



Approved 09.27.21

Liability Program Committee Meeting

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

September 27, 2021

This meeting consisted of a simultaneous Zoom teleconference meeting at the ACWA JPIA, 2100 Professional Drive, Roseville, CA 95661 and remote sites.

MEMBERS PRESENT

Vice-Chair: Pamela Tobin, San Juan Water District
Jack Burgett, North Coast County Water District
Terri Daly, Yuba Water Agency
Brenda Dennstedt, Western Municipal Water District
Paul E. Dorey, Vista Irrigation District
Marc Limas, Alta Irrigation District
Tammy Rudock, Mid-Peninsula Water District
Jace Schwarm, San Dieguito Water District

MEMBERS ABSENT

Chair: Melody McDonald, San Bernardino Valley Water Conservation District

STAFF PRESENT

Chief Executive Officer/Secretary: Walter "Andy" Sells
Kristan Brown, Administrative Assistant II (Recording Secretary)
Chimene Camacho, Executive Assistant to the CEO
David deBernardi, Director of Finance
Robin Flint, Risk Control Manager
Robert Greenfield, General Counsel
Debbie Kyburz, Lead Member Services Representative
Jennifer Nogosek, Liability/Property Claims Manager
Jillian Sciancalepore, Administrative Assistant II
Patricia Slaven, Director of Human Resources and Administration
Sandra Smith, Employee Benefits Manager
Dan Steele, Finance Manager
Shelley Tippit, Accountant II
Melody Tucker, Workers' Compensation Claims Manager
Nidia Watkins, Member Services Representative II

OTHERS IN ATTENDANCE

E.G. "Jerry" Gladbach, Santa Clarita Valley Water Agency
Fred Bockmiller, Mesa Water District

David Drake, Rincon del Diablo Municipal Water District
Brent Hastey, Yuba Water Agency
Randall J. Reed, Cucamonga Valley Water District
Bruce Rupp, Humboldt Bay Municipal Water District
Jennifer Hetzel, Aon Risk and Insurance Services
Krishna Shirodkar, Aon Risk and Insurance Services
Jeffrey Thomas, Municipal Water District of Orange County
Alex Tokar, Aon Risk and Insurance Services

WELCOME/INTRODUCTION

Vice-Chair Tobin welcomed everyone in attendance.

CALL TO ORDER AND ANNOUNCEMENT OF QUORUM

Vice-Chair Tobin called the meeting to order at 10:31 a.m. She announced there was a quorum.

ANNOUNCEMENT RECORDING OF MINUTES

Vice-Chair Tobin announced that the meeting would be recorded to assist in preparation of minutes. Recordings are kept 30 days following the meeting, as mandated by the California Brown Act.

PUBLIC COMMENT

Vice-Chair Tobin 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 Tobin welcomed all in attendance. She then introduced the Committee members.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

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

CONSENT AGENDA

Vice-Chair Tobin called for approval of the minutes.

M/S/C (Schwarm/Rudock) (Burgett-Yes; Daly-Yes; Dennstedt-Abstain; Dorey-Yes; Limas-Yes; Rudock-Yes; Schwarm-Yes; Tobin-Yes): That the Liability Program Committee approve the minutes of the August 24, 2020 meeting, as presented.

MEMBERSHIP

Review of Program Membership

Mr. Sells reported on the new members that joined the Liability Program during the 2020-21 coverage year. He stated that membership continues to grow with San Bernardino Valley Municipal Water District being the largest of four agencies that have recently joined.

Sonoma Valley Groundwater Sustainability Agency has withdrawn from the 2021-22 program year, and both Yorba Linda Water District and Twentynine Palms Water District have rescinded their intent to withdraw. Mr. Sells stated that members do their due diligence in determining the best insurance terms for their agency.

In addition, staff is currently in discussions with potential new members and expect applications to be forthcoming in the new year.

NEW BUSINESS

Historical and Current Claims Trends

Mr. Greenfield noted that JPIA's Liability Program continues to perform well and has a favorable claims history with minimal pooled losses. The graphs and data provided an overview of the claims history. Even though the 2018-19 policy year had seen more pooled losses than 2019-20 policy year, 2019-20 had more reported claims than the 2018-19. For the 2020-21 policy year, JPIA is closing out with scaled down pooled and excess losses with minimal occurrences.

As shown in the graphs, the majority of member claims are in the \$1-\$10,000 range, while there have only been three claims over \$10 million within the last forty years. Although the claim occurrences continue to rise, over the life of the program, the actual cost per million of payroll has steadily declined. Mr. Greenfield attributes this to members' continued dedication to implementing risk controls, as well as the efforts of JPIA's Training, Risk Management and Claims Departments.

Memorandum of Liability Coverage

Ms. Nogosek stated that each year the JPIA staff reviews the Memorandum of Liability Coverage (MOLC) to assess current Liability trends that might affect the JPIA and its members. If necessary, the MOLC is amended on an annual basis. For the 2021-22 policy year, no changes to the MOLC have been recommended. However, staff will continue to review claims and other factors that may prompt future changes.

M/S/C (Schwarm/Dorey) (Burgett-Yes; Daly-Yes; Dennstedt-Yes; Dorey-Yes; Limas-Yes; Rudock-Yes; Schwarm-Yes; Tobin-Yes): That the Liability Program Committee recommends that the Executive Committee approve no revisions to the Memorandum of Liability Coverage, to be effective October 1, 2021.

Renewal of Excess General Liability Reinsurance

Mr. Sells reviewed JPIA's Liability Program renewal of the reinsurance/excess insurance agreements. JPIA has been working diligently with Aon to assemble a variety of carriers. For the 2021-22 policy year, JPIA members will continue to cover the first \$5

million pooled retention layer, and a variety of carriers will build the remaining \$50 million tower of coverage. This will include Safety National remaining in the \$5 million X \$5 million layer and JPIA's Captive, California Water Insurance Fund (CWIF) taking the \$10 million X \$10 million position in the tower.

Mr. Tokar with Aon expressed that it has been an extremely hard Liability market for the past few years. There has been much uncertainty and fear amongst the reinsurers, which can cause an abundance of caution.

Ms. Hetzel with Aon indicated that although challenging, she was very pleased with JPIA's renewal terms. She stated because of the diminished market many clients not only have seen a 50% drop in capacity, but also a huge deterioration in coverage. She also provided clarification regarding the insurance tower.

Mr. Sells and Committee members agreed that the work Aon did in putting together the tower was appreciated and commendable, especially in this challenging market.

M/S/C (Burgett/Rudock) (Burgett-Yes; Daly-Yes; Dennstedt-Yes; Dorey-Yes; Limas-Yes; Rudock-Yes; Schwarm-Yes; Tobin-Yes): That the Liability Program Committee recommends that the Executive Committee approve the reinsurance terms, conditions, and premiums as presented. Coverage to be effective October 1, 2021.

Renewal Pricing

Mr. deBernardi reviewed the Liability Program renewal pricing and funding requirements for the 2021-22 Liability Program policy year. He discussed that the Liability Program pricing for the JPIA members has been trending downward over the years.

Payrolls for the 10/1/21-22 policy year indicate an increase of approximately 2.48% (line 14). There is a decrease in the paid claims and claims reserves (line 6) of 5.47%. This is due to the decrease in the estimated loss rate from the actuary of 7.8% (\$2.14 vs \$2.32). The proposed excess insurance costs have increased nearly 29% (line 7) in part due to the cyber liability coverage increasing by approximately \$800,000.

Two options have been presented for point of reference.

The 1st option presents pricing with no change. In this scenario, the Rate of Deposit Premium to Payroll (line 16) remains the same. Under this option Retrospective Premium Adjustments (line 3) would result in \$1 million additional funds being assessed to members.

The 2nd option is presented with a 5% increase to the Rate of Deposit Premium to Payroll (line 16). Line 6, Paid Claims and Claims Reserves, was incorrectly presented and should be \$16,895,852. With this change the Retrospective Premium Adjustments (line 3) would result in \$300 thousand additional funds being refunded to members.

Staff recommends approval of option 1 – no price change. This year has been challenging for several of our members with the pandemic, drought, and increased Property premiums.

M/S/C (Schwarm/Rudock) (Burgett-Yes; Daly-Yes; Dennstedt-Yes; Dorey-Yes; Limas-Yes; Rudock-Yes; Schwarm-Yes; Tobin-Yes): That the Liability Program Committee recommends that the Executive Committee approve Option 1 - no change in billing rate to members, effective October 1, 2021, as presented.

California Water Insurance Fund

At the November 26, 2018 meeting, the Board of Directors approved a resolution to proceed with forming the California Water Insurance Fund (CWIF), a Captive Insurance Company. Implementation of the CWIF Investment policy began January 2020. JPIA is looking to increase equity to CWIF by adding and utilizing the Workers' Compensation Catastrophic Reserve funds. The rate of return since inception has been approximately 18.0% vs a rate of return on the JPIA portfolio of approximately 1.49%.

General Counsel Update

Mr. Greenfield reported that every year CAJPA Legal Affairs Committee puts together summary case law. He has provided the Liability Committee with these summaries and encouraged members to review, so they could see some of the trends and legal issues that emerge within the workplace.

In addition, on October 1 of the new policy year, JPIA is providing a financial incentive program to encourage members to use the employee hotline. The hotline has been extremely successful in eliminating claims. Mr. Greenfield stated that most of the employment practices claims come from members that have failed to reach out to JPIA. JPIA hopes the employee hotline continues to provide the members with valuable information and protect the members from losses.

Liability Claims Department

Ms. Nogosek relayed that by adding a new Senior Claims Adjuster to the Liability Claims Department, it has helped with consistent and excellent claims service to our members, while receiving more claims.

Ms. Nogosek also noted that most of the California courts are re-opened and holding both in-person and on-line hearings for our litigated claims. However, actual trial dates remain very delayed.

In addition, the Department will be working with the Training Department to develop several short webinars for members regarding claims handling, responding to pipe breaks, risk transfer, etc. Succession planning for our defense counsel will also be a focus of the Department.

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 12:01 p.m.