon Coulter, Tim Sailsbery, and Susan Ryan will assist in the development of this item.

**MOTION:** Martin Nichols      **SECOND:** Michael Daly      **MOTION CARRIED**

## **G2. Review of Final 2011/12 NCCSIF Budget**

Steve Kroeger advised the purpose of the Budget is to plan for upcoming. Alliant and James Marta has been working on providing a description Risk Management Training Matrix to better budget what NCCSIF funds are being used for. The budget format has been changed to include actual to budgeted expenditures from 2007 – 2011.

The major changes from the prior year for Administrative Expenses are as follows:

- The Administrative Surplus offset has been increased from \$50,000 to \$100,000. The June 30, 2010 Financials showed assets of \$206,780 in the Liability Administrative Fund and \$195,114 in the Workers' Compensation Administrative fund. Using 25% of those funds available will not jeopardize the stability of the Administrative fund.
- The Claims Audit amount has been increased from \$11,000 to \$14,000 to allow for both the Workers' Compensation program and the Liability program to be audited this year.
- The Financial Audit amount has been increased in accordance with the current contract with Perry Smith
- Legal Services was reduced from \$12,000 to \$10,000 due to a reduction in activity in the past year
- Actuarial Services increased to reflect additional work with the SIR options
- Computer Services was decreased to \$250 from \$500 due to inactivity. This line item is for Accounting programming
- JPA Accreditation was added this year at an amount of \$6,500. This cost is every three years.
- Fidelity Bonds has been decreased from \$6,000 to \$3,000 to reflect lower costs achieved last year
- Miscellaneous Consultants has been decreased from \$10,000 to \$5,000
- Errors and Omissions coverage will be quoted. It is currently not purchased.
- Safety Services from OccuMed increased to \$23,000 to reflect additional activity in the past year
- Online Risk Management Services was reduced from \$41,800 to \$12,000 to more accurately reflect actual usage compared to anticipated usage
- FIT/Backsafe is increased from \$50,000 to \$75,000 to more accurately reflect usage
- Wellness increased slightly due to addition of Ione
- State Funding/Fraud Assessment has been reduced from \$125,000 to \$90,000 to reflect actual billing reduction last year
- Program Administration fee remain flat.
- Accounting has been tentatively increased 3%
- WC Claims administration fees have decreased approximately 8%.
- Liability Claims administrations fees remain flat.
- TOTAL ADMINISTRATIVE COSTS: \$950,301 compared to \$1,008,032 last year, a reduction of 6%
- \$10,000 has been budgeted for the Long Range Planning Session.

The administrative surplus item was asked to be removed from the by the Executive Committee and recommended the removal of the safety library for which staff will identify alternate means of providing such services under the direction of Judy LaPorte. Staff was also asked to identify a more accurate projection for the budget line item for interest allocation which currently shows projections of 10% of previous year's actual.

A motion was made to approve the Final 2011/12 NCCSIF Budget with the recommendations provided by the Committee.

**MOTION:** Steve Kimbrough **SECOND:** Michael Daly **MOTION CARRIED**

### **G3. Review of Final 2011/12 Deposit Calculations**

Susan Adams advised the calculations provided are preliminary as provided at the last meeting, asking for approval to amend as necessary upon receipt of the final numbers from the excess carriers.

A motion was made to approve the Final 2011/12 Deposit Calculations with authority given to staff to make amendments as necessary.

**MOTION:** Steve Kimbrough **SECOND:** Michael Daly **MOTION CARRIED**

### **G4. Review and Approval of Alliant Insurance Services Brokerage, Risk Management and Program Administration Services 2<sup>nd</sup> Anniversary Amendment**

Susan Adams explained that Alliant Insurance Services Brokerage, Risk Management and Program Administration Services were requested to retain a flat rate for the 2011/2012 policy year by the Budget Ad Hoc Committee and Alliant agreed to do so.

A motion was made to approve Alliant Insurance Services, Brokerage, Risk Management and Program Administration Services 2<sup>nd</sup> Anniversary Amendment

**MOTION:** Steve Kroeger **SECOND:** Martin Nichols **MOTION CARRIED**

### **G5. Review and Approval of James Marta & Company Contract**

Susan Adams advised James Marta & Company has proposed an annual increase of 3% in their renewing contract for 2011/2012. There was discussion on James Marta's requested increase relative to flat rate renewals seen throughout the renewing contracts with NCCSIF. Members noticed an increased involvement of James Marta as respects their role within the JPA.

A motion was made to approve the James Marta & Company Contract with a 3% increase. The motion died for lack of a second vote.

There was also discussion on the outstanding performance provided by James Marta as well as their assistance in the new budget format. Alana Theiss voiced her thoughts on an increased involvement of James Marta as respects their role within the JPA.

A motion was made to enter into an agreement with James Marta at a flat rate for the upcoming policy year.

**MOTION:** Tim Sailsbery    **SECOND:** Martin Nichols    **MOTION CARRIED**

**G6. Review and Approval of Gibbons & Conley Contract**

Susan Adams advised there is no increase in the renewing contract with Gibbons & Conley for the 2011/2012 policy year.

A motion was made to approve the Gibbons & Conley Contract.

**MOTION:** Michael Daly    **SECOND:** Steve Kimbrough    **MOTION CARRIED**

**G7. Review and Approval of York Insurance Services Contracts**

Susan Adams advised the York Insurance Services agreed to lower their Workers' Compensation claims adjusting rates and hold their Liability claims adjusting rates flat. Susan explained the Risk Management Contract will not be presented today as at the last RM Committee meeting the RM Committee requested to go out for RFP regarding Risk Management Services. Staff requested a 3 month extension of the current Risk Management Services Contract for RFP purposes.

A motion was made to approve York Insurance Services Contracts and the 3 month extension of the current Risk Management Services Contract for RFP purposes.

**MOTION:** Tim Sailsbery    **SECOND:** Steve Kimbrough    **MOTION CARRIED**

**G8. Approval of Policy & Procedure A-15, Travel Expense Reimbursement Form**

Staff was asked to provide a Travel Expense Reimbursement Form for approval. The committee requested to revise the form to revise "Board Member Name" to "Member Representatives".

A motion was made to approve the Travel Expense Reimbursement Form with the requested changes.

**MOTION:** Tim Sailsbery    **SECOND:** Steve Kimbrough    **MOTION CARRIED**  
Steve Kroeger (opposed)

**G9. Review of CJPRMA's new reporting guidelines for Employment Practices claims.**

Susan Adams advised CJPRMA will be amending their MOC to include new reporting guidelines for Employment Practices Claims. This change was implemented due to a number of recent EPL claims that were reported late and placed CJPRMA in a compromised position and limited their ability to have an impact on early mitigation. Claims must be submitted to CJPRMA within 30 days of receiving a notice of a claim. All defense costs related to the defense of Employment Practices suites incurred prior to the date of reporting to the Authority will not constitute covered Ultimate Net Loss (eroding the members' self insured retention).

York and Staff were directed to get clarification of reporting guidelines and bring back the clarifications to the Board of Directors.

## **G10. Discussion of Lunchtime Presentations**

There was discussion of possible lunchtime presentations for the next BOD meeting.

Topics Discussed:

- Presentation by TargetSafety
- Charles Williams at CSAC regarding their Risk Management Services available
- York to provide presentation on a specific case study (5 words can save you \$5 million)
- York to provide presentation on how to deal with press and how it translates to liability issues

## **H. INFORMATION ITEMS**

There was discussion on the reason behind going out to RFP for the Risk Management Services provided by York Insurance Group as some members were opposed to the idea. Items of due diligence and staffing changes were discussed by the Board.

### **H1. Quarterly Time Tracking as of 03/31/11**

Susan Adams advised of Alliant's hours worked this quarter of 953 hours and 2710 hours to date for the current policy year.

### **H2. NCCSIF Meeting Calendar**

Steve Kroeger advised staff that the NCCSIF Meeting Calendar should be revised to reflect the correct time of 12:30 p.m. for the Claims Committee.

### **H3. NCCSIF Resource Contact Guide**

This item was presented as information only. Johnny Yang was added to the NCCSIF Resource Contact Guide.

## **I. ADJOURNMENT**

The meeting was adjourned at 1:24 p.m.