



YOUR BEST PROTECTION

Approved May 6, 2019

Property Program Committee Meeting

ACWA JPIA Executive Conference Room
2100 Professional Drive,
Roseville, CA 95661
(800) 231-5742

January 30, 2018

This meeting consisted of a simultaneous WebEx teleconference call at the JPIA, 2100 Professional Drive, Roseville, CA 95661 and the following remote sites:

- Gilkey, 1001 Chase Avenue, Corcoran
- Huckaby, 10326 Fair Oaks Blvd, Fair Oaks
- Muzik, 55439 Twenty-nine Palms Highway, Yucca Valley

MEMBERS PRESENT

Chairman: Thomas A. Cuquet, South Sutter Water District
Vice-chair: W.D. "Bill" Knutson, Yuima Municipal Water District
Tom Coleman, Rowland Water District
Mark A. Gilkey, Tulare Lake Basin WSD (*via WebEx*)
Shawn Huckaby, Fair Oaks Water District (*via WebEx*)
Theresa Lee, Walnut Valley Water District
Ed Muzik, High-Desert Water District (*via WebEx*)

MEMBERS ABSENT

Paul R. Green Jr., Rio Linda/Elverta Community Water District
Eugene West, Camrosa Water District

STAFF PRESENT

Chief Executive Officer/Secretary: Walter "Andy" Sells
Kristan Brown, Administrative Assistant II (Recording Secretary)
Chimene Camacho, Human Resources Coordinator
David deBernardi, Director of Finance
Robin Flint, Sr. Risk Management Advisor
Robert Greenfield, General Counsel
Erik Kowalewski, System/Network Administrator (WebEx Coordinator)
Debbie Kyburz, Lead Member Services Representative
Jennifer Nogosek, Liability/Property Claims Manager
Heidi Sander, Claims Assistant
Patricia Slaven, Director of Administration
Sandra Smith, Employee Benefits Manager
Dianna Sutton, Finance Manager
Karen Thesing, Director of Insurance Services
Chuck Wagenseller, Cost Estimator/Risk Management Advisor
Nidia Watkins, Member Services Representative II

Cece Wuchter, Senior Claims Examiner

OTHERS IN ATTENDANCE

Seth Cole, Alliant Insurance Services
David Drake, Rincon del Diablo Municipal Water District
E. G. "Jerry" Gladbach, Santa Clarita Valley Water Agency
David Hodgkin, Scotts Valley Water District
Steve LeMar, Irvine Ranch Water District, ACWA Vice President
Robert Lowe, Alliant Insurance Services
Melody McDonald, San Bernardino Valley Water Conservation District
Bruce Rupp, Humboldt Bay Municipal Water District
Kathy Tieg, Cucamonga Valley Water District (*via WebEx*)

WELCOME

Chairman Cuquet welcomed everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Chairman Cuquet called the meeting to order at 10:02 a.m. He announced there was a quorum.

PLEDGE OF ALLEGIANCE/EVACUATION PROCEDURES

Chairman Cuquet led the Pledge of Allegiance. Mr. Sells gave the evacuation procedure instructions.

ANNOUNCEMENT RECORDING OF MINUTES

Chairman Cuquet announced that the meeting would be recorded to assist in preparation of minutes. Recordings are only kept 30 days following the meeting, as mandated by the California Brown Act.

PUBLIC COMMENT

Chairman Cuquet noted that, as the agenda stated, members of the public would be allowed to address the Executive Committee on any agenda item prior to the Committee's decision on that item. Comments on any issues on the agenda, or not on the agenda, were also welcomed. No comments were brought forward.

INTRODUCTIONS

Chairman Cuquet welcomed all in attendance. He then requested that Committee members and JPIA staff introduce themselves.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Chairman Cuquet asked for any additions to, or deletions from, the agenda; none requested.

CONSENT AGENDA

Chairman Cuquet called for approval of the minutes.

M/S/C (Knutson/Coleman) (Coleman-Yes; Cuquet-Yes; Gilkey-Yes; Huckaby-Yes; Knutson-Yes; Lee-Yes; Muzik-Yes): That the Property Program Committee approve the minutes of the October 31, 2017 meeting, as presented.

ADMINISTRATION

Meetings attended on behalf of the JPIA

None reported.

LOSS REPORTS

Review Claims Data

Mr. Sells noted that over several years, the JPIA's Property Program claims history had been favorable. However, the 2016-17 and 2017-18 policy years may turn out to be two of the highest loss years reported. Projected losses for 2016-17 policy year will be in excess of \$6 million, which included two large flood losses. The 2017-18 policy year has expected losses in excess of \$2.2 million, which include losses sustained in the wildfires for both Northern and Southern California, but does not take into account any potential losses as a result of the flooding/mudslides in the Montecito and Santa Barbara areas.

Mr. Sells highlighted some of the large claims that are currently open. A short discussion was held regarding Federal Emergency Management Agency support for the recent catastrophic events that have taken place and how this may impact the Property Program.

NEW BUSINESS

2017 Catastrophic Losses in the United States

Mr. Cole of Alliant Insurance Services provided a presentation on the unprecedented large losses in the United States, particularly California, and its impact to the insurance market and to the JPIA's Property Program renewal efforts. He reported that natural catastrophes in 2017 have caused economic losses in excess of \$300 billion globally, and insured losses of around \$130 billion. It has been reported that 2017 is the most costly year to date for global insurance losses. The multitude of natural disasters—hurricanes, wildfires, floods, mudslides, and earthquakes—have brought about a shift in insurance pricing. Currently, accounts that have losses with catastrophic exposures are looking at a 30% increase in rates. The JPIA falls within this pricing bracket. However, Alliant Insurance Services is able to provide the JPIA with pricing below this standard rate, and additional insurance coverage not included in the current program.

2018-2019 Property Insurance Renewal

Ms. Thesing informed attendees that JPIA's Property Program Insurance renews on April 1, 2018, and presented the renewal options for discussion. The JPIA currently purchases reinsurance from the commercial market on a stand-alone basis, which does not provide insulation from the market nor from JPIA's own losses. After many meetings with Alliant Insurance Services, staff recommended the London/APIP Hybrid program

since it will provide broader coverage at almost the same cost as the current renewal coverage.

Ms. Thesing provided details of the coverage provided by the London/APIP Hybrid program, including coverages for dams and flumes, and miscellaneous unnamed locations. The Committee members asked many questions to better understand the new program and a discussion was held on the cost of the new program and how the additional coverage will benefit the membership.

M/S/C (Knutson/Lee) (Coleman-Yes; Cuquet-Yes; Gilkey-Yes; Huckaby-Yes; Knutson-Yes; Lee-Yes; Muzik-Yes): That the Property Program Committee recommends that the Executive Committee approve the London/APIP Hybrid program terms and pricing for excess/reinsurance coverage for the Property Program policy year April 1, 2018-19.

Renewal Pricing

Mr. deBernardi stated that deposit premiums for the 4/1/18-19 policy year are to be mailed to the members at the end of February. The last member premium rate change was for the 4/1/15-16 policy year, where the premium rates were reduced by 10%. The Property Program Expected Revenue/Expense & Funding Requirement report provided a breakdown for the expected revenues and expenses for the 4/1/18-19 policy year. Option 1 showed the total estimated premium with no pricing changes, which is approximately \$5.7 million based on \$6 billion in total insured values (TIV). The premium is based on an estimated excess insurance cost of \$2.1 million and claims expense of approximately \$1.2 million. The 2017 actuary report projected a \$.019622, per \$100 of value, loss rate for the 4/1/18-19 policy year.

Three options were presented at the meeting. Although staff recommended the 5% rate decrease, staff was confident in all three options presented. A long discussion was held regarding the options presented, with the Committee ultimately deciding that a 10% rate decrease would be the best option in order to provide a competitive edge in the marketplace and encourage growth with JPIA's membership.

A short discussion was also held on formulating a policy for using the Property Program Committee Natural Disaster Fund which currently has a balance of \$1.5 million.

M/S/C (Knutson/Lee) (Coleman-Yes; Cuquet-Yes; Gilkey-Yes; Huckaby-Yes; Knutson-Yes; Lee-Yes; Muzik-Yes): That the Property Program Committee recommends that the Executive Committee approve Option 3 which is a 10% decrease in rates for the Property Program policy year April 1, 2018-19 in the following areas:

- Real and Personal Property \$0.0810
- Mobile Equipment \$0.1215
- Automobiles \$0.6885

Memorandum of Property Coverage

Ms. Thesing stated that JPIA's Property Program will renew on April 1, 2018. The JPIA's Memorandum of Property Coverage (MOPC) is being amended to become a reverse follow form document. A reverse follow form coverage document means that the JPIA will provide the exact coverage to the membership, which is found in the insured property program. The JPIA will assume the first \$100,000 per occurrence with a \$250,000 annual aggregate; thereafter, the insured portion will cover amounts over \$100,000 following the provisions of the insuring policy. The revised MOPC was written in a manner to ensure there were no gaps in coverage from the risk sharing layer up through the insured program. Ms. Thesing noted that some modifications will be made to the MOPC to reflect the London/APIP Hybrid program.

M/S/C (Knutson/Coleman) (Coleman-Yes; Cuquet-Yes; Gilkey-Yes; Huckaby-Yes; Knutson-Yes; Lee-Yes; Muzik-Yes): That the Property Program Committee recommends that the Executive Committee approve the amended 2018-19 Memorandum of Property Coverage, as presented.

UPCOMING MEETING

Availability for Upcoming Meeting(s)

There are no meetings scheduled for the remainder of the year.

The Property Program Committee meeting adjourned at 11:59 a.m.