



Approved 06.11.20

Property Program Committee Meeting

Monterey Marriott
350 Calle Principal
Monterey, CA 93940
(831) 649-4234

May 6, 2019

MEMBERS PRESENT

Chairman: Thomas A. Cuquet, South Sutter Water District
Vice-chair: Kathleen J. Tiegs, Cucamonga Valley Water District
Tom Coleman, Rowland Water District
Theresa Lee, Walnut Valley Water District
Eugene West, Camrosa Water District

MEMBERS ABSENT

Mark A. Gilkey, Tulare Lake Basin WSD
Shawn Huckaby, Fair Oaks Water District
Ed Muzik, High-Desert Water District

STAFF PRESENT

See attendance sheet.

OTHERS IN ATTENDANCE

See attendance sheet.

WELCOME

Chairman Cuquet welcomed everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Chairman Cuquet called the meeting to order at 8:00 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 Property Program 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 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

Approval of the minutes

Chairman Cuquet called for approval of the minutes of the January 1, 2018 meeting.

M/S/C (Coleman/West) (Coleman-Yes; Cuquet-Yes; Lee-Yes; Tiegs-Yes; West-Yes): That the Property Program Committee approve the minutes of the January 1, 2018 meeting, as presented.

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. He proceeded by presenting the graphs that represented the recent history of the Property Program. The last few policy years have suffered higher than historical losses. Due to two large flood losses, the 2016-17 policy year currently has projected losses in excess of \$6 million. The 2017-18 and the 2018-19 policy years have sustained combined losses that may exceed \$14 million as a result of wildfire losses in both Northern and Southern California. As a reminder, Mr. Sells stated that the Program maintains a \$100,000 retention and insures approximately \$8 billion in property values.

MEMBERSHIP

Membership Report

Ms. Thesing reported on the new members that joined the Property Program during the 2018-19 coverage year: Fresno Slough Water District; South Tahoe Public Utility District; Chino Basin Desalter Authority; Monte Vista Water District; Sites Project Authority; Sierra County Waterworks; and El Dorado Irrigation District. For the 2019-20 coverage year, Alameda County Water District will be joining the Property Program on July 1, 2019, and Zone 7 Water Agency will join March 2020. Ramirez Water District reported an intent to withdraw for the July 1, 2020 renewal, but has since rescinded.

The Committee thanked the JPIA, specifically the Member Services Department, for their continued diligence in supporting the members.

NEW BUSINESS

State of the Property Market

Mr. Cole of Alliant Insurance Services provided the State of the Market Address and what the JPIA may expect for the upcoming renewal on July 1, 2019. He reported 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 due to natural catastrophes in 2017 and 2018, which included the three hurricanes: Harvey, Irma and Maria, the property marketplace overall is unsettled. 2018 is the third worst year for the U.S. with insured catastrophic losses of around \$80 billion. The total loss for the Camp Fire and Woolsey Fire total between \$15 billion to \$19 billion. Currently, accounts that have losses with catastrophic exposures are looking at a 30% or more increase in rates and the JPIA falls within this pricing bracket. Also to be expected in the coming renewal is a possible wildfire deductible.

Energy Program – Property Program Enhancement

In order to better serve the needs of our Property Program participants, last year the JPIA began exploratory conversations with members that own large scale hydroelectric facilities that resulted in Alliant Insurance Services and Lloyd's of London building a JPIA Energy Program to be effective July 1, 2019. The Energy Program will have limits of \$500 million and perils covered are under an All-Risk form which includes Boiler and Machinery. Flood coverage is also included with an annual aggregate sublimit of \$100 million. The Energy Program will be a pass through program in that the JPIA's self-insured layer will not be exposed to any losses. Any deductibles will be the member's responsibility. Over the next several months, JPIA will reach out to those members with large power operations to provide them underwriting data needed in order to provide quotes.

2019-20 Memorandum of Property Coverage

Ms. Thesing stated that JPIA's Property Program will renew on July 1, 2019. Included in the Property Program is the JPIA's Cyber Liability coverage.

Staff proposed the following changes to the Memorandum of Property Coverage:

- 1) Add to Section VI – Exclusions 5. All properties that are not scheduled prior to a loss;
- 2) Add a definition of Cyber Liability;
- 3) Change the deductible range so that it will be based on members' revenue rather than the deductible being the same as their All-Risk coverage. Revenue < \$5,000,000 = \$10,000 deductible; Revenue >\$5,000,000 to \$25,000,000 = \$25,000 deductible; and Revenue > \$25,000,000 = \$50,000 deductible. By establishing a tiered deductible system, the JPIA's pooled exposure will be no more than \$40,000 per occurrence.

After a short discussion on staff's recommended changes, the Committee requested that an exception for newly acquired properties be added to Section VI – Exclusions, 5. That section should now read as follows: All properties that are not scheduled prior to a loss, except any acquisition under \$100 million will be automatically covered for up to 90 days.

M/S/C (Coleman/West) (Coleman-Yes; Cuquet-Yes; Lee-Yes; Tiegs-Yes; West-Yes): That the Property Program Committee recommends that the Executive Committee approve the amended 2019-2020 Memorandum of Property Coverage to exclude losses to all properties that are not scheduled prior to a loss except any acquisition under \$100 million will be automatically covered for up to 90 days, to add a definition of Cyber Liability, and limit the JPIA's pooled Cyber Liability exposure to a maximum of \$40,000 per occurrence, as presented.

2019-2020 Property Insurance Renewal

Ms. Thesing informed attendees that JPIA's Property Program Insurance renews on July 1, 2019. JPIA experienced significant catastrophic losses over the past year, and coupled with the catastrophic losses throughout the world and United States all of which has made this renewal challenging. Due to a volatile property market, reinsurers and insurers alike are currently not able to provide a set rate for the July 1, 2019 renewal. The JPIA should have final rates in June 2019. Since renewal negotiations are still underway, staff requested that the Committee recommend that the JPIA be authorized to negotiate the 2019-2020 property insurance renewal pricing not to exceed a 30% rate increase over expiring rates.

Much discussion was held regarding staff's request. Some Committee members proposed that they meet again after the final rates are obtained; others, including some members of the audience, proposed to provide JPIA complete authority to negotiate the best possible rate without limits. After an extended discussion, the Committee decided to recommend that the JPIA be authorized to renew pricing with a not to exceed a 50% rate increase over expiring rates.

M/S/C (Coleman/Lee) (Coleman-Yes; Cuquet-Yes; Lee-Yes; Tiegs-Yes; West-Yes): That the Property Program Committee recommends that the Executive Committee approve the 2019-2020 Renewal Terms and Pricing include a "Not to Exceed" a 50% rate increase, or as presented.

Renewal Pricing

Mr. deBernardi stated that deposit premiums for the 7/1/19-20 policy year are to be mailed to the members in June. Premium rates were reduced by 10% for the 4/1/18-19 policy year. The JPIA changed the policy from March 31 policy year-end to June 30 policy year-end to accommodate the excess carrier. The Property Program Expected Revenue/Expense & Funding Requirement report provides a breakdown for the expected revenues and expenses for the 7/1/19-20 policy year. The total estimated premium with no pricing changes is approximately \$6.6 million based on \$7.9 billion in

TIVs. The premium is based on an estimated excess insurance cost of \$3 million and claims expense of approximately \$1.6 million. The 2018 actuary report projects a \$.02052, per \$100 of value, loss rate for the 4/1/19-20 policy year. The recommended renewal for excess insurance is anticipated to increase. Three different scenarios were provided for the Committee's review. A lengthy discussion was held regarding the options presented with the Committee ultimately deciding on staff's recommendation that there will be no changes to the renewal pricing from last year's policy year. The Committee also decided to exclude the Natural Disaster Fund from the budget for this year.

M/S/C (West/Lee) (Coleman-Yes; Cuquet-Yes; Lee-Yes; Tiegs-Yes; West-Yes): That the Property Program Committee recommends that the Executive Committee approve no change in rates for the Property Program policy year July 1, 2019-20, and to exclude contributions to the Natural Disaster Fund from 2019-20 policy year budget. Rates will remain the same as follows:

- Real and Personal Property \$0.081
- Mobile Equipment \$0.122
- Automobiles \$0.689

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 9:33 a.m.

Property Program Committee Meeting Attendance List

May 6, 2019

| District | First Name | Last Name | Title |
|--|------------|-------------|--------------------------------------|
| ACWA | Brent | Hastey | President |
| ACWA JPIA | Thor | Benzing | Sr. Risk Control Advisor |
| ACWA JPIA | Mathew | Bunde | Sr. Risk Control Advisor |
| ACWA JPIA | Chimene | Camacho | HR Coordinator (Recording Secretary) |
| ACWA JPIA | David | deBernardi | Director of Finance |
| ACWA JPIA | Robert | Greenfield | General Counsel |
| ACWA JPIA | Peter | Kuchinsky | Lead Risk Control Advisor |
| ACWA JPIA | Debbie | Kyburz | Lead Member Services Representative |
| ACWA JPIA | Ethan | Larson | Administrative Assistant I |
| ACWA JPIA | Jennifer | Nogosek | Liability/Property Claims Manager |
| ACWA JPIA | Sylvia | Robinson | Publications & Web Editor |
| ACWA JPIA | Andy | Sells | Chief Executive Officer |
| ACWA JPIA | Patricia | Slaven | Director of HR/Administration |
| ACWA JPIA | Dianna | Sutton | Finance Manager |
| ACWA JPIA | Karen | Thesing | Director of Insurance Services |
| ACWA JPIA | Melody | Tucker | Workers' Comp Claims Manager |
| ACWA JPIA | Bobbette | Wells | Executive Assistant to the CEO |
| Antelope Valley State Water Contractors | Kathy | Mac Laren | Director |
| Antelope Valley-East Kern Water Agency | Patti | Rose | HR Manager |
| Bard Water District | Ron | Derma | General Manager |
| Calleguas Municipal Water District | Scott | Quady | Director |
| Calleguas Municipal Water District | Thomas | Slosson | Alternate Director |
| Chino Basin Desalter Authority | Betty | Anderson | Director |
| Chino Basin Watermaster | Bob | Kuhn | Director |
| Clear Creek Community Services District | Mark | Engel | Director |
| El Dorado Irrigation District | Jacqui | Noel | Risk Analyst |
| El Toro Water District | Kathryn | Freshley | Director |
| El Toro Water District | Mike | Gaskins | Alternate Director |
| Elsinore Valley Municipal Water District | Phil | Williams | Director |
| Florin Resource CD/Elk Grove WD | Mark | Madison | General Manager |
| Fresno Irrigation District | George | Porter | Director |
| Fresno Metropolitan Flood Control District | Ken | Groom | Director |
| Fresno Metropolitan Flood Control District | Alan | Hofmann | Alternate Director |
| Friant Power Authority | Carl | Janzen | Director |
| Humboldt Bay Municipal Water District | John | Friedenbach | General Manager/Alternate Director |
| Humboldt Bay Municipal Water District | Bruce | Rupp | Director |
| Irvine Ranch Water District | Steven | LaMar | Director |
| Joshua Basin Water District | Sarah | Johnson | HR Manager |
| Kern County Water Agency | Charles | Wulff, Jr. | Director |
| Madera Irrigation District | Carl | Janzen | Director |
| Madera-Chowchilla W&P Authority | Carl | Janzen | Director |

Property Program Committee Meeting Attendance List

May 6, 2019

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|---|-------------|-----------|-------------------------------------|
| North Coast County Water District | Jack | Burgett | Director |
| Orange County Water District | Cathy | Green | Board Member |
| Orchard Dale Water District | Edward | Castaneda | General Manager/Alternate Director |
| Palmdale Water District | Dennis | Lamoreaux | General Manager |
| Puente Basin Water Agency | Theresa | Lee | Director |
| Rancho California Water District | Carol Lee | Brady | Alternate Director |
| Rancho California Water District | Eva | Plajzer | Asst. General Manager/Alt. Director |
| Rankin Stock Heaberlin Oneal | Jeff | Oneal | Attorney |
| Rincon Del Diablo Muncipal Water District | Greg | Thomas | General Manager/Alternate Director |
| Rincon del Diablo Municipal Water District | David | Drake | Director |
| Rio Alto Water District | Craig | Weaver | Director |
| Rowland Water District | John | Bellah | Board Member |
| Rowland Water District | Robert | Lewis | Director |
| San Bernardino Valley Municipal Water District | Milford | Harrison | Director |
| San Bernardino Valley Water Conservation District | Melody | McDonald | Director |
| San Dieguito Water District | Jace | Schwarm | Alternate Director |
| San Gabriel Basin Water Quality Authority | Bob | Kuhn | Director |
| San Luis & Delta-Mendota Water Authority | Rick | Gilmore | Director |
| Santa Clarita Valley Water Agency | Jerry | Gladbach | Director |
| Santa Clarita Valley Water Agency | R.J. | Kelly | Board Member |
| Santa Rosa Regional Resources Authority | S.R. Al | Lopez | Alternate Director |
| South Tahoe Public Utilities District | Nancy | Hussmann | HR Director/Alternate Director |
| Sunnyslope County Water District | Judi | Johnson | Director |
| Three Valleys Municipal Water District | Brian | Bowcock | Director |
| Three Valleys Municipal Water District | Bob | Kuhn | Director |
| Tulare Irrigation District | Kathi | Artis | Controller/Alternate Director |
| Upper San Gabriel Valley MWD | Alfonso | Contreras | Director |
| Vallecitos Water District | Hal | Martin | Director |
| Valley County Water District | Jazmin | Lopez | Board Member |
| Vandenberg Village CSD | Joe | Barget | General Manager |
| Vandenberg Village CSD | Christopher | Brooks | Director |
| Vandenberg Village CSD | Katherine | Stewart | Board Member |
| Vista Irrigation District | Paul | Dorey | Director |
| Westborough Water District | Darryl | Barrow | General Manager |
| Wheeler Ridge-Maricopa WSD | James | Smith | Controller/Alternate Director |
| Yorba Linda Water District | Brooke | Jones | Director |
| Yuba County Water Agency | Terri | Daly | Administrative Services Manager |
| Yuba County Water Agency | Lynne | Ludwig | Risk Analyst |