



Approved September 9, 2019

Liability Program Committee Meeting

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

September 17, 2018

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

- Lopez, 14205 Meridian Parkway, Riverside
- Schwarm, 505 S. Vulcan Avenue, Encinitas

MEMBERS PRESENT

Vice-chair: David Hodgins, Scotts Valley Water District
Terri Daly, Yuba Water District
Paul E. Dorey, Vista Irrigation District
S.R. "Al" Lopez, Western Municipal Water District (via WebEx)
Tammy Rudock, Mid-Peninsula Water District
Jace Schwarm, San Dieguito Water District (via WebEx)
Richard "Dick" Shaikewitz, Montecito Water District

MEMBERS ABSENT

Melody McDonald, San Bernardino Valley Water Conservation District
John E. Hoagland, Idyllwild Water District

STAFF PRESENT

Chief Executive Officer/Secretary: Walter "Andy" Sells
Carol Barake, Risk Management Program Manager
Kristan Brown, Administrative Assistant II (Recording Secretary)
Linda Craun, Administrative Assistant III (WebEx Coordinator)
David deBernardi, Director of Finance
Robert Greenfield, General Counsel
Debbie Kyburz, Lead Member Services Representative
Heidi Sander, Claims Assistant
Jennifer Nogosek, Liability Property Claims Manager
Patricia Slaven, Director of Human Resources and Administration
Sandra Smith, Employee Benefits Manager
Dianna Sutton, Finance Manager
Karen Thesing, Director of Insurance Services
Nidia Watkins, Member Services Representative II
Bobbette Wells, Executive Assistant to the CEO
Cece Wuchter, Senior Claims Examiner

OTHERS IN ATTENDANCE

Thomas A. Cuquet, South Sutter Water District
Stewart Dillingham, Western Municipal Water District (via WebEx)
David Drake, Rincon del Diablo Municipal Water District
E.G. "Jerry" Gladbach, Santa Clarita Valley Water Agency (via WebEx)
W.D. "Bill" Knutson, Yuima Municipal Water District
Steve LaMar, Irvine Ranch Water District
Lynne Ludwig, Yuba Water Agency
Kevin Mascaro, Western Municipal Water District (via WebEx)
J. Bruce Rupp, Humboldt Bay Municipal Water District
Kathy Tiegs, Cucamonga Valley Water District
Alex Tokar, Aon Risk and Insurance Services

WELCOME

Vice-chair Hodgkin welcomed everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Vice-chair Hodgkin called the meeting to order at 3:12 p.m. He announced there was a quorum.

EVACUATION PROCEDURES

Mr. Sells gave the evacuation procedure instructions.

ANNOUNCEMENT RECORDING OF MINUTES

Vice-chair Hodgkin 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

Vice-chair Hodgkin 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

Vice-chair Hodgkin welcomed all in attendance. He then requested that the Committee members and JPIA staff in attendance introduce themselves.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Vice-chair Hodgkin asked for any additions to, or deletions from, the agenda; none requested.

CONSENT AGENDA

Vice-chair Hodgkin called for approval of the minutes.

M/S/C (Dorey/Shaikewitz) (Daly-Yes; Dorey-Yes; Hodgkin-Yes; Lopez-Yes; Rudock-Yes; Schwarm-Yes; Shaikewitz-Yes): That the Liability Program Committee approve the minutes of the August 29, 2017 meeting, as presented.

MEMBERSHIP

Review of Program Membership

Ms. Thesing provided status of new membership, showing continual growth in the Liability Program. Twelve groundwater sustainability agencies (GSA) and seven agencies have joined the Liability Program since the August 29, 2017 Liability Program Committee Meeting. For potential new members, two agencies are applying for approval to join Liability Program for the 2018-19 coverage year; likewise, South Bay Irrigation District and South Tahoe Public Utilities District will be brought before the Executive Committee, September 18, 2018, for approval. The Liability Program currently consists of 318 members with a total estimated annual payroll of \$573,957,068.

Notice of Withdrawal

Ms. Thesing reported that Helix Water District and Sites Project Authority have rescinded their intent to withdraw from the Liability Program. Ms. Thesing commended staff on their work with these agencies, and the Committee stated they were pleased the agencies have decided to remain at the JPIA.

NEW BUSINESS

Memorandum of Liability Coverage

Ms. Thesing presented proposed revisions to the Memorandum of Liability Coverage (MOLC). Proposed changes to the MOLC include the following:

The MOLC is being amended regarding Mendota and Berrenda Mesa Dams. For years, the MOLC has excluded dams. As a result of this exclusion, the JPIA constructed a group purchase program, a commercial insurance product, and all members with dams were placed into the program.

During the 2017 review of the MOLC, it was discovered that old language remained in the MOLC regarding Mendota and Berrenda. After discovering this oversight, staff researched the State of California's site that identifies all dams. Since the state considers those two structures dams, it is difficult to make an exception for these two entities.

On April 4, 2017 Liability Committee and the Executive Committee took action to modify the definition of Dam. The paragraph that said "neither Mendota nor Berrenda Dams shall be defined as dams under this MOLC" was also removed. Staff contacted those affected members, relayed the action taken by the Committees, and provided them with a one year grace period in preparation for this exclusion. Thus, this exclusion is effective October 1, 2019.

Ms. Thesing reported that the suggested definition for terrorism is standard in the pooling industry, as well as the commercial markets. Since JPIA covers terrorism, it was appropriate to have the definition placed within JPIA's MOLC.

Mr. Greenfield informed the Committee about a new lawsuit being filed against a GSA (Non-JPIA Member) about their ability to enact any policy and procedures. To be proactive, Exception (4) / Exclusion (Q) clauses were created so JPIA would not be held responsible for Liability coverage JPIA did not intend to insure under the MOLC.

Mr. Greenfield also spoke of Exclusion R, which was added to exclude providing insurance for investment advice.

The Committee discussed alternative language to the MOLC and potential consequences to these changes, but ultimately approved the revisions to the MOLC.

M/S/C (Shaikewitz/Schwarm) (Daly-Yes; Dorey-Yes; Hodgkin-Yes; Lopez-Yes; Rudock-Yes; Schwarm-Yes; Shaikewitz-Yes): That the Liability Program Committee recommend that the Executive Committee approve the proposed revisions to the Memorandum of Liability Coverage, to be effective October 1, 2018.

Renewal of Excess General Liability Reinsurance

Ms. Thesing reported that JPIA's Liability Program renews on October 1, 2018. JPIA maintains a \$5 million self-insured retention and continues to purchase reinsurance from a variety of carriers. For the 2018-19 Liability Program year, coverage has been secured at expiring limits for a total of \$60 million, with a 2% rate reduction.

JPIA will experience a rate reduction in the first layer and flat rates for those layers thereafter. Markel is positioned in the first layer and the new carrier, Scion Insurance Company, is in the second layer. Ms. Thesing informed the Committee of one change to the staff report; Lloyd's Hiscox is now positioned in the \$30,000-\$50,000 million layer, replacing Endurance/Great American Insurance of New York. AmWINS remains in this layer. Lastly, subsidence coverage is capped at \$20 million per occurrence.

The Committee approved the recommendations brought forth by Ms. Thesing and staff.

M/S/C (Shaikewitz/Rudock) (Daly-Yes; Dorey-Yes; Hodgkin-Yes; Lopez-Yes; Rudock-Yes; Schwarm-Yes; Shaikewitz-Yes): That the Liability Program Committee recommend that the Executive Committee approve the reinsurance terms, conditions, and premiums as presented. Coverage will be effective October 1, 2018.

Cyber Liability Renewal

Ms. Thesing reviewed the Cyber Liability coverage that will be in effect October 1, 2018. The JPIA Cyber Liability program is a commercial product provided by XL Catlin and is

not part of the risk-sharing pool. For the 2018-19 program year, XL Catlin quoted the same terms and conditions as the 2017-18 coverage period, which included a limit of \$3 million per occurrence rate and with an aggregate of \$5 million. There has been a slight decrease in costs, with an annual premium of \$94,743 versus \$94,882 for the prior year. Additionally, members have consultative services and tools provided to assist in cyber risk assessment and management needs.

M/S/C (Rudock/Dorey) (Daly-Yes; Dorey-Yes; Hodgkin-Yes; Lopez-Yes; Rudock-Yes; Schwarm-Yes; Shaikewitz-Yes): That the Liability Program Committee recommend that the Executive Committee approve the Cyber Liability renewal terms for 2018-19.

Renewal Pricing

Mr. deBernardi provided the 2018-19 Liability Program renewal pricing. The worksheets that showed the funding requirements were presented. There has been an increase in payrolls of approximately 5.6%, with a decrease in in actuary-projected losses of .06%. market rates and payroll increases have increased the proposed excess insurance costs. In addition, JPIA made a \$1.1 million contribution to pay off the projected pension liability with CalPERS, which contributed to an increase of nearly 16% in General and Administrative Expenses.

Three options were presented to the Committee for point of reference. The 1st option kept the Ratio of Deposit Premium to Payroll at \$3.069 with no changes to pricing. Options 2 and 3 presented pricing reductions at 5% and 9.07% respectively. Option 3 balances the Retrospective Premium Adjustments to \$0.

Staff recommended Option 3 to the Committee, and noted that strategically JPIA is in a good position with reserves, catastrophic funds, and the rate stabilization funds. From a marketing standpoint, lower pricing would make JPIA more competitive in attracting new members. The Committee discussed which option would be most advantageous for our members, specifically Option 2 at a 5% decrease and Option 3 at a 9.07% decrease. A motion was made to recommend the 5% price reduction at a \$2.916 billing rate to the Executive Committee.

M/S/C (Schwarm/Dorey) (Daly-No; Dorey-Yes; Hodgkin-Yes; Lopez-Yes; Rudock-No; Schwarm-Yes; Shaikewitz-No): That the Liability Program Committee recommend that the Executive Committee approve Option 2 with a price reduction at 5% and a \$2.916 billing rate subject to changes in the final excess insurance costs.

General Liability Historic and Current Claims Trends

Mr. Sells reported that the claims history has been favorable and Liability Program continues to perform well. Only four claims within a 10 year period were over \$2,000,000. For the 2008-09 policy year, large losses included: a sawmill that burned down in Northern California and the Freeway Complex Fire in Southern California. The 2013-14 policy year had a herbicide drift claim that was the result of aerial spraying and

a large pipe break claim. Mr. Sells attributes JPIA members' dedication to the risk management process to achieve a good claims history.

MISCELLANEOUS

Availability for Upcoming Meeting(s)

There are no other Liability Program Committee meetings scheduled for this year.

The Liability Program Committee meeting adjourned at 4:43 p.m.