

**PROPERTY PROGRAM SUBCOMMITTEE MEETING**

ACWA/Joint Powers Insurance Authority  
5620 Birdcage Street, Suite 110  
Citrus Heights, CA 95610-7632  
(800) 231-5742

**Tuesday, January 29, 2008**

**COMMITTEE MEMBERS PRESENT**

Vice Chairman: Tom Cuquet, South Sutter Water District  
Ken Deck, Rowland Water District  
Robert Noonan, Orchard Dale Water District

**COMMITTEE MEMBERS ABSENT**

Chairman: Mary M. Gibson, Mission Springs Water District  
Guido E. Colla, Solano Irrigation District  
Jack Cunningham, Goleta Water District  
Mark Gilkey, Consolidate Irrigation District  
Ed Muzik, Hi-Desert Water District

**STAFF PRESENT**

Chief Executive Officer/Secretary: Daniel N. Klaff  
Chief Financial & Operations Officer: Walter "Andy" Sells  
Harve LaBounty, Director of Risk Management  
Jody Murphy, Administrative Assistant II  
Rick Scott, Appraisal Coordinator  
Nancy Stangel, Director of Administration  
Dianna Sutton, Accounting Manager  
Chuck Wagenseller, Cost Estimator  
Dee Dee Wasser, Administrative Assistant II  
Jeanette Waterstradt, Executive Assistant to the CEO  
Nidia Watkins, Member Services Representative II

**OTHERS PRESENT**

Merle Aleshire, Valley Center Municipal Water District  
Eldon Boone, Vista Irrigation District, arrived at 3:50 pm  
Joseph Dion, Citrus Heights Water District  
Joan C. Finnegan, Municipal Water District of Orange County  
E. G. "Jerry" Gladbach, Castiac Lake Water Agency  
W.D. "Bill" Knutson, Yuima Municipal Water District  
William Malone, Metro/Risk Inc., arrived at 3:15 pm  
Lou Reinkens, Tahoe City Public Utility District

## **CALL TO ORDER**

Vice Chairman Cuquet called the meeting to order at 3:11 P.M.

## **PUBLIC COMMENT**

Vice Chairman Cuquet stated that members of the public would be allowed to address the Property Program Subcommittee on any agenda item prior to the Subcommittee's decision on that item. They would also be allowed to comment on any issue they wished, which may or may not be on the agenda. If anyone wished to be heard they should let the Vice Chairman know.

## **CONSENT CALENDAR**

The consent calendar consisted of the minutes of January 29, 2007.

There was no quorum and no action was taken.

## **MEMBERSHIP**

### **New Members Approved or in the Pipeline**

Ms. Watkins, Member Services Representative II, stated that there are two new members: Del Puerto Water District, active since September 29, 2007, and Sierra Cedars Community Services District, active since January 1, 2008. Currently there are 252 members in the Property Program with total insurable values of \$3,390,488,313.

### **Update of Letters to Withdraw/Rescind**

Ms. Watkins stated that two members, San Diego County Water Authority and Orland-Artois Water District have submitted their intent to withdraw. San Diego County Water Authority's intent to withdraw is effective April 1, 2008. Orland-Artois's intent to withdraw is effective April 1, 2009. Tehama-Colusa Canal Authority did not rescind its intent to withdraw from the Property Program and withdrew effective April 1, 2007.

## **LOSS REPORTS**

### **Reported Losses Per \$1 Million of Insured Values**

Mr. Sells, Chief Financial & Operations Officer, reviewed the graph of reported losses per \$1 million of insured values. The policy years since the 2002/2003 year show a positive downward trend, which includes a \$1 million Boiler and Machinery loss. The Southern California fires in 2003/2004 and again in 2007/2008 have impacted those years and a hydroelectric plant was damaged in 2006/2007 and is currently valued at \$1.5 million. The Property Program is very stable. The actual size of the pool has more than tripled between 1990 and the present.

### **Occurrences Per \$1 Million of Insured Values**

There has been a moderate downward trend in the frequency of claims for the past five years. Trends in the Property Program are hard to project due to the small amount of claims. Mr. Sells stated that the Property Program has never had a year where it has not refunded money back to member agencies. As always, the Property Program is designed to provide coverage primarily for large losses.

## **NEW BUSINESS**

### **Review Chubb's Loss Control Service**

Mr. LaBounty, Director of Risk Management, stated that the JPIA Risk Management staff has worked closely with Chubb during the past coverage period as well as previous periods. Chubb Group has been providing loss control services continuously since the 2002/2003 policy year. Prior to that, Traveler's provided loss control for one policy period. Steve Rouse, Risk Engineer Manager, has provided excellent coordination of Chubb services. The Chubb Group is providing annual reports summarizing the services provided. In addition, the Chubb staff has provided in-service information and training to the Risk Management Consultants. Periodic meetings between the Chubb staff and JPIA staff are conducted to discuss mutual areas of concern regarding the Property Program.

### **Excess/Reinsurance Coverage Proposals for the Property Program Renewal of 4/1/07**

The Property Program renews on April 1, 2008. The excess coverage renews at the same time. JPIA's broker, Mr. Bill Malone of MetroRisk, Inc., was asked to re-market the excess coverage. The process began in early October, with considerable amounts of data being gathered and submitted to interested underwriters. This year, staff requested that Mr. Malone explore the possibility of enhancing the JPIA's Property Program by increasing some of the sublimits contained in the Memorandum of Property Coverage and adding some additional coverages. Mr. Malone's summary reflects the current competitive status of the commercial property market, and are very favorable. The new proposals would provide additional sublimits for damage caused by rising bodies of water. The Chubb proposal also includes an offer for \$1 million of coverage for earthquake damages. Staff recommends accepting the renewal offer from Chubb for both Property and Boiler and Machinery, including the proposed increases in the various sublimits and the additional coverages.

Staff recommends accepting the Chubb offer of: \$1 million for Earthquake coverage for an additional premium of \$40,000; staff recommends accepting the Chubb offer of Flood Coverage with various sublimits from \$1 million to \$10 million, for an additional premium of \$35,000; and staff requests authorization to make the technical changes in the language of the Memorandum of Property Coverage to incorporate the new coverages and sublimits included in the Chubb proposal.

There was no quorum and no action was taken.

### **Review and take action on Renewal Pricing of the Property Program**

Currently, the rates paid by Property Program members are:

\$ .115 per \$100 of Real and Personal Property  
\$.15 per \$100 of Mobile Equipment  
\$.85 per \$100 of Licensed Vehicles

Mr. Sells, stated by dropping the \$.115 rate for Real and Personal Property to \$.105, expected revenues would drop to \$3.7 million and would generate approximately \$373,000 in RPAs, or 10% of premiums, to be refunded back to the member agencies. By dropping the rate to \$.10 per \$100 of value, the expected revenues would fall to \$3.6 million or 7% of premiums and RPAs would be \$252,000 to be refunded back to the member agencies. Staff recommended reducing the rate for Real and Personal Property to \$.105 per \$100 of value and no change to the Mobile Equipment and Automobile rates.

There was no quorum and no action was taken.

#### **AVAILABILITY OF SUBCOMMITTEE MEMBERS FOR UPCOMING MEETING**

There is no meeting scheduled at this time.

#### **ADJOURMENT**

There being no further business to discuss, the meeting was adjourned at 4:27 P.M.