

**POOLED LIABILITY ASSURANCE NETWORK JOINT  
POWERS AUTHORITY  
(PLAN JPA)**

**MINUTES OF THE STRATEGIC PLANNING SESSION  
MARCH 1, 2019**

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A Strategic Planning Session of the Board of Directors was held on March 1, 2019, at Hilton Garden Inn San Francisco Airport North, 670 Gateway Boulevard, South San Francisco, CA 94080.

**MEMBERS PRESENT:**

Marc Zafferano, Chair, San Bruno  
Ann Ritzma, Treasurer, Foster City  
George Rodericks, Atherton  
Heather McLaughlin, Benicia  
Pak Lin, Colma  
Brenda Olwin, East Palo Alto  
Matthew Chidester, Half Moon Bay (*Arrived during Agenda Item 2.A*)  
John Mullins, Hillsborough  
Robert Schultz, Los Gatos  
DeAnna Hilbrants, Millbrae  
Jane Corpus, Milpitas  
Donald Larkin, Morgan Hill  
Lorenzo Hines, Pacifica  
Michael Taylor, Saratoga  
Leah Lockhart, South San Francisco  
Kevin Bryant, Woodside  
Cindy Safe, Woodside (Alternate)

**MEMBERS ABSENT:**

Jason B. Holley, American Canyon  
Kathleen Kane, Burlingame  
Jill Lopez, Campbell  
Kristina Alfaro, Cupertino  
Julie Carter, Dublin  
Carl Cahill, Los Altos Hills  
David Benoun, Newark  
Jeremy Dennis, Portola Valley  
Joe Chinn, Ross

Rebecca Mendenhall, San Carlos  
Scott Corey, Suisun City  
Greg Chanis, Tiburon

**OTHERS PRESENT:**

Jon Paulsen, General Manager,  
Yahaira Martinez, Assistant General Manager  
Katie Sullivan, Analyst  
Ritesh Sharma, Finance Manager  
Gail Zeigler, Risk Control Consultant  
Craig Wheaton, Litigation Manager  
Terrie Norris, York Pooling  
Myvan Khuu-Seeman, Newark  
Edmund Suen, Foster City  
Greg Rubens, Legal Counsel, Aaronson, Dickerson,  
Cohn & Lanzone (*Left after Agenda Item 7.A*)  
Seth Cole, Alliant Insurance Services  
Thomas Joyce, Alliant Insurance Services

**1. WELCOME AND INTRODUCTIONS**

The March 1, 2019, Strategic Planning Session was called to order at 9:27 a.m. by President Marc Zafferano. Introductions were made it was determined there was a quorum of the Board of Directors present. There were no public comments.

Due to scheduling conflicts, it was requested that agenda item 2.D be moved to the beginning of the Strategic Planning Session.

**2. PLANNING FOR THE 2019/20 PROGRAM YEAR**

**D. Governance**

1. Review and Discussion Regarding PLAN JPA Governing Documents

a. Memorandum of Coverage and Conflict of Interest Code

Members and staff continue to request updates to the PLAN JPA governing documents. Staff is working with Board counsel on several updates for implementation in the upcoming 2019/20 program year. These include, but are not limited to, the following items:

- Clarification on Employment Practices Liability Exclusion;
- Clarification on Auto Liability, Auto Physical Damage, and Rental Vehicles;
- Clarification/Addition of Specific Drone Language; and
- Clarification on Inverse Condemnation.

The PLAN JPA Conflict of Interest Code (COIC) was finalized in June 2018; however, another revision was necessary as the Bylaws permit member employees to service on committees even if not serving on the Board of Directors at the time they are serving on a committee. This was not considered in the initial revision of the COIC, and staff requested feedback from the Fair Political Practices Division. Additionally, the idea of having two alternates per member agency, instead of one, would be beneficial due to expertise, turn-over, and committee participation.

After a brief discussion, the Board directed staff to restrict committee members to being members of the Board only, as well as allowing for member agencies to designate up to two Alternate Board members, if desired. Staff will amend the Bylaws to reflect these changes and the draft amendments will be presented to the Executive Committee for recommendation to the Board of Directors.

b. Target Equity Benchmarks

In reviewing PLAN JPA's governing documents, staff was not able to identify a formal Target Equity policy or benchmarks. Such policy is recommended by the California Association of Joint Powers Authorities (CAJPA) and the Association of Governmental Risk Pools (AGRiP), the former being an association that PLAN JPA will be seeking accreditation from in the upcoming 2019/20 program year.

The purpose of this policy statement is to give guidance to the Board of Directors in making annual funding, dividend and assessment decisions for the PLAN JPA programs. There is a high degree of uncertainty in the annual actuarial estimates due to the possibility of occasion catastrophic claims and inconsistent or inaccurate case reserving. This policy would allow the PLAN JPA programs to be funded in a cautious and prudent manner and return equity to its members in an equally cautious and prudent manner while maintaining sufficient assets to pay all losses and avoid substantial fluctuations to contribution.

Ritesh Sharma, Finance Manager, presented the following sample ratios to the Board:

- **“Net Contribution” to “Net Position” Ratio:** this ratio is a measure of how “Net Position” is leveraged against possible pricing inaccuracies. A low ratio is desirable.
- **“Expected Liabilities” to “Net Position” Ratio:** This ratio is a measure of flexibility the pool has to absorb development of expected losses. A low ratio is desirable.
- **“Net Position” to “Self-Insured Retention” Ratio:** This ratio is a measure of the maximum amount that “Net Position” could decline due to a single loss. A high ratio is desirable.
- **Operating Ratio:** This ratio is a measure of the inflows versus the outflows in each year. This ratio measures financial stability and solvency. An operating ratio of less than 100% is desirable.
- **Reserve Development:** This is a measure of the change in aggregate incurred losses from one valuation period to the prior valuation(s). Generally, the one-year and two-year reserve development to “Net Position” threshold should be less than 20%.
- **Change in Net Position:** This ratio measures if a decline in equity in excess of 10% warrants an increase in annual contribution or an assessment.

c. Dividend Release/Capital Contribution Policy

In conjunction with a Target Equity policy, CAJPA and AGRiP recommend formal dividend and contribution policies. Mr. Sharma presented sample governing documents to discuss with the Board.

A discussion ensued around which target equity benchmarks to set, increasing PLAN JPA’s confidence level, having more structure around dividends and assessments, and maintaining flexibility around funding decisions. Staff was directed to do more analysis and bring forth more solid recommendations to the Executive Committee and Board of Directors.

2. Board and Committee Changes and Vacancies

There have been several changes to member representation on the Board of Directors and PLAN JPA Committees. Staff reviewed the current vacancies with the Board, noting nominations and elections are coming up at the June 12, 2019, Board of Directors meeting.

Additionally, staff presented to the Board the option to consolidate their Actuarial Committee and Finance Committee into one committee that will meet regularly once per year. Consolidating the committees would allow for a more streamlined review of the financials, while eliminating the need for multiple meetings. The Board directed staff to combine the two committees for the upcoming 2019/20 program year. This change will be reflected in the Bylaws that will be presented to the Executive Committee for recommendation to the Board of Directors.

#### **A. State of the Insurance Market**

Seth Cole, Senior Vice President, Alliant Insurance Services, LLC, was present to provide an update on the state of the insurance market related to the upcoming PLAN JPA renewals. Mr. Cole provided the following highlights:

- 2018 was the fourth-costliest year since 1980 in terms of insured losses, due to an accumulation of severe and costly events in the second half of the year.
- Commercial insurance prices increased in the third quarter of 2018:
  - Property indicates increases in the low to mid-single digits;
  - Commercial auto are near double digit increases for the fourth consecutive quarter; and
  - CLIPS indicates ongoing material price reductions for workers' compensation.
- 2017 was a record year for catastrophic losses:
  - Flooding events spurred 73% of federal disaster declarations;
  - \$14 billion insured wildfire losses, with California damage estimated at \$11 billion; and
  - North America's hurricane season endured record-breaking insured and economic losses with disasters affecting approximately 25 million Americans.
- Emerging Risks Affecting Public Entities:
  - Cyber;
  - School Violence;
  - Playground Safety;
  - Police Violence;
  - Active Shooter;
  - Sexual Misconduct; and
  - Transgender Discrimination, and more.

- Upwards pressure on property rates: buyers of property insurance should budget conservatively, showing possible rate increases of 10% with larger increases for insureds with above average losses.

## **B. Emerging Risks**

At the October 26, 2018, Executive Committee meeting, staff was charged with reviewing emerging risks and exposures for discussion at the Strategic Planning Session.

### 1. Design Immunity

Craig Wheaton, Litigation Manager, was in attendance and provided the Board with a presentation around Design Immunity. He provided the following examples of possible issues:

- A dangerous intersection;
- Roadways in a condition likely to cause vehicle damage;
- A roadway without a street sign where warranted (curve, road repair, etc);
- A roadway with overgrown vegetation covering warning signs;
- Missing manhole covers;
- Sidewalks in a condition likely to cause trips and falls; and
- City parks with chain link swings.

Mr. Wheaton discussed government codes, relationships between design and accidents, and costs of filing a Motion for Summary Judgement (MSJ).

Gail Zeigler, Risk Control Consultant, proposed different options for regional trainings for frontline staff regarding design immunity. Small, inter-city trainings were suggested, as well as a webinar or video training.

### 2. Dangerous Conditions

#### a. Intersections and Crosswalks

Mr. Paulsen provided an overview on intersections and crosswalks, dangerous conditions, and recent related claims experience with a focus on being aware of potential issues. The Board was welcomed to provide any opinions, insight, and direction to staff.

After a brief discussion, the Board directed staff to do research to add more defense counsel specialists to the list of approved attorneys.

b. Caltrans Maintenance and Operations Agreements

Jon Paulsen, General Manager, discussed the recent claims experience related to Caltrans Maintenance and Operations Agreements; noting the agreements are do not clearly define who is held responsible in various circumstances. He stated staff will be working on gathering interest from other pools in updating the agreements going forward.

3. Emerging Industry Exposures for PLAN JPA – Alliant Insurance Services

Mr. Cole provided an overview of emerging municipal risks and exposures. Police shootings, protests, drones, cyber, and the homeless community were all discussed.

**C. Membership Retention and Growth**

This item was not discussed during the Strategic Planning Session. It will be brought forth for discussion at the October 2019 Executive Committee meeting.

3. **STRATEGIC OUTCOME**

**A. Establish 2019/20 Goals & Strategic Objectives**

This item was not discussed at the Strategic Planning Session. It will be brought forth for discussion at the April 18, 2019, Executive Committee meeting.

4. **CLOSING COMMENTS**

**A. Board of Directors**

Marc Zafferano thanked Heather McLaughlin for her many years of dedicated service to PLAN.

Marc Zafferano thanked staff for all their hard work over the past few months.

**B. Staff**

Mr. Paulsen informed the Board staff is developing a membership survey to gauge satisfaction with staff and service providers.

**5. ADJOURNMENT**

The Strategic Planning Session of the PLAN JPA was adjourned at 12:50 p.m.

A handwritten signature in black ink that reads "Katie Sullivan". The signature is written in a cursive style with a large, looping initial "K".

Katie Sullivan, Assistant Board Secretary